Stock Code: 2520

Kindom Development Co., Ltd.
and Subsidiaries

Consolidated Financial Statements with Independent Auditors' Report

For 2020 and 2019

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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.

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Statement of Declaration

The entities that are required to be included in the consolidated financial statements of Kindom Development Co., Ltd. as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Kindom Development Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Hereby declared,

Kindom Development Co., Ltd.

Chairman: Mike, Ma

March 26, 2021

Independent Auditors' Report

To the Board of Directors of Kindom Development Co., Ltd.:

Audit Opinion

We have audited the Consolidated Balance Sheets of Kindom Development Co., Ltd. and its subsidiaries as of December 31, 2020, and 2019, as well as the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the annual period from January 1 to December 31, 2020, and 2019.

In our opinion, the aforementioned 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 consolidated cash flows for the annual periods ended December 31, 2020, and 2019 in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and effected by the Financial Supervisory Commission.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2020 consolidated financial statements of the Group. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, key audit matters for the financial statements for the year ended December 31, 2019 are stated as follows:

I. Revenue recognition of real estate sales

Refer to Note 4(17) for the accounting policies on recognizing revenue and Note 6(22) for details of related disclosure.

Description of key audit matters:

The Group engaged primarily in the sales and development of real estate. Real estate sales are easily subject to changes in overall economic conditions, tax reforms, market demands of properties and lands, and other factors. In response to the aforementioned changes, the governing authority has established relevant controls over revenue recognition and installment payments. The revenue of real estate sales amounts to NT$16,776,116 thousand, which is material to the fair presentation of consolidated financial statements. Consequently, the Group's revenue recognition has been identified as one of the key audit matters.

Our audit procedures performed in respect of the above area included the following:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, understanding the design and effectiveness of the Group’s internal controls over the recognition of revenue and the accrual of receivables; performing sample testing to inspect the real estate sales contracts, tables of the receivables, bank transactions, transfers of property rights, closing checklists and others. In addition, it also includes performing sample testing on sales transactions taking place before and after the balance sheet date as well as confirming relevant transaction records and documentations to ensure that revenue was fairly presented in the appropriate period.

II. Construction contracts

Refer to Note 4(17) for the accounting policies on construction contracts; Note 5(1) for the uncertainty of accounting estimations and assumptions for total construction costs; and Note 6(22) for details of revenue recognition of customer contracts.

Description of key audit matters:

The evaluation of total costs of a construction contract, which are subject to changes in construction plans and inflation or deflation on prices of building materials, requires the Group's management judgments to a great extent. Errors in the evaluation of construction costs may cause significant changes to the profit and loss for the reporting period and therefore are a source of audit risk. The Group applies the percentage of completion accounting method to accounts for revenue and costs of a contract, and the percentage of completion is based on the percentage of construction projects completed as of the end of the reporting period out of the total estimated construction costs of the contract. Since the total construction costs require the Group's management judgments to a great extent, errors in such judgments may cause significant misrepresentation in the timing and the valuation of profit or loss of a contract for the year.

Our audit procedures performed in respect of the above area included the following:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, testing the design and effectiveness of the Group's internal controls over the outsourcing of construction projects and the accrual of receivables; obtaining the tables containing all details of changes in the total construction costs; performing sample testing to confirm construction contracts, agreements, and external documentations of communications with property purchasers and meeting minutes with construction crew; performing sample testing on construction bills and payments from closed property purchasers in each periods; testing and evaluating the design and effectiveness of the Group's internal controls over procurement outsourcing and construction budgeting; performing sample testing to confirm the external documentations of construction bills, contracts, daily reports, receipts, and budgets and comparing these documents with original construction budgets to verify the fair presentation and correct classifications of construction costs; performing sample testing to evaluate the management's budgeting procedures of a construction; performing sample testing on the pricing of building materials in each periods and recalculating the percentage of completion; and performing sample testing to evaluate the cutoff of construction projects taking place before and after the balance sheet date.

III. Inventory valuation

Refer to Note 4(8) for the accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimations and assumptions for inventory valuation, and Note 6(5) for details of inventory valuation.

Description of key audit matters:

As of December 31, 2020, the Group's inventory amounts to NT$28,294,015 thousand and accounts for 50% of total assets. The valuation of inventory is at the lower of cost or cost or market price, that is the price of real estate market with highly subject to large capital investment and long payback period and greatly subject to political, economic and real estate tax reforms. Consequently, identified as one of the key audit matters, the Group's cost of inventory might be higher than its market price. Therefore, inventory evaluation is one of the important evaluation items in the auditing on the financial review of the Group.

Our audit procedures performed in respect of the above area included the following:

In relation to the key audit matter above, we have performed certain audit procedures including understanding the Group’s internal procedures and accounting processes over inventory valuation; obtaining the net realizable value of inventory performed by the Group as of the end of the reporting period; inspecting and performing sample testing on the comparable market data such as registered sales prices of real estate published by contract prices of recent sales of the Group’s developments, Ministry of the Interior, and sales prices of the transactions in the neighborhood, or confirming and recalculating the investment return analysis of each developments, to evaluate if the net realizable value of inventory is fairly presented.

Other Matters

Kindom Development Co., Ltd. has compiled the Parent-Company-Only Financial Statements for 2020 and 2019, and they have also received an unqualified audit opinion from our CPAs for your reference.

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

The 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 FSC of the Republic of China. The management has determined that such internal control is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 may be caused by fraud or errors. The misstated amounts are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Consolidated Financial Statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the 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 determined the key audit matters of the consolidated financial statements of the Group of 2020. 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.

KPMG

Taipei, Taiwan

Republic of China

March 26, 2021

Notices 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 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.

Kindom Development Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2020, and 2019

Unit: NT$ thousand

		2020.12.31		2019.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1) and (25))	$ 11,510,749	20	6,229,385	11
1110	Financial assets at fair value through profit or loss - current (Note 6(2) and (25))	67,661	-	97,563	-
1140	Contract assets - current (Note 6(22))	1,671,567	3	1,349,793	3
1150	Notes receivable, net (Note 6(4) and (25))	858	-	3,201	-
1170	Accounts receivable, net (Note 6(4), (22) and (25))	2,225,979	4	1,412,568	3
1220	Current tax assets	34,199	-	33,266	-
1300	Inventories - trading (Note 6(5))	9,739	-	15,105	-
1320	Inventories - construction (Note 6(5) and 8)	28,294,015	50	32,406,303	58
1410	Prepayments	155,232	-	300,541	1
1476	Other financial assets - current (Note 6(12), (22), (25) and 8)	2,262,304	4	3,530,868	6
1479	Other current assets - others	61,485	-	40,424	-
1480	Incremental costs of obtaining a contract - current (Note 6(12))	121,038	-	144,525	-
		46,414,826	81	45,563,542	82
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6(3) and (25))	8,731	-	8,579	-
1550	Investments accounted for using equity method	20,507	-	20,506	-
1600	Property, plant and equipment (Note 6(8) and 8)	6,586,166	12	6,703,794	12
1755	Right-of-use assets (Note 6(9))	3,548,998	6	2,789,255	5
1760	Investment property (Note 6(10) and 8)	506,175	1	510,687	1
1780	Intangible assets (Note 6(11))	49,236	-	42,830	-
1840	Deferred tax assets (Note 6(19))	54,512	-	51,446	-
1915	Prepayments for equipment	2,101	-	9,926	-
1975	Defined benefit assets, net - non-current (Note 6(18))	3,400	-	1,361	-
1980	Other financial assets- non-current (Note 6(25) and 8)	132,280	-	72,968	-
1995	Other non-current assets - others	50,109	-	50,071	-
		10,962,215	19	10,261,423	18
	Total assets	**$ 57,377,041**	**100**	**55,824,965**	**100**

		2020.12.31		2019.12.31	
	Liabilities and equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loans (Note 6(13) and (25))	$ 15,101,351	26	18,915,374	34
2130	Contract liabilities - current (Note 6(22))	5,585,647	10	6,187,338	11
2150	Notes payable (Note 6(25))	389,871	1	397,938	1
2170	Accounts payable (Note 6(25))	5,206,700	9	4,871,171	9
2200	Other payables (Note 6(25))	1,115,831	2	777,890	2
2230	Current tax liabilities	665,104	2	68,365	-
2250	Current provisions (Note 6(16))	150,363	-	102,482	-
2251	Current provisions for employee benefit (Note 6(18))	22,278	-	21,533	-
2280	Current lease liabilities (Note 6(15) and (25))	159,420	-	129,914	-
2320	Current portion of long-term debt due within one year or one operating period (Note 6(25))	16,336	-	16,336	-
2321	Current portion of convertible corporate bond due within one year or one operating period (Note 6(14) and (25))	1,500,000	3	-	-
2322	Current portion of long-term loans due within one year or one operating period (Note 6(13) and (25))	217,760	-	190,450	-
2399	Other current liability - others	52,644	-	171,094	-
		30,183,305	53	31,849,885	57
	Non-current liabilities:				
2530	Bonds payable (Note 6(14) and (25))	4,000,000	7	4,500,000	8
2540	Long-term debts (Note 6(13) and (25))	2,157,240	4	2,184,575	4
2580	Non-current lease liabilities (Note 6(15) and (25))	3,521,533	6	2,714,817	5
2640	Defined benefit liabilities, net - non-current (Note 6(18))	5,979	-	6,681	-
2645	Guarantee deposits received (Note 6(25))	94,419	-	90,754	-
2670	Other non-current liabilities, others (Note 6(25))	49,008	-	65,344	-
		9,828,179	17	9,562,171	17
	Total liabilities	40,011,484	70	41,412,056	74
	Equity attributable to owners of the parent company (Note 6(20))				
3100	Share capital	5,037,910	9	5,037,910	9
3200	Capital surplus	1,396,097	2	1,379,873	3
3300	Retained earnings	8,902,937	15	6,306,721	11
3400	Other equity interest	(27,847)	-	(25,804)	-
3500	Treasury stock	(71,196)	-	(71,196)	-
	Total equity attributable to owners of the parent company	15,237,901	26	12,627,504	23
36XX	Non-controlling interests (Note 6(7))	2,127,656	4	1,785,405	3
	Total equity	17,365,557	30	14,412,909	26
	Total liabilities and equity	$ 57,377,041	100	55,824,965	100

(Refer to the subsequent Notes to Consolidated Financial Statements)

Kindom Development Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2020 and 2019

Unit: NT$ thousand

		2020		2019	
		Amount	%	Amount	%
4000	**Operating Revenue (Note 6(22))**	$ 27,345,405	100	15,326,899	100
5000	**Operating Costs (Note 6(5))**	20,234,794	74	11,298,605	73
	Gross profit	7,110,611	26	4,028,294	27
	Operating expenses:				
6100	Selling and marketing expenses	425,871	2	390,095	3
6200	General and administrative expenses	1,515,908	5	1,439,470	9
		1,941,779	7	1,829,565	12
	Net operating profit	5,168,832	19	2,198,729	15
	Non-operating income and expenses:				
7100	Interest income (Note 6(24))	21,036	-	20,300	-
7010	Other income (Note 6(24))	3,435	-	3,456	-
7020	Other gains and losses (Note 6(24))	62,291	-	42,203	-
7050	Finance costs (Note 6(24))	(366,796)	(1)	(450,425)	(3)
7060	Share of profit and loss associates and joint ventures accounted for using the equity method	1	-	1	-
		(280,033)	(1)	(384,465)	(3)
	Net income before tax from continuing operating department	4,888,799	18	1,814,264	12
7950	**Less: Income tax expenses (Note 6(19))**	983,662	4	268,041	2
	Net income	3,905,137	14	1,546,223	10
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans	(1,234)	-	622	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	152	-	984	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of financial statements of foreign operations	(2,686)	-	(421)	-
8300	**Other comprehensive loss (net of taxes)**	(3,768)	-	1,185	-
	Total comprehensive income (loss) for the years	**$ 3,901,369**	**14**	**1,547,408**	**10**
	Net income attributable to:				
8610	Owners of the parent company	$ 3,353,971	12	1,283,526	8
8620	Non-controlling interests	551,166	2	262,697	2
		$ 3,905,137	**14**	**1,546,223**	**10**
	Total comprehensive income attributable to:				
8710	Owners of the parent company	$ 3,349,860	12	1,283,294	8
8720	Non-controlling interests	551,509	2	264,114	2
		$ 3,901,369	**14**	**1,547,408**	**10**
9750	**Basic Earnings Per Share (in NT$) (Note 6(21))**	**$**	**6.80**		**2.60**
9850	**Diluted Earnings Per Share (in NT$) (Note 6(21))**	**$**	**6.77**		**2.60**

(Refer to the subsequent Notes to Consolidated Financial Statements)

Kindom Development Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2020 and 2019

Unit: NT$ thousand

	Equity attributable to owners of the parent company											
	Share capital		Retained earnings				Other equity interest					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Treasury stock	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance as of January 1, 2019	$ 5,037,910	1,368,865	1,637,699	32,521	3,856,740	5,526,960	(25,910)	364	(71,196)	11,836,993	1,730,570	13,567,563
Net income	-	-	-	-	1,283,526	1,283,526	-	-	-	1,283,526	262,697	1,546,223
Other comprehensive income	-	-	-	-	26	26	(354)	96	-	(232)	1,417	1,185
Total comprehensive income	-	-	-	-	1,283,552	1,283,552	(354)	96	-	1,283,294	264,114	1,547,408
Earnings appropriation and distribution:												
Legal reserve appropriated	-	-	50,724	-	(50,724)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(6,975)	6,975	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(503,791)	(503,791)	-	-	-	(503,791)	-	(503,791)
Other changes in capital reserve:												
Changes in equity of associates and joint ventures accounted for under the equity method	-	11	-	-	-	-	-	-	-	11	22	33
Changes in capital reserve from dividends paid to subsidiaries	-	10,626	-	-	-	-	-	-	-	10,626	-	10,626
Unclaimed dividends after effective period	-	371	-	-	-	-	-	-	-	371	-	371
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(209,301)	(209,301)
Balance as of December 31, 2019	5,037,910	1,379,873	1,688,423	25,546	4,592,752	6,306,721	(26,264)	460	(71,196)	12,627,504	1,785,405	14,412,909
Net income	-	-	-	-	3,353,971	3,353,971	-	-	-	3,353,971	551,166	3,905,137
Other comprehensive income (loss)	-	-	-	-	(2,068)	(2,068)	(2,257)	214	-	(4,111)	343	(3,768)
Total comprehensive income (loss)	-	-	-	-	3,351,903	3,351,903	(2,257)	214	-	3,349,860	551,509	3,901,369
Earnings appropriation and distribution:												
Legal reserve appropriated	-	-	128,355	-	(128,355)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	258	(258)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(755,687)	(755,687)	-	-	-	(755,687)	-	(755,687)
Changes in equity of associates and joint ventures accounted for under the equity method	-	18	-	-	-	-	-	-	-	18	-	18
Changes in capital reserve from dividends paid to subsidiaries	-	15,938	-	-	-	-	-	-	-	15,938	-	15,938
Unclaimed dividends after effective period	-	268	-	-	-	-	-	-	-	268	35	303
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(209,293)	(209,293)
Balance as of December 31, 2020	**$ 5,037,910**	**1,396,097**	**1,816,778**	**25,804**	**7,060,355**	**8,902,937**	**(28,521)**	**674**	**(71,196)**	**15,237,901**	**2,127,656**	**17,365,557**

(Refer to the subsequent Notes to Consolidated Financial Statements)

Kindom Development Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

From January 1 to December 31, 2020 and 2019

Unit: NT$ thousand

		2020	2019
Cash flows from operating activities:			
Net income before tax	$	4,888,799	1,814,264
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation expense		396,691	361,209
Amortization expense		10,223	14,639
Impairment loss (reversal gain)		8,000	(15,110)
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss		5,918	(6,699)
Interest expense		366,796	450,425
Interest income		(21,036)	(20,300)
Dividend income		(3,435)	(3,456)
Share of gains of associates and joint ventures accounted for under the equity method		(1)	(1)
Gains on disposal of property, plant and equipment		(95)	(80)
Other income		(25,495)	-
Total adjustments to reconcile profit (loss)		737,566	780,627
Changes in operating assets and liabilities:			
Changes in operating assets:			
Decrease in financial instruments measured at fair value through profit or loss		23,984	84
Increase in contract assets		(321,098)	(321,463)
Decrease (increase) in notes receivable		2,343	(1,972)
(Increase) decrease in accounts receivable		(776,644)	72,121
Decrease in inventory		4,295,084	1,301
Decrease in prepayments		145,309	189,033
(Increase) decrease in other current assets		(21,061)	3,110
Other financial assets - liquidity decrease (increase)		1,244,854	(1,149,743)
Decrease (increase) in costs of obtaining a contract		23,487	(41,175)
Increase in defined benefit assets - non-current		(2,039)	(1,361)
Increase in other non-current assets		(38)	(30)
Total changes in operating assets		4,614,181	(1,250,095)
Changes in operating liabilities:			
Increase (decrease) in contract liabilities		(601,691)	1,597,308
Decrease in notes payable		(8,067)	(5,936)
Increase in accounts payable		335,529	812,834
Decrease in accounts payable to related parties		-	(307)
Increase (decrease) in other payables		398,155	(66,992)
Increase in provisions for employee benefit - current		745	3,017
Increase in provisions - current		47,881	23,221
Decrease in other current liabilities		(118,450)	(5,751)
Decrease in net defined benefit liability		(1,936)	(3,862)
Decrease in other non-current liabilities		(16,336)	(16,412)
Total changes in operating liabilities		35,830	2,337,120
Total changes in operating assets and liabilities		4,650,011	1,087,025
Total adjustments		5,387,577	1,867,652
Cash inflow generated from operations		10,276,376	3,681,916
Income taxes paid		(390,922)	(485,543)
Net cash inflow generated from operating activities		9,885,454	3,196,373

