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RUENTEX DEVELOPMENT CO., LTD.

2019 ANNUAL REPORT

Published On: April 30, 2020

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Title: Vice President

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II. Address and Phone Number of Headquarters:

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IV. Shareholder Services:

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V. CFA of Financial Statements of the Most Recent Year:

Certified Public Accountants: Chao-Ming Wang, Ming-Chuan Hsu

Name of CPA Firm: PwC Taiwan

Address: 27F., No. 333, Sec. 1, Keelung Rd., Taipei City

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Website: <http://www.pwc.tw>

VI. Name of overseas exchange where securities are listed, and the methods for inquiring the foreign-listed securities: None.

VII. Corporate website: <http://www.rt-develop.com.tw>

Table of Contents

Page No.

I. Report to shareholders	1
II. Company Profile	
1. Date of establishment	4
2. Corporate history	4
III. Corporate Governance Report	
1. Organization structure	9
2. Background information of the directors, the president, vice presidents, assistant vice presidents, and chiefs of departments and branches	12
3. Remuneration for directors, supervisors, the president and vice president	18
4. Corporate governance	22
5. Accountant audit fee information	56
6. Change of accountants	56
7. The Company's chairman, president, and manager of finance or accounting who has worked for a CPA firm or its associated enterprises within the year	57
8. In the previous fiscal year and by the date of annual report publication, the equity transfer and change in pledged equity of the directors, supervisors, managers, and shareholders with more than 10% shareholding	57
9. Information on top 10 shareholders in proportion of shareholdings and who are stakeholders, spouses, or related to one another or kin at the second pillar under the Civil Code to one another	58
10. The total shareholding of the Company, the Company's directors, managers and the same investees directly or indirectly controlled by the Company, and the consolidated shareholding ratio calculated	60
IV. Capital Overview	
1. Capital and shares	61
2. Corporate bond issuance	66
3. Preferred stock issuance	66
4. Global depository receipts	66
5. Employee stock warrants issuance	66
6. New restricted employee shares issuance	66
7. New shares in connection with a merger or acquisition, or new shares in connection with acquisition of another company's shares	66
8. Fund use implementation plan	66
V. Operational Highlights	
1. Contents of business	67
2. Market and production/distribution overview	77
3. Employees	91
4. Environmental Expenditure Information	91
5. Employment relationship	93
6. Significant contracts	95

VI. Financial Highlights

1. Condensed Balance Sheet, Consolidated Income Statement for the Last Five Years —————	98
2. Financial analysis of the past five years —————	100
3. Audit report on the financial statements in the most recent year by the audit committee —————	103
4. Financial statements of the previous year —————	104
5. Individual financial statements of the previous year certified by a CPA ———	104
6. Insolvency that occurs in the Company and affiliates in the previous year until the date of report publication —————	104

VII. Review of Financial Position, Financial Performance, and Risk Management

1. Financial position —————	105
2. Financial performance —————	106
3. Cash flow —————	106
4. Influence of major capital spending on financial position and operation in recent years —————	106
5. Re-investment policies, main causes of profit or loss, and improvement plans in the previous year, and investment plans in the next year —————	106
6. Risk analysis and assessment —————	108
7. Other material information —————	109

VIII. Special Disclosures

1. Information of affiliates —————	110
2. Private placement of securities in the previous fiscal year and by the date of annual report publication —————	114
3. Stocks of this Company held and disposed by subsidiaries in the previous fiscal year and by the date of annual report publication —————	114
4. Other required supplementary notes —————	114

IX. Events with material impacts on shareholders equity or stock price as specified in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act in the previous fiscal year and by the date of annual report publication —————	115
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Appendix A: 2020 Consolidated Financial Statement & CPA Audit Report

Appendix B: 2020 Individual Financial Statement & CPA Audit Report

I. Report to Shareholders

Dear shareholders, ladies, and gentlemen:

1. 2019 Business Report

(1) Achievements of the Business Plan

The 2019 consolidated revenue was over NT\$17,257,930,000, with the net income attributed to owners of the parent company over NT\$9,067,950,000, the comprehensive profit attributed to owners of the parent company over NT\$51,706,020,000, and an equity per share of NT\$9.35. The consolidated total assets were over NT\$150,132,540,000, consolidated total liabilities over NT\$64,740,260,000, and consolidated equity over NT\$85,392,280,000.

In the construction business, the income from projects including Ruentex Spectacular Life, RT-Fuduxin, Ruentex Liren, Ruentex Qiyang, RT-New Twin Stars, and Ruentex Huacheng was recognized as the major revenue of 2019. In addition, we kept a close track on the schedule of projects acquired in previous years to ensure their sales and accounting. The construction of RT-Fuduxin will be initiated in early next year, and RT Dingfeng and RT Awesome of subsidiary Ruentex Development are being marketed and sold while being built at the same time. The non-operating income was mainly attributed to the recognition of the interest of investee Nan Shan Life Insurance of Ruen Chen Investment Holdings as well as the interest from investees of Ruentex Industries and Sunny Friend Environmental Technology. Furthermore, the stable income from the rent and mall operations of two BOT projects: Ruentex Xuzhan and Ruentex Baiyi also contributed to the interest from reinvestments.

(2) Budget Achievement

As we did not disclose the 2019 financial forecast with respect to the “Regulations Governing the Publication of Financial Forecasts of Public Companies,” no budget achievement is available.

(3) Analysis of Revenue and Expenditures and Profitability

Unit in NT\$ thousand; %

		2019	2018
Revenue and Expenditures	Operation Income	17,257,930	14,859,430
	Gross Margin	3,612,035	3,687,080
	Operating Profit	1,899,243	1,970,099
	Net Profit After Tax	9,586,119	10,447,180
Profitability	Return on Assets (%)	8.54	11.28
	Return on Equity (%)	15.03	22.59
	Operating Income to Capital Stock (%)	18.93	19.64
	Profit Before Tax to Capital Stock (%)	99.78	122.46
	Profit Margin (%)	55.55	70.31
	Equity per Share (NT\$)	9.35	7.22

(4) Research and development

The R&D team of subsidiary Ruentex Engineer & Construction Co., Ltd. sets engineering methods, precast production, and construction information management as the three main R&D directions of this Company. By re-organizing all existing R&D resources and recruiting new employees, it aims to create value for owners through constant R&D and improvements, including reasonable construction, smart production, and information-based management, in order to lay out the foundation for competition in the new generation. The Ministry of

Economic Affairs (MOEA) has approved the subsidization for that R&D project of the Center to lead R&D in the construction industry and promote industrial upgrading, in order to create more comfortable, safer, environmental, and energy efficient living space through concerted efforts. Another subsidiary Ruentex Materials Co., Ltd. develops high-performance niche products through innovation and R&D from the consumer's point of view. In response to climate change and the rise of environmental protection awareness, it constantly optimizes new-typed cement-based construction materials for the energy conservation and carbon reduction of construction materials. In addition, while offshore wind power is the focus of the government's green energy development policy, our submarine grouting material ShifuGrout U799 for use at the foundation of offshore wind farms has passed the certification by DNV GL Business Assurance Co., Ltd. (DNV-GL). In the future, we will enter the submarine grouting material market for offshore wind farms in Taiwan and overseas. Furthermore, we are engaging in the R&D of wind farm related products, such as the thermal transfer compounds and foundation grouting materials for onshore wind turbines.

2. 2020 Business plan overview

(1) Operational Policy

With respect to our core competencies: Foreseeing the market and quickly capturing core operational knowhow to promptly reproduce successful experiences with highly-efficient teams, we will engage in the construction business and newly developed business. In the construction business, we will focus on the rail economy to develop construction projects in appropriate locations near the Taipei Metro in the Greater Taipei area. We will also proactively assess various government infrastructure projects and BOT joint-development projects, in order to create stable profit for the Company through real property operations.

(2) Expected Sales and Bases:

Projects ready for sales this year include: Botanic Garden Villa, Ruentex Spectacular Life, RT-Fuduxin, Ruentex Dunfeng, Ruentex Dingfeng (pre-sale), Ruentex Wenhua (pre-sale), and No Place Like Home (pre-sale) of this Company, and Ruentex Awesome (pre-sale) of subsidiary Ruentex Development.

The Company will achieve the expected sales target by continuing quality marketing and differential marketing. In addition to projects including the Lihe Government-Led Urban Regeneration Project, Ruentex Wenhua, and Wulong Street Chlorine-Ionic Building Urban Regeneration Project in 2020, we actively develop various potential co-construction projects to create profit for the Company at the most appropriate cost.

With respect to commercial real estate, driven by several favorable factors including the entry of tenants and the start of service of the THSR Nangang Station and the Nangang Bus Station, the offices and hotels of our subsidiaries Ruentex Syu Jan and Ruentex Pai Yi have actively launched various marketing campaigns to increase the number of visiting customers in order to enhance CITYLINK's overall revenue and operating performance. In addition, through the rail economy generated by the transportation linkage with Nangang and Songshan Stations and Neihu MRT Station, the CITYLINK Songshan Store 2, CITYLINK Neihu Store and the franchise TSUTAYA BOOKSTORE (Songshan Station Front Store, Neihu Store and Nangang Store were opened respectively in 2017, 2018, and 2019) developed by our subsidiary Ruentex Construction are going to gain stable income in the future.

(3) Important Production-marketing Policies:

In addition to land development and investments in housing and commercial building construction and re-investments in the elderly care business, we will embark on medium- and long-term land development, covering projects such as urban renewal (regeneration), urban planning change, land change, leisure, MRT joint-development, station compound commercial building development, and the creation of a right of superficies to diversify operations. To enforce the “housing for everyone” customer service concept, we will continue with innovation and development to create profit for the company with better project planning, construction and service quality. In addition, in terms of retail and wholesale business, the focus is mainly on operating shopping malls, self-operated counters, and selling a wide variety of products that are closely related to food, clothing, and housing. In the future, we will continue to develop our own branded products and introduce new international products to create more brilliant achievements.

(4) Influence of External Competition, Legal Environment, and Macro Environment:

Last year (2019), due to de-escalation of the US-China trade war, active urban renewal projects carried out by the government, return of Taiwanese businesses and continuously stable growth in the financial market, people were positive regarding the outlook for the construction industry. However, COVID-19 has impacted the financial market since the turn to 2020 and further affected the global economy with different negative impacts. Fortunately, the constant return of overseas Taiwanese businesses will create tremendous demand for domestic quality real estate products with word of mouth. This Company will constantly strive for public and private large land development projects, urban renewal (regeneration) projects, and joint development projects based on the market change and group advantages, in order to launch elaborate residential and commercial projects and participate in major government construction projects. In the wholesale business, we will maintain a flexible operation strategy to create new niche for future operations and interests for shareholders.

With goodwill accumulated for the past 40 years or so, the full support of all shareholders, and the cohesion and concerted efforts of all employees, I believe an outstanding performance will be created in the future. I would like to express my highest gratitude to every shareholder, and please do provide us with continuous support and opinions.

I wish all shareholders,

Good health and all the best,

Chairman: Tsang-Jiunn Jean Manager: Chih-Hung Lee Accounting Manager: Chin-Szu Lin

II. Company Profile

I. Date of Establishment: September 12, 1977

Tax ID Number: 12139612

II. Corporate History

With an authorized capital and paid-in capital amounting to NT\$15,000,000, we were established on the 7th floor, No. 71, Minquan East Road, Taipei City, on September 12, 1977 in the name of “Ruentex Construction Co., Ltd.” to specialize in the investment and construction of general housing. Adhering to a business philosophy emphasizing “Pragmatism and Quality”, we won public recognition and appraisal for our construction quality achieved by stringent engineering management.

1992: Approved for public offering by the Securities and Futures Commission of the Ministry of Finance and officially listed on the Taiwan Stock Exchange for trading on April 30, 1992.

Approved for capitalization of retained earnings at NT\$529,000,000, raising the paid-in capital to NT\$1,851,500,000.

Launched projects including: “Ruentex Minsheng Court”, “Ruentex Dahu Mansion” Phases II and III, “Ruentex Tamkang Life Master”, and “Ruentex Dunnan Wonder”.

1993: Launched Taiwan’s first senior housing project Ruenfu Second 30s in Tamsui through technological cooperation with the The Chugoku Bank, LTD.

Established the Ever Pioneer Steel Corporation in collaboration with the Evergreen Group for a big step forward toward operations diversification.

Approved for issuing registered preferred Shares A amounting to NT\$700,000,000 to strengthen corporate finance and increase the ratio of self-owned funds. The paid-in capital after capital increase amounted to NT\$2,551,500,000.

Issued unsecured corporate bonds amounting to NT\$650,000,000.

Launched projects including: “Ruentex Wonders” and “NTU Royal Garden” Phases I and II.

1994: Approved for capitalization of retained earnings at NT\$555,450,000, raising the paid-in capital to NT\$3,106,950,000.

Established Ruentex Construction International Co., Ltd. in Hong Kong to engage in real estate investments in Singapore and Hong Kong to expand business territory overseas.

Approved by the MOF to issue a seven-year-term foreign currency convertible bond (FCCB) amounting to CHF72,500,000 with a 2% interest rate after tax per annum. The completion of fundraising in August marked the Company’s success in internationalization.

Approved for transfer of capitalization of retained earnings at NT\$481,390,000, raising the paid-in capital to NT\$3,588,340,000.

Approved for issuance of five-year-term secured corporate bonds amounting to NT\$300,000,000 to further improve financial structure and cut interest expenses.

Launched projects including: “NTU Royal Garden” Phase II, “Ruentex Jinghua Court”, “Ruentex Garden”, “Ruentex Scenery”, and “Ruentex Sunshine Mansion”.

- 1995: Set up an overseas location Ruentex Construction International BVI in response to operations diversification and internationalization to expand the territory of operations and investments and the foundation for procurement of construction materials.
- Approved for capitalization of retained earnings at NT\$346,600,800, raising the paid-in capital to NT\$3,934,940,800.
- Approved for issuance of 82,000,000 new shares for capital increase, raising the paid-in capital to NT\$4,754,940,800, to enrich operational capital and raise funds for construction.
- 1996: Approved for issuance of three-year-term unsecured corporate bonds amounting to NT\$350,000,000 to improve financial structure and cut interest expenses.
- Launched projects including: “Taichung Wonders”, “Dahu Mansion”, “Lizen Beauty”, “Xinglong Garden”, and “Dunnan Mansion”.
- 1997: Approved for issuance of three-year-term unsecured corporate bonds for the fourth and fifth times amounting to NT\$320,000,000 and NT\$260,000,000 respectively.
- Established a wholesale market in Hsinchu to enter the wholesale business.
- Approved for issuance of 100,000,000 registered common shares for capital increase to pay land value, construction cost, and related expenses and repay bank loans. The paid-in capital after capital increase amounted to NT\$5,754,940,800.
- Resolved by shareholders’ meeting to convert 70,000,000 registered preferred Shares A issued in August 1993 into common shares at one time.
- Launched projects including: “Ruentex Vista 21”, “Ruentex Zhongzheng National Treasure”, “Ruentex Family”, “Jinhua Court” Phase II, and “Ruentex Dunpin. Ruentex Dunpin” was rated as one of the top ten legendary projects in Greater Taipei in 1997 by Great News.
- 1998: Approved for capitalization of capital surplus at NT\$575,494,080 and issuance of 150,000,000 registered common shares for capital increase, raising paid-in capital to NT\$7,830,434,880.
- Acquired ISO 9002 international certification for quality management systems.
- Launched the project: “Taipei Riches”.
- 1999: Launched the project: “Antai Summit”.
- 2000: Acquired ISO 14001 international certification for environmental management systems.
- Won three awards from the Chinese Architecture Golden Stone Awards: “Antai Summit” for construction quality, and “Ruentex Sunrise” and “Taipei Riches” for planning and design.
- 2001: “Ruentex Oasis” won the “Special Award at the 9th Chinese Architecture Golden Stone Awards”.
- 2002: Approved for name change to “Ruentex Development Co., Ltd.” by the MOEA.
- Rated as a benchmark construction company by Common Wealth magazine for the first time.
- 2003: Launched projects including: “Ruentex Privilege” and “Ruentex Capital”.
- 2004: Launched projects including: “Fuxing GOGO” and “Ruentex Emerald”.
- 2005: Launched projects including: “Ruentex Dunren”, “Ruentex Nanjing Royal Palace”, and “Ruentex Oriental Ritz”. “Ruentex Dunren” won the 1st Structure Accreditation Building

- (design) Mark and certificate from the Ministry of the Interior.
- 2006-07: Acquired the development rights of the two major BOT projects: “Nangang Railway Station” and “Songshan Railway Station”.
- 2007: Subsidiary Ruentex Engineer & Construction Co., Ltd. was approved for public offering by the Financial Supervisory Commission (FSC).
- 2008: Acquired the development rights of projects at “Jiao 11” of Neihu and “Zhe 6” of Sanchong.
 Acquired 10 lots of land at Subsection 5, Nanhai Section, Zhongzheng District, Taipei City.
 Launched projects including: “Wan Happiness”, “Ruentex Nanjing Royal Palace”, and “Ruentex Oriental Ritz”.
- 2010: Resolved by the Board of Directors for participation in Ruen Chen Investment Holdings Co., Ltd. in response to the group’s re-investment planning and operations diversification and for re-investment in Nan Shan Life Insurance through Ruen Chen Investment Holdings, as approved by the FSC, Executive Yuan on June 13, 2011 and July 22, 2011 respectively.
 Approved for issuance of five-year-term unsecured corporate bonds amounting to NT\$3,000,000,000 to repay short-term loans.
 Launched the project: “Ruentex Mountain Dawn”.
- 2011: Approved for issuance of 220,000,000 shares of common stock for capital increase, raising the paid-in capital to NT\$9,793,184,880.
 Launched the project: “Wan Garden”.
- 2012: Acquired the execution contract for the urban regeneration project let by the Taipei City Government covering 17 lots of land at Lot 72 and others, Subsection 5, Nanhan Section, Zhongzheng District, Taipei City.
 Acquired the execution contract for the urban regeneration project let by the Taipei City Government covering government land at Lot 302 and 303, Subsection 3, LiHo Section, Xinyi District, Taipei City.
 Acquired the contract for the “Beitou Qiyang Joint Construction Project” and the “Xizhi Ming Feng Street Joint Construction Project”, and 10 lots of land at Lot 585 and others, Subsection 3, Dunhua Section, Songshan District, Taipei City.
 Launched the project: “Botanic Garden Villa”
- 2013: City-Link Development Co., Ltd. acquired two lots of land at 265 and others, Subsection 6, Baoqing Section, Songshan District, Taipei City and sold 10% of the stake of subsidiary Ruentex Hsu Chan Co. Ltd. to subsidiary MEC Global Investment Limited of Mitsubishi Estate Company Limited for cooperation in the Nangang Railway Station BOT Project.
 Launched the project: “Ming Mountain”
- 2014: Awarded the “Most Admired Company” (MOC) by CommonWealth magazine 11 times consecutively between 2002 and 2012.” 2014 Rated the “Most Admired Company” again and became an evergreen constructor winning the most MOCs.
 The Botanic Garden Villa was rated one of the world’s top five dream housing units among worldwide deluxe dwellings by Sotheby’s.

Acquired the “Sanchong District Wuguwang Section Joint Construction Contract” in New Taipei City.

Again sold 10% of the stock of subsidiary Ruentex Hsu Chan Co., Ltd. to subsidiary MEC Global Investment Limited of Mitsubishi Estate Company Limited.

Acquired the “Zhongzheng District Fuhe Section Joint Construction Contract” in Taipei City. Accidentally found the 25-year-old “Ruentex Twin Stars” were chlorine-ionic structures in the 2012 routine community check. Proactively discussed a re-construction project with residents to demonstrate our corporate social responsibility and sustainable after-sales service, setting the first example in Taiwan for voluntary re-construction of chlorine-ionic buildings by the original constructor.

- 2015: Acquired an expanded site area of about 2525m² (764 ping) for the “Sanzhong District Wuguwang Section Joint Construction Contract” in New Taipei City, increasing the total site area to about 9,350m² (2,829 ping) by adding up 15 lots of land covering 143 and others, Wuguwang Section, Sanzhong District, New Taipei City.

Acquired three contracts in New Taipei City: The joint construction project covering four lots of land sitting at “4 lots of land at 80 and others, Jiangzicui Section, Banqiao District”; the joint construction “Project B in Wuguwang Section in Sanzhong”; and the “urban regeneration project on Baozhong Road in Xindian District”.

Established subsidiary Ruentex Development Co., Ltd.

Subsidiary Ruentex Development Co., Ltd. acquired the contract of a joint construction project at “Lot 147, Jiangzicui Section, Banqiao”, occupying an area of 5,352m² (1,619 ping).

Approved for issuance of 200,000,000 shares of common stock for capital increase, raising the paid-in capital to NT\$13,928,486,530.

- 2016: Mitsubishi Estate Company Limited participated in the cash capital increase of subsidiary Ruentex Development Co., Ltd. to acquire 30% of the Company’s stock for the collaborative development of the joint construction project at “Lot 147, Jiangzicui Section, Banqiao”.

Established an Audit Committee with all independent directors of the Company. The regulations governing supervisors in the Company Act, Securities and Exchange Act, and other laws shall apply mutatis mutandis to the Committee members.

The Botanic Garden Villa won the Award of Merit at the International Association of Lighting Designers (IALD) Awards.

Launched the project “Ruentex Liren”

- 2017: Sold affiliate China Cannes for re-investment in Sun Art Retail Group.

Approved for capitalization of retained earnings to issue 278,681,667 shares of common stock, raising the paid-in capital to NT\$16,720,899,980.

Acquired two contracts: A joint construction project on one lot of land at “Lot 32, Ruanquao Section, Beitou District”; and a joint construction project on “11 lots of land at 1906 and others, Wenhua Section, Banqiao District”.

Launched projects: “Ruentex Dunfeng”, “Ruentex Spectacular Life”, and “RT-Fuduxin”

2018: Acquired contracts: A construction project on three lots of land at “3 lots of land at 108 and 111, Xixiang Section, Xidian City, New Taipei City”; and the “Taipei City Nangang Section Government-Led Urban Regeneration Investment Contract” signed with the Taipei Urban Regeneration Center.

Resolved a cash capital reduction of 668,835,999 shares by the 2018 Annual General Meeting of Shareholders to capital structure re-adjustment and raise the return on equity (ROE) of shareholders, reducing the paid-in capital to NT\$10,032,539,990.

Launched projects: “Ruentex Qiyan”, “RT-New Twin Stars”, and “Ruentex Daiguanshan”.

2019: Established the chief governance officer by law.

Dissolved subsidiary “Ruentex Resources Integration Co., Ltd.” by resolution of the board for group structure simplification; and disposed the stock of Ruentex Engineer & Construction Co., Ltd. by resolution of the 2019 extraordinary meeting of shareholders.

Acquired 51,832,359 shares of Ruentex Engineer & Construction Co., Ltd. from the stock market through block continuous trading.

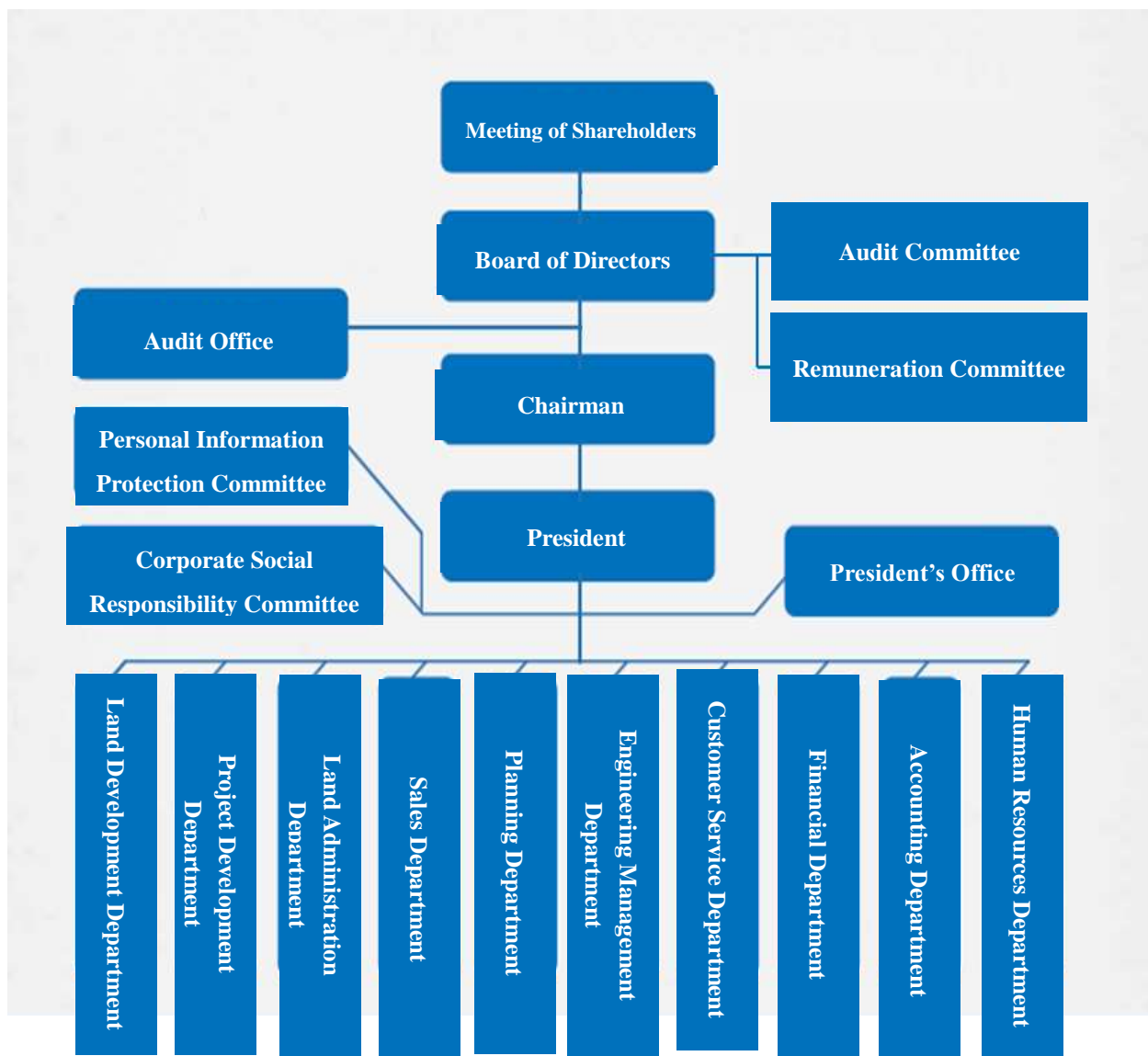
Changed the name of subsidiary “City-Link Development Co., Ltd.” into “Ruentex Construction Co., Ltd.”

Launched projects “Ruentex Awesome” and “Ruentex Submit”

III. Corporate Governance Report

I. Organization Structure

(1) Organization Framework



(2) Department Functions and Duties

1. Audit Office

Establishment of the audit system and implementation of audits within the Company.

2. President' Office

Integration of strategies and directions for short-, medium-, and long-term development.

Analysis of macroeconomic trends and the trends of the construction industry.

Analysis of the movements and influences of development of individual policies.

Analysis of internal and external competitiveness.

Collection and organization of important financial and industrial information at home and abroad.

3. Land Development Department

Collection, analysis, and onsite inspection of land data (cadastral, urban regeneration, and construction control).

Procurement and handling of government land, irrigation land consolidation, leftover land, and specific roadside land.

Land trading, consultation of joint construction of landowners, and consultation and signing contracts the clearance and disposal of real property.

Removal and handling of buildings.

Onsite inspection and management of undeveloped land owned by the Company.

4. Project Development Department

A department parallel with the Land Development Department responsible for land development, and searching for land with high profit potential according to the Company's business policies and product directions, and raising land value for construction and sales through urban planning, zoning change, and application for miscellaneous permits.

5. Land Administration Department

Transfer of sold estate and application for mortgage registration.

Re-measurement and initial registration of ownership of all buildings built and owned by the Company.

6. Sales Department

Assistance in investigation and data collection of factors and strategies affecting real estate sales. Sales and management of unsold property and assessment and analysis of sales projects after closure.

Collection of information of the real estate market.

7. Planning Department

Project management after contract execution; application, change, or use of development permits, building permits, miscellaneous permits, and demolition permits with respect to the construction management process, and progress control.

8. Engineering Management Department

Assistance for drawing up the project quality control plan and reviewing and developing engineering methods before construction,

Participation in the planning and design review meeting, project management meeting, and construction site weekly meeting; supervision of project progress; implementation of health and security; and assistance for resolving construction problems and coordinating construction interfaces.

Review and approval of construction drawings, inspection of construction sites, anticipation of problems and request for improvements, and planning and organization of photos and date of the construction process, and submission of reports on a monthly basis.

Assistance for the Customer Service Department to handle project customer complaints, discerning the causes and drawing up countermeasures, and giving feedback at the planning and design meeting.

9. Customer Service Department

Addressing of customer enquiries and processing customer opinions.

Acceptance, transfer, and follow-up of after-sale services.

Other customer-related services.

10. Financial Department

Financial management, and application for, appropriation of, and repayment of bank loans.

Cashier matters and investments in the capital market. Matters in relation to long- and short-term investments.

11. Accounting Department

Production, registration, and custody of bookkeeping vouchers and account books.

Production of the financial statement, tax statement, and various types of accounting reports.

Planning annual budgets.

Production of the Company's financial plans and reports.

Matters in relation to the Board of Directors, Remuneration Committee, stock affairs, and corporate governance.

12. Human Resources Department

Responsible for the planning and implementation of personnel affairs covering selection, employment, education, and retention of talents.

Matters in relation to the Remuneration Committee.

II. Background Information of the Directors, the President, Vice Presidents, Assistant Vice Presidents, and Chiefs of Departments and Branches:

1. Profiles of Directors (1)

April 11, 2020.

Title	Nation ality or Regist ration Place	Name	Gender	Elected (Inaugurated) Date	Term	Date of Initial Election to Office	Shareholdings at the Time of Election to Office		Current Shareholdings		Shareholdings of Spouse/Minor Children		Shareholdings in the Name of a Third Party		Education and Experience	Concurrent Positions in The Company and Other Companies	Other Officers, Directors, or Supervisors of the Company Who are a Spouse or Relative Within the 2 nd Degree Under the Civil Code		
							Shares	Shareh olding Ratio	Shares	Shareh olding Ratio	Shares	Sharehold ing Ratio	Shares	Shareh olding Percent age			Title	Name	Relatio nship
Chairman	ROC	Ying Jia Investment Co., Ltd.		2017/6/15	3	2017/6/15	16,959,204	1.22	12,270,528	1.22	—	—	—	—	-	-	No	No	No
	ROC	Representative: Jean, Tsang-Jiunn	Male			2012/9/3	268,805	0.02	193,539	0.02	—	—	—	—	Osaka College of Design, Japan	Chairperson of the Company Chairman, Ruentex Interior Design Inc., Ruentex Construction Co., Ltd., Ruentex Hsu Chan Co. Ltd., Ruentex Pai Yi Co., Ltd., and Ruentex Development Co., Ltd. Director, Ruentex Construction International BVI, Ruentex Construction, Ruen Fu, and Ruentex Security Co., Ltd.	No	No	No
Director	ROC	Ruentex Industries Ltd.		2017/6/15	3	1993/4/27	358,098,744	25.70	257,843,424	25.70	—	—	—	—	-	-	No	No	No
	ROC	Representative: Wang, Chi-Fan	Female			1986/5/5	504,062	0.04	353,924	0.04	1,957,045	0.20	—	—	Fu Jen Catholic University	Chairman, Ruentex Industries Ltd. Director of Ruentex Material and Ruentex Hsu Chan Co. Ltd.	Director Represe ntative	Chung- yao Yin	Mother and Son
Director	ROC	Ruentex Industries Ltd.		2017/6/15	3	1993/4/27	358,098,744	25.70	257,843,424	25.70	—	—	—	—	-	-	No	No	No
	ROC	Representative: Yin, Chung-Yao	Male			2016/2/19	—	—	—	—	—	—	—	—	PhD, University of Oxford, UK	Director, Ruentex Industries Ltd., Ruentex Engineering & Construction Co., Ltd., Ruentex Materials Co., Ltd., Ruentex Hsu Chan Co. Ltd., Ruen Chen Investment Holding Co., Ltd., and The Tang Prize Foundation. Vice Chairperson of Nan Shan Life Insurance	Director Represe ntative	Chi-fa n Wang	Mother and Son
Director	ROC	RunTai Sing Co., Ltd.		2017/6/15	3	2011/6/9	12,307,589	0.88	8,861,463	0.88	—	—	—	—	-	-	No	No	No
	ROC	Representative: Lee, Chih-Hung	Male			2012/9/3	868,239	0.06	625,131	0.06	53,474	0.01	—	—	MBA, Institute of Business Administration, National Taiwan University	President of the Company Chairman, Ruentex Materials Co., Ltd. Director, Ruentex Industries Ltd., Ruentex Engineering & Construction Co., Ltd., Ruentex Construction Co., Ltd., Ruentex Hsu Chan Co. Ltd., Ruentex Pai Yi Co., Ltd., Ruentex Interior Design Inc., and Ruentex Development Co., Ltd.	No	No	No

Title	Nation ality or Regist ration Place	Name	Gender	Elected (Inaugurated) Date	Term	Date of Initial Election to Office	Shareholdings at the Time of Election to Office		Current Shareholdings		Shareholdings of Spouse/Minor Children		Shareholdings in the Name of a Third Party		Education and Experience	Concurrent Positions in The Company and Other Companies	Other Officers, Directors, or Supervisors of the Company Who are a Spouse or Relative Within the 2 nd Degree Under the Civil Code		
							Shares	Shareh olding Ratio	Shares	Shareh olding Ratio	Shares	Sharehold ing Ratio	Shares	Shareh olding Percent age			Title	Name	Relatio nship
Director	ROC	Run Tai Sing Co., Ltd.		2017/6/15	3	1993/4/27	12,307,589	0.88	8,861,463	0.88	—	—	—	—	-	-	No	No	No
	ROC	Representative: Chen Li-yu	Female			2016/6/14	200,679	0.01	144,488	0.01	436	—	—	—	Taipei Municipal Songshan High School of Agriculture and Industry	Vice President of the Company Director of Ruentex Construction Co., Ltd.	No	No	No
Director	ROC	Lin,Chien-yu	Female	2017/6/15	3	2005/6/28	400,000	0.03	288,000	0.03	87,120	0.01	—	—	Tung Fang Junior College of Industry and Arts	-	No	No	No
Independent Director	ROC	Ko,Shun-Hsiung	Male	2017/6/15	3	2014/6/6	—	—	—	—	—	—	—	—	MA, Department of Finance, National Taiwan University	Independent Director, Nishoku Technology Inc. Independent Director, Silergy Corporation	No	No	No
Independent Director	ROC	Chang,Kuo-Chen	Male	2017/6/15	3	2016/6/14	—	—	—	—	—	—	—	—	PhD, Department of Civil Engineering, University at Buffalo, the State University of New York	Independent Director, Ruentex Material	No	No	No
Independent Director	ROC	Chao,Yi-Lung	Male	2017/6/15	3	2014/6/6	—	—	—	—	—	—	—	—	PhD, Business Administration, Ohio State University, USA	Independent Director, Danen Technology Corporation Independent Director, Taiwan Tobacco & Liquor Corporation	No	No	No

Table 1: Major Shareholders of Corporate Shareholders

April 11, 2020

Corporate Shareholder	Major Shareholders of Corporate Shareholder	Shareholding percentage
Ying-Jia Investment Co., Ltd.	Chang Quan Investment Co., Ltd. Ruentex Dyeing and Textile Co., Ltd.	75.86% 24.14%
Ruentex Industries Ltd.	Ruentex Development Co., Ltd. Chang Quan Investment Co., Ltd. Huihong Investment Co., Ltd. P-shares Taiwan Dividend Plus ETF, Yuanta Jing Hong Investment Co., Ltd. Ruentex Engineering & Construction Co., Ltd., The Tang Prize Foundation Shu-Tien Urology and Ophthalmology Clinic Run Tai Sing Co., Ltd. Ruentex Dyeing and Textile Co., Ltd.	11.63% 6.21% 6.05% 5.29% 4.98% 3.57% 2.66% 2.32% 1.80% 1.67%
Run Tai Sing Co., Ltd.	Samuel Yen-Liang Yin Chi-Fan Wang	99.997% 0.003%

Table 2: Major Shareholders of Corporate Shareholders in Table 1

Data by: April 11, 2020.