Cash flows from investing activities:		
Disposal of non-current assets held for sale (Note 6(6))	-	111,969
Acquisition of property, plant and equipment	(126,629)	(93,581)
Proceeds from disposals of property, plant and equipment	164	1,431
Acquisition of intangible assets	(15,748)	(3,726)
Increase in prepayments for business facilities	(69,812)	(9,858)
Decrease (increase) in equipment prepayment	6,944	(3,728)
Interests received	20,983	20,777
Dividends received	3,435	3,456
Net cash (outflow) inflow generated from investing activities	(180,663)	26,740
Cash flows from financing activities:		
Increase in short-term loans	7,489,595	9,399,885
Decrease in short-term loans	(11,303,618)	(9,689,019)
Increase in short-term notes and bills payable	1,210,000	569,000
Decrease in short-term notes and bills payable	(1,210,000)	(569,000)
Redemption or repurchase of convertible corporate bonds	-	(1,000,000)
Issuance of convertible corporate bonds	1,000,000	1,000,000
Proceeds from long-term debt	2,330,000	110,000
Repayments of long-term debt	(2,334,900)	(940,541)
Increase in guarantee deposits received	3,665	28,399
Repayments of lease principal	(119,480)	(121,212)
Cash dividends paid	(739,749)	(493,165)
Interests paid	(536,961)	(619,052)
Changes in non-controlling interests	(209,293)	(209,301)
Net cash outflow generated financing Activities	(4,420,741)	(2,534,006)
Effects of exchange rate changes on the balance of cash and cash equivalents	(2,686)	721
Net increase in cash and cash equivalents	5,281,364	689,828
Cash and cash equivalents at beginning of the period	6,229,385	5,539,557
Cash and cash equivalents at end of the period	**$ 11,510,749**	**6,229,385**

(Refer to the subsequent Notes to Consolidated Financial Statements)

KINDOM DEVELOPMENT CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For 2020 and 2019

(In Thousands of New Taiwan Dollars, unless otherwise specified)

1. Company Overview

Kindom Development Co., Ltd. (the “Company”) was incorporated on November of 1979, as a company limited by shares under the laws of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. The registered address is 2F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.). The Company and its subsidiaries (the “Group”) primarily engages in the development of residential properties, the leases or sales of commercial buildings, comprehensive constructions, department stores, supermarkets, and international trading.

2. The Approval Date and Procedures of the Financial Report

The consolidated financial statements were published upon approval by the Board of Directors on March 26, 2021.

3. Application of Newly Issued and Revised Standards and Interpretations

(1) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C.

The Group has adopted the following newly amended IFRSs starting from January 1, 2020. The impact is described as follows:

1. Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions are lease modifications and instead to recognize those rent concessions as profit or loss. The amendment was endorsed by the Financial Supervisory Commission (the “FSC”) in July 2020, and is effective from January 1, 2020. For accounting policies, please see Note 4(13).

The Group started to apply this practical expedient to all eligible rent concessions. This amendment has no impact on the date of the initial application. The amount of NT$17,542 thousand was recognized in gain or loss for 2020.

2. Others

The following newly revised standards have also been effective since January 1, 2020, but have not had a significant impact on the consolidated financial report:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

(2) Impact of IFRSs endorsed by the FSC but yet to come into effect

The Group has assessed that the application of the above newly endorsed IFRS, effective on January 1, 2021, will not result in a material impact on the consolidated financial statements.

- Amendments to IFRS 4 "Deferral of Effective Date of IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 "Interest Rate Benchmark Reform - Phase II"

(3) Impact of IFRSs issued by the IASB but yet to be endorsed by the FSC

Impact to the Group of IFRSs Issued by IASB but not yet endorsed by the FSC

New or amended standards	Main amendments to the content	Effective date per IASB
Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	The amendments are to promote consistency in applying the standards by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current in the balance sheet. The amendments also clarify the classification requirements for debts that may be repaid through convert into equity.	2023.1.1
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	The amendments stated that the cost of fulfilling a contract comprises the costs that relate directly to the contract. The costs include: · Incremental costs (for example, direct labor and materials). · An allocation of other costs that relate directly to fulfilling the contracts - e.g. the allocation of depreciation expense of property, plant, and equipment used in fulfilling the contract.	2022.1.1

The Group is in the process of evaluating the impact on the consolidated financial position and performance of the adoption of the standards and interpretations mentioned above, and the Group will disclose relevant impacts when the evaluation is completed.

The Group anticipates that the application of the following other newly published and amended but recognized IFRSs will not have a material impact on the consolidated financial statements.

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

4. Summary of Significant Accounting Policies

The summary of material accounting policies adopted in the consolidated financial statements is as follows. Other than the description of accounting variations in Note 3, the following accounting policies have been consistently applied to all stated periods in the consoldiated financial statements.

(1) Compliance Statement

The Group's consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations") and the IFRS, IAS, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (collectively as the "IFRSs approved by FSC").

(2) Basis of preparation

1. Basis of measurement

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

(1) Financial assets measured at fair value through profit or loss;

(2) Financial assets measured at fair value through other comprehensive income; and

(3) Net defined benefit liability (or asset) measured at the fair value of plan assets less present value of defined benefit obligation, and the limits disclosed in Note 6(18).

2. Functional and presentation currency

Every individual entity of the Group takes the currency of the economic environment its operation domiciles are in as the functional currency. The consolidated financial statements were expressed in New Taiwan Dollars, the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(3) Basis of consolidation

1. Principle of preparation of the consolidated financial statements

The preparation subjects of the consolidated financial statements include the Company and individuals controlled by the Company (i.e. subsidiaries.) The Company controls an individual entity when it is exposed to, or has rights to, variable remuneration from its participation in that individual and can influence that remuneration through its power over that individual.

From the date of attaining control over the subsidiary, its financial statements shall be included in the consolidated financial statements until the date of losing control. The transactions, balances and, any unrealized income and expenses between the consolidated companies have been eliminated in full at the time of preparing the consolidated financial statements. The total comprehensive income of subsidiaries is attributable to the owners and non-controlling interests of the Company, even if the non-controlling interests become the deficit balance.

Financial statements of subsidiaries are adjusted to ensure consistency with the accounting policies adopted by the Group.

If the change of ownership equity to subsidiaries by the Group does not cause lost control over them, it will be considered equity transaction between shareholders. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received shall be directly recognized in equity attributable to the owners of the Company.

2. List of subsidiaries in the consolidated financial statements

Name of investor	Subsidiary name	Main business and products	Percentage of ownership		Explanation
			2020.12.31	2019.12.31	
The Company	Kedge Construction Co., Ltd. (Kedge Construction)	The comprehensive construction industry, etc.	34.18%	34.18%	The Company has more than half of the Company's Director seats.
〃	Global Mall Co., Ltd. (Global Mall)	Supermarkets, department stores, international trading, wholesales of medical equipment, and retails	84.02%	84.02%	The subsidiary in which the Company's voting share exceeds more than 50% of the subsidiary's issued shares.
Joint venture of the Company and Global Mall	Guan Cheng Co., Ltd. (GLOBAL MALL BANQIAO STORE) (Guan Cheng)	Department stores, supermarkets, and non-store retailing	100.00%	100.00%	The subsidiary in which the Group's voting share exceeds more than 50% of the subsidiary's issued shares.
Kedge Construction	Jiequn Investment Co., Ltd. (Jiequn Investment)	Investment	99.98%	99.98%	The subsidiary in which Kedge Construction's voting share exceeds more than 50% of the subsidiary's issued shares.
〃	Guanqing Electromechanical Co., Ltd. (Guanqing Electromechanical)	Installation and engineering of electrical and fire safety equipment	99.96%	99.96%	The subsidiary in which Kedge Construction's voting share exceeds more than 50% of the subsidiary's issued shares.
Jointly held by Guanqing Electromechanical and Jiequn Investment	Dingtian Co., Ltd. (Dingtian)	The comprehensive construction industry, etc.	100.00%	100.00%	The subsidiary in which the Group's voting share exceeds more than 50% of the subsidiary's issued shares.
Global Mall	KGM International Investment Co., Ltd. (KGM)	Investment and operation of shopping mall in Mainland China, including master planning, supporting engineering consulting, and leasing planning and consulting	100.00%	100.00%	The subsidiary in which Global Mall's voting share exceeds more than 50% of the subsidiary's issued shares.
〃	Guan Hua Co., Ltd. (GLOBAL MALL NANGANG STORE) (Guan Hua)	Department stores, supermarkets, and non-store retailing	100.00%	100.00%	The subsidiary in which Global Mall's voting share exceeds more than 50% of the subsidiary's issued shares.
KGM	Global Mall (Tianjin) Co., Ltd. (Note)	Business management (including rentals of commercial facilities) in wholesales, retails, and import/export of household items and appliances, sports goods, office supplies, watches, glasses, textiles, etc.; property management; business consulting; corporate marketing planning; conference services; exhibition services; parking lot operation and management.	100.00%	100.00%	The subsidiary in which KGM's voting share exceeds more than 50% of the subsidiary's issued shares.
Joint venture of Global Mall and Guan Cheng	Guan You Co., Ltd. (GLOBAL MALL ZUOYING STORE) (Guan You)	Department stores, supermarkets, and non-store retailing	100.00%	100.00%	The subsidiary in which the Group's voting share exceeds more than 50% of the subsidiary's issued shares.

Note: Global Mall (Tianjin) Co., Ltd. ("Global Mall Tianjin") is a subsidiary of KGM, investments accounted for using the equity method. On May 31, 2019, KGM Tianjin signed with Tianjin Chongbei Property Management Co, Ltd. (lessor) an agreement in which the lease was terminated on the aforesaid agreement date. The lease was to be closed by July 2019. Please refer to Note 9(1). 7 for more details of the related disclosure.

3. List of subsidiaries which excluded in the consolidated financial statements: None

(4) Foreign currency

1. Foreign currency transactions

Transactions in foreign currency are translated into the functional currency at exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the period (the "reporting date") are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate prevailing at the date when the fair value was determined. Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are retranslated using the exchange rates prevailing at the transaction dates.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into NT$ at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into NT$ at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

When the disposal of foreign operation leads to loss of control, joint control or material influence, the cumulative exchange difference amount related to them will be re-classified into profit or loss. When partially disposing of subsidiaries containing foreign operation, the cumulative exchange difference amount will be re-attached to non-controlling equity according to proportion. When partially disposing of affiliated enterprises or joint investments containing foreign operation, the cumulative exchange difference amount will be re-classified into profit or loss according to proportion.

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

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

An asset is classified as current when one of the following criteria is met; all other assets are classified as non-current assets:

1. It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or

4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of the following criteria is met; all other liabilities are classified as non-current liabilities:"

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. Liabilities whose settlement can be deterred unconditionally for at least twelve months after the reporting period. The liabilities provisions may be settled by issuing equity instruments at the option of the counterparty, and will not impact its classification.

(6) Cash and cash equivalents

Cash includes inventory cash and current deposit. Cash equivalents refer to the short-term and highly liquidity investment that can be converted into quota cash at any time with little risk of value change. Time deposits are classified as cash equivalents only when they satisfy the aforementioned definition, and the purpose of holding is to meet the short-term cash commitments rather than investment or other purposes.

(7) Financial instruments

The accounts receivable and debt securities issued were originally recognized when they were generated. All other financial assets and financial liabilities were originally recognized when the Group became a party to the terms of a financial instrument contract. Financial assets not measured at fair value through profit or loss (other than accounts receivable excluding material financial components) or financial liabilities primitively at fair value may be measured directly attributable to the transaction cost of the acquisition or issuance. The accounts receivable that do not contain a significant financing component are measured at transaction prices.

1. Financial assets

All financial assets that are purchased or sold in ordinary business transactions are recognized and derecognized on a trade-date basis.

Upon initial recognition, financial assets are classified following categories: measured at amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL"). Only upon changes in the Group's management of financial assets, the affected assets are reclassified at the beginning of the next reporting period.

(1) Financial assets measured at amortized cost

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

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

These assets are subsequently accrued based on the original recognized amount plus or minus the effective interest method, and adjusted for the amortized cost of any allowance losses. Interest income, foreign exchange profit or loss, and impairment loss are recognized in profit and loss. When derecognition, gain or loss is recognized in profit and loss.

(2) Financial assets measured at fair value through other comprehensive income (FVTOCI)

At the time of initial recognition, the Group may make an irrevocable choice and report the subsequent changes at the fair value of equity instrument investment not held for trading to other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity instrument investors shall be measured at fair value subsequently. Dividend income (unless it clearly represents the recovery of part of the investment cost) is recognized in profit and loss. The remaining net profit or loss is recognized as other comprehensive income and is not reclassified to profit and loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive the dividends is established (usually the ex-dividend date).

(3) Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets not measured at the aforementioned amortized cost or fair value through other comprehensive income as decribed above are measured at fair value through profit or loss, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or measured at fair value through other comprehensive income, as at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value, and net gains and losses (including dividend and interest incomes) are recognized in profit or loss.

(4) Impairment of financial assets

Regarding the financial assets measured through amortized cost (including cash and equivalent cash, financial assets measured by amortized cost, notes receivable and accounts receivable, other receivables, refundable deposits, and other financial assets, etc.) and contract assets, the Group shall recognize loss allowance for expected credit losses.

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

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

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

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

Expected credit loss refers to the weighted estimate of credit loss probability during the expected survival period of financial instruments. The credit loss is measured by the present value of all cash shortfall, namely the difference between the cash flow that the Group can collect according to the contract and the expected cash flow that the Group will receive. Expected credit loss is discounted at the effective interest rate of financial assets.

On each reporting date, the Group assesses whether there is credit impairment on financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income. When there is one or more events arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset. The evidences for credit impairment of financial assets include the observable data for the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

The loss allowance of financial assets measured through amortized cost is deducted from the carrying amount of assets. The loss allowance of debt instrument investment measured at fair value through other comprehensive income is adjusted profit and loss and recognized in other comprehensive income (without reducing the carrying amount of assets).

When the Group fails to carry out a reasonable expectation of recovery of financial assets in part or whole, the total carrying amount of the financial assets directly decreases. For companies, the Group analyzes the timing and amount of write-offs individually based on whether it is reasonably expected to be recoverable. The Group expects that the written off amount will not be materially reversed. However, the written-off financial assets can still be enforced to comply with the procedures for the Group to recover the overdue amount.

(5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, when the Group transfers substantially all the risks and rewards of ownership of the financial assets to other enterprises, or when the Group neither retain nor transfer substantial risks and rewards of the ownership, and does not retain control of the asset.

Even when it transfers the financial assets, if it retains all or some the risks and rewards of ownership of the assets, the Group continue to recognize the assets in the balance sheets.

2. Financial liabilities and equity instruments

1. Classification of debt or equity

Debt and equity instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of contractual arrangements.

2. Equity instruments

Equity instruments refer to any contracts containing the Group's residual interest after subtracting liabilities from assets. The equity instrument issued by the Group shall be recognized by the payment net of the direct cost of issuance.

3. Treasury stock

When buying back the equity instruments recognized by the Company, the consideration paid (including directly attributable costs) is recognized as a decrease in equity. The repurchased shares are classified as treasury stocks. For subsequent sales or re-issuance of treasury stocks, the amount received is recognized as an increase in equity, and the remaining or loss generated by the transaction is recognized as a capital reserve or retained surplus (if the capital reserve is insufficient for the offsetting).

4. Financial liabilities

Financial liabilities are classified as amortized costs or the fair value measurement through profit or loss. Financial liabilities, if held for trading, derivatives or designated at the time of initial recognition, are classified as the fair value measurement through profit or loss. Financial liabilities measured at fair value through profit or loss are measured at fair value and the related net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently assessed at amortized cost employing an effective interest method. Interest income and foreign currency profit or loss are recognized as profit or loss. Any profit or loss at the time of derecognize is also recognized in profit and loss.

5. Derecognition of financial liabilities

   The Group derecognizes financial liabilities when the contractual obligations have been fulfilled, canceled or matured. When the terms of financial liabilities are modified and there is a significant difference in the cash flow of the revised liabilities, the original financial liabilities will be derecognized and new financial liabilities will be recognized at fair value based on the revised terms.

   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 and included in non-operating income and loss.

6. Offsetting of financial assets and liabilities

   Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

7. Financial guarantee contract

   A financial guarantee contract ("FGC") is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

   Upon the issuance, a FGC that is not designated as measured at FVTPL is initially recognized at fair value less any direct issue cost and subsequently measured as the greater of (a) the IFRS 9 Expected Credit Loss allowance, and (b) the amount initially recognized, when appropriate, less any cumulative amount of income recognized.

(8) Inventories

<u>Construction</u>

Inventory is measured by the lower of cost and NRV. The cost includes all necessary expenditures and capitalized borrowing costs to get an asset in place and in conditions ready for use.

The NRV is the expected selling price in the ordinary course of business, less the estimated cost of construction completion and the estimated costs necessary to make the sale. The measurement of NRV is as follows:

1. Construction land

   The NRV is calculated on the basis of the expected selling price judged by the management based on the current market conditions, less cost of construction completion and selling expenses, or the most recent estimated market value (based on land development analysis approach or comparison approach).

2. Construction in progress

   The NRV is calculated on the basis of the expected selling price (based on the current market conditions) less cost of construction completion and selling costs.

3. Buildings and land held for sale

   The NRV is calculated on the basis of the expected selling price (based on the current market conditions) less the estimated selling costs.

Trading

Inventory is measured by the lower of cost and NRV. The cost is the weighted average of all costs necessary to get an asset in place and in conditions ready for use.

The NRV is the expected selling price in the ordinary course of business, less the estimated cost to get the inventory ready for use and selling costs.

(9) Non-current assets held for sale

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

When the assets classified as held for sale are intangible assets or property, plant, and equipment. In addition, when a associate recognized by the equity method is classified as held for sale, the equity method shall not be adopted.

(10) Investments in associates

An associate is an entity over which the Group has significant influence to participate in the entity's financial and operating policies but is not in control or joint control over those policies.

The Group adopts the equity method for handling the equity of associates. Under the equity method, the initial acquisition is recognized according to the cost, and the investment cost includes the transaction cost. The carrying amount of invested associates includes the goodwill recognized at the time of initial investment less any accumulative impairment loss.

The consolidated financial statements include the amount of profit and loss and other comprehensive profit and loss of each invested associate recognized by the Group according to the proportionate interest after the adjustment of the consistency with the accounting policies of the Group from the date of attaining a material influence to the date of losing such influence. When associates undergo non-equity or other comprehensive income equity changes without influencing the shareholding proportion of the Group, the Group will recognize the equity change in the share of affiliated enterprises attributable to it as capital reserve according to shareholding proportion.

Only when the transactions are neither upstream nor downstream transactions, unrealized profits and losses resulting from transactions between the Group and an associate are recognized in the associate's financial statements.

If the Group's share of losses of an associate equals or exceeds its proportionate interest, the Group discontinues recognizing its share of further losses. After the Group's proportionate interest is reduced to zero, additional losses are recognized as a provision (liability) only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate.

(11) Investment property

Investment property refers to property held for earning rent or asset appreciation or both, rather than for normal business sale, production, provision of goods or services, or administrative purposes. Investment property is initially measured by cost and subsequently measured by cost minus accumulated depreciation and accumulated impairment. Its depreciation method, service life, and residual value are treated following the provisions of property, plant, and equipment.

In the event of an investment property’s gain or loss on disposal (the difference between its net disposal proceeds and carrying amount,) it is recognized as gain or loss.

Rental income from investment property is recognized in operating revenue on a straight-line basis during the lease term. The lease incentive is recognized as part of the lease income during the lease term.

(12) Property, plant, and equipment

1. Recognition and measurement

   Property, plant, and equipment are measured at cost (including the capitalized borrowing costs) less accumulated depreciation and accumulated impairment losses.

   Each part of an item of property, plant, and equipment with a useful life that is different in relation to the total useful life of the item shall be depreciated separately.

   The gain or loss arising from the disposal of an item of property, plant, and equipment is recognized as non-operating income and loss.

2. Subsequent costs

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

3. Depreciation

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

   Land is not depreciable.

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

(1)	Buildings	2-55 years
(2)	Machinery and equipment	5-10 years
(3)	Transportation, office and others	1-30 years
(4)	Leasehold improvement	2-20 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(13) Leases

1. Identifying a lease

At the contract commencement date, the Group determined whether it is or contains a lease. A sublease containing the right to direct the use of an identified asset for a period of time in exchange for consideration is also identified as a lease. Determining whether an arrangement contains a lease, the Group apply of the following assessment:

(1) The contract involves the use of an identified asset, which is explicitly designated in the contract or implicitly designated when it is available for use, and its substance can distinguish or represent all the actual production capacity. If the supplier poses substantive rights to replace the asset, the asset is not an identified asset; and

(2) the customer has the right to obtain substantially all of the economic benefits from use of an identified asset; and

(3) the customer has the right to direct the use of an identified asset under one of the following conditions:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- regarding how and for what purpose the asset is used is predetermined, and
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designs the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At that lease commencement date or when reassessing a contract, the Group allocates consideration to separate components. The consideration in the contract is allocated to each lease component on the basis of the relative stand-alone price of the lease components. Only in leases of land and buildings, the Group elect not to separate non-lease components from lease components and instead account for all components as a lease.

2. The Group as lessee

   At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured, using a cost model, at the original amount of the lease liability, plus lease payments at or before lease commencement, any initial direct costs, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, and less lease incentives.

   The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Group regularly assesses whether the right-of-use asset is impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

   The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. If the interest rate implicit in the lease is easy to determine, the discount rate shall be the interest rate; if it is not easy to determine, the incremental borrowing rate of interest of the Group shall be used. Generally, the Group uses its incremental borrowing rate as the discount rate.

   The lease payments comprise as follows:

   (1) fixed payments, including in-substance fixed lease payments;

   (2) variable lease payments that depend on an index or a rate and initially measured at the index or rate at the lease commencement date;

   (3) amounts expected to be payable by the lessee under residual value guarantees;

   (4) an option to purchase the underlying asset if it is reasonably certain to be exercised, and penalty payments for terminating the lease.

   The lease liability is subsequently measured on an amortized cost basis, using an effective interest method, and remeasured to reflect the following conditions:

   (1) changes in future lease payments resulting from changes in an index or a rate used to determine those payments;

   (2) changes in the amounts expected to be payable under a residual value guarantee;

   (3) changes in the assessment of the purchase option;

   (4) change in the assessment of the lease term resulting from extension or termination of the exercise of the purchase option; or

   (5) lease modifications of the underlying asset, scope, and other terms and conditions.

   The remeasurements made under (i), (ii) and (iii) are treated as adjustments to the right-of-use asset. When the carrying amount is reduced to zero, any further reduction is recognized immediately in profit or loss.

   The changes in (iv) and (v) decreases the scope of a lease. When a lease modification decreases the scope of a lease, the carrying value of the right-of-use asset is decreased to reflect partial of full termination of the lease liability, and any gain or loss resulting from the aforementioned derecognition is immediately recognized in profit or loss.

   The Group records right-of-use assets and lease liabilities defined as not investment properties in a single line item in the consolidated balance sheets.

The Group elects not to recognize short-term assets of office equipment and other low-value assets as right-of-use assets and lease liabilities, but instead recognizes payments of these leases as expenses on a straight-line basis over the lease term.

The Group chooses to apply the practical expedient to its rent concessions that fit all the following criteria without assessing if they are lease modifications.

(1) Rent concessions occurring as a direct consequence of the covid-19 pandemic;

(2) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(3) Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and

(4) There is no substantive change to other terms and conditions of the lease.

With the application of practical expedient, the amount of changes in lease payments that arise from rent concessions are recognized in profit or loss for the reporting period.

3. The Group as lessor

When the Group acts as a lessor, it determines at lease commencement date whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. At the time of evaluation, the Group's considerations include relevant specific indicators, such as whether it covers the main component of the economic life of the underlying asset during the lease term.

If the Group is a sublessor, it will handle the main lease and sub-lease transactions separately, and use the right-of-use assets generated by the main lease to evaluate the classification of the sub-lease transactions. If the main lease is a short-term lease and the recognition exemption applies, the sublease transaction should be classified as an operating lease.

If the sublease includes lease and non-lease components, the consideration is allocated in accordance with IFRS 15.

(14) Intangible assets

1. Recognition and measurement

Intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenses

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

3. Amortization

The amortizable amount is the cost of an asset, less, its residual value. Except for goodwill and intangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

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

(1) Patents and trademarks: 10 years

(2) Service concessions: 13-16 years

(3) Computer software: 2-10 years

The amortization method, amortization period, and residual value are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(15) Impairments of non-Financial assets

The Group assesses on each reporting date whether there is any indication that the carrying amount of non-financial assets (other than inventory, contractual assets, and deferred income tax assets) may be impaired. If there is any sign, an estimate is made of its recoverable amount.

The purpose of the impairment test, a group of assets whose cash inflow is mostly independent of other individual assets or asset groups, is regarded as the smallest identifiable asset group. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the combined effect of the merger.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, and its value in use. When evaluating the value in use, the estimated future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks for the asset or cash-generating unit.

When the recoverable amount of an individual asset or a CGU is less than its carrying amount, an impairment loss is recognized .

The impairment loss is recognized immediately in profit or loss, firstly by reducing the carrying amount of any goodwill allocated to the CGU, and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU.

The impairment loss of goodwill will not be reversed. The impairment loss is recognized immediately in profit or loss, firstly by reducing the carrying amount of any goodwill allocated to the CGU, and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU.

(16) Provisions

The recognition of liability provision means current obligation for past events, so that in the future the Group is most likely to outflow resources with economic benefits to settle it, and the amount of the obligation can be reliably estimated. The provision is discounted at a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risk of liabilities. The amortization of the discount is recognized as interest expense.

A provision for warranties is recognized upon the completion of construction. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(17) Revenue Recognition

1. Revenue from contracts with customers

The revenue is measured by the consideration expected to be entitled to for the transfer of goods or services. The Group recognizes the revenue when the control over goods or services is transferred to the client, and the performance obligations are met. The accounting policies for the Group's main types of revenue are explained below:

(1) Development of land and buildings

The Group develops and sells residential property, and often pre-sells property during or before construction. The Group recognizes the income upon transfer of control over property asset. Due to contractual restrictions, the property usually has no other use for the Group. Therefore, if the Group transfers the legal ownership of the property to the client, and the date of the actual delivery of the property shall prevail. However, if only one item is completed before the reporting date, but the other item is actually completed during the subsequent period, it is also recognized as income.

Revenue is measured based on the transaction price of the contractual agreement. When sales happen after construction is completed, in most cases, consideration is made upon transfer of legal ownership; however, in some cases, consideration is deferred for less than twelve months per contract terms. Consequently, no adjustment in the transaction price for the effect of financing component of the contract. When sales happen before construction is completed, consideration is payable in installments during the period from singing a contract to transfer of legal ownership of the real property. If a significant financing component is included in the contract, the installments are discounted at the interest rate of the construction loan to reflect the effect of time value of money. Prepayments are recognized as a contract liability in balance sheet, and discounts reflecting the effect of time value of money are recognized as interest expenses in profit or loss. The accumulated contract liabilities are reclassified as revenue upon the transfer of legal ownership.

(2) Customer loyalty program

The Group provides a customer loyalty program to retail customers, and the points obtained by customers’ product purchase give customers the right to purchase products at a discount or exchange for gifts from the Group in the future. The Group believes that these points provide important rights that customers would not be able to obtain if they did not sign the contract, so the commitment to provide points to customers is a performance of obligation. The Group allocates the transaction price to the product and these points based on the relative stand-alone selling price. Based on past experience, the management estimates the stand-alone selling price of each point based on the discount given when the points are redeemed and the possibility of redemption; the retail price of the product is used as the basis to estimate the stand-alone price at the time of sale. The Group recognizes contract liabilities on the above-mentioned basis when selling products, and transfers revenue when these points are converted or lapsed.

(3) Consulting and management services

The Group provides business consulting and management services and recognizes the relevant revenue during the financial reporting period of providing labor services. Fixed-price contracts recognize the revenue based on the proportion of actual services provided to the total services as of the reporting date, which is determined by the proportion of costs incurred to the estimated total costs of services.

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

Under a fixed-price contract, the client pays a fixed amount of money according to the agreed schedule. When the service provided exceeds the payment, the contract assets shall be recognized. When the payment exceeds the service provided, the contract liabilities shall be recognized.

(4) Construction contracts

The Group is engaged in the contracting business of residential property and public construction. Since the assets are under the control of clients at the time of construction, the revenue is gradually recognized over time based on the proportion of the construction costs incurred to date to the estimated total contract costs. The contract includes fixed and variable consideration. The client pays a fixed amount of money according to the agreed schedule. Some variable consideration (such as penalty and price adjustment calculated based on overdue days) is estimated by the expected value based on the accumulated experience in the past. The Group recognizes revenue only within the range where the accumulated income is highly unlikely to have a material reversal. If the amount of recognized revenue has not yet been claimed, it shall be recognized as a contract asset. When there is an unconditional right to the consideration, the contract asset shall be transferred to the accounts receivable.

When the Group is unable to measure the stage of completion of a contract's performance obligations, revenue is recognized only to the extent that contract costs incurred are expected to be recoverable.

When the Group estimates that the cost to complete a contract's performance obligations exceeds the expected economic benefits from the contract, a liability provision is recognized for the loss.

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

The Group grants standard warranties on residential real estate and public construction according to contract agreements and recognizes this obligation as provisions - warranty. Refer to Note 6(16) for more details.

(5) Commission income

In the department store business, when the Group acts as agent and not principal in an transaction, it recognizes commission revenue, on a net basis.

(6) Rental income

Rental incomes from investment property are recognized in revenue on a straight-line basis during a lease term. Lease incentives, as a part of economic benefits from the lease, are recognized as a reduction to rental incomes on a straight-line basis during a lease term. Incomes from sublet properties are recognized as an operating income.

(7) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year, or where financing components have significant impact on individual contacts. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

2. Contract costs

(1) Incremental costs of obtaining a contract

If the Group expects to recover the incremental cost for acquiring the customer contract, the cost will be recognized as asset. The incremental cost of acquiring contract is cost that will arise in acquiring customer contract and will not arise otherwise The contract acquisition cost no matter the contract will happen or not is recognized as expense, unless the cost is explicitly collectable from customer no matter the contract is acquired or not.

(2) Costs of fulfilling a contract

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

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

(18) Government subsidies

The Group recognized COVID-19 related government grants with no conditions attached as other income when the grants became receivable. For other asset-related grants, the Group recognizes the deferred revenue at fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The deferred revenue is recognized as other income of depreciation expense over the useful life of the asset on a systematic basis. Government grants intended to compensate expenses incurred or losses of the Group were recognized in profit or loss in the same period as relevant expenses on a systematic basis.

(19) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

2. Defined benefit plans

The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation (i.e. the benefits that employees have earned in return for their service in the current and prior periods)) at the reporting date less the fair value of plan assets.

The defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. When the calculation result may be beneficial to the Group, the recognized assets shall be limited to the present value of any economic benefits available in the form of refunding the contribution from the plan or reducing the future contribution to the plan. When calculating the present value of economic benefits, any minimum funding requirements are considered.

The remeasurement of net defined benefit liabilities, including actuarial gains and losses, plan asset returns (excluding interest), and any changes in the impact of the asset ceiling (excluding interest), are immediately recognized in other comprehensive income and accumulated in retained earnings. The net interest expense (income) of the net defined benefit liabilities (assets) determined by the Group is the net defined benefit liabilities (assets) and the discount rate determined at the beginning of the annual reporting period. The net interest paid and other expenses of the benefit plan are recognized in profit and loss.

When the plan is revised or reduced, the number of changes in benefits related to the past service costs or reduced benefits or losses is immediately recognized as profit or loss. When the settlement occurs, the Group shall recognize the settlement profit and loss of the defined benefit plan.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses when services are provided. If the Group has current legal or constructive payment obligations due to the past services provided by employees and the obligations can be estimated reliably, the amount shall be recognized as liabilities.

(20) Income taxes

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

Current income tax includes the estimated income tax payable or tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustments to income tax payable or tax refund receivable in previous years. The amount is the best estimate of the expected payment or receipt based on the legal tax rate or substantively enacted tax rate on the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. The temporary difference for the following conditions will not be recognized as deferred income tax:

1. Temporary arising from the initial recognition of an asset/liability other than in a business merger which, at the time of the transaction, does not affect either the accounting or the taxable profit;
2. Temporary differences arising from investments in subsidiaries, associates, and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences, and it is probable that the differences will not reverse in the foreseeable future; and
3. Temporary differences arising from initial recognition of goodwill.

For unused tax losses and unused income tax deduction at the later stage of the transfer and deductible temporary differences, they are recognized as deferred income tax assets to the extent that there is likely to be future taxable income available for use. Such unused tax credits and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. The amounts of deferred tax assets and liabilities are:
   (1) Levied by the same taxing authority; or
   (2) Levied by different entities that intend to realize the asset and settle the liability at the same time.

(21) Earnings per share (the "EPS")

The Group presents the basic and diluted earnings per share of shareholders of common stock equity. The consolidation's basic earnings per share signifies that the profit and loss of the common shareholders of the Company divided by the weighted average number of common shares outstanding during the period. The diluted earnings per share is calculated by adjusting the influence of all potential diluted common shares with profit or loss of the Company's common stock holders and weighted average number of common shares outstanding. The Group’s dilutive potential ordinary shares of the Group include stock options for employees.

(22) Segment information

The operation department, as part of the Group, is engaged in operating activities for gaining income or incurring expenses (including income and expense related to the transaction with other departments in the Group). The operation results of all operation departments are regularly re-checked by major operation decision-makers of the Group, to make decisions on resources allocation and assess the performance. Every operation segment has its independent financial information.

5. Significant Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty

When preparing the consolidated financial statements according to preparation standards and IFRS recognized by FSC, the management may have to make judgment, estimate, and assumption, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes, and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

Information on critical accounting judgments resulting in a material adjustment in the consolidated financial statements of this year: None.