Corporate Shareholder	Major Shareholders of Corporate Shareholder	Shareholding percentage
Chang Quan Investment Co., Ltd.	Huihong Investment Co., Ltd. Ruentex Dyeing and Textile Co., Ltd. Run Tai Sing Co., Ltd.	48.00% 33.00% 19.00%
Ruentex Dyeing and Textile Co., Ltd.	Run Tai Sing Co., Ltd. Ren Ying Industrial Co., Ltd. Chang Quan Investment Co., Ltd. Huihong Investment Co., Ltd. Samuel Yen-Liang Yin Chi-Fan Wang Yin Shun Yao Education Foundation Lena Yin	19.55% 19.14% 18.44% 17.96% 13.70% 6.55% 4.40% 0.26%
Ruentex Development Co., Ltd.	Ruentex Industries Ltd. Huihong Investment Co., Ltd. Yi Tai Investment Co., Ltd. Chang Quan Investment Co., Ltd. Ruentex Dyeing and Textile Co., Ltd. PGIA Integrated International ETF in Custody of JPMorgan Chase Management Board of the Public Service Pension Fund Yingjia Investment Co., Ltd. Vanguard FTSE Emerging Markets ETF Special Account, JPMorgan Chase Norges Bank Investment Special Account, CITI Bank (Taiwan)	25.70% 6.37% 4.34% 4.01% 1.51% 1.27% 1.26% 1.22% 1.11% 1.04%
Huihong Investment Co., Ltd.	Ruentex Dyeing and Textile Co., Ltd. Run Tai Sing Co., Ltd. Yi Tai Investment Co., Ltd.	63.53% 19.93% 16.54%
P-shares Taiwan Dividend Plus ETF, Yuanta	N/A	
Jing Hong Investment Co., Ltd.	Ruentex Industries Ltd. Ruentex Development Co., Ltd. Yingjia Investment Co., Ltd. Run Tai Sing Co., Ltd.	55.00% 30.00% 13.95% 1.05%
Ruentex Engineering & Construction Co., Ltd.,	Ruentex Development Co., Ltd. Ruentex Industries Ltd. Yi Tai Investment Co., Ltd. Yingjia Investment Co., Ltd. Run Tai Sing Co., Ltd. Ruentex Dyeing and Textile Co., Ltd. Sheng Cheng Investment Co., Ltd. Sheng Cheng Investment Co., Ltd. Chang Quan Investment Co., Ltd. Chi-Fan Wang	39.14% 9.35% 7.48% 6.25% 3.38% 1.91% 1.82% 1.80% 1.04% 0.89%
The Tang Prize Foundation	Huihong Investment Co., Ltd. Chang Quan Investment Co., Ltd.	39.72% 18.69%
Shu-Tien Urology and Ophthalmology Clinic	Samuel Yen-Liang Yin	50.00%
Run Tai Sing Co., Ltd.	Samuel Yen-Liang Yin Chi-Fan Wang	99.997% 0.003%

Profiles of Directors (2)

Name	Requirements	With Five or More Years of Experience and the Following Professional Qualifications			Status of independence ¹												Concurrently an Independent Director or for Other Public Companies
		Public/private college/university instructors or higher levels in commerce, law, finance, accounting, or subjects required by the business of the Company	Passed the qualification examination with proper licensing by the national government as court judge, prosecutor, lawyer, certified public accountant, or other professional designations required by the business of the Company	Experience of commerce, law, finance, accounting, or others as required by the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Ying Jia Investment Co., Ltd. Representative: Jean, Tsang-Jiunn			✓	✓			✓	✓			✓		✓	✓	✓		0
Ruentex Industries Ltd. Representative: Wang, Chi-Fan			✓	✓			✓				✓		✓		✓		0
Ruentex Industries Ltd. Representative: Yin, Chung-Yao			✓	✓			✓				✓		✓		✓		0
Run Tai Sing Co., Ltd. Representative: Lee, Chih-Hung		✓	✓				✓	✓			✓		✓	✓	✓		0
Run Tai Sing Co., Ltd. Representative: Chen, Li-Yu		✓	✓				✓	✓	✓		✓		✓	✓	✓		0
Lin, Chien-yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ko, Shun-Hsiung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chang, kuo-Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chao, Yi-Lung	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

¹ Check "✓" the qualifications appropriate to each director and supervisor who meet such qualifications two years before assumption of office or at the time of assumption.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the company or its affiliates (except for independent directors of concurrently the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (3) Not holding more than 1% of the outstanding shares issued by the company or among the top 10 natural person shareholders by the person or his/her spouse or minors, or under the name of a third party.
- (4) Not the spouse, the kindred at the second tier under the Civil Code or the direct kin within the third tier under the Civil Code of the managers stated in (1) or other roles stated in (2), (3).
- (5) Not a director, supervisor or employee of an corporate shareholder directly holding more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of an corporate shareholder who is among the top 5 shareholders, or a representative of an corporate shareholders appointed as the director or supervisor of the company according to paragraph 1 or 2, Article 27, Company Act (except for independent directors of concurrently the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (6) Not a director, supervisor or employee of a company controlling over one half of the company's director seats or voting shares under one person (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (7) Not a director of a company or institution whose chairperson and president or equivalent role is the same person or its spouse (except for independent directors of concurrently the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relation with the company (except for a specific company or institution holding over 20% but less than 50% of the company's outstanding shares, and independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (9) Not a professional or owner, partner, director, supervisor, manager or the spouse of these roles of a sole proprietorship, partnership, company, or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating below NT\$500,000 in the last two years for the company or its affiliates; except for members of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or the kindred at the second tier under the Civil Code to any other director.
- (11) Not under any of the categories stated in Article 30 of the Company Act.
- (12) Not being elected as representative of the government, an institution, or others under Article 27 of the Company Act.

2. President, vice presidents, assistant vice presidents, and heads of departments and branches: April 11, 2020

Title	Nationality	Name	Gender	Elected (Inaugurated) Date	Shareholdings		Shareholdings of Spouse/Minor Children		Shareholdings in the Name of a Third Party		Education and Experience	Concurrent Positions in Other Companies	Managers Who are a Spouse or Relative Within the 2 nd Degree Under the Civil Code		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Percentage			Title	Name	Relationship
President	ROC	Lee, Chih-Hung	Male	2012/9/3	625,131	0.06	53,474	0.01	—	—	MBA, Institute of Business Administration, National Taiwan University	Chairman, Ruentex Materials Co., Ltd. Director, Ruentex Industries Ltd., Ruentex Engineering & Construction Co., Ltd., Ruentex Construction Co., Ltd., Ruentex Hsu Chan Co. Ltd., Ruentex Pai Yi Co., Ltd., Ruentex Interior Design Inc., and Ruentex Development Co., Ltd.	No	No	No
Vice President	ROC	Zhou, Pei-ling	Female	2007/4/1	189,843	0.02	496	—	—	—	Department of Economics, Tamkang University	No	No	No	No
Vice President	ROC	Chen, Li-Yu	Female	2002/4/1	144,488	0.01	436	—	—	—	Taipei Municipal Songshan High School of Agriculture and Industry	Director of Ruentex Construction Co., Ltd.	No	No	No
Vice President	ROC	Yen, Tien-Cheng	Male	1999/7/1	—	—	—	—	—	—	Department of Management Science, NCTU	Director, Ruentex Pai Yi Co., Ltd. and Sunny Friend Environmental Technology Co., Ltd.	No	No	No
Vice President	ROC	Lin, Ding-Jie	Female	2012/4/26	69,901	0.01	—	—	—	—	MA, Business Management and Financial Management Section, Department of Money and Banking, National Ching Chi University.	No	No	No	No
Vice President	ROC	Lin, Chin-Szu	Male	2011/7/1	64,800	0.01	—	—	—	—	MA, Department of Finance, National Taiwan University.	Supervisor, Ruentex Property, Ruentex Interior Design, and Sunny Friend Environmental Technology	No	No	No
Vice President	ROC	Zheng, Wen-Qing	Male	2006/4/1	53,280	0.01	—	—	—	—	Department of Land Administration, National Chung Hsing University	Director, Ruentex Property Management & Maintenance Co., Ltd.	No	No	No
Vice President	ROC	Wang, Guo-Rong	Male	2019/7/1	50,400	0.01	—	—	—	—	MA, National Central University	No	No	No	No

Title	Nationality	Name	Gender	Elected (Inaugurated) Date	Shareholdings		Shareholdings of Spouse/Minor Children		Shareholdings in the Name of a Third Party		Education and Experience	Concurrent Positions in Other Companies	Managers Who are a Spouse or Relative Within the 2 nd Degree Under the Civil Code		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Percentage			Title	Name	Relationship
Vice President	ROC	Wang,Pei-Shou	Male	2019/9/12	544	—	720	—	—	—	Department of Industrial Management, National Taiwan University of Science and Technology	No	No	No	No
Assistant Vice President	ROC	Cai,Pei-jin	Female	2004/3/1	—	—	—	—	—	—	Department of International Trade, Chinese Culture University	No	No	No	No
Assistant Vice President	ROC	Wu,Jia-Ru	Female	2012/4/1	4,110	—	—	—	—	—	MA, Department of Counseling and Industrial/Organizational Psychology, Ming Chuan University	No	No	No	No
Assistant Vice President	ROC	Chang, Wei-Cheng	Male	2011/3/1	—	—	—	—	—	—	Shih Hsin School of Journalism	No	Assistant Vice President	Hui-zi Gong	Spouse
Assistant Vice President	ROC	Yang, Wen-Chuen	Female	2011/11/1	60,012	0.01	1,440	—	—	—	National Guan-Shan Vocational Senior High School	No	No	No	No
Assistant Vice President	ROC	Gong,Hui-Zi	Female	2014/3/1	—	—	—	—	—	—	Section of Civil Engineering, Sze Hai College of Technology	No	Assistant Vice President	Wei-cheng Chang	Spouse
Assistant Vice President	ROC	Liu,Wen-Tan	Male	2011/3/1	73,933	0.01	786	—	—	—	Department of Business Administration, Chung Yuan Christian University	No	No	No	No
Assistant Vice President	ROC	Cai, Jia-Sheng	Male	2016/4/1	—	—	—	—	—	—	Section of Chemical Engineering, Nanya Polytechnics	No	No	No	No
Assistant Vice President	ROC	Zhuang, Guo-Zhi	Male	2017/7/24	—	—	—	—	—	—	MS, Department of Architecture, National Taipei University of Technology	No	No	No	No
Assistant Vice President	ROC	Kuo,Tien-Fang	Male	2018/4/1	—	—	4,320	—	—	—	PhD, Tokyo Institute of Technology, Japan	No	No	No	No
Assistant Vice President	ROC	Kuo,Tzu-Chien	Male	2018/7/1	52,200	0.01	1,440	—	—	—	MA, Business Management, National Cheng Chi University	No	No	No	No
Assistant Vice President	ROC	Chen,Po-Yu	Male	2019/4/1	600	—	—	—	—	—	Department of Accounting, National Taiwan University	No	No	No	No
Assistant Vice President	ROC	Lin,Chun-Miao	Female	2019/4/1	—	—	—	—	—	—	National Chushan Senior High School	No	No	No	No
Manager, Zhonglun Branch	ROC	Gao,Jie-Wen	Male	2017/12/1	23,040	—	—	—	—	—	Section of Accounting and Statistics, Oxford College	No	No	No	No

III. Remuneration for Directors, Supervisors, Presidents, and Vice Presidents

(1) 1. Remuneration for general and independent directors

Unit: NTD thousand

Title	Name	Remuneration for Directors								Percentage of the Sum of A to D in the Net Profit After Tax		Remuneration for Directors Who are Concurrently Employees								Percentage of the Sum of A to G in the Net Profit After Tax		Whether or not receiving remuneration from investees or the parent company other than subsidiaries
		Remuneration (A)		Severance Pay/Retirement Allowance (B)		Remuneration from Distribution of Earnings (C)		Business Execution Expenses (D)				Salaries, Bonuses, and Special Expenses (E)		Severance Pay/Retirement Allowance (F)		Employee Profit Sharing from Earnings Distribution (G)						
		The Company	All Firms Disclosed in the Financial Statements	The company	All Firms Disclosed in the Financial Statements	The company	All Firms Disclosed in the Financial Statements	The company	All Firms Disclosed in the Financial Statements	The company	All Firms Disclosed in the Financial Statements	The company	All Firms Disclosed in the Financial Statements	The company	All Firms Disclosed in the Financial Statements	The company		All Firms Disclosed in the Financial Statements		The company	All Firms Disclosed in the Financial Statements	
Chairman	Representative of Ying Jia Investment Co., Ltd.: Jean, Tsang-Junn	41,464	41,464	—	—	—	—	3,660	3,660	0.498	0.498	40,089	40,089	—	—	—	—	—	—	0.940	0.940	No
Director	Representative of Ruentex Industries Ltd.: Wang, Chi-Fan																					
	Representative of Ruentex Industries Ltd.: Yin, Chung-Yao																					
	Run Tai Sing Co., Ltd. Representative: Lee, Chih-Hung																					
	Run Tai Sing Co., Ltd. Representative: Chen, Li-yu																					
Independent Director	Ko, Shun-Hsiung	—	—	—	—	—	—	2,400	2,400	0.026	0.026	—	—	—	—	—	—	—	—	0.026	0.026	No
	Guo-zhen Chang																					
	Zhao, Yi-long																					
1. The policy, system, standard, and structure of remuneration for directors and the relevance to the amount of remuneration in terms of their duty, risk, and time of involvement: With respect to the articles of incorporation of this Company, all directors are remunerated with respect to their involvement in corporate operations and contributions, with the Board of Directors authorized to determine the actual amount.																						

Range of Remuneration

Range of Remuneration for Directors	Name of Director			
	Total Amount of A to D		Total Amount of A to G	
	The company	All Firms Disclosed in the Financial Statements H	The company	All Firms Disclosed in the Financial Statements I
<u>Less than NT\$1,000,000</u>	Ko, Shun-Hsiung; Chang, Kuo-Chen; Chao, Yi-Long; Lin, Chien-Yu; Representatives of Ruentex Industries Ltd.: Wang, Chi-Fan and Yin, Chung-Yao Representative of Run Tai Sing Co., Ltd.: Lee,Chih-Hung Representative of Run Tai Sing Co., Ltd.:Chen, Li-Yu	Ko, Shun-Hsiung; Chang, Kuo-Chen; Chao, Yi-Long; Lin, Chien-Yu; Representatives of Ruentex Industries Ltd.: Wang, Chi-Fan and Yin, Chung-Yao Representative of Run Tai Sing Co., Ltd.: Lee,Chih-Hung Representative of Run Tai Sing Co., Ltd.:Chen, Li-Yu	Ko, Shun-Hsiung; Chang, Kuo-Chen; Chao, Yi-Long; Lin, Chien-Yu; Representatives of Ruentex Industries Ltd.: Wang, Chi-Fan and Yin, Chung-Yao	Ko, Shun-Hsiung; Chang, Kuo-Chen; Chao, Yi-Long; Lin, Chien-Yu; Representatives of Ruentex Industries Ltd.: Wang, Chi-Fan and Yin, Chung-Yao
NT\$1,000,000 (included) – NT\$2,000,000 (excluded)				
NT\$2,000,000 (included) – NT\$3,500,000 (excluded)				
NT\$3,500,000 (included) – NT\$5,000,000 (excluded)	-		-	-
NT\$5,000,000 (included) – NT\$10,000,000 (excluded)			Representative of Run Tai Sing Co., Ltd.:Chen, Li-Yu	Representative of Run Tai Sing Co., Ltd.:Chen, Li-Yu
NT\$10,000,000 (included) – NT\$15,000,000 (excluded)				
NT\$15,000,000 (included) – NT\$30,000,000 (excluded)				
NT\$30,000,000 (included) – NT\$50,000,000 (excluded)	Representative of Ying Jia Investment Co., Ltd.: Jean,Tsang-Junn	Representative of Ying Jia Investment Co., Ltd.: Jean,Tsang-Junn	Representative of Run Tai Sing Co., Ltd.: Lee,Chih-Hung Representative of Ying Jia Investment Co., Ltd.: Jean,Tsang-Junn	Representative of Run Tai Sing Co., Ltd.: Lee,Chih-Hung Representative of Ying Jia Investment Co., Ltd.: Jean,Tsang-Junn
NT\$50,000,000 (included) – NT\$100,000,000 (excluded)				
NT\$100,000,000 and Above				
Total	9 people	9 people	9 people	9 people

*Given the difference between the remuneration disclosed in this Table and concept of income under the Income Tax Act, information disclosed in this Table is for disclose purposes only and shall not be used for taxation.

2. Remuneration For the President and Vice Presidents

(expressed in NT\$ thousands)

Title	Name	Salary (A)		Severance Pay/Retirement Allowance (F) (B)		Bonuses & Special Expenses (C)		Amount of Employee Profit Sharing From Earnings Distribution (D)				Percentage of the Sum of A to D in Profit After Tax		Whether or not receiving remuneration from investees or the parent company other than subsidiaries
		The company	All Firms Disclosed in the Financial Statements	The company	All Firms Disclosed in the Financial Statements	The company	All Firms Disclosed in the Financial Statements	The company		All Firms Disclosed in the Financial Statements		The company	All Firms Disclosed in the Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Lee,Chih-Hung	68,282	68,282	-	-	-	-	2,861	-	2,861	-	0.785	0.785	No
Vice President	Zhou,Pei-Ling													
Vice President	Chen,Li-Yu													
Vice President	Yeh,Tien-Cheng													
Vice President	Lin ,Ding-Jie													
Vice President	Lin,Chin-Szu													
Vice President	Zheng,Wen-Qing													
Vice President ¹	Wang,Guo-Rong													
Vice President ²	Wang,Pei-Shou													
Manager, Zhonglun Branch	Gao,Jie-wen													

¹VP Wang, Guo-Rong began his office on 07.01.2019.

²VP Wang, Pei-Shou began his office on 09.12.2019.