Uncertainty of the following assumptions and estimates carries a significant risk of major adjustments of the resulting asset and liability book amount in the next financial year. It has already reflected the impact of the COVID-19 pandemic. The information is as follows:

(1) Revenue recognition and accrual of contract cost

The recognition of the profit and loss of the construction contract of the Group refers to the recognition of the contract revenue and the contract cost respectively according to the complete degree of the contractual activities and the degree of completion is measured by the proportion of the contract cost incurred so far in the estimated total contract cost. The Group considers the nature, estimated duration, contract projects, construction process, construction method, and estimated contract amount of each project to estimate the total contract cost. The above estimation basis may change due to factors such as the progress of the project, overall price fluctuations and the requirements of the owner. These may result in a material adjustment of the estimated amount.

(2) Inventory valuation

As inventory shall be measured based on the cost or realizable value, whichever is lower; if on the Group's evaluation report date, the inventory has no market value, the inventory cost shall be offset to net realizable value. The net realizable value of the inventory is mainly determined based on the current market conditions. However, due to political, economic and real estate tax reforms, the above estimation may have a significant change. See Note 6 (5) for details of inventory valuation.

Valuation method

In its accounting policy and disclosure, the Group adopts fair value to measure financial and non-financial assets as well as liabilities. To make valuation close to market conditions, the Group tests measurements with independent data sources and verifies that the data sources are independent, reliable, and consistent with other data as well as represents exercisable prices. To ensure valuation results are reasonable, the Group regularly calibrates valuation models, performs retrospective testing, updates valuation models with necessary inputs and data for fair value measurement. The valuation of investment property is in accordance with valuation methods and parameter assumptions published by FSC and is reassessed by the management or appraised by a third party on a regular basis.

In the fair value measurement of its assets and liabilities, the Group applies observable market inputs as much as possible. A fair value hierarchy categorizes the inputs used in valuation techniques into three levels:

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

Any transfers between the fair value hierarchy are recorded at the reporting date. Disclosures on assumptions applied in the fair value measurement are as below:

1. Refer to 6(10) Investment Property
2. Refer to 6(25) Financial Instruments

6. Description of Significant Accounting Items

(1) Cash and cash equivalents

	2020.12.31	2019.12.31
Petty cash and cash on hand	$ 13,273	13,832
Bank deposits		
Check deposits	2,640,956	925,405
Demand deposits	1,717,111	2,162,225
Time deposits	1,548	-
Cash equivalents	7,137,861	3,127,923
	$ 11,510,749	6,229,385

Maturity of these cash equivalents ranges from January to March 2021, and 2020; interest rate of these cash equivalents ranges from 0.24% to 0.28% and from 0.52% to 0.57%.

Refer to Note 6(25) for the details on interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(2) Financial assets at fair value through profit and loss

		2020.12.31	2019.12.31
Financial assets mandatorily measured at fair value through profit or loss:			
TWSE (or TPEx) listed Company shares	$	67,661	67,499
Funds		-	30,064
Total	$	67,661	97,563

1. For the gains or losses on remeasurement at fair value, please refer to Note 6(24).
2. As of December 31, 2020, and 2019, none of the financial assets of the Group was pledged as collateral.

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

		2020.12.31	2019.12.31
Equity investments measured at FVTOCI			
Unlisted stock	$	8,731	8,579

1. Equity investments measured at FVTOCI

   The Group designated the aforementioned investments as financial assets at FVTOCI because these equity instruments are held for long-term strategic purposes and not for trading.

   For the equity instrument investment designated as measured at fair value through other comprehensive income, the dividend incomes recognized by the Group in 2020 and 2019 were NT$496 thousand and NT$530 thousand.

   The Group did not dispose of strategic investment in 2020 and 2019, and accumulated profit and loss during that period were not transferred within the equity.

2. Refer to Note 6(25) for details on credit risk (including impairment on debt instruments) and market risk.
3. No financial assets measured as FVTOCI were pledged as collateral.

(4) Notes and accounts payable

		2020.12.31	2019.12.31
Notes receivable	$	858	3,201
Accounts receivable		2,225,979	1,412,568
Less: loss allowance		-	-
	$	2,226,837	1,415,769

The Group applies the simplified approach on the estimation of expected credit losses, that is, a loss allowance is recognized based on lifetime of expected credit losses. To measure the expected credit losses, notes and accounts receivables were based on shared characteristics of credit risk on remaining payments before due date, and forward looking information was incorporated as well. The expected credit loss of notes receivable and accounts receivable of the Group is as follows:

	2020.12.31		
	Carrying amount	**Weighted average expected credit loss rate**	**Loss allowance for expected credit impairment of the period**
Not past due	$ 2,226,837	-	-

	2019.12.31		
	Carrying amount	**Weighted average expected credit loss rate**	**Loss allowance for expected credit impairment of the period**
Not past due	$ 1,415,769	-	-

The changes of loss allowance of notes receivable and accounts receivable of the Group is as follows:

	2020	**2019**
Beginning balance	$ -	-
Impairment losses recognized	11,587	-
Reversal of impairment loss	(11,587)	-
Ending Balance	$ -	-

As of December 31, 2020, and 2019, none of the receivables of the Group were pledged as collateral.

(5) Inventories

	2020.12.31	**2019.12.31**
Inventory - trading	$ 9,739	15,105
Inventory - construction		
Prepayments for buildings and land	4,235	4,235
Land held for construction	2,766,445	1,239,027
Construction in progress	12,744,721	16,660,475
Buildings and land held for sale	12,778,614	14,502,566
Subtotal	28,294,015	32,406,303
Total	$ 28,303,754	32,421,408

The amounts of the reversal of allowance for valuation loss written down due to sales of inventories were NT$0 and NT$30,262 thousand for the years ended December 31, 2020 and 2019, respectively.

For the years ended December 31, 2020 and 2019, the capitalization rates applied in the calculation of construction in progress were 1.869% and 2.101%. Refer to Note 6(24) for details on the amounts of capitalization.

As of December 31, 2020, and 2019, the Group entrusted the statutory parking spaces held for sale to other parties, which amounted to NT$16,332 thousand in all periods.

See Note 8 for details about the provision of inventories of the Group as the pledge guarantee as of December 31, 2020, and 2019.

(6) Non-current assets held for sale

As per the arbitration agreement dated on June 28, 2019, the lessor, Tianjin Chongbei Property Management Co., Ltd. agreed to buy back the assets including leasehold improvements and electrical construction work, and both parties have entered the sales and purchase process thereof. Based on this, these property, plant and equipment are recorded at the lower of book value or fair value as assets held for sale. There are no impairment losses.

The fair values of the aforementioned non-current assets held for sale are assessed based on the price agreed upon by both parties. The transaction was closed and the related payments were received on July 2019.

(7) Subsidiary with material non-controlling interests

Subsidiaries with material non-controlling interests were as follows:

Subsidiary name	Principal places of business/ Country of registration	Proportion of ownership interest and voting right of non-controlling interests 2020.12.31	2019.12.31
Kedge Construction Co., Ltd. and subsidiaries	Taiwan	65.82%	65.82%

The following combined financial information, prepared in conformity with the Regulations and IFRSs approved by the FSC, reflects any adjustments to the fair value at the acquisition date and adjustments to accounting policy differences. The amount of inter-Company transactions before elimination are as follows:

Combined financial information on Kedge Construction Co., Ltd. and subsidiaries:

	2020.12.31	2019.12.31
Current assets	$ 8,752,989	7,708,041
Non-current assets	680,667	568,807
Current liabilities	(6,202,049)	(5,427,525)
Non-current liabilities	(162,329)	(108,201)
Net assets	**$ 3,069,278**	**2,741,122**
Carrying amount of non-controlling interests	**$ 1,342,972**	**1,055,980**

	2020	2019
Operating revenue	**$ 14,130,629**	**11,462,442**
Net income	$ 626,444	402,356
Other comprehensive income	19,766	123,918
Total comprehensive income	**$ 646,210**	**526,274**
Net income attributable to non-controlling interests in this period	**$ 495,475**	**199,541**
Total comprehensive income attributable to non-controlling interests	**$ 496,246**	**201,026**
Net cash generated from (used in) operating activities	$ 1,985,937	1,360,312
Net cash generated from (used in) investing	(83,932)	1,287

		2020.12.31	2019.12.31
activities			
Net cash generated from (used in) financing activities		(320,222)	(168,227)
Net increase in cash and cash equivalents	$	1,581,783	1,193,372
Dividends paid to non-controlling interests	$	209,364	209,364

(8) Property, plant and equipment (PP&E)

The changes in the cost, depreciation and impairment losses of property, plant and equipment in 2020 and 2019 of the Group are as follows:

		Land	Buildings and constructions	Leasehold improvements	Other equipment (including transportation equipment, office equipment, machinery, other equipment and leased assets)	Construction in progress	Total
Cost or identified cost:							
Balance as of January 1, 2020	$	3,567,078	4,290,675	1,002,139	287,526	158	9,147,576
Addition		-	31,936	9,661	73,173	9,334	124,104
Disposal and scrap		-	-	(152)	(15,160)	-	(15,312)
Reclassified into the contract asset		-	-	-	(811)	-	(811)
Leasehold improvement paid by retailers		-	(20,496)	(16,271)	-	-	(36,767)
Balance as of December 31, 2020	$	3,567,078	4,302,115	995,377	344,728	9,492	9,218,790
Balance as of January 1, 2019	$	3,567,078	4,285,134	1,430,243	399,547	12,102	9,694,104
Addition		-	19,621	12,229	41,601	6,755	80,206
Reclassification from (to) incomplete construction projects		-	15,693	-	-	(15,693)	-
Leasehold improvement paid by retailers		-	(26,417)	(29,321)	-	(3,006)	(58,744)
Disposal and scrap		-	(3,356)	(415,992)	(155,387)	-	(574,735)
Effect of foreign exchange rate changes		-	-	4,980	1,765	-	6,745
Balance as of December 31, 2019	$	3,567,078	4,290,675	1,002,139	287,526	158	9,147,576
Depreciation and impairment Losses							
Balance as of January 1, 2020	$	-	1,626,374	621,320	196,088	-	2,443,782
Depreciation for the year		-	104,199	62,935	29,086	-	196,220
Disposal and scrap		-	-	(83)	(15,160)	-	(15,243)
Impairment losses		-	-	8,000	-	-	8,000
Reclassified into the contract asset		-	-	-	(135)	-	(135)
Balance as of December 31, 2020	$	-	1,730,573	692,172	209,879	-	2,632,624
Balance as of January 1, 2019	$	-	1,527,983	861,863	325,101	-	2,714,947
Depreciation for the year		-	101,747	72,470	23,259	-	197,476
Disposal and scrap		-	(3,356)	(304,024)	(154,036)	-	(461,416)
Effect of foreign exchange rate changes		-	-	6,121	1,764	-	7,885
Impairment losses		-	-	98,000	-	-	98,000
Reversal of impairment loss		-	-	(113,110)	-	-	(113,110)
Balance as of December 31, 2019	$	-	1,626,374	621,320	196,088	-	2,443,782
Carrying amount:							
December 31, 2020	$	3,567,078	2,571,542	303,205	134,849	9,492	6,586,166
January 1, 2019	$	3,567,078	2,757,151	568,380	74,446	12,102	6,979,157
December 31, 2019	$	3,567,078	2,664,301	380,819	91,438	158	6,703,794

1. Reversal of impairment loss

   The Group and Tianjin Chongbei Property Management Co., Ltd. and Tianjin River Property Management Co., Ltd. (the lessor) lease the planned shopping mall. As per the arbitration agreement dated June 28, 2019, the Lessors agreed to buy back the assets including leasehold improvements and electrical construction work, and this incurred a change in the estimated recovery amount. Therefore, on December 31, 2019, the Group recognized a loss reversal NT$113,110 thousand. For details of the loss reversal recognized, please refer to Note 6(24).

2. Impairment loss

   On December 31, 2020, and 2019, the Group recognized an impairment loss of NT$8,000 thousand and NT$98,000 thousand to recognize the impairment losses. Please refer to Note 6(24).

3. Collateral

   Please refer to Note 8 for details of collateral for the financing line as of December 31, 2020, and 2019.

(9) Right-of-use assets

Details of changes in cost and depreciation of leased houses and buildings and transport equipment of the Group are as follows:

		Buildings and constructions	Transportation equipment	Total
Cost:				
Balance as of January 1, 2020	$	2,943,262	5,214	2,948,476
Additions		939,608	8,180	947,788
Lease modifications		7,914	-	7,914
Balance as of December 31, 2020	$	3,890,784	13,394	3,904,178
Balance as of January 1, 2019	$	-	-	-
Effect of retrospective application of IFRS16		2,910,619	872	2,911,491
Additions		35,765	4,342	40,107
Lease modifications		(3,122)	-	(3,122)
Balance as of December 31, 2019	$	2,943,262	5,214	2,948,476
Depreciation and impairment losses of the right-of-use assets:				
Balance as of January 1, 2020	$	158,544	677	159,221
Depreciation for the period		192,564	3,395	195,959
Balance as of December 31, 2020	$	351,108	4,072	355,180
Balance as of January 1, 2019	$	-	-	-
Depreciation for the period		158,544	677	159,221
Balance as of December 31, 2019	$	158,544	677	159,221
Carrying amount:				
December 31, 2020	$	3,539,676	9,322	3,548,998
December 31, 2019	$	2,784,718	4,537	2,789,255

(10) Investment property

The changes in the Group's investment properties are as follows:

		Land and improvements	Buildings and constructions	Total
Cost or identified cost:				
Balance as of January 1, 2020	$	335,287	216,663	551,950
Balance as of December 31, 2020	$	335,287	216,663	551,950
Balance as of January 1, 2019	$	335,287	216,663	551,950
Balance as of December 31, 2019	$	335,287	216,663	551,950
Depreciation and impairment Losses				
Balance as of January 1, 2020	$	-	41,263	41,263
Depreciation for the year		-	4,512	4,512
Balance as of December 31, 2020	$	-	45,775	45,775
Balance as of January 1, 2019	$	-	36,751	36,751
Depreciation for the year		-	4,512	4,512
Balance as of December 31, 2019	$	-	41,263	41,263
Carrying amount:				
December 31, 2020	$	335,287	170,888	506,175
January 1, 2019	$	335,287	179,912	515,199
December 31, 2019	$	335,287	175,400	510,687
Fair value:				
December 31, 2020				$ 1,169,284
December 31, 2019				$ 1,137,363

Investment properties are commercial real estates leased to third parties. Refer to Note 6(17) for details.

Fair value of investment properties is determined by the valuation of an independent appraiser (licensed in related professions and currently experienced in appraising similar properties) or by the Company's self-assessment (referring to the sales price of similar real estate transactions in the neighborhood). These inputs used in the fair value measurement were classified to Level 3.

The fair value measurement is assessed using the market approach and income approach. When quoted prices in an active market are not available, fair value of investment properties is determined by the present value of total future cash flows generate over the property's lifetime, discount at rates reflecting special risks of such cash flows. The discount rate applied for the years ended December 31, 2020, and 2019, ranged at 1.18% to 1.85% and 1.19% to 1.95%.

See Note 8 for details about the provision of investment property of the Group as the pledge guarantee as of December 31, 2020, and 2019.

(11) Intangible assets

The changes of cost and amortization of the intangible assets of the Group for 2020 and 2019 are as follows

		Service concessions	Trademarks and patents	Computer software and others	Total
Cost:					
Balance as of January 1, 2020	$	54,199	500	125,044	179,743
Capitalized R&D		-	-	15,748	15,748
Transfer from prepayments		-	-	881	881
Effect of exchange rate changes		-	-	(28,648)	(28,648)
Balance as of December 31, 2020	$	54,199	500	113,025	167,724
Balance as of January 1, 2019	$	54,199	500	120,958	175,657
Capitalized R&D		-	-	3,726	3,726
Transfer from prepayments		-	-	1,531	1,531
Effect of exchange rate changes		-	-	(1,171)	(1,171)
Balance as of December 31, 2019	$	54,199	500	125,044	179,743
Amortization and impairment loss:					
Balance as of January 1, 2020	$	26,205	467	110,241	136,913
Amortization for the year		3,469	33	6,721	10,223
Effect of exchange rate changes		-	-	(28,648)	(28,648)
Balance as of December 31, 2020	$	29,674	500	88,314	118,488
Balance as of January 1, 2019	$	22,757	417	100,271	123,445
Amortization for the year		3,448	50	11,141	14,639
Effect of exchange rate changes		-	-	(1,171)	(1,171)
Balance as of December 31, 2019	$	26,205	467	110,241	136,913
Carrying amount:					
December 31, 2020	$	24,525	-	24,711	49,236
January 1, 2019	$	31,442	83	20,687	52,212
December 31, 2019	$	27,994	33	14,803	42,830

1. For the amount of amortization of intangible assets included in the consolidated statements of comprehensive income for the years ended December 31, 2020, and 2019, please refer to Note 12.
2. As of December 31, 2020, and 2019, none of the Group's assets was pledged as collateral.

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

		2020.12.31	2019.12.31
Other financial assets - current	$	2,262,304	3,530,868
Incremental costs to obtain contract with customers		121,038	144,525
	$	2,383,342	3,675,393

1. Other financial assets – current

For details on collateral pledged on restricted assets (loan and Company reserve accounts and trust) and refundable deposits on constructions, please refer to Note 8.