Range of Remuneration

Range of Remuneration for Presidents and Vice Presidents	Name of President/Vice President	
	The company	All Firms Disclosed in the Financial Statements E
Less than NT\$1,000,000		
NT\$1,000,000 (included) – NT\$2,000,000 (excluded)	Cheng, Wen-Ching and Wang, Pei-Shou	Cheng, Wen-Ching and Wang, Pei-Shou
NT\$2,000,000 (included) – NT\$3,500,000 (excluded)	Wang, Guo-Rong and Kao, Jie-Wen	Wang, Guo-Rong and Kao, Jie-Wen
NT\$3,500,000 (included) – NT\$5,000,000 (excluded)	Zhou, Pei-Ling and Lin, Ting-Jie	Zhou, Pei-Ling and Lin, Ting-Jie
NT\$5,000,000 (included) – NT\$10,000,000 (excluded)	Yeh, Tien-Cheng; Lin, Chin-Szu; and Chen, Li-Yu	Yeh, Tien-Cheng; Lin, Chin-Szu; and Chen, Li-Yu
NT\$10,000,000 (included) – NT\$15,000,000 (excluded)	-	-
NT\$15,000,000 (included) – NT\$30,000,000 (excluded)	-	-
NT\$30,000,000 (included) – NT\$50,000,000 (excluded)	Lee, Chih-hung	Lee, Chih-hung
NT\$50,000,000 (included) – NT\$100,000,000 (excluded)		
NT\$100,000,000 and Above		
Total	10 people	10 people

*Given the difference between the remuneration disclosed in this Table and concept of income under the Income Tax Act, information disclosed in this Table is for disclose purposes only and shall not be used for taxation.

3. Remuneration for Managers

Unit: NTD thousand

12.31.2019

	Title ¹	Name ¹	Stock Amount	Cash Amount	Total	Percentage in Net Earnings After Tax
Managers	President	Lee,Chih-Hung	-	4,408	4,408	0.05%
	Vice President	Zhou,Pei-Ling				
	Vice President	Chen,Li-Yu				
	Vice President	Yeh ,Tien-Cheng				
	Vice President	Lin,Ding-Jie				
	Vice President	Lin,Chin-Szu				
	Vice President	Zheng,Wen-Qing				
	Vice President (took office on 2019/7/1)	Wang,Guo-Rong				
	Vice President (took office on 2019/9/12)	Wang,Pei-Shou				
	Assistant Vice President	Cai,Pei-Jin				
	Assistant Vice President	Wu,Jia-Ru				
	Assistant Vice President	Chang,Wei-cheng				
	Assistant Vice President	Yang ,Wen-Chuen				
	Assistant Vice President	Gong,Hui-Zi				
	Assistant Vice President	Liu,Wen-Tan				
	Assistant Vice President	Cai,Jia-Sheng				
	Assistant Vice President	Zhuang,Guo-Zhi				
	Assistant Vice President	Kuo,Tien-Fang				
	Assistant Vice President	Kuo,Tzu-Chien				
	Assistant Vice President (took office on 04.01.2019)	Chen ,Po-Yu				
	Assistant Vice President (took office on 04.01.2019)	Lin,Chun-Miao				
	Manager, Zhonglun Branch	Gao,Jie-Wen				

¹The name and title of managers shall be disclosed individually. However, the distribution of profit can be disclosed in aggregate.

²Refers to the remuneration for managers (including stock and cash) approved by the Board of Directors in the previous year. If the remuneration cannot be estimated, the Company shall calculate the proposed distribution balance this year based on the amount of actual distribution in the previous year. Net Earnings After Tax refers to the net income after tax in the individual financial statement of the previous year.

³Referring to Letter Tai-Cai-Zheng-San-Zi No. 0920001301 (Taiwan-Finance-Securities-III-0920001301) of the Financial Supervisory Commission dated March 27, 2003, the scope of managers is as follows:

(1) Presidents and equivalent level; (2) Vice presidents and equivalent level; (3) Assistant vice presidents and equivalent level; (4) Financial supervisor; (5) Accounting supervisor; (6) Other managers and authorized personnel.

⁴In addition to Table 1-2, directors, presidents, and vice presidents receiving remuneration for employees (including stock and cash) shall be disclosed in this table.

- (2) A comparative description with analysis on the ratio taken by the gross total of remuneration paid by this Company and all firms disclosed in the consolidated financial statements to the directors, presidents, and vice presidents of this Company to the net earnings after tax over the past two years, including a description of the policies, criteria, and composition of remuneration; the procedures to determine remuneration, their interrelationship with business performance, and future risks:

- 1) The ratio taken by the gross total of remuneration paid by this Company and all firms disclosed in the Consolidated Financial Statements to the directors, presidents, and vice presidents of this Company to the net earnings after tax over the past two years:

Title	Ratio of Remuneration in the Net Earnings After Tax					
	2018		2019		Differences in Two Years	
	The company	All Firms Disclosed in the Consolidated Financial Statements	The company	All Firms Disclosed in the Consolidated Financial Statements	The company	All Firms Disclosed in the Consolidated Financial Statements
Director	0.77%	0.77%	0.966%	0.966%	0.196%	0.196%
Supervisors	—	—	—	—	—	—
Presidents and Vice Presidents	0.55%	0.55%	0.785%	0.785%	0.235%	0.235%

- 2) Description of the policies, standard, and composition of remuneration; the procedures to determine remuneration, their interrelationship with business performance, and future risks:

- ①Principles of Remuneration for Directors: With respect to the Articles of Incorporation, the Board of Directors is authorized to determinate the remuneration of individual directors through discussions in respect to their involvement in organizational operations and organizational contributions and with reference to the common pay standards in the business.
- ②The remuneration for presidents and vice presidents include salary and bonuses determined with respect to the Company's operational performance, their individual performance and performance evaluation, their organizational contribution, and the common pay standards in the business.
- ③When determining the remuneration for presidents and vice presidents, apart from the Company's overall operational performance, the Remuneration Committee considers the future operational risk and the development trend of the industry; the target achievement rate, organizational contributions, and related performance evaluations of individual presidents and vice presidents; and the fairness of remuneration before implementation after obtaining the Board of Directors approval. The Remuneration Committee also reviews the remuneration in a timely manner based on the actual status of operations and related laws and regulations to balance sustainable development and risk control of the Company.
- ④In June 2016, we established the Audit Committee to replace the role of supervisors, who were relieved after committee establishment.

IV. Corporate Governance:

(1) Operation of the Board of Directors:

In 2018, a total of 9 meetings (A) were held, and the attendance of directors is as follows:

Title	Name	Actual Attendances (Appearances) (B)	Attendances by Proxy	Rate of Actual Attendance (%) [B/A] [B/A]	Remarks
Chairman	Representative of Ying Jia Investment Co., Ltd.: Jean, Tsang-Jiunn	9	0	100	
Director	Representative of Ruentex Industries Ltd.: Wang, Chi-Fan	8	1	89	
	Representative of Ruentex Industries Ltd.: Yin, Chung-Yao	5	4	56	
	Representative of Run Tai Sing Co., Ltd.: Lee, Chih-Hung	9	0	100	
	Representative of Run Tai Sing Co., Ltd.: Chen, Li-Yu	9	0	100	
	Ling, Chien-Yu	9	0	100	
Independent Director	Ko, Shun-Hsiung	9	0	100	
	Chang, Kuo-Chen	7	2	78	
	Chao, Yi-Lung	7	2	78	

*The actual attendance of Independent Director Shun-xiong Ke was 100%, demonstrating that at least one independent director attended every board meeting.

Other Information Required for Disclosure:

- The date, session, proposal content, and resolution specified and the opinion expressed by independent directors shall be specified under any one of the following circumstances
 - Matters specified in Article 14-3 of the Securities and Exchange Act: We have established an audit committee, and Article 14-3 of the Securities and Exchange Act will not apply with respect to Article 14-5 of the Securities and Exchange Act. Please refer to p. 27 of the AR2019 for details regarding committee operations.
 - Other Board of Directors resolutions to which objections or qualified opinions for the record or in writing are expressed by independent directors: NA
- When there is avoidance of conflicts of interest by a director, specify the name of that director, the involved proposal(s), the cause(s) of the avoidance of conflicts of interest, and the participation in voting of that director:

Board of Directors	Proposal	Avoidance of Conflicts of Interest	Participation in Voting
15 th Board 24 th Board Meeting 2019/1/28	1. Proposal of the 2018 year-end bonus for managers.	Directors Chih-Hung Lee and Li-Yu Chen are president and vice president respectively, and are related parties to this proposal.	They removed themselves from the discussion and voting to avoid conflicts of interest as specified.
	2. Proposal of the 2018 year-end bonus for the Chairman.	Mr., Tsang-Jiunn Jean is Chairman of this Company, and is a related party to this proposal.	
	3. Proposal to sign the account closing agreement with Ruentex Interior Design Inc. for the “Ruentex Liren -6F Demo Unit Design and Decoration Project.”	Directors Tsang-Jiunn Jean and Chih-Hung Lee are directors of Ruentex Interior Design Inc., the related party of this proposal. Chairman Chung-Yao Yin and directors Chi-Fan Wang and Li-Yu Chen are also directors of companies affiliated to Ruentex Interior Design Inc., thus constituting a conflict of interest with this proposal.	
	4. Proposal to sign the account closing agreement with Ruentex Engineering & Construction Co., Ltd. for the “Ruentex Twin Stars Construction Project.”	Directors Chih-Hung Lee and Chung-Yao Yin of Ruentex Engineering & Construction Co., Ltd. are related parties to this proposal. Directors Chi-Fan Wang, Tsang-Jiunn Jean, and Li-Yu Chen are also directors of companies affiliated to Ruentex Engineering & Construction Co., Ltd., thus constituting a conflict of interest with this proposal.	
15 th Board 26 th Board of Directors Meeting 2019/3/28	1. Proposal to sell to related parties 5 parking spaces located at B1 and B3, No.221 and 223, Boai Road, Zhongzheng District, Taipei City.	Directors Chi-Fan Wang and Chung-Yao Yin are the spouses and direct relatives of the counterparts; directors Chih-Hung Lee, Tsang-Jiunn Jean, and Li-Yu Chen are also directors of companies affiliated to the counterparts, thus constituting a conflict of interest with this proposal.	They removed themselves from the discussion and voting to avoid conflicts of interest as specified.
	2. Proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the “Ruentex Development Banqiao Minsheng Road Construction Project.”	Directors Chih-Hung Lee and Chung-Yao Yin are also directors of Ruentex Engineering & Construction; directors T Tsang-Jiunn Jean and Li-Yu Chen are also directors of companies affiliated to Ruentex Engineering & Construction; Director Chi-Fan Wang is a second-degree relative to a director, thus constituting a conflict of interest with this proposal.	
	3. Proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the “Ruentex Development Banqiao Minsheng Road Falsework Project.”	Directors Chih-Hung Lee Chung-Yao Yin, Tsang-Jiunn Jean, and Li-Yu Chen are also directors of companies affiliated to Ruentex Construction Co., Ltd.; Director Chi-Fan Wang is a second-degree relative to a director, thus constituting a conflict of interest with this proposal.	They removed themselves from the discussion and voting to avoid conflicts of interest as specified.

Board of Directors	Proposal	Avoidance of Conflicts of Interest	Participation in Voting
15 th Board 27 th Board of Directors Meeting 2019/5/14	1. Proposal to subscribe twice the shares issued in common stock by Ruen Chen Investment Holding Co., Ltd. for cash capitalization.	Directors Chi-Fan Wang and Tsang-Jiunn Jean are also directors of Ruen Chen Investment Holding; directors Tsang-Jiunn Jean, Chih-Hung Lee, and Li-Yu Chen are also directors of companies affiliated to Ruen Chen Investment Holding, thus constituting a conflict of interest with this proposal.	They removed themselves from the discussion and voting to avoid conflicts of interest as specified.
15 th Board 28 th Board of Directors Meeting 2019/6/19	1. Proposal to subscribe the shares issued in common stock by Ruentex Development Co., Ltd. for cash capitalization.	Directors Tsang-Jiunn Jean and Chih-Hung Lee are related parties.	They removed themselves from the discussion and voting to avoid conflicts of interest as specified.
	2. Proposal to subscribe the shares issued in common stock by Nan Shan Life Insurance Co., Ltd. for cash capitalization.	Director Chung-Yao Yin is also a director of Nan Shan Life Insurance; directors Chi-Fan Wang, Tsang-Jiunn Jean, Chih-Hung Lee, and Li-Yu Chen are also directors of companies affiliated to Nan Shan Life Insurance, thus constituting a conflict of interest with this proposal.	
	3. Proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Jiangzicui A Falsework Project."	Directors Chih-Hung Lee, Chung-Yao Yin, Chi-Fan Wang, Tsang-Jiunn Jean, and Li-Yu Chen are also directors of companies affiliated to Ruentex Interior Design Inc., thus constituting a conflict of interest with this proposal.	
15 th Board 29 th Board of Directors Meeting 2019/8/13	1. Proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Jiangzicui A Construction Project."	Directors Chih-Hung Lee and Chung-Yao Yin are also directors of Ruentex Engineering & Construction; directors T	They removed themselves from the discussion and voting to avoid conflicts of interest as specified.
	2. Proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Sanzhong MRT VI Station Body Construction Project."	Tsang-Jiunn Jean and Li-Yu Chen are also directors of companies affiliated to Ruentex Engineering & Construction; Director Chi-Fan Wang is a second-degree relative to a director, thus constituting a conflict of interest with this proposal.	
	3. Proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Lihe Section Construction Project."	Directors Tsang-Jiunn Jean and Chih-Hung Lee are also directors of Ruentex Interior Design; directors Chung-Yao Yin, Chi-Fan Wang, and Li-Yu Chen are also directors of companies affiliated to Ruentex Interior Design, thus constituting a conflict of interest with this proposal.	
	4. Proposal to sign the construction contract with Ruentex Interior Design Inc. for the "Ruentex Dunfeng-B1-16F and B2-16F Demo Unit Design and Decoration Project."		
15 th Board 30 th Board of Directors Meeting 2019/10/23	1. Proposal to subscribe the common stock of Ruentex Engineering & Construction Co., Ltd. from the stock market by continuous trading. The total amount of subscription should be the total amount of the number of shares at the market value on the actual transaction days.	Directors Chih-Hung Lee and Chung-Yao Yin are also directors of Ruentex Engineering & Construction; directors Tsang-Jiunn Jean and Li-Yu Chen are also directors of companies affiliated to Ruentex Engineering & Construction; Director Chi-fan Wang is a second-degree relative to a director, thus constituting a conflict of interest with this proposal.	They removed themselves from the discussion and voting to avoid conflicts of interest as specified.
	2. Proposal to sign the account closing agreement with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Huacheng Repair Project."		
	3. Proposal to sign the account closing agreement with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Micacle Home Sisters of Providence Construction Project."		
	4. Proposal to sign the contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Wolong Street Project Demolition Project."		

Board of Directors	Proposal	Avoidance of Conflicts of Interest	Participation in Voting
15 th Board 33 rd Board of Directors Meeting 2020/1/20	1. Proposal of the 2019 year-end bonus for managers.	Directors Chih-Hung Lee are and Li-Yu Chen are also the president and vice president of this Company, thus constituting a conflict of interest with this proposal.	They removed themselves from the discussion and voting to avoid conflicts of interest as specified.
	2. Proposal of the 2018 year-end bonus for the Chairman.	Director Tsang-Jiunn Jean is also the chairperson of this Company, thus constituting a conflict of interest with this proposal.	
	3. Proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Wuguwang B Falsework Project."	Directors Chih-Hung Lee, Chung-Yao Yin, Tsang-Jiunn Jean, and Li-Yu Chen are also directors of companies affiliated to Ruentex Construction; and Director Chi-Fan Wang is a second-degree relative to a director, thus constituting a conflict of interest with this proposal.	
15 th Board 34 th Board of Directors Meeting 2020/3/13	1. Proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Wolong Street Construction Project."	Directors Chih-Hung Lee and Chung-Yao Yin are also directors of Ruentex Engineering & Construction; directors Tsang-Jiunn Jean and Li-Yu Chen are also directors of companies affiliated to Ruentex Engineering & Construction; Director Chi-fan Wang is a second-degree relative to a director, thus constituting a conflict of interest with this proposal.	They removed themselves from the discussion and voting to avoid conflicts of interest as specified.
	2. Proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Wuguwang B Construction Project."		
15 th Board 35 th Board of Directors Meeting 2020/3/13	1. Proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Wuguwang A Falsework Project."	Directors Chih-Hung Lee, Chung-Yao Yin, sang-Jiunn Jean, and Li-Yu Chen are also directors of companies affiliated to Ruentex Construction; and Director Chi-Fan Wang is a second-degree relative to a director, thus constituting a conflict of interest with this proposal.	They removed themselves from the discussion and voting to avoid conflicts of interest as specified.
	2. Proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Yangbei Falsework Project."		
	3. Proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Wuguwang A Construction Project."		
	4. Proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Yangbei Falsework Project."		

3. The cycle and duration, scope, method, and contents of self-assessment or peer assessment of the board of directors:

Status of Board Evaluation

<u>Assessment Cycle</u>	<u>Assessment Duration</u>	<u>Assessment Scope</u>	<u>Assessment Method</u>	<u>Assessment Contents</u>
Once a year	2019/1/1-2019/12/31	Board of Directors Individual board members Audit Committee Remuneration Committee	Board self-assessment Board member self-assessment Audit Committee self-assessment Remuneration Committee self-assessment	Board self-assessment: (1) Involvement in corporate operations (2) Improvement of board decision quality (3) Board composition and structure (4) Director selection and continuing education (5) Internal control Board member self-assessment: (1) Capture of corporate goals and missions (2) Recognition of the director's role and responsibility (3) Involvement in corporate operations (4) Internal relationship building and communication (5) Director's expertise and continuing education (6) Internal control Audit Committee self-assessment (1) Involvement in corporate operations (2) Recognition of the committee's role and responsibility (3) Improvement of committee decision quality (4) Committee composition and member selection (5) Internal control Remuneration Committee self-assessment (1) Involvement in corporate operations (2) Recognition of the committee's role and responsibility (3) Improvement of committee decision quality (4) Committee composition and member selection

4. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an audit committee, improvement of information transparency etc.), and the progress of such enhancements:

- (1) To enhance governance and to optimize supervision, we established the Audit Committee in June 2016, with all indirect directors (3) as Committee Members.
- (2) In 2011 we established the Remuneration Committee by law with all independent directors(3) as members to enhance corporate governance.
- (3) To enhance the performance of the board of directors and establish sound corporate governance, this Company established the "Response to Requests from Directors SOP" in 2019 to help directors carry out their duties and enhance board performance. On December 28, 2016, the board of directors passed the "Regulations for BOD Performance Assessment" and disclosed them on the corporate website. Based on the Regulations, we assessed the performance of the Board of Directors in 2019 at the end of 2019 with. Assessment methods included the self-assessment of individual board members, the self-assessment of board performance, the self-assessment of Audit Committee performance, and the self-assessment of Remuneration Committee performance. The assessment contents included the acknowledgement of corporate goals and missions, recognition of directorial duties, involvement in corporate operations, enhancement of board decision-making quality, internal relationship building and communication, and so on. The results of the 2019 performance assessment of the Board of Directors show that all items are up to standard, and these results were reported to the Board of Directors on January 20, 2020.
- (4) In 2019 the Board of Directors appointed CAO Chin-Szu Lin as the chief governance officer (CGO) to take charge of governance-related matters within the Company.
- (5) We have established the "Internal Material Information Processing SOP" to ensure the accuracy, integrity, and timeliness of disclosure of material information. We have also enforced the spokesperson system and timely upload material financial information to the Market Observation Post System (MOPS) to maintain the rights and interest of shareholders.
- (6) We have established a "stakeholder relations" section on the corporate website to proactively develop communication with stakeholders, in order to enhance information transparency for outsiders.