2. Incremental costs of obtaining a contract -current

   The Group expected to recover the commissions paid to third-party real estate agent and bonus paid to internal sales department and thus recognized these costs as assets. These costs are amortized upon revenue recognition of real estate sales. For the years ended December 31, 2020 and 2019, the amount of incremental costs were NT$246,654 thousand and NT$132,950 thousand, respectively.

(13) Short and long-term borrowings due within one year or one operating cycle, and current portion of long-term borrowing

The details, conditions and terms for short-term and long-term loans of the Group were as follows:

	2020.12.31			
	Currency	**Range of effective rates**	**Range of maturities**	**Amount**
Secured bank loans	NT$	1.44% to 1.78%	110~116	$ 13,021,351
Unsecured bank loans	NT$	1.10% to 2.44%	110~112	4,455,000
Total				$ 17,476,351
Current				$ 15,319,111
Non-current				2,157,240
Total				$ 17,476,351

	2019.12.31			
	Currency	**Range of effective rates**	**Range of maturities**	**Amount**
Secured bank loans	NT$	1.75%~2.20%	109~115	16,575,399
Unsecured bank loans	NT$	1.40%~2.55%	109~112	4,715,000
Total				$ 21,290,399
Current				$ 19,105,824
Non-current				2,184,575
Total				$ 21,290,399

1. Issuance and redemption

   For the years ended December 31, 2020, and 2019, the amounts of new issuance were NT$9,819,595 thousand and NT$9,509,885 thousand, respectively, and those of redemption were NT$13,638,518 thousand and NT$10,629,560 thousand, respectively.

2. Collateral

   Refer to Note 8 for details on collateral pledged on secured bank borrowings.

3. Syndicated loans

   - The subsidiaries entered into a syndicated loan agreement with the Land Bank of Taiwan (the lead bank of the syndicated loan) and three other banks in May 2011, in the amount of NT$4,500,000 thousand over fifteen years, divided into 15 terms, with one term being one year.

- According to the syndicated loan agreements: (1) for the long-term secured loan, revolving credits are disallowed; the first repayment starts a year from the date of initial withdrawal, and the subsequent repayments are scheduled every year for the next fifteen years; (2) for the middle-term secured loan of NT$500,000 thousand, revolving credits are permitted within a period of five years. The effective rate is benchmark interest rate announced by the Land Bank of Taiwan plus an annual interest rate of 0.90% and 1.00%. Payments are due monthly.
- Restricted by the syndicated loan agreement, subsidiaries are required to maintain certain financial ratios, calculated based on its financial statements, as follows:

(1) Total liabilities to total assets: not exceeding 150%

(2) Interest coverage ratio: at or above 2.00

(3) Shareholders' interest: more than NT$ 3 billion

Compliance with the syndicated loan agreement is audited by the borrower's CPAs based on the financial audit report for the year. Any violations of the loan agreement terms or the financial ratios are to be corrected within a year starting on June 1 of the fiscal year following the year of the audit report. If corrections are not made within the allowed time, the remaining amount of the principal, penalty and the interests incurred therefrom are due to the lead bank of the syndicated loan.

The Group has made a prepayment to the aforementioned syndicated loans in March 2020.

(14) Bonds payable and convertible corporate bond due within one year or one operating cycle, and current portion of convertible corporate bond

Details on corporate bonds payable are as follows:

	2020.12.31	2019.12.31
Secured ordinary corporate bonds - current	$ 1,500,000	-
Secured ordinary corporate bonds - non-current	4,000,000	4,500,000
Total	$ 5,500,000	4,500,000

1. The Group issued a secured corporate bond on October 7, 2020, in the amount of NT$ 1,000,000 thousand, at the rate of 0.60%, for the duration of 5 years.
2. The Group issued a secured corporate bond on December 12, 2019, in the amount of NT$ 1,000,000 thousand, at the rate of 0.80%, for the duration of 5 years.
3. For details on the aforementioned secured ordinary corporate bonds, please refer to Note 8.

(15) Lease liability

The carrying amount of lease liability is as follows:

	2020.12.31	2019.12.31
Current	$ 159,420	129,914
Non-current	$ 3,521,533	2,714,817

Refer to Note 6(25) for the details on the analysis of maturity profile of the Group's lease liabilities.

The amount related to lease liability in the consolidated statements of comprehensive income is as follows:

	2020	2019
Interest expense on lease liability	$ 61,469	51,678
Expenses relating to short-term leases and low-value asset leases	$ 22,137	51,128
Lease subsidies related to COVID-19 (other income)	$ 17,542	-

The amount related to lease liability in the consolidated statements of cash flows is as follows:

	2020	2019
Variable lease payments not accounted for in lease liability	$ 77,995	70,960
Total cash used in lease	$ 281,081	294,978

1. Lease of buildings and constructions

(1) The land on Gongyuan Road in Pingtung City is leased from Pingtung Irrigation Association. The lease term was thirty years and the lease payment was of a certain percentage of the land assessed by the Government. In the second half of 2021, the lease was extended for another ten years. A loyalty fee of NT$16,000 thousand was paid to obtain the right of first refusal in the two years prior to the lease expiration date and to renew the lease with pre-negotiated terms and conditions.

(2) The mall in Zuoying HSR station is leased from Taiwan Railways Administration of the Ministry of Transportation and Communications (MOTC) under a service concession contract. The term is thirteen years (including a year for leasehold improvement) and the operation will be handed over to Taiwan Railways Administration at the lease expiration date. The lease payment, or the annual concession fee, includes both a flat amount and a percentage of retail sales revenue.

(3) The mall in Banqiao HSR station is leased from Taiwan Railways Administration, MOTC under a service concession contract. The lease term is sixteen years (including a year for leasehold improvement) and the lease payment, or the annual concession fee, is a fixed loyalty fee for the first four years with a 3% increment each year after. Certain proportion of the lease payments is determined based on the sales amount of the stores of the Group during the lease period.

(4) The Group entered into a lease agreement of shopping malls under development by Tianjin Chongbei Property Management Co., Ltd. and Tianjin River Property Management Co., Ltd. (the "Lessors"). The lease term was twenty years after the transfer of the identified lease asset. When the rescission was probably, the related losses were recognized for the year ended December 31, 2018. The lease was rescinded per the arbitration on June 28, 2019.

(5) The mall in Nangang HSR station is leased from Taiwan Railways Administration, MOTC under a service concession contract. The lease term is sixteen years (including a year for leasehold improvement), and the lease payment, or the annual concession fee, includes both a flat amount and a percentage of retail sales revenue.

(6) The mall in A9 Linkou Station of MRT Taoyuan Airport Line is leased from the Bureau of High-Speed Rail and the Railway Bureau, MOTC under the "Lease Contract of Shopping Mall at Linkou Station of the Taiwan Taoyuan International Airport Access MRT System" and "Lease Contract of Shopping Mall at A19 Station of the Taiwan Taoyuan International Airport Access MRT System", respectively. The lease term is twenty years starting from the contract commencement date, and the lease payment is the greater of the flat concession fee committed in the contract or a variable concession fee. The variable concession fee is a percentage of retail sales revenue and non-operating income of actual operation, plus lease payments on the land and buildings.

(7) The mall and parking lot in Linkou A8 Chang Gung Memorial Hospital Station of MRT Taoyuan Airport Line is leased from Asia Pacific Development Co. The lease term is twenty years starting from the first date of operation, and the lease payment on the mall is the greater of a flat fee or a percentage of retail sales revenue.

2. Other leases

The Group leases transportation equipment and the lease period is 3 years. The Group leases office equipment and outdoor fixed-spot advertising. These leases are for short term and low-value items, and the Group chooses to apply the exemption recognition requirement instead of recognizing their right-of-use assets and lease liabilities.

(16) Provisions

		Warranties
Balance as of January 1, 2020	$	102,482
Additions		53,233
Used		(4,999)
Reversal liability provision for the period		(353)
Balance as of December 31, 2020	$	150,363
Balance as of January 1, 2019	$	79,261
Additions		27,816
Used		(4,595)
Balance as of December 31, 2019	$	102,482

In 2020 and 2019, the warranty provisions of the Group are mainly related to construction contracting. The warranty provisions are estimated based on the historical warranty data of various constructions. The Group expects that the liability will occur mostly one year after the construction acceptance.

(17) Operating lease (lessor)

The Group leases its investment properties and recognizes the leases that do not transfer of the substantial risks and rewards incident to ownership of an underlying asset under as operating leases. Refer to Note 6(10) for details.

The maturity analysis of the lease payment is listed as follows according to the non-discounted future cash flows of lease receivable after the reporting date:

		2019.12.31	2019.12.31
Not later than 1 year	$	13,240	13,238
Later than 1 year but not later than 2 years		7,136	13,238
Later than 2 years but not later than 3 years		4,571	7,234
Later than 3 years but not later than 4 years		4,590	4,571
Later than 4 years but not later than 5 years		4,820	4,590
Later than 5 years		4,620	9,440
Non-discounted future cash flows of lease	$	38,977	52,311

For the years ended December 31, 2020, and 2019, the rental income from investment property amounted to NT$13,248 thousand and NT$10,823 thousand, respectively; no significant repair and maintenance expenses were recognized.

(18) Employee benefits

1. Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the fair value of plan assets for defined benefit plans was as follows:

		2020.12.31	2019.12.31
Present value of defined benefit obligations	$	34,797	35,266
Fair value of plan assets		(32,218)	(29,946)
Net defined benefit (assets) liabilities	$	2,579	5,320

Details on employee benefit liabilities were as follows:

	2020.12.31	2019.12.31
Short-term compensated absences liability	$ 22,278	21,533

The Group makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans covered by the Labor Standards Act entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

(1) Composition of plan assets

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

The Group’s contributions to the pension funds were deposited with Bank of Taiwan, which amounted to NT$32,218 thousand as of the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(2) Movements in present value of the defined benefit obligations

The changes in the present value of defined benefit obligations of the Group in 2020 and 2019 are as follows:

	2020	2019
Defined benefit obligations on January 1	$ 35,266	42,190
Current service costs and interest cost (income)	294	463
Remeasurement on the net defined benefit liabilities (assets)		
- Actuarial loss (gain) arising from changes in financial assumption	747	588
- Experience adjustments	1,810	10
Benefits paid by the plan	(3,320)	(7,985)
Fair value of plan assets on December 31	$ 34,797	35,266

(3) Movements in fair value of plan assets

Changes in fair value of defined benefit plan assets of the Group in 2020 and 2019 are as follows:

		2020	2019
Fair value of plan assets on January 1	$	29,946	31,024
Interest income		244	339
Remeasurement on the net defined benefit liabilities (assets)			
- Return on plan assets (excluding amounts included in net interest expense)		1,324	1,220
Contributions paid by the employer		4,024	5,348
Benefits paid by the plan		(3,320)	(7,985)
Fair value of plan assets on December 31	**$**	**32,218**	**29,946**

(4) The Group had no upper limit impact on defined benefit plan assets in 2020 and 2019.

(5) Expenses recognized in profit or loss

The details of account items reported as expenses for 2020 and 2019 of the Group are as follows:

		2020	2019
Current service costs	$	93	147
Net interest of net defined benefit liabilities (assets)		(43)	(23)
	$	**50**	**124**
Operating costs	$	(16)	(2)
Administrative expenses		66	126
	$	**50**	**124**

(6) Remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income

The re-measurement amount of the net defined benefit liabilities (assets) recognized as other consolidated benefit and losses in 2020 and 2019 of the Group is as follows:

		2020	2019
Cumulative balance as of January 1	$	(7,534)	(8,156)
Recognized for the year		(1,234)	622
Cumulative balance as of December 31	**$**	**(8,768)**	**(7,534)**

(7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	2020.12.31	**2019.12.31**
Discount rate	0.80 %	1.00 %
Future salary increases rate	1.75% to 2%	1.75 %

Based on the actuarial report, the Group is expected to make a contribution payment of NT$953 thousand to the defined benefit plans for the one-year period after the reporting date of 2020.

The weighted average survival period of defined benefit plan is 10.1 to 12.5 years.

(8) Sensitivity analysis

The impact of changes in the main actuarial assumptions to be adopted on December 31, 2020, and 2019 on the present value of defined benefit obligations is as follows:

	The impact on the defined benefit obligation	
	Increase by 0.25%	**Decrease by 0.25%**
December 31, 2020		
Discount rate (change by 0.25%)	(931)	965
Future salary increases rate (change by 1%)	3,992	(3,546)
December 31, 2019		
Discount rate (change by 0.25%)	(972)	1,009
Future salary increases rate (change by 1%)	4,192	(3,701)

Reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. This analysis shows the isolated effect of changing one individual assumption, but in fact, many assumptions are correlated. There were no changes in the method and assumptions used in the preparation of sensitivity analysis for the current period and for the prior periods.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for the prior periods.

2. Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The cost of the Group's pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2020, and 2019 amounted to NT$35,519 thousand and NT$35,252 thousand, respectively.

(19) Income tax

1. Income tax expense

Details of income tax expenses of the Group in 2020 and 2019 are as follows:

		2020	2019
Current tax expenses			
Accrued in current year	$	665,872	170,690
Surtax on unappropriated earnings		40,140	13,248
Adjustments to income tax expenses of precious period		(10,204)	(8,688)
Land revaluation increment tax		290,920	104,694
		986,728	279,944
Deferred tax expenses			
Reversal of tax loss recognized for the prior periods		(395)	6,560
Origination and reversal of temporary differences		(2,671)	(18,463)
		(3,066)	(11,903)
Income tax expenses on units in continuing operation	$	**983,662**	**268,041**

For the years ended on December 31, 2020, and 2019, no income tax expenses of the Group are recognized in equity or other comprehensive income.

The relationship between the income tax expense and the net income before tax of the Group in 2020 and 2019 is adjusted as follows:

		2020	2019
Net income before tax	$	4,888,799	1,814,264
Income tax using the Company's domestic tax rate	$	977,760	362,853
Non-taxable incomes		(221,282)	(157,636)
Deferred tax on interest expenses		17,555	(2,428)
Deferred tax on interest expenses		(21,343)	4,602
Valuation (gain) loss on financial assets measured at fair value through profit or loss		(35)	66
Changes in recognized temporary differences		4,369	12,834
Timing differences		29,165	9,424
Tax loss of unrecognized deferred tax assets for the current period		3,340	2,238
Tax loss of recognized deferred tax assets for the prior periods		-	6,560
Loss carryforward		(55,848)	-
Under (over) provision for the prior periods		(10,204)	(8,688)
Land revaluation increment tax		290,920	104,694
Total land price increase		(42,118)	-
Surtax on unappropriated earnings		40,140	13,248
Realized investment loss		-	(79,364)
Others		(28,757)	(362)

	2020	2019
	$ 983,662	268,041

2. Deferred tax assets and liabilities

(1) Unrecognized deferred tax assets

The Group's unrecognized deferred tax assets were as follows:

	2020.12.31	2019.12.31
Deductible temporary differences	$ 7,060	6,469
Tax losses	83,783	136,014
	$ 90,843	142,483

Tax losses are permitted by Income Tax Act, according to which, operating losses for the prior ten periods can be deducted from operating profits for the respective period before the calculation of income tax, so long as the operating losses are assessed by tax collection agencies. Instead of recognized as a deferred income tax asset, the tax losses is recognized as temporary differences, for the Group expects sufficient future taxable profits to offset the tax losses.

As of December 31, 2020, the deduction period for the tax loss of deferred income tax assets recognized and those not recognized by the consoldiated Company is as follows:

Year of operating loss	Amount of deductible losses	Expiration year
Assessed operating losses for fiscal year 2013	$ 39,908	2023
Assessed operating losses for fiscal year 2014	17,243	2024
Assessed operating losses for fiscal year 2015	34,098	2025
Assessed operating losses for fiscal year 2016	29,999	2026
Assessed operating losses for fiscal year 2017	20,447	2027
Loss approved in 2018	17,364	2028
Loss declared in 2019	248,248	2029
Loss estimated in 2020	11,608	2030
	$ 418,915	

(2) Recognized deferred tax assets

The changes in deferred income tax assets for the year 2020 and 2019 are as follows

		Defined benefit plans	Provisions	Unrealized construction loss	Loss carryforward	Others	Total
January 1, 2020	$	741	20,491	-	1,500	28,714	51,446
Credit (debit) on income statements		88	9,577	-	395	(6,994)	3,066
December 31, 2020	**$**	**829**	**30,068**		**1,895**	**21,720**	**54,512**
January 1, 2019	$	782	15,847	2,160	8,059	12,694	39,542
Credit (debit) on income statements		(41)	4,644	(2,160)	(6,559)	16,020	11,904
December 31, 2019	**$**	**741**	**20,491**	**-**	**1,500**	**28,714**	**51,446**

3. The tax fillings of Guanqing Electromechanical, Dingtian Construction and Guan Hua were assessed by the tax collecting agencies for the year ended on December 31, 2019; those of other entities of the Group were assessed for the years ended on December 31, 2018.

(20) Capital and other equity

As of December 31, 2020 and 2019, the total value of nominal common stocks amounted to NT$ 6,500,000 thousand, with a par value of 10 per share, consisting of 650,000 thousand shares issued. There were 503,791 thousand shares of ordinary shares already issued.