Note: We established the Audit Committee in June 2016 to replace the role of supervisors, who were relieved immediately after committee establishment.

(2) Operation of the Audit Committee or the Involvement of Supervisors in the Board of Directors Operation:

1. Information Regarding Audit Committee Operation:

In 2019 the Audit Committee held 8 committee meetings (A), and the attendance record of independent directors is as follows

Title	Name	Actual Attendances (including appearances by proxy) (B)	Attendances by Proxy	Rate of Actual Attendance (%) [B/A] [B/A]	Remark
Independent Director	Ko, Shun-Hsiung	8	0	100	
	Chao, Yi-Lung	6	2	75	
	Chang, Kuo-Chen	6	2	75	

Other Information Required for Disclosure:

1. If the Audit Committee is operated under any one of the following circumstances, the date and session of the committee meeting, the proposal content, the opinion of committee members; and the Committee's response to such opinions shall be specified:

- (1) Matters specified in Article 14-5 of the Securities and Exchange Act: Submitted to the Board of Directors with the approval of the Audit Committee.

	Proposal Contents and Handling	Matters specified in § 14-5 of the Securities and Exchange Act.	Matters not passed by the Audit Committee but approved by over two-third of all directors.
2 nd Audit Committee Meeting 22 nd 2019/1/28	1. Proposal to discuss the 2018 Q4 Internal Audit Report.	V	—
	2. Proposal to sign the account closing agreement with Ruentex Interior Design Inc. for the "Ruentex Liren 6F Demo Unit Design and Decoration Project."	V	—
	3. Proposal to sign the account closing agreement with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Twin Stars Construction Project."	V	—
	4. Proposal to amend the Company's "Corporate Governance Best Practice Principles."	V	—
	Audit Committee resolution: Approved by all Audit Committee members.		
	Decision of the Board of Directors: Approved at the 24 th meeting of the 15 th Board of Directors on 1/28/2019.		
2 nd Audit Committee Meeting 23 rd 2019/3/28	1. Proposal to adopt the IFRS 16 Leases as of 2018 and review of the "Implementation Plan and Progress of Control Implementation" in Q4 2018. (Report)	V	—
	2. Discussion of the consolidated financial statements (including individual financial statements) and business report of 2018.	V	—
	3. Discussion of remuneration for employees for 2018.	V	—
	4. Discussion of profit distribution proposal for 2018.	V	—
	5. Discussion cash dividend distribution with the legal reserve for 2018.	V	—
	6. Discussion of the proposal to sell to related parties 5 parking spaces located at B1 and B3, No.221 and 223, Boai Road, Zhongzheng District, Taipei City.	V	—
	7. Discussion of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Banqiao Minsheng Road Construction Project."	V	—
	8. Discussion of the proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Banqiao Minsheng Road Falsework Project."	V	—
	9. Discussion of the Statement of Internal Control for 2018.	V	—
	Audit Committee resolution: Approved by all Audit Committee members.		
	Decision of the Board of Directors: Approved at the 26 th meeting of the 15 th Board of Directors on 3/28/2019.		
2 nd Audit Committee Meeting 24 th Board 2019/5/14	1. Discussion of the internal audit report of Q1 2019.	V	—
	2. Discussion of the consolidated financial statement of Q1 2019.	V	—
	3. Discussion of the proposal to subscribe twice the shares issued in common stock by Ruen Chen Investment Holding Co., Ltd. for cash capitalization.	V	—
	Audit Committee resolution: Approved by all Audit Committee members.		
	Decision of the Board of Directors: Approved at the 27 th meeting of the 15 th Board of Directors on 5/14/2019.		

	Proposal Contents and Handling	Matters specified in § 14-5 of the Securities and Exchange Act.	Matters not passed by the Audit Committee but approved by over two-third of all directors.
2nd Audit Committee 25 th meeting 2019/6/19	1. Ratification of the proposal to subscribe the shares issued in common stock by OBI Pharma, Inc. for cash capitalization.	V	—
	2. Discussion of the proposal to subscribe the shares issued in common stock by Ruentex Development Co., Ltd. for cash capitalization.	V	—
	3. Discussion of the proposal to subscribe the shares issued in common stock by Nan Shan Life Insurance Co., Ltd. for cash capitalization.	V	—
	4. Discussion of the proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the “Ruentex Development Jiangzicui A Falsework Project.”	V	—
	5. Discussion of the establishment of the “chief governance officer.”	V	—
	Audit Committee resolution: Approved by all Audit Committee members.		
	Decision of the Board of Directors: Approved at the 28 th meeting of the 15 th Board of Directors on 6/19/2019.		
2nd Audit Committee 26 th Board of Directors Meeting 2019/8/13	1. Discussion of the internal audit report of Q2 2019.	V	—
	2. Discussion of the consolidated financial statement of Q2 2019.	V	—
	3. Discussion of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the “Jiangzicui A Construction Project.”	V	—
	4. Discussion of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the “Sanchong MRT VI Station Body Construction Project.”	V	—
	5. Discussion of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the “Ruentex Development Lihe Section Construction Project.”	V	—
	6. Discussion of the proposal to sign the construction contract with Ruentex Interior Design Inc. for the “Ruentex Dunfeng-B1-16F and B2-16F Demo Unit Design and Decoration Project.”	V	—
	7. Discussion of the proposal to amend part of the “Regulations for Loaning Funds to Others and Making Endorsements and Guarantees for Others.”	V	—
	Audit Committee resolution: Approved by all Audit Committee members.		
	Decision of the Board of Directors: Approved at the 29 th meeting of the 15 th Board of Directors on 8/13/2019.		
2nd Audit Committee 27 th Board of Directors Meeting 2019/10/23	1. Discussion of the proposal to subscribe the common stock of Ruentex Engineering & Construction Co., Ltd. from the stock market by continuous trading.	V	—
	2. Discussion of the proposal to sign the account closing agreement with Ruentex Engineering & Construction Co., Ltd. for the “Ruentex Huacheng Repair Project.”	V	—
	3. Discussion of the proposal to sign the account closing agreement with Ruentex Engineering & Construction Co., Ltd. for the “Ruentex Miracle Home Sisters of Providence Construction Project.”	V	—
	4. Discussion of the proposal to sign the contract with Ruentex Engineering & Construction Co., Ltd. for the “Ruentex Development Wolong Street Project Demolition Project.”	V	—
	5. Discussion of the proposal to amend part of the “Corporate Governance Best Practice Principles.”	V	—
	Audit Committee resolution: Approved by all Audit Committee members.		
	Decision of the Board of Directors: Approved at the 30 th meeting of the 15 th Board of Directors on 10/23/2019.		
2nd Audit Committee 28 th Board of Directors Meeting 2019/11/13	1. Discussion of the internal audit report of Q3 2019.	V	—
	2. Discussion of the consolidated financial statement of Q3 2019.	V	—
	Audit Committee resolution: Approved by all Audit Committee members.		
2nd Audit Committee 29 th Board of Directors Meeting 2019/12/26	Decision of the Board of Directors: Approved at the 31 st meeting of the 15 th Board of Directors on 11/13/2019.		
	1. Discussion of the independence of the CPAs hired by this Company.	V	—
	2. Discussion of the audit planning of the 2019 financial statements.	V	—
	3. Discussion of the hiring and remuneration of CPAs in FY2020 and FY2021.	V	—
	4. Discussion of the internal audit planning for FY2020.	V	—
2nd Audit Committee 29 th Board of Directors Meeting 2019/12/26	5. Discussion of the proposal to establish the Company’s “Service Units Internal Audit Control System Standards.”	V	—

	Proposal Contents and Handling	Matters specified in § 14-5 of the Securities and Exchange Act.	Matters not passed by the Audit Committee but approved by over two-third of all directors.
	6. Discussion of the Company's 2020 business plan.	V	—
	7. Discussion of the proposal to sign the "Zhonglun Store Operations and Management Fifth Supplementary Agreement" between Zhonglun Store and RT-Mart Logistics Co., Ltd.	V	—
	8. Discussion of the proposal to acquire the right-of-use asset from the Land Bank of Taiwan Co., Ltd. (the trusted agency of. Fubon No.1 Real Estate Investment Trust).	V	—
	Audit Committee resolution: Approved by all Audit Committee members.		
	Decision of the Board of Directors: Approved at the 32 nd meeting of the 15 th Board of Directors on 12/26/2019.		
2nd Audit Committee 30th Board of Directors Meeting 2020/1/20	1. Discussion of the internal audit report of Q4 2019.	V	—
	2. Discussion of the urban regeneration project of the sea-sand (chlorine-ionic) buildings in Wolong Street, Daan District, Taipei City.	V	—
	3. Discussion of the proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Wuguwang B Falsework Project."	V	—
	Audit Committee resolution: Approved by all Audit Committee members.		
	Decision of the Board of Directors: Approved at the 33 rd meeting of the 15 th Board of Directors on 1/20/2020.		
2nd Audit Committee 31 st meeting 2020/3/13	1. Review of the endorsements and guarantees made in 2019.	V	—
	2. Discussion of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Wolong Street Construction Project."	V	—
	3. Discussion of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Wuguwang B Falsework Project."	V	—
	4. Discussion of the proposal to amend part of the "Rules for Meetings of the Board of Directors," "Articles of Organization of the Audit Committee," and "Articles of Organization of the Remuneration Committee."	V	—
	5. Discussion of the proposal to amend part of the "Corporate Governance Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct."	V	—
	Audit Committee resolution: Approved by all Audit Committee members.		
	Decision of the Board of Directors: Approved at the 34 th meeting of the 15 th Board of Directors on 3/13/2020.		
2nd Audit Committee 32 nd meeting 2020/3/30	1. Discussion of the Company's capacity in self-production of financial statements.	V	—
	2. Discussion of the consolidated financial statements (including individual financial statements) and business report of 2019.	V	—
	3. Discussion of remuneration for employees for 2019.	V	—
	4. Discussion of profit distribution proposal for 2019.	V	—
	5. Discussion of issuing new shares for capitalization with profits for profit distribution of 2019.	V	—
	6. Discussion of the proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Wuguwang A Falsework Project."	V	—
	7. Discussion of the proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Yangbei Falsework Project."	V	—
	8. Discussion of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Wuguwang A Construction Project."	V	—
	9. Discussion of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Yangbei Construction Project."	V	—
	10. Discussion of the Statement of Internal Control for 2019.	V	—
	Audit Committee resolution: Approved by all Audit Committee members.		
	Decision of the Board of Directors: Approved at the 35 th meeting of the 15 th Board of Directors on 3/30/2020.		

(2) Matters other the above unapproved by the Audit Committee but resolved by over two thirds of all directors: NA

2. When there is avoidance of conflicts of interest by an independent director, the name of that independent director, the involved proposal(s), the cause(s) of the avoidance of conflicts of interest, and the participation in voting of that independent director shall be specified: NA.

3. Communication between independent directors and the internal chief auditor and accountant (shall include communication on the company's material financial and sales affairs, including the topics, methods, and results of communication):

Date	Method	Respondent	Context	Results
2019/1/28	Audit Committee	Chief Auditor of this Company	The Q4 2018 Internal Audit Report of this Company.	Submission to the Board of Directors meeting for reporting.
2019/2/22	Audit Committee Members Governance Communication Meeting	Accountants of This Company	Governance Body Communication Meeting on the Key Audit Items in the CPA Audit Report	Communication on the Key Audit Items in the CPA Audit Report
2019/3/28	Audit Committee	Accountants of This Company	Consolidated financial statements (including individual financial statements), business report, and account closing reports of 2018.	Submission to Board of Directors for discussion.
		Chief Auditor of this Company	The 2018 Statement of Internal Control of this Company.	Submission to Board of Directors for discussion.
2019/5/14	Audit Committee	Chief Auditor of this Company	Internal audit report of Q1 2019.	Submission to the Board of Directors meeting for reporting.
		Accountants of This Company	Consolidated financial statement of Q1 2019.	Submission to the Board of Directors meeting for reporting.
2019/8/13	Audit Committee	Chief Auditor of this Company	Internal audit report of Q2 2019.	Submission to the Board of Directors meeting for reporting.
		Accountants of This Company	Consolidated financial statement of Q2 2019.	Submission to the Board of Directors meeting for reporting.
2019/11/13	Audit Committee	Chief Auditor of this Company	Internal audit report of Q3 2019.	Submission to the Board of Directors meeting for reporting.
		Accountants of This Company	Consolidated financial statement of Q3 2019.	Submission to the Board of Directors meeting for reporting.
2019/12/26	Audit Committee	Accountants of This Company	Discussion of the assessment of the independence of this Company's CPA.	Submission to Board of Directors for discussion.
		Chief Auditor of this Company	Discussion of the 2019 internal audit program of this Company.	Submission to Board of Directors for discussion.
		Chief Auditor of this Company	Discussion of the proposal to establish the Company's "Service Units Internal Audit Control System Standards."	Submission to Board of Directors for discussion.
2020/1/20	Audit Committee	Chief Auditor of this Company	Internal audit report of Q4 2019.	Submission to the Board of Directors meeting for reporting.
2020/3/30	Audit Committee	Accountants of This Company	Discussion of the Company's capacity in self-production of financial statements.	Submission to the Board of Directors meeting for reporting.
		Accountants of This Company	Discussion of the consolidated financial statements (including individual financial statements) and business report of 2019.	Submission to Board of Directors for discussion.
		Chief Auditor of this Company	Discussion cash dividend distribution with the legal reserve for 2019.	Submission to Board of Directors for discussion.

¹The Chief Auditor of this Company reports audit results periodically and follows up with independent directors at the Audit Committee Meeting.

²The Chief Auditor attends every Board of Directors meeting of this Company as a guest.

³CPAs attend the Audit Committee Meeting to review the quarterly Financial Statements of this Company as guests to explain the method and scope of audit and the update of related laws and regulations, and fully discuss with independent directors.

⁴The chief internal auditor and accountant of this company maintain fluent communication with independent directors.

(3) Status of governance and the deviations and the cause(s) of deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, Governance Best Practice (Governance Best Practice):

Assessment Item	Status of Operation			Deviations and the Cause(s) of Deviations From the Governance Best Practice
	Yes	No	Summary Description	
I. Has the Company defined and disclosed its governance best practice principles in accordance with the "Governance Best Practice"?	V		On December 29, 2014, we established the "Corporate Governance Best Practice Principles" according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies." To keep up with the global trend of corporate governance development and address the development of issues that interest or concern society and the world in recent years, the board of directors have progressively reduced related contents and disclosed them on the corporate website.	NA.
II. Structure of Shareholdings and Shareholder's Equity	V		(1) We have established the "Internal Material Information Processing SOP" to ensure the accuracy, integrity, and timeliness of disclosure of material information. We have also handled shareholder suggestions, questions, disputes, and litigation through the spokesperson, deputy spokesperson, stock service unit, the "Investor Relations" section on the corporate website, and email to ensure the rights and benefits of shareholders.	NA..
(1) Does the Company establish and implement internal procedures for handling shareholder suggestions, questions, disputes, and litigation?	V		(2) The stock service unit timely keep track on and maintain a list of directors, managers, and dominant shareholders holding over 10% of the company's share.	NA.
(2) Does the Company keep an up-to-date list of its dominant shareholders and the parties with ultimate control over its dominant shareholders?	V		(3) We have established written regulations to govern the matters relating to the finance and business between this Company and affiliates. For the financial and business information, operations and management, and internal audits of subsidiaries, apart from establishing the "Regulations for Operational Management of Subsidiaries" to provide a reference for implementation, we have established related systems for subsidiaries management according to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the FSC.	NA.
(3) Does the Company establish and implement a risk control mechanism and firewall between its affiliates?	V		(4) We have established the "Internal Material Information Processing SOP," the "Procedures for Ethical Management and Guidelines for Conduct," and the "Code of Employee Conduct" to prevent insiders of this Company from trading securities with undisclosed information, state the handling of violation, and publish related regulations on the corporate website to strictly abide by the Securities and Exchange Act and related laws and regulations.	NA.
(4) Does the Company establish internal rules to prevent insider trading using undisclosed information?	V			

Assessment Item	Status of Operation			Deviations and the Cause(s) of Deviations From the Governance Best Practice																																																																																										
	Yes	No	Summary Description																																																																																											
III. Organization and Functions of the Board of Directors (1) Does the Company establish and implement a defined policy to diversify board membership?	V		<div>(1) We have established the “Governance Best Practice Principles” to govern and practice the diversification and maintain gender equality in board composition and ensure members are equipped with the required knowledge, skills, competencies, and literacies.</div> <div>Diversification of board members</div> <table><tr><th></th><th>Gender</th><th>Concurrently Employee of Company</th><th>Independent Director Seniority (below 9 years)</th><th>Operational Management</th><th>Leadership and Decision-making</th><th>Industry-specific Knowledge</th><th>Finance and Accounting</th><th>Law</th></tr><tr><td>Jean, Tsang-Jiunn</td><td>M</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr><tr><td>Chi-Fan Wang</td><td>F</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr><tr><td>Chih-Hung Lee</td><td>M</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr><tr><td>Chung-Yao Yin</td><td>M</td><td></td><td></td><td>V</td><td>V</td><td></td><td></td><td>V</td></tr><tr><td>Chien-Yu Lin</td><td>F</td><td></td><td></td><td>V</td><td>V</td><td></td><td></td><td></td></tr><tr><td>Li-Yu Chen</td><td>F</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr><tr><td>Shun-Xiong Ke</td><td>M</td><td></td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td></tr><tr><td>Yi-Long Zhao</td><td>M</td><td></td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td></tr><tr><td>Guo-zhen Chang</td><td>M</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td></tr></table>		Gender	Concurrently Employee of Company	Independent Director Seniority (below 9 years)	Operational Management	Leadership and Decision-making	Industry-specific Knowledge	Finance and Accounting	Law	Jean, Tsang-Jiunn	M			V	V	V			Chi-Fan Wang	F			V	V	V			Chih-Hung Lee	M	V		V	V	V	V		Chung-Yao Yin	M			V	V			V	Chien-Yu Lin	F			V	V				Li-Yu Chen	F	V		V	V	V			Shun-Xiong Ke	M		V	V	V		V	V	Yi-Long Zhao	M		V	V	V		V	V	Guo-zhen Chang	M		V	V	V	V		V	NA.
	Gender	Concurrently Employee of Company	Independent Director Seniority (below 9 years)	Operational Management	Leadership and Decision-making	Industry-specific Knowledge	Finance and Accounting	Law																																																																																						
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Yi-Long Zhao	M		V	V	V		V	V																																																																																						
Guo-zhen Chang	M		V	V	V	V		V																																																																																						
(2) In addition to a Remuneration Committee and an Audit Committee established by law, does the Company voluntarily establish other functional committees?	V		<div>(2) We have established a Remuneration Committee and an Audit Committee by law and will establish other functional committees in the future as necessary.</div>	NA.																																																																																										

Assessment Item	Status of Operation			Deviations and the Cause(s) of Deviations From the Governance Best Practice
	Yes	No	Summary Description	
(3) Does the company establish a method to assess the performance of the board of directors and assess its performance every year? <u>Are the performance assessment results reported to the board of directors and used as a reference for the remuneration and nomination for re-election of directors?</u>	V		<p>(3) Apart from establishing the “Regulations for BOD Performance Assessment,” on December 28, 2016, we also amended them in August 2019 and disclosed the amendment on the corporate website. Accordingly, the board of directors is required to conduct an internal assessment of the board with respect to the procedures and indicators specified in these regulations and disclose the assessment results by Q1 next year. We assessed the 2019 board performance at the end of 2019 and reported the results to the board of directors on January 20, 2020.</p> <p>The said assessment results and fixed remuneration, such as the honorarium, have been reported to the board of directors and remuneration committee for approval. We also review the actual status of operations and keep a timely track on related laws and regulations to balance corporate operations and risk management.</p>	

Assessment Item	Status of Operation			Deviations and the Cause(s) of Deviations From the Governance Best Practice																								
	Yes	No	Summary Description																									
(4) Does the Company regularly evaluate the independence of certified public accountants?	V		<p>(4) We assess CPA independence every year. Apart from verifying if CPAs hold the stocks and concurrently work in the senior management of this company through the stock service unit, we ensure they avoid the direct or indirect conflict of interests in our assignments and issue the statement of independence. Assessments show that no CPA has either direct or indirect conflict of interests with this Company. Therefore, there is no worry of CPA independence. The assessment results were reported to the board meeting on December 28, 2019 and December 26, 2020.</p> <p>Criteria for CPA Independence Assessment:</p> <table><tr><th>Item</th><th>Assessment Contents</th><th>Assessment Results</th><th>Compliance with Independence?</th></tr><tr><td>1</td><td>Neither the CPAs nor the Audit Team members hold the stock of this Company or its subsidiaries.</td><td>Yes</td><td>Yes</td></tr><tr><td>2</td><td>Neither the CPAs nor the Audit Team members are a director, supervisor, or officer of this Company.</td><td>Yes</td><td>Yes</td></tr><tr><td>3</td><td>There is no cooperation between the CPA firm and this Company.</td><td>Yes</td><td>Yes</td></tr><tr><td>4</td><td>There is no litigation between the CPA firm and this Company.</td><td>Yes</td><td>Yes</td></tr><tr><td>5</td><td>No report of non-replacement of CPAs for seven consecutive years or discipline of CPAs or damage of independence.</td><td>Yes</td><td>Yes</td></tr></table> <p>Assessment Period: January 1-December 31, 2019 Assessment Results: CPAs are independent.</p>	Item	Assessment Contents	Assessment Results	Compliance with Independence?	1	Neither the CPAs nor the Audit Team members hold the stock of this Company or its subsidiaries.	Yes	Yes	2	Neither the CPAs nor the Audit Team members are a director, supervisor, or officer of this Company.	Yes	Yes	3	There is no cooperation between the CPA firm and this Company.	Yes	Yes	4	There is no litigation between the CPA firm and this Company.	Yes	Yes	5	No report of non-replacement of CPAs for seven consecutive years or discipline of CPAs or damage of independence.	Yes	Yes	NA.
Item	Assessment Contents	Assessment Results	Compliance with Independence?																									
1	Neither the CPAs nor the Audit Team members hold the stock of this Company or its subsidiaries.	Yes	Yes																									
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3	There is no cooperation between the CPA firm and this Company.	Yes	Yes																									
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5	No report of non-replacement of CPAs for seven consecutive years or discipline of CPAs or damage of independence.	Yes	Yes																									

Assessment Item	Status of Operation			Deviations and the Cause(s) of Deviations From the Governance Best Practice
	Yes	No	Summary Description	
4. Does a public company <u>deploy sufficient quantity of eligible governance personnel and appoint a chief governance officer</u> to take charge of company's governance affairs (including, without limitation, providing directors with the data required for business operations, <u>assisting directors with legal compliance</u> , handling affairs in relation to holding a board meeting or a general meeting of shareholders, processing company registration and change registration, and keeping minutes for board meetings and general meetings of shareholders)?	V		The accounting department and stock service unit of this company take charge of governance affairs concurrently, with CFO VP Chin-Tzu Lin as the concurrent chief governance officer (CGO). VP Lin has more than seven years of experience in financial management and accounting management of public companies, corporate governance and the affairs of related units, including the provision of data in relation to business operations for directors and independent directors, assistance with legal compliance for directors and independent directors, arrangement of board meetings and meetings of shareholders by law, production of the minutes of board meetings and meetings of shareholders, assistance for the board in strengthening board competencies, enforcement of protection of the rights and interests of interested parties, maintenance of equal treatment for shareholders, and promotion of corporate governance. Please refer to note 1 for details of CGO performance in the year.	NA.
V. Does the Company establish channels for communication with interested parties (including, without limitation, shareholders, employees, customers, and suppliers), set up a interested party section on the corporate website, and respond appropriately to material CSR issues that concern shareholders?	V		We have established an "Stakeholder Relations" section on the corporate website to disclose material topics, communication channels, and address methods. Stakeholders can express their opinions through channels including the spokesperson, email on the corporate website, etc. All channels are unfettered. We also properly address topics that interest or concern interested parties.	NA.
VI. Does the Company appoint a professional stock affairs agent to handle shareholder affairs?		V	Although we do not appoint a professional stock affairs agent, our stock service unit handles stockholder affairs with respect to the "Regulations for Stock Service Management" and the "Internal Control Standards for the Stock Service Unit."	Implemented with respect to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."
VII. Information Disclosure (1) Does the Company set up a website to disclose its financial and governance information?	V		(1) We have disclosed the following information on the corporate website: corporate history, construction projects, organization structure and management team (including a profile of team members), financial statements and data, information and data (including meeting notice, meeting handbook, annual report, and minutes) relating to the meeting of shareholders, articles of incorporation, best practice principles for ethical corporate governance, CSR section, and business related information.	NA.

Assessment Item	Status of Operation			Deviations and the Cause(s) of Deviations From the Governance Best Practice
	Yes	No	Summary Description	
(2) Does the Company try other means to disclose information (such as setting up an English website, designating personnel to gather and disclose organizational information, effectively implementing the spokesperson system, and posting investor conferences on the corporate website)?	V		(2) We have appointed a spokesperson and deputy spokesperson and assigned staff to gather and disclose information based on their functions and duties. We have also established the “Internal Material Information Processing SOP” to designate related departments to process the disclosure of internal material information to ensure the accuracy, integrity, and timeliness of disclosure. We also upload such information to MOPS as requested.	NA.
(3) Does the company announce and report its financial statements within two months after the end of a fiscal year, and publish and declare in advance the financial statements of Q1, Q2, and Q3 and status of monthly operations?	V		(3) We complete reporting the quarterly and annual financial statements by the time-limit. However, we are still unable to advance the announcement and reporting of the annual financial statements within two months after the end of a fiscal year. In addition, we complete reporting the monthly business report by the time-limit.	We complete reporting the quarterly and annual financial statements by the time-limit. However, we are still unable to advance the announcement and reporting of the annual financial statements within two months after the end of a fiscal year.
VIII. Is there any other material information (including, without limitation, employee rights, employee care, investor relations, supplier relations, interested party rights, further education for directors and supervisors, the status of implementation of the risk management policy and risk measurement measures, the status of implementation of the customer policy, and the purchase of liability insurance for directors and supervisors), that will help interested parties understand governance practices at the Company?	V		Please refer to note 2 for other material information that helps understand the Company’s governance practices.	No significant difference.
IX. Please specify the status of improvement and the prioritized improvements with reference to the Corporate Governance Evaluation results announced by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the previous year: 1. Based on the “Corporate Governance Evaluation Indicators” published in the previous year, we assessed the governance compliance. We future disclosed the focus of corrections for future improvements. 2. Unimproved Items and Measures Requiring Priority Actions: Summary of evaluation indicators: Does the company have a designated (concurrent) unit in charge of promoting ethical corporate management, with responsibility for establishing and supervising the implementation of the ethical corporate management policies and prevention programs, and disclose the unit's operations and implementation on the company's website and in its annual report, and does the unit report, at least once a year, to the board of directors? Measures requiring priority actions: The Company’s unit promotes ethical corporate management reports regularly (at least once a year) the performance of Company’s ethical corporate management policy and prevention programs.				

Assessment Item	Status of Operation		Deviations and the Cause(s) of Deviations From the Governance Best Practice
	Yes	No	
Summary Description			
Note 1: CGO performance in the year:			
1. Assistance for independent directors and directors in carrying out their duties, provision of the required data, and arrangement of further education for directors:			
(1) Assist the board members in understanding the latest amendments and development of laws and regulations relating to corporate governance.			
(2) Arrange interviews with the CPAs for independent directors and the chief internal auditors to understand the Company’s accounting and internal control affairs and communications. Please refer to p. 23 of the annual report.			
(3) Assist with further education planning and course arrangement for directors based on the education and experience of individual directors. Please refer to p. 28 of the annual report.			
2. Assistance in handling the agenda and resolutions of board meetings and meetings of shareholders.			
3. Establishment of the board meeting agenda and notification of directors seven days in advance; convening the meetings and provision of related meeting data; reminding the avoidance of conflicts of interest in related proposals; and production of the minutes within 20 days after a board meeting.			
4. Registration of the meeting of shareholders before the meeting date by law; production of the meeting notice, meeting handbook, and meeting minutes within the statutory time limit; and registration for a change after the amendment of the articles of incorporation or board election.			
5. Holding at least once investors conference a year to maintain investor relations, provide investors with sufficient information to determine the enterprise’s reasonable capital market value, and maintain the rights and interests of shareholders. The 2019 investors conference was held at KGI Securities on December 9, 2019 to present the Company’s recent business performance and future outlook. Related data has been published on the MOPS and corporate website.			
Note 2:			
1. Employee rights and benefits: We handle the appointment, dismissal, transfer, profit sharing from earnings, reward, punishment, training, and education of employees with respect to the Labor and Standards Act and related provisions of our internal management and control systems to protect the rights and benefits of employees. We have established an employee welfare committee (EWC) and contribute EWC funds by law. Employees enjoy group insurance and allowances for various benefits. We have also established a training/education system and retirement system to maintain the rights and benefits of employees.			
2. Employee care: We value employee benefits and talent cultivation and abide by labor laws and regulations to project the basic rights of employees.			
(1) Employee benefits			
[Health Checkup]			
We value the physical health of employees. Therefore, we arrange periodic health checkups for employees better than the regulatory requirements. All permanent employees (director labor) regardless of age receive two health checkups every year. In addition to the results and recommendations of the current checkup, traces of individual indicators in previous checkups are presented in curves for employees to understand the health status at present and the health trend in the last five checkups. By doing so, we aim to facilitate early detection of health anomalies for early intervention, including lifestyle adjustments and treatments. In addition, apart from funding the general checkup items, we arrange self-financed further checkup items and discounts for dependent checkup to provide employees with more options and take care of their family at the same time.			
To encourage higher-level employees to pay attention to physical health, we arrange personalized advanced checkups for managers and above aged 40 and older. Apart from the advanced checkup, VPs and higher officers can participate in the annual member healthcare service. Currently, we fund 75% of the fee for advanced checkups and healthcare service.			
[Group Insurance]			
To maximize our care for employees and the financial support for employees after an accident, apart from the mandatory Labor Insurance and National Health Insurance, we proactively arrange the group life insurance for all permanent employees after their arrivals. We also provide the group medical plan for the spouse and children of employees. Besides funding the full amount of the group insurance premium, we offer discounts for self-financed insurance for permanent employees and their spouse, children, and parents to provide more options and protection for the family of employees after an accident.			
[Daily Life Talks]			
From time to time we invite medical, insurance, and financial professionals to give talks on popular topics and topics that interest employees. These talks for voluntary participation are organized to provide employees with more channels for direct exchange with experts to learn new knowledge and correct concepts in health care, accident prevention and handling, and financial management.			
[Other Benefits]			
We have established an employee (staff) welfare committee and a labor union and provide employees with allowances for marriage, birth, funerals, hospitalization, injuries, and disabilities. We also distribute vouchers to employees on Spring Festival, Labor Day, Dragon Festival, Mid-Autumn Festival, and birthday; and fund employee travels and departmental reunions and recreational activities. In addition, all employees can enjoy a staff discount when shopping at the CITILINK malls and TSUTAYA BOOKSTORE run by this Company.			
We value the interaction among employees, their family, and the Company. Through mutual understanding, we hope to let their family understand more about the Company and thereby support employees to work and develop at the Company. In 2019, we tried the new employee travel scheme and Family Day.			
(2) Training and Education for Employees			
Every year we plan a training budget for employees to improve their professional skills, leadership, and career development. We also encourage them to actively improve their knowledge, participate in external training courses, and actively participate in further education.			
(3) Retirement system			
A monthly pension reserve is contributed according to the Labor Standards Law, and employees are free to choose to retire according to the Labor Pension Regulations (new system). The monthly pension is contributed to the labor pension personal account set up by the Labor Insurance Bureau.			
3. Investor relations			
(1) Enhance operational transparency and ensure the accuracy, integrity, and timeliness of information disclosures.			
(2) Value corporate governance and establish and disclose principles relating to the best practice of corporate governance.			
(3) Establish the spokesperson system to specialize in handling shareholder recommendations and protect shareholder equality.			
(4) Adopt electronic voting at the meeting of shareholders to enforce shareholder mobility and make voting more convenient.			
4. Supplier relations: Constantly maintain sound relations with suppliers, communicate with and encourage suppliers to improve quality, cost efficiency, and HSE, and pursue high performance with suppliers together through management audits, experience sharing, and partnership optimization,			
5. Stakeholder rights: (1) Respect intellectual property rights, (2) value customer relationships, and (3) ensure legal compliance.			
6. Further education of directors: Please refer to the table below for the further education courses of directors (2019 Directorial Further Education.)			
7. Risk management policy and risk measurement standards: Establish various internal regulations by law to assess and manage various risks.			
8. Customer policy: We maintain long-term sound customer relations to provide customers, aiming to provide them with prompt and quality services.			
9. Liability insurance for directors and supervisors: The liability insurance for directors and chief officers expired in February 2019. We have renewed the insurance for a term of one year to the Taiwan Property Insurance, with coverage including the liability of directors and chief officers, the Company’s compensation liability, the indemnification liability of securities, the indemnification liability of employment act. The insurance term is one year, and the premium is US\$1 million.			