1. Capital reserve

The details of capital surplus were as follows:

		2020.12.31	2019.12.31
Shares premium	$	827,906	827,906
Premium on conversion of corporate bonds		236,408	236,408
Treasury stock transactions		270,473	254,535
Gains on disposal of assets		34,912	34,912
Others		26,398	26,112
	$	**1,396,097**	**1,379,873**

In accordance with the Company Act, realized capital surplus can only be distributed to shareholders based on their original shareholding percentage as new shares or cash dividends after offsetting losses. The aforementioned realized capital reserve includes capital reserve resulting from premium on issuance of capital stock and earnings from donated assets received. In accordance with the processing standards regarding issuers' collection and issuance of negotiable securities, the capital reserve for capital has to be appropriated, and the total amount of appropriation every year shall not exceed 10% of the paid-in capital.

2. Retained earnings

The Company's Articles of Incorporation stipulates that the Company's earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, if any, can be distributed to the shareholders as dividends, and bonus dividends according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

(1) Legal reserve

When there is no loss in the Company, the legal reserve will be used to issue new shares or cash dividends upon resolution by the Shareholders' Meeting, to the limit of the part of the reserve that has exceeded 25% of the paid-in capital.

(2) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special reserve appropriated during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. If the amount debited to the other shareholders' equity is reversed subsequently, the reversed amount may be distributed. As of December 31, 2020, the balance of special reserve is NT$25,804 thousand.

(3) Earnings distribution

The 2019 and 2018 distributions of earnings were resolved at the shareholders' meetings on June 19, 2020 and June 10, 2019, respectively. The dividends distributed to owners are as follows:

	2019		2018	
	Dividend rate (NTD)	**Amount**	**Dividend rate (NTD)**	**Amount**
Dividends to ordinary shareholders:				
Cash dividend	$ 1.50	755,687	1.00	503,791

3. Treasury stock

As at December 31, 2020, and 2019, the details of shares of the Company held by the Group are as follows:

Unit: thousands shares

	2020.12.31			2019.12.31		
Subsidiary name	**Number of shares**	**Carrying amount**	**Market value**	**Number of shares**	**Carrying amount**	**Market value**
Kedge Construction	500	$ 1,222	16,825	500	1,222	15,950
Jiequn Investment Co., Ltd.	8,518	55,384	286,646	8,518	55,384	271,739
Guanqing Electromechanical Co., Ltd.	1,607	14,590	54,076	1,607	14,590	51,263
	10,625	**$ 71,196**	**357,547**	**10,625**	**71,196**	**338,952**

4. Other equity items (net of tax)

	Exchange differences on translation of financial statements of foreign operations	**Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income**	**Non-controlling interests**	**Total**
Balance as of January 1, 2020	$ (26,264)	460	(5,049)	(30,853)
The exchange differences yielded by net assets of overseas operating institutions	(2,257)	-	(429)	(2,686)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	214	(62)	152
Balance as of December 31, 2020	**$ (28,521)**	**674**	**(5,540)**	**(33,387)**
Balance as of January 1, 2019	$ (25,910)	364	(5,870)	(31,416)
The exchange differences yielded by net assets of overseas operating institutions	(354)	-	(67)	(421)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	96	888	984
Balance as of December 31, 2019	**$ (26,264)**	**460**	**(5,049)**	**(30,853)**

(21) Earnings per share (the "EPS")

The basic and diluted earnings per share of the Group in 2020 and 2019 are calculated as follows:

1. Basic earnings per share

(1) Net income attributable to the shareholders of common stocks of the Company

	2020	2019
Profit attributable to the holders of common shares of the Company	$ 3,353,971	1,283,526

(2) Weighted-average number of ordinary shares outstanding

	2020	2019
Number of ordinary shares issued as of January 1	503,791	503,791
Effects of treasury stocks	(10,625)	(10,625)
Weighted-average number of outstanding ordinary shares as of December 31	493,166	493,166
Basic earnings per share	$ 6.80	2.60

2. Diluted earnings per share

(1) Net income attributable to the shareholders of common stocks of the Company (diluted)

	2020	2019
Net income attributable to the shareholders of common stocks of the Company (diluted)	$ 3,353,971	1,283,526

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

	2020	2019
Weighted-average number of outstanding common stocks (basic) as of December 31	493,166	493,166
Influence of employees' share bonus	2,497	1,049
Weighted-average number of outstanding common stocks (diluted) as of December 31	495,663	494,215
Diluted earnings per share	$ 6.77	2.60

(22) Revenue from contracts with customers

1. Disaggregation of revenue

	2020			
	Development business unit	Construction business unit	Shopping mall business unit	Total
Primary geographical markets:				
Taiwan	$ 17,181,862	8,822,340	1,341,203	27,345,405
Main products/services:				
Sales of real estate developments	$ 16,776,116	-	-	16,776,116
Sales of construction contracts	384,452	8,819,618	-	9,204,070
Sales commission from department store	-	-	1,099,596	1,099,596

	2020			
	Development business unit	**Construction business unit**	**Shopping mall business unit**	**Total**
retailers				
Service revenue	9,590	-	31,211	40,801
Rental income	11,704	2,722	86,242	100,668
Other incomes	-	-	124,154	124,154
	$ 17,181,862	8,822,340	1,341,203	27,345,405
Timing of revenue recognition:				
Upon transfer of products	$ 16,785,706	-	1,283,982	18,069,688
On the basis of time passed for services rendered	11,704	2,722	57,221	71,647
On the basis of stage of completion of contract activity	384,452	8,819,618	-	9,204,070
	$ 17,181,862	8,822,340	1,341,203	27,345,405

	2019			
	Development business unit	**Construction business unit**	**Shopping mall business unit**	**Total**
Primary geographical markets:				
Taiwan	$ 8,115,011	5,829,910	1,381,978	15,326,899
Main products/services:				
Sales of real estate developments	$ 7,848,371	-	-	7,848,371
Sales of construction contracts	227,813	5,827,188	-	6,055,001
Sales commission from department store retailers	-	-	1,114,448	1,114,448
Service revenue	27,690	-	30,621	58,311
Rental income	11,137	2,722	121,132	134,991
Other incomes	-	-	115,777	115,777
	$ 8,115,011	5,829,910	1,381,978	15,326,899
Timing of revenue recognition:				
Upon transfer of products	$ 7,876,061	-	1,324,520	9,200,581
On the basis of time passed for services rendered	11,137	2,722	57,458	71,317
On the basis of stage of completion of contract activity	227,813	5,827,188	-	6,055,001
	$ 8,115,011	5,829,910	1,381,978	15,326,899

2. Contract balances

	2020.12.31	2019.12.31	2019.1.1
Accounts receivable	$ 2,225,979	1,412,568	1,427,636
Less: loss allowance	-	-	-
Total	$ 2,225,979	1,412,568	1,427,636
Contract assets - construction	$ 1,671,567	1,349,793	1,028,330
Less: loss allowance	-	-	-
Total	$ 1,671,567	1,349,793	1,028,330
Contract liabilities - construction	$ 1,247,902	930,947	633,903
Contract liabilities - buildings	4,257,365	5,177,387	3,937,293
Contract liabilities - gym	10,243	10,137	9,158
Contract liabilities - customer loyalty points	11,927	16,828	9,676
Contract liabilities - vouchers	58,210	52,039	-
Total	$ 5,585,647	6,187,338	4,590,030

Refer to Note 6(4) for details on accounts receivable and related loss allowance.

The beginning balance of contract liability on January 1, 2020, and 2019, were NT$1,289,250 thousand and NT$397,232 thousand, respectively.

The changes in contract assets and contract liabilities are mainly due to the difference between the time when the Group transfers commodity or services to clients to meet the performance obligations and the time when clients pay. For the years ended December 31, 2020, and 2019, no material changes were recognized.

As of December 31, 2020, the Group's prepayments of real estate pre-sales and the related interests were retained in trust accounts of identified banks and recognized as other financial assets - current in the amounts of NT$384,925 thousand. Details on the trust accounts were as follows:

Project code	2020.12.31
105A	$ 20,596
950B	364,329
	$ 384,925

(23) Remunerations to employees and directors

The Company's Articles of Incorporation stipulates that, after annual earnings first offset against any deficit, a minimum of 0.5% shall be allocated as employee compensation and a maximum of 2% as Directors' remuneration. However, profits must first be taken to offset against cumulative losses if any.

In 2020 and 2019, the Company's employee bonus was set aside for NT$70,829 thousand and NT$30,433 thousand respectively, and the Director's remuneration was set aside for NT$70,829 thousand and NT$30,433 thousand, which are estimated on the basis of the Company's pre-tax net profit before deducting the bonus of employees and Directors in each period multiplied by the distribution percentage of the bonus of employees and Directors stipulated in the Articles of Incorporation of the Company, and reported as the operating expenses of 2020 and 2019. When an issuance of common stocks for employee compensation is resolved by a Board meeting, the number of shares issued for the stock-based compensation is calculated based on the closing stock price at the date before the Board meeting. Related information is disclosed on Market Observation Post System of TWSE. The aforementioned amounts of employee compensation and Directors' and Supervisors' remuneration, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2020 and 2019.

(24) Non-operating revenue and expense

1. Interest income

Details of interest income of the Group in 2020 and 2019 are as follows:

		2020	2019
Bank deposits (including short-term securities)	$	10,443	12,842
Loans and receivables		8,394	5,971
Construction refundable deposits (including deposits)		1,089	1,431
Other interest income		1,110	56
	$	21,036	20,300

2. Other income

Details of other income of the Group in 2020 and 2019 are as follows:

		2020	2019
Dividend income	$	3,435	3,456

3. Other gains or losses

Details of other gains and losses of the Group in 2020 and 2019 are as follows:

		2020	2019
Foreign currency exchange gain (loss)	$	921	(3,895)
Net profit (loss) on financial assets measured at fair value through profit or loss		(5,918)	6,699
Proceeds from disposals of property, plant and equipment		95	80
Others		(19,707)	(11,354)
Rental income		877	625
Other incomes		75,845	34,938
Government grant income		18,178	-
Impairment losses		(8,000)	(98,000)
Reversal of impairment loss		-	113,110
	$	62,291	42,203

4. Financial costs

Details of the financial cost of the Group in 2020 and 2019 are as follows:

		2020	2019
Interest expenses			
Bank loans	$	388,189	475,585
Interests on deposits in advance for public land development		186	225
Arranger fees		4,875	750
Transaction fees and interests on corporate bonds		88,405	86,563
Other financing costs		61,469	51,678
Others		1,102	824
Less: Capitalization of interest		(177,430)	(165,200)
	$	366,796	450,425

(25) Financial Instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(2) Concentration of credit risk

The Group's clientele is mainly public works and the vast majority of consumers. The accounts receivable of the Group's shopping mall business unit is receivables from financial institutions, generated by credit card transactions, that of the construction business unit receivables of construction projects under contracts, and that of the Development business unit receivables of real estate sales. The receivables from financial institutions are directly wired into the Group's bank accounts, and the receivables of real estate sales are paid by individual consumers through wire transfers, cashier's or certified checks and mortgage. Consequently, the credit risks in relations to these receivables are estimated to be minimal and hence can be effectively managed and controlled.

2. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Less than 1 year	1 to 3 years-	3 to 5 years-	Over 5 years
December 31, 2020						
Non-derivative financial liabilities						
Long/short-term loans	$ 17,476,351	17,992,481	9,762,165	6,525,559	707,412	997,345
Ordinary bond (including current portion due within one year)	5,500,000	5,612,975	1,506,775	2,045,975	2,060,225	-
Notes, accounts and other payables	6,712,402	6,712,402	4,818,007	1,894,395	-	-
Guarantee deposits received	94,419	94,419	-	94,419	-	-
Long-term debt (including current portion due within one year) and other non-current liabilities	65,344	66,138	16,667	33,069	16,402	-
Lease liabilities	3,680,953	4,344,263	221,697	482,113	473,602	3,166,851

	Carrying amount	Contractual cash flow	Less than 1 year	1 to 3 years-	3 to 5 years-	Over 5 years
	$ 33,529,469	34,822,678	16,325,311	11,075,530	3,257,641	4,164,196
December 31, 2019						
Non-derivative financial liabilities						
Long/short-term loans (including current portion due within one year)	$ 21,290,399	22,176,874	7,161,146	9,937,097	4,094,208	984,423
Ordinary bond (including current portion due within one year)	4,500,000	4,627,523	-	1,522,568	3,104,955	-
Notes, accounts and other payables	6,046,999	6,046,999	4,554,534	1,492,465	-	-
Guarantee deposits received	90,754	90,754	1,703	89,051	-	-
Long-term debt (including current portion due within one year) and other non-current liabilities	81,680	82,893	16,755	33,245	32,893	-
Lease liabilities	2,844,731	3,384,464	176,787	360,311	366,367	2,480,999
	$ 34,854,563	36,409,507	11,910,925	13,434,737	7,598,423	3,465,422

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

3. Interest rate analysis

The interest rate risk exposure of financial assets and financial liabilities of the Group is described in the liquidity risk management of this Note.

The following sensitivity analysis is based on the interest rate exposure of derivatives and non-derivatives on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The interest rate fluctuation of 1% increase or decrease is used internally for reporting the interest rate to management and is the assessment by management regarding the reasonable and possible changes in interest rates.

If the interest rate increases or decreases by 1% the Group's net income will decrease /increase by NT$174,764 thousand and NT$212,904 thousand for the years ended December 31, 2020 and 2019, respectively, assuming all other variable factors remain constant. The net profit after considering interest capitalization will decrease or increase by NT$117,787 thousand and NT$155,772 thousand. This is mainly due to the Group's variable rate borrowings.

4. Other market price risk

If the equity securities price changes on the reporting date (the same basis is adopted for the analysis for both periods, with the assumption that other variable factors remain unchanged), the impacts on the comprehensive gains or losses are as follows:

	2020		2019	
Securities price on the reporting date	**Other comprehensive income after tax**	**Net income after tax**	**Other comprehensive income after tax**	**Net income after tax**
Increase by 10%	$ 873	6,766	858	9,756
Decrease by 10%	$ (873)	(6,766)	(858)	(9,756)

5. Fair value measurement

(1) Categories and fair value of financial instruments

The fair value of financial assets measured at FVTPL and FVTOCI is measured on a recurring basis. The carrying amount and fair value of various financial assets and financial liabilities (including fair value level information; the carrying amount of financial instruments not measured at fair value is the reasonable approximate of fair value and the lease liabilities do not have to revealed according to provisions) are listed as follows:

	2020.12.31				
		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at FVTPL					
Non-derivative financial assets mandatorily measured at FVTPL	$ 67,661	67,661	-	-	67,661
Financial assets measured at FVTOCI	$ 8,731	495	-	8,236	8,731
Financial assets measured at cost after amortization					
Cash and cash equivalents	$ 11,510,749	-	-	-	-
Notes and accounts receivable	2,226,837	-	-	-	-
Other financial assets - current-	2,262,304	-	-	-	-
Other financial assets - non-current-	132,280	-	-	-	-
Subtotal	16,132,170	-	-	-	-
Total	**$ 16,208,562**	**68,156**	**-**	**8,236**	**76,392**
Financial liabilities measured at amortized costs					
Long/short-term loans	$ 17,476,351	-	-	-	-
Notes, accounts and other payables	6,712,402	-	-	-	-
Corporate bonds payable (including current portion)	5,500,000	-	-	-	-
Other payables (including current portion)	65,344	-	-	-	-
Long-term lease payable (including current portion due within one year)	3,680,953	-	-	-	-
Guarantee deposits received	94,419	-	-	-	-
Total	**$ 33,529,469**	**-**	**-**	**-**	**-**

	2019.12.31				
		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at FVTPL					
Non-derivative financial assets mandatorily measured at FVTPL	$ 97,563	97,563	-	-	97,563
Financial assets measured at FVTOCI	$ 8,579	656	-	7,923	8,579
Financial assets measured at cost after amortization					
Cash and cash equivalents	$ 6,229,385	-	-	-	-
Notes and accounts receivable	1,415,769	-	-	-	-
Other financial assets - current-	3,530,868	-	-	-	-
Other financial assets - non-current-	72,968	-	-	-	-
Subtotal	11,248,990	-	-	-	-
Total	**$ 11,355,132**	**98,219**	**-**	**7,923**	**106,142**
Financial liabilities measured at amortized costs					
Short and long-term borrowings (including current portion due within one year)	$ 21,290,399	-	-	-	-
Notes, accounts and other payables	6,046,999	-	-	-	-
Corporate bonds payable	4,500,000	-	-	-	-
Other payables (including current portion)	81,680	-	-	-	-
Long-term lease payable (including current portion due within one year)	2,844,731	-	-	-	-
Guarantee deposits received	90,754	-	-	-	-
Total	**$ 34,854,563**	**-**	**-**	**-**	**-**

(2) Valuation techniques of financial instruments measured at fair value

(2.1) Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. A quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity and debt instruments, as it is a quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial unions, pricing agencies, or governing authorities, and such price can actually reflect those traded frequently in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accordance with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, low trading volumes and high or increasing bid-ask spreads are indications that a market is not active.

The categories and characteristics of fair value measurement for the financial instruments with active markets were as follows:

- The fair value of financial instruments that have active markets and standard terms and conditions are determined with reference to quoted market prices (e.g., publicly traded stocks).

  The categories and characteristics of fair value measurement for the financial instruments without active markets were as follows:

- Equity instruments without active market quotes: the fair value is derived from comparable companies in the market and is determined by multiplying investee's EBITDA with P/E ratio of comparable companies listed in the market. The calculation is then discounted for lack of marketability.