Continuing education of directors in 2019:

Title	Name	Date	Organizer	Course	Length	Compliance with Requirements
Chairman Representative of Ying Jia Investment Co., Ltd.:	Jean, Tsang-Jiunn	11/14	Accounting Research and Development Foundation in Taiwan	Case Study on “Securities Fraud” of Enterprises and Related Legal Liabilities	3	Yes
		12/13		Ways of Handling Corporate Crisis: Risk Management and Crisis Communication as the Center	3	
Director Representative of Ruentex Industries Ltd.	Wang, Chi-Fan	11/14	Accounting Research and Development Foundation in Taiwan	Case Study on “Securities Fraud” of Enterprises and Related Legal Liabilities	3	Yes
		12/13		Ways of Handling Corporate Crisis: Risk Management and Crisis Communication as the Center	3	
Director Representative of Run Tai Sing Co., Ltd.	Lee, Chih-Hung	11/14	Accounting Research and Development Foundation in Taiwan	Case Study on “Securities Fraud” of Enterprises and Related Legal Liabilities	3	Yes
		12/13		Ways of Handling Corporate Crisis: Risk Management and Crisis Communication as the Center	3	
Director Representative of Ruentex Industries Ltd.	Yin, Chung-Yao	10/1	Taiwan Insurance Institute	Laws and Regulations Relating to Anti-Money Laundering and Counter Terrorism Financing (2019)	2.5	Yes
		11/12		Directors (Independent Directors) and Corporate Governance: Financial Consumer Protection Act and Fair Dealing Policy Explained	2	
		12/11	Taiwan Corporate Governance Association	Effects of Labor Events on Enterprise Labor-Management Relations and Countermeasures	3	
		12/24		Switching to IFRS 17 and Response for the Insurance Industry	3	
Director Representative of Run Tai Sing Co., Ltd.	Chen, Li-Yu	4/26	Securities & Futures Institute	“2019 Insider Trading Prevention Seminar”	3	Yes
		11/14	Accounting Research and Development Foundation in Taiwan	Case Study on “Securities Fraud” of Enterprises and Related Legal Liabilities	3	
		11/21	Taiwan Stock Exchange	Effective Demonstration of Directorial Competence	3	
		12/13	Accounting Research and Development Foundation in Taiwan	Ways of Handling Corporate Crisis: Risk Management and Crisis Communication as the Center	3	
Director	Lin, Chien-Yu	04/26	Securities & Futures Institute	“2019 Insider Trading Prevention Seminar”	3	Yes
		12/13	Accounting Research and Development Foundation in Taiwan	Case Study on “Securities Fraud” of Enterprises and Related Legal Liabilities	3	
Independent Director	Ko, Shun-Hsiung	8/2	Taiwan Corporate Governance Association	Strategy and Execution Power	3	Yes
		8/12		Enterprise Mergers and Acquisitions and Insider Trading	3	
Independent Director	Chang, Kuo-Chen	11/21	Taiwan Stock Exchange	Effective Demonstration of Directorial Competence	3	Yes
		12/13	Accounting Research	Ways of Handling Corporate Crisis:	3	Yes

Title	Name	Date	Organizer	Course	Length	Compliance with Requirements
			and Development Foundation in Taiwan	Risk Management and Crisis Communication as the Center		
Independent Director	Chao, Yi-Lung	10/8	Taiwan Stock Exchange	ESG Investment Forum	3	Yes
		10/25	Securities & Futures Institute	“2019 Insider Trading Prevention Seminar”	3	
		11/6	Taiwan Stock Exchange	Effective Demonstration of Directorial Competence	2	

(4) If a Remuneration Committee is in place, disclose its composition, duties, and operation:

We established the Remuneration Committee on December 19, 2011 with Board of Directors resolutions and the “Articles of Organization of the Remuneration Committee”. The duty of the Remuneration Committee is to optimize the salary and remuneration system of directors and managers. The composition and operation of the Committee are as follows:

(1) Data of Remuneration Committee Members

Identity Category ¹	Require-ments Name	With Five or More Years of Experience and the Following Professional Qualifications			Status of Independence ²										Concur-rently an Inde-pendent Directo-r for Other Public Compa-nies	Rem-ark
		College/uni-versity instructors or higher levels in commerce, law, finance, accounting, or subjects required by the business of the Company	Passed the qualification examination with proper licensing by the national government as court judge, prosecutor, lawyer, certified public accountant, or other professional designations required by the business of the Company	Commerc-e, law, finance, or as required by the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Ko, Shun-Hsiung		V	V	V	V	V	V	V	V	V	V	V	V	3	
Independent Director	Chang, Kuo-Chen	V		V	V	V	V	V	V	V	V	V	V	V	1	
Independent Director	Chao, Yi-Lung	V		V	V	V	V	V	V	V	V	V	V	V	1	

¹Fill in director, independent director, or other in the identity category.

²Members fulfilling the following qualifications two years before assumption of office or at the time of assumption office shall tick “✓” the appropriate box.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the company or its affiliates (except for independent directors of concurrently the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (3) Not holding more than 1% of the outstanding shares issued by the company or among the top 10 natural person shareholders by the person or his/her spouse or minors, or under the name of a third party.
- (4) Not the spouse, the kindred at the third second tier under the Civil Code or the direct kin within the third tier under the Civil Code of the managers stated in (1) or other roles stated in (2), (3).
- (5) Not a director, supervisor or employee of an corporate shareholder directly holding more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of an corporate shareholder who is among the top 5 shareholders, or a representative of an corporate shareholders appointed as the director or supervisor of the company according to paragraph 1 or 2, Article 27, Company Act (except for independent directors of concurrently the company and

- its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (6) Not a director, supervisor or employee of a company controlling over one half of the company's director seats or voting shares under one person (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (7) Not a director of a company or institution whose chairperson and president or equivalent role is the same person or its spouse (except for independent directors of concurrently the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relation with the company (except for a specific company or institution holding over 20% but less than 50% of the company's outstanding shares, and independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (9) Not a professional or owner, partner, director, supervisor, manager or the spouse of these roles of a sole proprietorship, partnership, company, or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating below NT\$500,000 in the last two years for the company or its affiliates; except for members of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not under any one of the categories stated in Article 30 of the Company Act.

2. Operation of Remuneration Committee

(1) The Remuneration Committee consists of three members

(2) The term of the current Committee is between June 30, 2017 and June 14, 2020. Two Committee meetings were held in the previous year (2019) (A), and the qualifications and attendance record of members are tabulated below

Title	Name	Actual Attendances	Attendances by Proxy	Actual Attendance Rate (%) (B/A)	Remark
Convener	Ko, Shun-Hsiung	2	0	100	
Committee Member	Chang, Kuo-Chen	1	1	50	
Committee Member	Chao, Yi-Lung	2	0	100	

Other Information Required for Disclosure:

1. Causes for and resolutions of discussions of the Remuneration Committee in the previous year.

Remuneration Committee	Proposal Contents and Handling	Resolution	Decision of the Board of Directors
5 th meeting of the 3 rd Remuneration Committee (1 st meeting in 2019) 1.28.2019	1. Ratio of appropriation of employee remuneration for 2018. 2. Amount of distribution of year-end bonus for 2018. 3. Approval of year-end bonus for the chairperson for 2018. 4. Approval of year-end bonus for managers for 2018. 5. Results of 2018 board performance assessment. 6. Proposal to amend part of the Company's "Salary Management Regulations."	Unanimous consent of all committee members.	Unanimous approval of all directors attending the board meeting.
6 th meeting of the 3 rd Remuneration Committee (2 nd meeting in 2019) 8.13.2019	1. Proposal to amend part of the Regulations for Performance Assessment of the Board of Directors."	Unanimous consent of all committee members.	Unanimous approval of all directors attending the board meeting.
7 th meeting of the 3 rd Remuneration Committee (1 st meeting in 2020) 1.20.2020	1. Results of 2019 board performance assessment. 2. Ratio of appropriation of employee remuneration for 2019. 3. Amount of distribution of year-end bonus for 2019. 4. Approval of year-end bonus for the chairperson for 2019. 5. Approval of year-end bonus for managers for 2019.	Unanimous consent of all committee members.	Unanimous approval of all directors attending the board meeting.

2. When the Board of Directors ignores or modifies the recommendations made by the Remuneration Committee, the date and session of the BOT meeting, the proposal contents, resolutions of the Board of Directors and its response to the recommendations of the Remuneration Committee (e.g. the remuneration approved by Board of Directors is higher than that recommended by the Remuneration Committee, the difference shall be stated) : None..

3. When members express an objection or reservation that has been included in records or stated in writing, the date and session of the Committee meeting, the proposal content, the opinion of all members, and the response to such opinions shall be stated: None.

(5) CSR performance and differences from the Corporate Social Responsibility Best Practice Principles for

TWSE/GTSM-Listed Companies and the reasons

Item	Status of Operation ¹			Deviations and the Cause(s) of Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary Description ²	
1. Does the company assess the risk of environmental, social, and governance (ESG) issues in relation to company operations based on the materiality principles and establish policies or strategies in relation to risk management to enforce corporate governance? ³	V		<p>I.</p> <p>1.Environmental: This Company and subsidiaries establish the “carbon conservation and carbon reduction measures,” “GHG reduction measures,” and “water conservation measures” according to the needs of business venues:</p> <p>(1)Each office implements carbon conservation and carbon reduction measures, including using compostable toilet paper (waste reduction) and waste sorting; reducing CO2 emissions from refuse incineration, turning off lights after use, setting aircon temperature to 25°C or above in summer, and building energy-efficient facilities, in order to reduce GHG reduction and environmental impacts in real action.</p> <p>(2) Subsidiary (Yilan Cement Plant)</p> <p>Yilan Cement Plant endeavors to achieve the following goals in the Framework of Taiwan's Sustainable Energy Policy promulgated by the Bureau of Energy, Ministry of Economic Affairs: “Enhancing energy efficiency: Enhance energy efficiency by at least 2% a year in the next eight years,” “Developing clean energy: Reduce national CO2 emissions to the same volume of 2005 in 2020 and of 2020 in 2025.” In the last two years, CO2 emissions were 652,145 tCO2e and 578,089 tCO2e respectively; waste recycling volume was 52,904.2t and 55,282.77 respectively; and water consumption was 686,210m3 and 718,817.94 m3 respectively.</p> <p>GHG reduction measures: Through the optimization of the suspension preheater system, modification of the raw material mixing system into exterior circulation and #2 fan into high-efficient inverter type, GHG reduced by 36,444 tCO2e and 650,364 tCO2e respectively.</p> <p>Water conservation measures: Effluents were reclaimed for spraying fugitive dust and raw materials for air pollution control to effectively recycle water and constantly enhance water cycling.</p>	NA.

Item	Status of Operation ¹			Deviations and the Cause(s) of Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary Description ²	
			<p>2. Social: After assessing “product quality and competitiveness,” we established the strategy for active talent recruitment and enhancement on technical competence training.</p> <p>3. Governance: Implement the internal control system to ensure all employees comply with related laws and regulations.</p>	
2. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management authorized by the Board of Directors and does it report its progress to the board of directors?	V		<p>(2) We established the CSR Committee in 2015 with the president as the committee convener to plan and implement strategies in relation to CSR; establish, supervise and review its effectiveness; and report to the board of directors periodically in the future. Risk management strategies established to address ESG issues.</p> <p>Furthermore, we have established the “Procedures for Ethical Management and Guidelines for Conduct” as guidelines for business implementation of employees.</p>	NA.

Item	Status of Operation ¹			Deviations and the Cause(s) of Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary Description ²	
<u>3. Environmental issues</u> <u>(1)</u> Does the company have an appropriate environmental management system established in accordance with its industrial characteristics?	V		(1) The Company's quality policy and environmental policy are as follows: (I) Implement ISO9001 (certified on November 11, 1998 and valid until August 9, 2021)/14001 (certified on March 2, 2000 and valid until July 11, 2021) management systems. (II) Set and achieve quality and environmental objects and make continual improvement. (III) All engineering activities, products, and services shall comply with applicable laws and regulations, ISO management systems, and other requirements. (IV) Ensure continual improvement and pollution prevention in the development and construction processes to minimize impacts on the environment. (V) Continuously review the environmental aspects of green buildings in planning and design to reduce impacts on the environment. (VI) Continue to implement energy management and effective resources recycling. (VII) Educate and improve the quality, environmental awareness, and competencies of all employees.	NA.
<u>(2)</u> Is the company committed to enhancing the efficiency of resources use and using renewable materials with low environmental loads and impacts?	V		(2) We acquired EMS certification from SGS in 1999 and pass its audit every year to ensure compliance with the international standards.	NA.

Item	Status of Operation ¹			Deviations and the Cause(s) of Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary Description ²	
<u>(3) Does the Company assess the present and future potential risks and opportunities of climate change on the Company and take actions to related issues?</u>	V		<p>(3) In assessing the present and future potential risk on business operations of climate change, as we are not in a high energy-consuming industry, we do not use facilities that generate a large amount of GHGs. We establish energy conservation and carbon reduction strategies for the office and common areas with respect to that of government organizations. We also promote and implement energy conservation and carbon reduction measures, such as turning off lights when not in use, refuse sorting, replacement of office lighting fixtures with T5 fluorescent lamps, and air conditioning temperature control for the summer, in order to reduce the impact on the environment of our business activities.</p>	NA.
<u>(4) Did the Company produce statistics on the GHG emissions, water consumption, and total waste in the last two years? Has the company established policies for energy conservation, carbon reduction, GHG reduction, water conservation, and waste management?</u>	V		<p>(4) We make continuous efforts to achieve the goals in the Framework of Taiwan's Sustainable Energy Policy promulgated by the Bureau of Energy, Ministry of Economic Affairs: enhance energy efficiency and develop clean energy to transform into a social group of low-carbon economy and environmentally sustainable development. We have equipped all projects completed in 2019 with the stormwater (rainwater) harvest system to harvest water for irrigating landscaping plants, in order to contribute to water conservation. (For example: (1) the stormwater (rainwater) harvest system of RT Dunfeng is equipped with a storage of 398.81t; (2) all lights in the offices are replaced with LED lamps to save about 58% of electricity and enhance luminance by about 3-11%).</p>	NA
<u>4. Social issues</u> (1) Does the Company establish management policies and procedures in accordance with relevant laws and International Bill of Human Rights?	V		<p>(1) We abide by related labor laws and regulations and respect labor human rights. We protect the rights and interests of employees and establish employment policies by law to ensure fair treatment of all employees. We assign a dedicated department to plan and manage related activities to protect the basic rights and interests of employees.</p>	NA.

Item	Status of Operation ¹			Deviations and the Cause(s) of Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary Description ²	
(2) <u>Does the company establish and implement reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflect business performance and achievements in the remuneration for employees?</u>	V		(2) Upholding the belief in profit sharing with employees and shareholders; and attract, retain, develop, and incentivize talents from different fields. Please refer to p. 27 of the annual report for employee benefits and retirement system. Remuneration is determined based on the Company's business performance and the employee's personal achievements. Please refer to p. 16 of the annual report for details.	NA.
(3) Does the Company provide employees with a safe and healthy work environment and arrange regular safety and health education for employees?	V		(3) We perform fire inspections and clean and disinfect office areas regularly. We also hire professional property management companies to manage and maintain office buildings. Every year we hire Ruentex Property Management & Maintenance Co., Ltd. to organize fire safety seminars, and health professionals of Shu-Tien Urology and Ophthalmology Clinic offer healthy lifestyle consultation to improve the OHS education of employees.	NA.
(4) Does Company establish effective career development and training plans for employees?	V		(4) Every year we plan a budget for the regular and irregular in-service education to ensure the Company's CSR compliance, enhance the employee's professional skills, leadership competence, and career development. To encourage employees to receive further education without effective corporate business and to develop quality management and professional talents, we provide diverse channels for further education and promote employees to exchange management and professional experience with other enterprises. In addition, we encourage employees to enrich themselves, participate in external further education courses, and provide rewards for certificates and licenses to incentivize employees to actively engage in further education.	NA.

Item	Status of Operation ¹			Deviations and the Cause(s) of Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary Description ²	
(5) Does the company comply with the related laws and regulations and international standards regarding the <u>customer health and safety</u> , <u>customer privacy</u> , market communication, and labeling of its products and services and <u>establish policies to protect the rights and interests of customers and procedures for grievances</u> ?	V		(5) This Company implements all construction projects according to related domestic laws and regulations and international generally accepted standards. In addition, we examine our products and services and establish effective customer grievance handling procedures (0800 customer service system).	NA.
(6) Does the company establish supplier management policies and request suppliers to comply with the <u>relevant laws and regulations of environmental protection</u> , <u>occupational safety or labor human rights</u> ? Does the company keep track on the implementation of such policies?	V		(6) We have defined “supplier evaluation management” in the internal control system to evaluate major suppliers every year. We also request suppliers to implement CSR..	NA.
5. Does the company, following <u>internationally recognized guidelines</u> , prepare and publish reports such as its corporate social responsibility report to disclose <u>non-financial information of the company</u> ? Does the company apply for assurance or guarantee of such reports to a third-party certification body?	V		5. We produced the 2019 CSR Report based on the internal generally accepted standards: GRI Standards and hired PwC Taiwan to verify and assure the report, which has been published on the corporate website.	NA.
6. If the Company has established its own Corporate Social Responsibility Best Practice Principles with reference to the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies,” please specify the deviations from its own CSR best practice principles: We have established and implemented the “Corporate Social Responsibility Best Practice Principles.” We also implement various CSR activities in consideration of the trend of CSR development at home and abroad. Therefore, no significant difference is observed.				
7. Other important information that helps the public understand CSR operations:				
(1) Environmental: The operation of existing pollution prevention equipment complies with the inspection standards of environmental protection authorities.				
(2) Social: Apart from focusing on business development, we spare no effort in implementing CSR such as consumer rights and social welfare and contribute to society in a timely manner.				
(3) Investor Relations and Interested Parties: We set up a spokesperson hotline and an investor relations section on the corporate website.				
(4) Supplier Relations: We maintain sound communication channels with suppliers.				
¹ If “yes” is selected for the performance, <u>please state the important policies, strategies, and measures adopted and their effectiveness. If “no” is selected, please explain the reasons and state the future plans to adopt related policies, strategies, and measures.</u>				
² We have prepared a CSR report and cited the cross reference to the CSR report of related operations, including the method of reporting and pages.				
³ The Materiality Principles refer to the ESG issues with significant impacts on the Company’s investors and other stakeholders.				

(6) Performance in ethical corporate management and differences from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:

Assessment Item	Status of Operation			Deviations and the Cause(s) of Deviations From the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary Description	
I. Establishing Ethical Corporate Management Policies and Programs				
(1) Does the company <u>establish policies for ethical corporate management approved by the Board of Directors</u> and state such policies and practices in its regulations and external documents and in the commitment made by the board of directors and senior management to actively implement such policies?	V		(1) We have established the “Ethical Corporate Management Best Practice Principles ” and “Procedures for Ethical Management and Guidelines for Conduct” approved by the board of directors to regulate that directors and senior management, employees or those with substantive control shall not offer, promise, request or accept undue or improper advantage, either directly or indirectly, in business activities, or engage in dishonored acts that may violate integrity, the law, or trust. The President’s Office is responsible to establish, supervise, and implement ethical management policies and preventive measures.	NA.
(2) Does the company <u>establish an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior and preventive programs for unethical behaviors containing at least the preventive measures</u> stated in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”?	V		(2) Based on the “Ethical Corporate Management Best Practice Principles,” we analyze business activities with the scope of business identified as high-risk unethical conduct and prevent offering and acceptance of bribes and provision of illegal political financing.	NA.