(3) Movement in financial assets included in Level 3 fair value hierarchy

	Measured at fair value through other comprehensive income		
	Equity instruments without public quotes	**Debt instruments**	**Total**
January 1, 2020	$ 7,923	-	7,923
December 31, 2020	$ 8,236	-	8,236
January 1, 2019	$ 7,245	-	7,245
December 31, 2019	$ 7,923	-	7,923

The aforementioned total gains or losses were included in "unrealized gain (loss) from financial assets measured at FVTOCI." Among them, the assets still held on December 31, 2020 and 2019 are as follows:

	2020	**2019**
Total profit or loss		
Recognized in other comprehensive income (reported in "Unrealized gain (loss) on valuation of financial assets measured at fair value through other comprehensive income")	$ 313	678

(4) Significant unobservable inputs (Level 3) of fair value measurement

Some of the Group's financial assets at FVTOCI are categorized as measured in Level 3.

Among the financial assets categorized as measured in Level 3, the majority have only one significant unobservable input, except for equity instruments without active market quotes, which have several significant unobservable inputs. The significant unobservable inputs for the equity instruments without active market quotes are independent of each other and are not correlated.

Quantitative information of significant unobservable inputs is as follows:

Item	Valuation technique	Significant unobservable inputs	Relationship of the inputs and fair value
Financial assets measured at FVTOCI - equity instruments without active market quotes	Comparable Company valuation	- Price/earnings ratio (22.3 for 2020 and 10.6 for 2019) - Discount for lack of marketability (15% for both 2020 and 2019)	- The higher the ratio, the greater the fair value. - The higher the discount, the lower the fair value.

(5) Sensitivity analysis of reasonably possible alternative assumptions on fair value measurements in Level 3

The Group' s measurement on the fair value of financial instruments may change if different valuation models or inputs are used. For fair value measurements in Level 3, changes in one or more of the assumptions would have the following effects on profit or loss or other comprehensive income:

			Changes of fair value in the current profit or loss		Changes of fair value in other comprehensive income	
	Input	Changes upwards or downwards	Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2020						
Financial assets measured at FVTOCI						
Equity investments without active market quotes	Price/earnings ratio	10%	-	-	219	(219)
Equity investments without active market quotes	Discount for lack of marketability	10%	-	-	284	(284)
December 31, 2019						
Financial assets measured at FVTOCI						
Equity investments without active market quotes	Price/earnings ratio	10%	-	-	182	(182)
Equity investments without active market quotes	Discount for lack of marketability	10%	-	-	236	(236)

(6) Transfer between different levels of Fair value hierarchy

Some of equity instruments held by the Group have active market quotes, and therefore, those are classified in Level 1. For the years ended on December 31, 2020 and 2019, no changes in fair value hierarchy occurred, and therefore, no transfer were recognized.

(26) Financial risk management

1. Overview

The Group is exposed to the following risks from its financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. For more details, please refer to the related notes to parent-Company-only financial statements.

2. Structure of risk management

(1) Risk management policy

Enterprises often encounter many uncertainties that may threaten their operations. In order to find and control them as early as possible and reduce the losses caused by risks, good risk management policies are required. The Board of Directors of the Group establishes the overall risk management policy in line with the operating strategy, operating environment and department plan. Its main subjects include the aspects of the environment, internal and external operational flow, and strategic decision-making, etc. In addition, the Board of Directors shall submit risk management reports on various risk management resolutions, delivery matters, supervision and follow-up implementation, so that when future operation and management face similar or identical problems, they can refer to past experience and propose better solutions.

(2) Organization structure of risk management

Every level in the organization structure or every department in the Group has responsibility for risk management. A discovery of any risk shall be reported to the internal audit and senior management, who then shall take related actions in the first place.

The organization structure of risk management is as follows:

Organization name	Responsibilities
Board of Directors	Establish risk management policy Ensure effective operation of and sufficient resources allocated to risk management
Senior management	Execute risk management policy determined by Board of Directors Coordinate cross-functional risk control activities
Internal Audit	Perform routine audits on risk control Monitor risk control activities and report them to Board of Directors and Audit Committee
Others	Compiling results of risk control activities Perform routine activities on risk control Evaluate risk types based on circumstances and propose corresponding action plans

3. Credit risk

Credit risk is the risk of financial losses resulting, when the Group's customers or counter-parties of its financial instruments fail to meet their contractual obligations, principally from the Group's receivables from clients and investment securities.

(1) Accounts receivable and other receivables

The credit risk exposure of the Group is primarily affected by the individual circumstances of each client. The management also considers the statistical data on the basis of Group customers, including the default risk of industry and country, because these factors can also influence credit risk. The Group’s revenues in both 2020 and 2019 were derived from sales to domestic customers. The accounts receivable of the Group’s shopping mall business unit is receivables from financial institutions, generated by credit card transactions, that of the construction business unit receivables of construction projects under contracts and that of the development business unit receivables of real estate sales. The receivables from financial institutions are directly wired into the Group’s bank accounts, the project receivable requires the other party to provide a guarantee or assurance when necessary, and the receivables of real estate sales are paid by individual consumers through wire transfers, cashier’s or certified checks and mortgage. Consequently, the credit risks in relations to these receivables are estimated to be minimal.

The Group sets up an allowance doubtful debts account to reflect the estimated incurred cost in accounts receivable and other receivables and investment. The allowance account consists of two components; the main component refers specific losses associated with individual significant exposure to credit risks; and the other component refers to a portfolio of already occurred but yet to have identified losses of a group of similar assets. The portfolio of loss allowance account is determined by historical statistics on payments eventually received for similar financial assets.

(2) Investments

The exposure to credit risk in relation to bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the Group's finance department. Since the Group only deals with banks with good credit rating as well as financial institutions, corporations, and government agencies with investment-grade credit ratings, no concerns on the fulfillment of its counterparty's obligations and no significant exposure to credit risk were recognized.

(3) Guarantees

Policies of the Group stipulates that financial guarantee can be made available to counter-parties with whom the Group has business. As of December 31, 2020, and 2019, the Group provides no endorsements/guarantees mentioned above.

4. Liquidity risk

Liquidity risk is the risk of unfulfilled obligations occurring when the Group cannot settle its financial liabilities with cash or another financial asset. The Group's approach to managing liquidity is to always ensure that it has sufficient liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking its reputation.

5. Market risk

Market risk is the risk of changes in the Group's profits or value of its financial instruments resulting from changes in market factors, such as foreign exchange rates, interest rates, and prices of equity instruments. The Group's objective of market risk management is to control its market risk exposure within a bearable range while optimizing the investment return.

(1) Interest rate risk

The Group adopts the most cost-effective strategy in maintaining an appropriate portfolio of fixed and floating interest rates and conducting such assessment regularly.

(2) Other market price risk

The Group is exposed to the risk of market price fluctuation in its equity instruments held for sale with the intention to cover the unfunded portion of the defined benefit obligations. The Group's management adjusts the ratio of equity to debt in its investment portfolio according to fluctuation in market price index. Any material investment in the portfolio is managed separately.

(27) Capital management

The Group's objectives of capital management is to ensure its capacity in operation continuity, to return profits to its shareholders and other stakeholders, and to optimize its capital structure to reduce cost of capital.

In maintaining or adjusting the capital structure, the Group may settle liabilities through adjustments in dividend payment or capital return to its shareholders, issuance of new shares, or disposal of assets.

The Group, like its peer companies, control capital management on the basis of debt-to-capital ratio, which is net debt divided by total capital. The net debt is the total liabilities less cash and cash equivalents. The total capital is total equity (including share capital, capital reserve, retained earnings, other equity, and non-controlling equity) plus net debt.

For the years ended December 31, 2020 and 2019, the Group had the same policy on capital management and maintained the debt-to-capital ratio between 60% to 70% to ensure reasonable cost of capital. The debt-to-capital ratios on December 31 of 2020 and 2019 are as follows:

	2020.12.31	**2019.12.31**
Total liabilities	$ 40,011,484	41,412,056
Less: cash and cash equivalents	(11,510,749)	(6,229,385)
Net liability	28,500,735	35,182,671
Total equity	17,365,557	14,412,909
Capital after adjustment	**$ 45,866,292**	**49,595,580**
Debt-to-capital ratio	**62.14%**	**70.94%**

(28) Investment and financing activities for non-cash transaction

The statement of non-cash transaction investments and financing activities of the Group in 2020 and 2019.

For details of right-of-use assets obtained by lease, please refer to Note 6(9).

7. Related-Party Transactions

(1) Name of related parties and relations

The affiliates which have trading with the Group within the period of the financial report are as follows:

Name of related party	Relationship with the Group
Kindom Yu San Education Foundation	The entity's Chairman is the second-degree relatives of the Company's Chairman

(2) Transactions with related parties

1. For the years ended December 31, 2020 and 2019, donations made to the related party in the amounts of NT$15,000 thousand and NT$10,500 thousand are for the purpose of promoting the Foundation's services.
2. Part of the Group's office building was leased to the related parties in a lease term of five years with a rent in the amount of NT$57 thousand for both years ended December 31, 2020, and 2019.
3. For the year ended December 31, 2019, sales of the Group's asset to the related parties amounted to NT$1,429 thousand before tax, the related payables were settled as of December 31, 2019.

(3) Key management personnel transactions

Remuneration to major management personnel includes:

	2020	2019
Short-term employee benefits	$ 162,919	103,326
Post-employment benefits	280	285
	$ 163,199	103,611

8. Pledged Assets

The details of carrying value of pledged assets by the Group are as follows:

Name of assets	Pledge guarantee object	2020.12.31	2019.12.31
Buildings and land held for sale	Bank loans	$ 9,225,920	9,081,604
Land held for construction	Secured by bank	211,953	211,953
Construction in progress	Secured by bank	9,491,628	13,471,475
Investment properties and net value of property, plant, and equipment	Bank loans and corporate bonds payable	6,423,080	6,514,072
Other financial assets - current-	Bank loans, pre-sales payments in trust accounts, guarantees, and corporate bonds payable	1,687,965	2,911,788
Other financial assets - non-current	Guarantees and pre-sales payments in trust accounts	110,594	60,893
		$ 27,151,140	32,251,785

Note: The shares pledged as collateral for subsidiary's bank borrowings and payments received in advance for sales of land and buildings amounted to 293,414 thousand shares, as of December 31, 2020, and 2019.

9. Significant, Contingent and Unrecognized Contract Liabilities

(1) Significant unrecognized contract commitments:

1. Total amount of significant construction contracts were as follows:

	2020.12.31	2019.12.31
Amount of construction contracts	$ 33,736,689	20,912,565
Amount of payments received	$ 14,977,670	6,728,027

2. Total amount of sales contracts signed before and after the completion of construction were as follows:

	2020.12.31	2019.12.31
Amount of sales contracts signed	$ 11,127,512	14,898,155
Amount of payments received per contracts	$ 4,257,365	5,177,387

3. Refer to Note 6(15) for details on lease agreements for the Group's business in shopping mall management as of December 31, 2020 and 2019. Details of the refundable deposits and notes in relation to obligations under these agreements were as follows:

	2020.12.31	2019.12.31
Refundable deposits	RMB -	RMB 12,000
Refundable notes	$ 232,550	172,550

4. In September 2015, the Group entered into a lease agreement with Chang Xin Co., Ltd. for the building and parking lot on Jiankang Road in Zhonghe District of New Taipei City. The lease payments in relation to the shopping mall consist of both a monthly flat amount and a percentage of retail sales revenue.

5. It is passed by the Board Meeting in January 2021, December and January 2020, and December 2019 that the Group promised to donate NT$15,000 thousand in both 2021 and 2020 to Kindom Yu San Education Foundation for the promotion of foundation affairs.

6. Details on refundable deposits and notes paid for co-developments with land owners and third-party developers as follows:

	2020.12.31	2019.12.31
Refundable deposits	$ 540,740	538,675
Refundable notes	$ 1,138,095	982,599

7. The Group entered into a lease agreement of shopping malls under development by Tianjin Chongbei Property Management Co., Ltd. and Tianjin River Property Management Co., Ltd. (the "Lessors"). The lease commenced in December 2016 and would end in twenty years.

   The case was settled and the lease was rescinded per the second arbitration court dated on June 28, 2019. In July 2019, the settlement processes were completed, and the Lessor returned the refundable deposit per the settlement agreement as of December 31, 2020.

8. The Group applied for and received a subsidy in the amount of NT$10,500 thousand funded under Taiwan Industry Innovation Platform Programs by Industrial Development Bureau, MOES. The subsidy was granted in exchange for the Group's bank note, in the same amount, pledged as collateral for obligations under the program. The note was refundable and would be returned within six months after the program ends. As of the end of December 31, 2020, NT$8,000 has been refunded.

(2) Contingent liability

In relation to the construction project under Project Code 041A, the neighbor manufacturer alleged that the structural damages on the manufacturer's plants and land were as a result of the Group's construction. Both parties were not able to settle the issue in mediation, so the Group was sued by the neighbor manufacturer, in the amount of NT$15,665 thousand. The Group has yet to assess any contingent liability for this litigation.

10. Significant Disaster Loss: None

11. Significant Events after the End of the Financial Reporting Period: None

12. Others:

A summary of employee benefits, depreciation, depletion, and amortization expenses, by function, is as follows:

Function / Nature	2020			2019		
	Operating costs	Operating Expenses	Total	Operating costs	Operating Expenses	Total
Employee benefits:						
Salaries and wages	492,997	651,388	1,144,385	430,607	531,778	962,385
Labor insurance and national health insurance	35,926	35,393	71,319	38,139	34,500	72,639
Pension expenses	16,428	19,141	35,569	16,690	18,686	35,376
Other employee benefits expenses	1,027	37,565	38,592	232	32,916	33,148
Depreciation expense	7,930	388,761	396,691	4,512	356,697	361,209
Amortization expense	-	10,223	10,223	-	14,639	14,639

13. Disclosure Notes

(1) Information on Material Transactions

In 2020, under Regulations Governing the Preparation of Financial Reports by Securities Issuers, information related to material transactions should be disclosed by the Group is as the following:

1. Loaning of fund to other parties: none

2. Providing endorsements/guarantees to other parties:

Unit: NT$ thousand

No.	Name of endorsement/guarantee provider	Subject of endorsements/guarantees		Limits on Endorsement/guarantee Provided to A Single Entity	Maximum balance for this period	Closing balance of endorsement/guarantees	Actual amount used	Amount of endorsement/guarantees collateralized with assets	Ratio of Cumulative Balance of Endorsement/guarantee to Net Equity as Stated in its Latest Financial Statement	Maximum endorsement/guarantee amount	Endorsements/guarantees Provided by Parent for Subsidiary	Endorsement/guarantees provided by subsidiaries to parent company	Endorsement/guarantee provided to subsidiary in China
		Company name	Relationship (Note 1)										
1	Kedge Construction	Kindom Development	parent company and subsidiary	$ 6,138,218	14,192	14,192	14,192	-	0.46%	6,138,218	N	Y	N
2	Dingtian Construction	Kindom Development	parent company and subsidiary	54,187	14,192	14,192	14,192	-	26.19%	54,187	N	Y	N
2	〃	Kedge Constructio	parent company and subsidiary	8,128,105	1,376,500	1,376,500	1,376,500	-	2,540.28%	16,256,210	N	Y	N
3	Global Mall	Guan You	3	2,945,699	200,000	200,000	5,000	-	4.07%	5,891,398	Y	N	N
3	〃	Guan Hua	2	2,945,699	210,000	155,000	70,000	-	3.16%	5,891,398	Y	N	N

Note 1. Types of relationship that the endorsement/guarantee provider has with the guaranteed party:

(1) An entity with which it does business.

(2) A Company in which the Company directly or indirectly holds more than 50% of the voting shares.

(3) An entity that directly and indirectly holds more than 50% of its voting shares.

(4) Between the companies in which the Company directly or indirectly holds more than 90% of the voting shares.

(5) It fulfills its contractual obligations by providing mutual endorsements/guarantees for an entity in the same industry or for joint builders for purposes of undertaking a construction project.

(6) All capital contributing shareholders make endorsements/guarantees for their jointly invested Company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2. Taipei City Government requested the Company to provide joint and several securities, so Kedge Construction, approved by the Board on March 21, 2002 and March 25, 2010, provided endorsements/guarantees for the Company.

Note 3. Per Kedge Construction's policies and procedures on endorsements/guarantees, the maximum aggregate amount allowable for endorsements/guarantees to third parties shall not exceed 200% of its net equity as stated in its latest financial statement, and limits on endorsements/guarantees provided to a single entity shall not exceed 200% of its net equity as stated in its latest financial statement. The aggregate amount of endorsements/guarantees on all construction projects shall not exceed 10 times of its net equity as stated in its latest financial statement, and the aggregate amount of endorsements/guarantees on a single construction project shall not exceed 5 times of its net equity as stated in its latest financial statement.

Note 4. Per Dingtian's policies and procedures on endorsements/guarantees, the maximum aggregate amount allowable for endorsements/guarantees to third parties shall not exceed 100% of its net equity as stated in its latest financial statement, and limits on endorsements/guarantees provided to a single entity shall not exceed 100% of its net equity as stated in its latest financial statement. The aggregate amount of endorsements/guarantees on all construction projects shall not exceed 300 times of its net equity as stated in its latest financial statement, and the aggregate amount of endorsements/guarantees on a single construction project shall not exceed 150 times of its net equity as stated in its latest financial statements.

Note 5. Per Global Mall's policies and procedures on endorsements/guarantees, the maximum aggregate amount allowable for endorsements/guarantees to third parties shall not exceed 120% of its net equity as stated in its latest financial statement, and limits on endorsements/guarantees provided to a single entity shall not exceed 60% of its net equity as stated in its latest financial statements.

Note 6. the above transactions had been written off in preparing the consolidated financial report.

3. Marketable securities (excluding equity investments in subsidiaries, associates, and joint ventures) held at the reporting date:

Unit: NT$ thousand/ thousand shares

Investing Company	Types and names of securities	Relationship with the Security Issuer	Financial Statement Account	Ending Balance				Highest Percentage of Ownership or Capital Invested during the period	Remarks
				Number of Shares	Carrying amount	Shareholding ratio	Fair value (note)		
Kindom Development	Stock - Fubon Financial Holding Co Ltd.	-	Financial assets measured at FVTPL - current	505	23,622	- %	23,622	- %	
〃	Stock - Everterminal Co. Ltd.	-	Financial assets measured at FVTOCI - non-current	198	2,411	0.20 %	2,411	0.20%	
〃	Stock - Clientron Corp.	-	〃	29	495	0.05 %	495	0.05%	
Jiequn Investment	Stock - Fubon Financial Holding Co Ltd.	-	Financial assets measured at FVTPL - current	472	22,043	- %	22,043	- %	
〃	Stock - SinoPac Securities Corporation	-	〃	211	2,417	- %	2,417	- %	
〃	Stock - Huei Ding Computer	-	Financial assets measured at FVTOCI - non-current	405	-	0.78 %	-	0.78%	
Guanqing Electromechanica	Stock - Fubon Financial Holding Co Ltd.	-	Financial assets measured at FVTPL - current	419	19,579	- %	19,579	- %	
〃	Stock - Commonwealth Publishing Group	-	Financial assets measured at FVTOCI - non-current	132	5,825	0.59 %	5,825	0.59%	

Note: If market price is not available, the carrying amount of the security at the reporting date is determined as the market price.

4. Accumulated to buy or sell the same marketable securities amount to NT$ 300 million or more than 20% of the paid-up capital: None.

5. Acquisition of individual real estate properties at costs of at least NT$ 300 million or 20% of the paid-in capital:

Unit: NT$ thousand

Acquiring Company	Property Name	Date of transaction or event	Transaction amount	Payment collection status	Related Party	Relationship	For related parties, the information on previous transaction				Reference for price determination	Purpose of Acquisition and Status in Use	Other stipulations of the transaction
							Possessor	Relationship with the issuer	Date of transfer	Amount			
Global Mall	Right-of-use assets	2020.04	933,460	Not Applicable	Railway Bureau, MOTC	Not related	-	-	-	-	tender	For business	None
Kindom Development	Song Chang Duan	2020.08	1,485,865	1,485,865	Yumaowu Enterprise Co., Ltd.	Not related	-	-	-	-	Valuation	Planning and construction	None

6. Disposal of real estate at prices exceeding NT$ 300 million or 20% of the paid-in capital:

Unit: NT$ thousand

Disposing Company	Property Name	Transaction Date	Date of acquisition	Carrying amount	Transaction amount	Receivable Collection	Gains (Losses) on Disposal	Related Party	Relationship	Purpose of disposal	Reference for price determination	Other stipulations of the transaction
Kindom Development	Inventory - buildings and land held for sale	2020.03	Not applicable: inventory produced, not acquired	Not Applicable	693,052	693,052	Not Applicable	More than one third party	Not related	Selling inventory	Refer to apprai	None

Note: The amounts above are expressed before taxes.

Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO., LTD. and Subsidiaries (continued)

7. Related-party transactions for purchases and sales with amounts exceeding NT$100 million or 20% of the paid-in capital:

Unit: NT$ thousand

Company name	Name of transaction counterpart	Relation	Transaction details				Transactions with Terms Different from Others		Notes/accounts receivable (or payable)		Remarks
			Purchases/sales	Amount (Note 1)	Percentage of total purchase (sales)	Payment Terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (or payable)	
Kindom Development	Kedge Construction	Investees valued under equity method	Purchases for 103G etc.	5,733,902	66.88 %	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	Equivalent to other transactions	Slightly longer than normal	(1,908,630)	74.60%	Note 2
Kedge Construction	Kindom Development	Investor in which Kedge Construction is accounted for using equity method	041B etc.	(5,733,902)	(37.99) %	Received payment by installment per contract or equivalent to a general transaction	〃	〃	1,908,630	48.95%	〃
Kedge Construction	Dingtian Construction	Investor in which Kedge Construction is accounted for using equity method	043A etc.	195,988	1.50 %	Per Payment Schedule in Contract or Equivalent to Other Transactions	〃	Equivalent to other transactions	(19,719)	(0.50)%	〃
Kedge Construction	Guanqing Electromechanical Co., Ltd.	〃	023A etc.	128,132	0.98 %	〃	〃	〃	(32,994)	(0.83)%	〃
Dingtian Construction	Kedge Construction	〃	043A etc.	(195,988)	(100.00) %	Received payment by installment per contract or equivalent to a general transaction	〃	〃	19,719	100.00%	〃
Guanqing Electromechanical Co., Ltd.	〃	〃	023A etc.	(128,132)	(70.17) %	〃	〃	〃	32,994	68.55%	〃

Note 1. Refers to the valuation amount for current period

Note 2. The above transactions had been written off in preparing the consolidated financial report.

8. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital:

Unit: NT$ thousand

The companies that record such transactions as receivables	Related Party	Relationship	Ending Balance	Turnover Rate	Receivable Overdue		Amounts received in subsequent period	Loss Allowance
					Amount	Action taken		
Kedge Construction	Kindom Development	Investor in which Kedge Construction is accounted for using equity method	1,908,630	2.76	-	-	507,020	-

9. Engaging in the trading in derivative instruments: none

10. Business relationships and significant interCompany transactions among parent and subsidiaries:

No.	Name of transaction counterparty	Counterparty	Relation ship with trader	Transactions			
				Account	Amount	Trading Terms	As a percentage of consolidated revenue or total assets
0	The Company	Kedge Construction	1	Cost of construction	5,304,012	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	19.40%
0	The Company	Kedge Construction	1	Buildings and land held for sale	211,667	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	0.37%
0	The Company	Kedge Construction	1	Construction in progress	206,014	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	0.36%
0	The Company	Kedge	1	Notes and accounts	1,908,630	50% due immediately and 50% due in	3.33%

No.	Name of transaction counterparty	Counterparty	Relationship with trader	Transactions: Account	Amount	Trading Terms	As a percentage of consolidated revenue or total assets
		Construction		payable - related party-		90 days/100% due immediately and 100% due in 90 days	
1	Kedge Construction	The Company	**2**	Operating revenue	5,304,012	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	19.40%
1	Kedge Construction	The Company	**2**	Operating costs	417,681	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	1.53%
1	Kedge Construction	The Company	**2**	Notes and accounts receivable related party, contract asset-	1,908,630	50% due immediately and 50% due in 90 days/100% due immediately and 100% due in 90 days	3.33%
2	Global Mall	Guan Cheng	**3**	Accounts Receivable - Related Party-	48,246	Once a Year	0.08%
2	Global Mall	Guan Cheng	**3**	Operating revenue	44,477	Once a Year	0.16%
2	Global Mall	Guan You	**3**	Operating revenue	2,913	Once a Year	0.01%
3	Guan Cheng	Global Mall	**3**	Accounts payable - related parties-	48,246	Once a Year	0.08%
3	Guan Cheng	Global Mall	**3**	Operating expenses	44,477	Once a Year	0.16%
4	Guan You	Global Mall	**3**	Operating expenses	2,913	Once a Year	0.01%

Note 1. Instruction for numbering.

1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2. The type of relations with transaction party is marked as follows:

1. The transactions form parent company to subsidiaries.
2. The transactions from subsidiaries to parent company.
3. The transactions between subsidiaries.

Note 3. The above transactions had been written off in preparing the consolidated quarterly financial report.

(2) Information on Reinvestment:

The information on the enterprises by the venture capital of merged companies in 2020 is as follows:

Unit: NT$ thousand/ thousand shares

Name of investor	Name of investee	Location	Principal business	Original investment amount: End of the period	Original investment amount: End of last year	Ending shareholding: Number of shares	Ending shareholding: Percentage of Ownership	Ending shareholding: Carrying amount	Highest Percentage of Ownership or Capital Invested during the period	Net income (loss) of the investee	Share of profit/loss of investee	Remarks
Kindom Development	Kedge Construction	Taiwan	The comprehensive construction industry, etc.	374,353	374,353	36,248	34.18%	723,754	34.18%	626,440	257,349	Subsidiary
〃	Global Mall	Taiwan	Supermarkets, department stores, international trading, wholesales of medical equipment, and retails	3,209,395	3,209,395	320,105	84.02%	4,149,825	84.02%	348,418	292,730	〃
〃	Guan Cheng	Taiwan	Department stores, supermarkets, and non-store retailing	102,000	102,000	10,200	51.00%	160,104	51.00%	77,771	39,663	〃
Kedge Construction	Jiequn Investment Co., Ltd.	Taiwan	Investment	163,935	163,935	16,396	99.98%	395,247	99.98%	10,544	10,542	Sub-subsidiary
〃	Guanqing	Taiwan	Installation	81,326	81,326	7,747	99.96%	210,000	99.96%	4,082	4,080	〃

Name of investor	Name of investee	Location	Principal business	Original investment amount		Ending shareholding			Highest Percentage of Ownership or Capital Invested during the period	Net income (loss) of the investee	Share of profit/loss of investee	Remarks
				End of the period	End of last year	Number of shares	Percentage of Ownership	Carrying amount				
	Electromechanical Co., Ltd.		and engineering of electrical and fire safety equipment									
Jiequn Investment Co., Ltd.	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	16,500	16,500	-	30.00%	16,256	30.00%	757	227	Third-tier subsidiary
Guanqing Electromechanical Co., Ltd.	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	11,105	11,105	-	70.00%	37,931	70.00%	757	530	〃
Dingtian Construction	ReadyCom Information Technology Service	Taiwan	Information software services and management consultants, etc.	15,000	15,000	1,400	46.67%	20,507	46.67%	1	-	Investments accounted for using equity method
Global Mall	Guan Cheng	Taiwan	Department stores, supermarkets, and non-store retailing	98,000	98,000	9,800	49.00%	153,826	49.00%	77,771	38,108	Subsidiary
〃	Guan You	Taiwan	Department stores, supermarkets, and non-store retailing	5,000	5,000	500	3.70%	952	3.70%	(18,585)	(688)	Sub-subsidiary
〃	Guan Hua	Taiwan	Department stores, supermarkets, and non-store retailing	140,000	140,000	14,000	100.00%	143,605	100.00%	6,246	6,246	〃
〃	KGM	Hong Kong	Investment and operation of shopping mall in Mainland China, including master planning, supporting engineering consulting, and leasing planning and consulting	213,766 (HKD 54,435 thousand)	213,766 (HKD54,435 thousand)	- (Co., Ltd.)	100.00%	46,945	100.00%	19,656	19,656	〃
Guan Cheng	Guan You	Taiwan	Department stores, supermarkets, and non-store retailing	130,000	130,000	13,000	96.30%	24,783	96.30%	(18,585)	(17,897)	〃

(3) Information on Investments in Mainland China:

1. Relevant information incl. names and principal business of investee in Mainland China

Unit: Thousands of USD, HKD, RMB or NTD

Name of investee in Mainland China	Principal business	Paid-in capital	Method of investment	Cumulative Investment Outflow from Taiwan as of January 1, 2019	Investment Cash Flows		Cumulative Investment Outflow from Taiwan as of December 31, 2019	Net income (loss) of the investee	The Company's percentage of ownership directly or indirectly	Highest Percentage of Ownership or Capital Invested during the period	Investment gains (losses) recognized in the current period	Book value of investment at the end of the period	Investment income received at the end of the current period
					Outward remittance	Recover							
Global Mall(Tianjin)Co., Ltd.	Business management (including rentals of commercial facilities) in wholesales, retails, and import/export of household items and appliances, sports goods, office supplies, watches, glasses, textiles, etc.; property management; business consulting; corporate marketing planning; conference services; exhibition services; parking lot operation and management.	213,766 (CNY48,000)	Note	213,766 (CNY48,000)	- (CNY)-	- (CNY -)	213,766 (CNY48,000)	19,705 (HKD5,162)	100.00%	-%	19,705 (HKD5,162)	47,274 (HKD12,871)	-

Note: Reinvest in mainland China through existing companies in a third location

2. Limitation on investment in mainland China:

Cumulative Investment Outflow from Taiwan as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
CNY48,000	USD11,100	9,142,741

Note: The limited amount is capped at 60% of the Company's net equity.

3. Significant transactions with investees in mainland China: none

(4) Information on Major Shareholders:

Expressed in shares

Shareholding Name of substantial shareholders	No. of shares held	Shareholding ratio
Yute Investment Co., Ltd.	96,304,670	19.11%
Mei-Chu, Liu	61,104,811	12.12%

14. Segment Information

(1) General information

The Group's reportable segments comprise of development business unit, construction business unit, and shopping mall business unit. The market nature and marketing strategies of each business unit are not identical and hence are explained as follows:

Development segment: Commissions construction companies to develop residential and commercial real estate for rental or sales.

Construction segment: Comprehensively organizes all works involved in constructions, including building and management, as a general contractor.

Shopping mall segment: Manages operations of shopping malls, supermarkets, and businesses in international trading.

(2) Information involving profit or loss, asset, liability and measurement basis and adjustment of reportable segments

The management's resource allocation and performance evaluation is based on the unit's profit before tax (excluding extraordinary profit or loss and exchange gain or loss) in the internal governance report reviewed by the chief operating decision maker of the Group. As tax expenses (income), extraordinary profit or loss and exchange gain or loss are recognized on the Group level, the Group does not allocate tax expenses (income), extraordinary profit or loss and exchange gain or loss to the reportable segments. Thus, not every reportable segment includes material non-monetary items besides depreciation and amortization in the profit or loss. The reported amounts are in line with the amounts in the reports for operating decision makers.

Except that the pension expenses of each unit are paid in cash to pension plans, the accounting policies of the operating department are the same as the summary of the significant accounting policies described in Note 4.

The Group deems the inter-unit sales and transfer as transaction with third parties. And such transactions are measured at current market price.

The information and adjustments to operating units of the Group are as follows:

	2020				
	Development business unit	**Construction business unit**	**Shopping mall business unit**	**Adjustments and elimination**	**Total**
Revenue:					
Revenues from external customers	$ 17,181,862	8,822,340	1,341,203	-	27,345,405
Inter-segment income	3,149	5,308,289	50,504	(5,361,942)	-
Interest income	9,081	8,280	3,675	-	21,036
Total revenue	$ 17,194,092	14,138,909	1,395,382	(5,361,942)	27,366,441
Interest expenses	$ 258,244	3,009	105,543	-	366,796
Depreciation and amortization	14,059	12,080	388,025	(7,250)	406,914
Share of profits (losses) of associates accounted for using equity method	589,742	1	19,523	(609,265)	1
Reportable segment profits (losses)	$ 4,137,235	782,192	452,254	(482,882)	4,888,799
Asset:					
Investment accounted for using equity method	$ 5,033,683	20,507	179,561	(5,213,244)	20,507
Capital expenditure on non-current asset	6,490	80,717	52,645	-	139,852
Reportable segment assets	$ 43,545,424	9,433,656	12,868,851	(8,470,890)	57,377,041
Reportable segment liabilities	$ 28,307,523	6,364,378	7,619,687	(2,280,104)	40,011,484

	2019				
	Development business unit	**Construction business unit**	**Shopping mall business unit**	**Adjustments and elimination**	**Total**
Revenue:					
Revenues from external customers	$ 8,115,011	5,829,910	1,381,978	-	15,326,899
Inter-segment income	2,425	5,632,532	45,830	(5,680,787)	-
Interest income	9,510	6,289	4,501	-	20,300
Total revenue	$ 8,126,946	11,468,731	1,432,309	(5,680,787)	15,347,199
Interest expenses	$ 342,771	2,130	105,524	-	450,425
Depreciation and amortization	11,988	941	370,169	(7,250)	375,848
Share of profits (losses) of associates accounted for using equity method	453,404	1	15,866	(469,270)	1
Reportable segment profits (losses)	$ 1,460,786	499,914	389,522	(535,958)	1,814,264
Asset:					
Investment accounted for using equity method	$ 4,553,884	20,506	130,418	(4,684,302)	20,506
Capital expenditure on non-current asset	2,802	-	81,130	-	83,932
Reportable segment assets	$ 43,828,824	8,276,848	11,645,381	(7,926,088)	55,824,965
Reportable segment liabilities	$ 31,201,320	5,535,726	6,771,135	(2,096,125)	41,412,056

Significant reconciliation items of reportable segments are as follows:

In the years of 2020 and 2019, the total amount of reportable segment revenue shall deduct the inter-segment revenue of NT$5,361,942 thousand and NT$5,680,787 thousand, respectively.

(3) Product and service information

Refer to Note 6(22) for details on the Group's product and service information.

(4) Geographic information

There is no export transaction in the Group, and therefore information by geographical distribution will not be disclosed.

(5) Major customers

The Group is engaged in the development of real estate, comprehensive construction, and operation of shopping malls. Its clientele is mainly the vast majority of consumers and public works, no significant key accounts.