Assessment Item	Status of Operation			Deviations and the Cause(s) of Deviations From the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary Description	
(3) Does the company establish in the preventive programs the operating procedures to prevent unethical behavior, penalties and grievance systems of breaching the guidelines for conduct, and implement and <u>periodically review and revise them</u> ?	V		(3) Based on the "Procedures for Ethical Management and Guidelines for Conduct," we prevent unethical behavior. At irregular meetings or education/training activities, we advocate the prevention of unethical behavior, develop a consistent belief among employees, and abide by the Company Act, Securities and Exchange Act, Business Entity Accounting Act, and other related laws and regulations for TESE/TPEX-listed companies, or other business conduct regulations. We have designated an ethical corporate management unit to report to the board of directors the results of the ethical corporate management policy and preventive programs to implement ethical corporate management and periodically review and revise related operations.	NA.
II. Implementing Ethical Corporate Management				
(1) Does the company assess the ethical records of its counterparts and <u>explicitly include</u> clauses on ethical behavior in transaction contracts?	V		(1) When handling procurement, we follow the "Procurement and Payment Process," including "price enquiry and comparison," "acceptance and payment," and "supplier evaluation management," defined in ISO and the internal control system to enforce ethical corporate management.	NA.
(2) Does the company establish a unit <u>specializing in</u> implementing ethical corporate management under the Board of Directors and report regularly (<u>at least once a year</u>) to the Board of Directors the status of implementation and <u>supervision of the ethical management policy and preventive programs of unethical behavior</u> ?	V		(2) With respect to the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct," the President's Office is responsible for the establishment, implementation, supervision, and review the effectiveness of implementation of the ethical corporate management policy and preventive programs and report the results to the board of directors periodically (at least once a year).	NA.
(3) Does the Company establish and implement a policy to prevent conflicts of interest and provide suitable channels for reporting such conflicts?	V		(3) In the "Procedures for Ethical Management and Guidelines for Conduct," to prevent conflicts of interest, when related events occur while carrying out duties, employees should report such events to the immediate supervisor and responsible unit (President's Office). They should give appropriate instructions to employees to enforce ethical corporate management.	NA.

Assessment Item	Status of Operation			Deviations and the Cause(s) of Deviations From the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary Description	
(4) Does the company establish an effective accounting system and an internal control system for the internal audit unit <u>to establish related audit programs based on the results of risk assessment of involvement in unethical behavior to audit and prevent the compliance with the preventive programs of unethical behavior</u> or hire a CPA to perform the audit?	V		(4) We have established related accounting systems and internal control operating procedures to enforce ethical corporate management. In addition, the audit department periodically draws up related audit programs based on the results of assessment of risk of involvement in unethical behavior and audits the compliance of preventive programs of unethical behavior. The CPA also audits the performance of the Company's internal audit system every year.	NA.
(5) Does the Company regularly organize internal and external education and training activities for ethical corporate management?	V		(5) We publicize the "Ethical Corporate Management Best Practice Principles" in various regular and irregular meetings. In the future, we will organize training and education activities for ethical corporate management as necessary.	NA.
III. Operating the Whistleblowing System				
(1) Does the Company establish explicit whistleblower and reward schemes and convenient reporting channels, and assign appropriate personnel to investigate the target of a whistleblower report?	V		(1) We have established the "Whistleblowing Regulations" and set up a "0800" free helpline for reporting illegal or unethical behaviors. Employees may also report illegal or unethical behaviors to the responsible unit of each department. In addition, apart from specifying the need to provide official reporting channels in the "Ethical Corporate Management Best Practice Principles," we define the importance of keeping confidential the identity of whistleblowers and the report contents. After detecting illegal or unethical behaviors, employees can report to the supervisor, manager, chief internal auditor, or other appropriate staff.	NA.
(2) Does the company establish standard operating procedures for investigation, <u>post-investigation measures</u> , and related mechanisms to ensure the confidentiality of a whistleblower complaint?	V		(2) To encourage employees to report illegal or unethical behaviors, we enable employees to acknowledge that we will protect and keep confidential the privacy of whistleblowers according to related processes or mechanisms of the company by the responsible units.	NA.

Assessment Item	Status of Operation			Deviations and the Cause(s) of Deviations From the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary Description	
(3) Does the Company establish measures to protect whistleblowers against retaliation?	V		(3) We are committed to protecting the confidentiality of and protecting whistleblowers to keep them away from improper treatment or retaliation.	NA.
IV. Reinforcing Information Disclosure (1) Does the Company disclose the ethical corporate management principles <u>it establishes</u> and their effectiveness on the corporate website and the MOPS	V		(1) We have set up a corporate website to disclose information in relation to ethical corporate management in a timely manner. (2) We have designated staff to gather information in relation to ethical corporate management and disclose it on the corporate website, in the Annual Report, and on MOPS in a timely manner.	NA.
5. If the Company has established its own ethical corporate management best practice principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies,” please state the status of operations and differences in the principles <u>it establishes</u> : No significant difference.				
VI. Other material information that helps us understand the operation of the Company’s ethical corporate management (such as the Company review of its ethical corporate management best practice principles): 1. We maintain sustainable development and put customers first in business operations. When doing business with suppliers and customers, we uphold ethical corporate management and specify related operating procedures and penalties. When detecting unethical behaviors of counterparts, we immediately terminate transactions with them and bring them to account. To date, there is no report on significant non-compliance with ethical corporate management. 2. We have established the “Regulations for Management of Insider Trading Prevention” to prevent improper leakage of information and ensure the consistency and accuracy of disclosed information. 3. We have established the “Rules of Procedure for Board Meetings” to specify that directors shall explain the important contents in relation to their conflicts of interest regarding proposals discussed in the meeting or their status or the status of the corporation they represent as related parties. When there are threats to the company’s interest, such directors shall sidestep from the discussion and voting, nor shall then represent other directors to exercise their voting rights. 4. This Company amended the “Ethical Corporate Management Best Practice Principles” with respect to the Letter Tai-Cheng-Zhi-Li-Zi No. 10800083781 issued by the Taiwan Stock Exchange Corporation on May 23, 2019 and the “Procedures for Ethical Management and Guidelines for Conduct” with respect to the Letter Tai-Cheng-Zhi-Li-Zi No. 1090002299 issued by the Taiwan Stock Exchange Corporation on February 13, 2020. The amendments will be reported to the 2020 AGM.				

(7) If the Company has established the Governance Best Practice Principles and related regulations, please disclose the methods to access them:

1) Governance Best Practice Principles and Related Regulations:

We have established the “Governance Best Practice Principle”, “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Management and Guidelines for Conduct”, “Code of Ethical Conduct”, and “Whistleblowing Regulations”.

2) Enquiry Method: These regulations are available for enquiries from the “Governance Related Regulations” in “Governance” on our corporate website (<http://www.rt-develop.com.tw>) or MOPS (<http://mops.twse.com.tw>).

(8) Other important information that helps understand the performance of corporate governance may be disclosed at the same time : NA.

(9) Implementing the Internal Control System:

1) Statement of Internal Control

Ruentex Development Co., Ltd.

Statement of Internal Control

Date: March 30, 2020

With regards to the results of the 2019 self-assessment of the internal control system, we hereby declare as follows:

1. We acknowledge and understand that it is the responsibility of our Board of Directors and managers to establish, implement, and maintain an internal control system, and we have established such system. The purpose is to fairly ensure the effect and efficiency of operations (including profitability, performance, and security of assets); the reliability, timeliness, and transparency of financial reporting; and the achievement of legal compliance.
2. There is a limitation inherent to each internal control system, however perfect the design is. As such, an effective internal control system can only fairly ensure the achievement of the aforementioned goals. Furthermore, the effectiveness of an internal control system may vary as the macro environment and situation change. By equipping our internal control system with a self-monitoring mechanism, we can take immediate corrective actions against any defects once identified.
3. Referring to the criteria for determining the effectiveness of an internal control system as specified in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (the “Criteria”), we judge the effectiveness of design and implementation of our internal audit system. With regard to the management control process, the Criteria divide an internal control system into five elements: a) control environment, b) risk evaluation, c) control operation, d) information and communication, and e) monitoring. Each element in turn contains certain audit items, and the Criteria shall be referred to for details.
4. We have assessed the effectiveness of design and implementation of our internal control system with such criteria.
5. With respect to the findings from the above assessment, we hold that the design and implementation of our internal control system (including the supervision and management of subsidiaries) as of December 31, 2019 were effective to achieve the above goals in terms of the effect and efficiency of operations; the reliability, timeliness, and transparency of financial reporting; and the achievement of legal compliance.
6. This statement shall form an integral part of the Annual Report and the prospectus of this Company and will be disclosed to the public. If there is any fraud, concealment, or unlawful practice found in the above contents, we shall be liable for the legal consequences under Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
7. This statement of declaration was approved unanimously by the Board Meeting held on March 30, 2020 with the presence of eight directors attending the meeting

Ruentex Development Co., Ltd.

Chairman: Jean, Tsang-Jiunn

Signature of President:

President: Lee, Chih-Hung

Signature of President:

2) The Company auditing its internal control system by a CPA shall disclose the CPA audit report: NA.

(10) Of, in the previous fiscal year and by the date of annual report publication, there were punishments on the company or its employees by law or punishments on employees by the company for violating the internal control regulations with results that may cause significant impacts to the rights and interests of shareholders or the stock price, state the content of punishments, major defects, and improvements: : None.

(11) Important resolutions made by the Annual General Meeting of Shareholders (AGM) and the shareholders' meeting in the previous fiscal year and by the date of annual report publication:

1. AGM Minutes:

Date of the Meeting	Major Resolutions
2019/6/5 (AGM)	<ol style="list-style-type: none"> 1. Approval of the 2018 Business Report and Financial Statements. 2. Approval of the 2018 Profit Distribution Proposal. 3. Approval of the amendment to the "Procedures for Acquisition and Disposition of Assets." 4. Approval of cash dividend distribution with the legal reserve for 2018.
	<p>Implementation:</p> <ol style="list-style-type: none"> 1. After the AGM resolution, the "Procedures for Acquisition and Disposition of Assets" were amended, published on the corporate website, and implemented accordingly. 2. Cash dividend distribution for 2018 with the legal reserve was approved by resolution of the board of directors on 6.19.2019, with 7.5.2019 as the ex-dividend date, 7.13.2019 as the account closing date (cash dividend at NT\$0.7/share), 7.23.2019 as the date of cash dividend distribution. All have been completed.

2) Board of Directors Meeting Minutes:

Date of the Meeting	Major Resolutions
2019/1/28	<ol style="list-style-type: none"> 1. Presentation of the internal audit report of Q4 2018. 2. Approval of the proposal to sign the credit limit contract with banks. 3. Approval of the ratio of appropriation of employee remuneration for 2018. 4. Approval of the amount of year-end bonus for 2018. 5. Approval of the year-end bonus for managers for 2018. 6. Approval of the year-end bonus for the chairperson for 2018. 7. Approval of the proposal to sign the account closing agreement with Ruentex Interior Design Inc. for the "Ruentex Liren -6F Demo Unit Design and Decoration Project." 8. Approval of the proposal to sign the account closing agreement with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Twin Stars Construction Project." 9. Approval of the proposal to amend part of the Company's "Salary Management Regulations." 10. Approval of the proposal to amend part of the Company's "Corporate Governance Best Practice Principles."
2019/3/15	<ol style="list-style-type: none"> 1. Approval of the proposal to sign the credit limit contract with banks. 2. Approval of the ratification of the endorsements and guarantees for others made in 2018. 3. Approval of the planning of the 2019 AGM.
2019/3/28	<ol style="list-style-type: none"> 1. Approval of the consolidated financial statements (including individual financial statements) and business report of 2018. 2. Approval of the remuneration for employees for 2018. 3. Approval of the profit distribution proposal for 2018. 4. Approval of cash dividend distribution with the legal reserve for 2018. 5. Approval of the matters relating to the 2018 AGM. 6. Approval of the proposal to sell to related parties 5 parking spaces located at B1 and B3, No.221 and 223, Boai Road, Zhongzheng District, Taipei City. 7. Approval of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Banqiao Minsheng Road Construction Project." 8. Approval of the proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the DA. 9. Approval of the Statement of Internal Control for 2018.

Date of the Meeting	Major Resolutions
2019/2/14	<ol style="list-style-type: none"> 1. Presentation of the Company's Q1 2019 internal audit report. 2. Presentation of the Company's Q1 2019 consolidated statement report. 3. Approval of the ratification of the credit limit applied to the bank. 4. Approval of the proposal to apply for credit limit to banks. 5. Approval of the proposal to subscribe the shares issued in common stock by Ruen Chen Investment Holding Co., Ltd. for cash capitalization.
2019/6/19	<ol style="list-style-type: none"> 1. Approval of the ratification of the credit limit applied to the bank. 2. Approval of the proposal to subscribe the shares issued in common stock by OBI Pharma, Inc. for cash capitalization. 3. Approval of the proposal to subscribe the shares issued in common stock by Ruentex Development Co., Ltd. for cash capitalization. 4. Approval of the proposal to subscribe the shares issued in common stock by Nan Shan Life Insurance Co., Ltd. for cash capitalization. 5. Approval of the proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Jiangzicui A Falsework Project." 6. Approval of the establishment of the "chief governance officer." 7. Approval of the establishment of the "Directors' Requests Handling SOP." 8. Approval of cash dividend distribution with the legal reserve for 2018 and determination of the base date allocation and the date of distribution.
2019/8/13	<ol style="list-style-type: none"> 1. Presentation of the Company's Q1 2019 internal audit report. 2. Presentation of the Company's consolidated financial statements for the first half of 2019. 3. Approval of the ratification of the credit limit applied to the bank. 4. Approval of the proposal to apply for credit limit to banks. 5. Approval of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Jiangzicui A Construction Project." 6. Approval of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Sanchong MRT VI Station Body Construction Project." 7. Approval of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Lihe Section Construction Project." 8. Approval of the proposal to sign the construction contract with Ruentex Interior Design Inc. for the "Ruentex Dunfeng-B1-16F and B2-16F Demo Unit Design and Decoration Project." 9. Approval of the proposal to amend part of the "Regulations for Performance Assessment of the Board of Directors." 10. Approval of the proposal to amend part of the "Regulations for Loaning Funds to Others and Making Endorsements and Guarantees for Others."
2019/10/23	<ol style="list-style-type: none"> 1. Approval of the ratification of the credit limit applied to the bank. 2. Approval of the proposal to subscribe the common stock of Ruentex Engineering & Construction Co., Ltd. from the stock market by continuous trading. 3. Approval of the proposal to sign the account closing agreement with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Huacheng Repair Project." 4. Approval of the proposal to sign the account closing agreement with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Miracle Home Sisters of Providence Construction Project." 5. Approval of the proposal to sign the contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Wolong Street Project Demolition Project." 6. Approval of the proposal to amend part of the Company's "Ethical Corporate Management Best Practice Principles."
2019/11/13	<ol style="list-style-type: none"> 1. Presentation of the Company's Q3 2019 internal audit report. 2. Presentation of the Company's Q3 2019 consolidated statement report. 3. Approval of the ratification of the credit limit applied to the bank.
2019/12/26	<ol style="list-style-type: none"> 1. Explanation of the audit planning of the 2019 financial statements. 2. Approval of the ratification of the credit limit applied to the bank. 3. Discussion of the independence of the CPAs hired by this Company. 4. Approval of the hiring and remuneration of CPAs in FY2020 and FY2021. 5. Approval of the internal audit planning for FY2020. 6. Approval of the proposal to establish the Company's "Service Units Internal Audit Control System Standards." 7. Approval of the Company's 2020 business plan. 8. Approval of the proposal to sign the "Zhonglun Store Operations and Management Fifth Supplementary Agreement" between Zhonglun Store and RT-Mart Logistics Co., Ltd.

Date of the Meeting	Major Resolutions
	9. Approval of the proposal to acquire the right-of-use asset from the Land Bank of Taiwan Co., Ltd. (the trusted agency of. Fubon No.1 Real Estate Investment Trust).
2020/1/20	<ol style="list-style-type: none"> 1. Presentation of the internal audit report of Q4 2019. 2. Presentation of the results of 2019 board performance assessment. 3. Approval of the urban regeneration project of the sea-sand (chlorine-ionic) buildings in Wolong Street, Daan District, Taipei City. 3. Approval of the ratio of appropriation of employee remuneration for 2019. 4. Approval of the amount of year-end bonus for 2019. 5. Approval of the year-end bonus for managers for 2019. 6. Approval of the year-end bonus for the chairperson for 2019. 7. Approval of the proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Wuguwang B Falsework Project."
2020/3/13	<ol style="list-style-type: none"> 1. Report on the Company's endorsements and guarantees made in 2019. 2. Approval of the proposal to sign the credit limit contract with banks. 3. Approval of the ratification of the credit limit applied to the bank. 4. Approval of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Wolong Street Construction Project." 5. Approval of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Sanchong Wuguwang B Construction Project." 6. Approval of the proposal to amend part of the "Rules for Meetings of the Board of Directors," "Articles of Organization of the Audit Committee," and "Articles of Organization of the Remuneration Committee." 7. Approval of the proposal to amend part of the "Corporate Governance Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct." 8. Approval of the Company's board election at the 2020 AGM as the term of all directors (including independent directors) will expire in June 2020. 9. Approval of the period of nomination, number of seats, and place of registration of candidates for the board election. 10. Approval of matters relating to the Company's 2020 AGM.
2020/3/30	<ol style="list-style-type: none"> 1. Approval of the proposal to sign the credit limit contract with banks. 2. Approval of the application for credit limit to banks. 3. Approval of the consolidated financial statements (including individual financial statements) and business report of 2019. 4. Approval of the remuneration for employees for 2019. 5. Approval of the profit distribution proposal for 2019. 6. Approval of issuing new shares for capitalization with profits for profit distribution of 2019. 7. Approval of the matters relating to the 2018 AGM. 8. Approval of list of candidates for the directorial election (including independent directors) at the 2020 AGM. 9. Approval of the relief of non-compete restriction on directors. 10. Approval of the proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Wuguwang A Falsework Project." 11. Approval of the proposal to sign a construction contract with Ruentex Construction Co., Ltd. for the "Ruentex Development Yangbei Falsework Project." 12. Approval of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Wuguwang A Construction Project." 13. Approval of the proposal to sign a construction contract with Ruentex Engineering & Construction Co., Ltd. for the "Ruentex Development Yangbei Construction Project." 14. Approval of the Statement of Internal Audit 2019.

- (12) In the previous fiscal year and by the date of annual report publication, for directors or supervisors who have expressed different opinions on important resolutions with a record or written statement made, please state the content of the different opinion in details: None.
- (13) In the previous fiscal year and by the date of annual report publication, the summary of the resignation or dismissal of the company's chairman, president, chief accounting officer, chief finance officer, chief internal auditor, chief governance officer, and chief R&D officer: None.

V. Accountant Audit Fee Information:

Accountant Audit Fee Information and Fee Bracket

Name of CPA Firm	Names of CPAs		Audit Period	Remark
PricewaterhouseCoopers Taiwan	Chao-Ming Wang	Ming-Chuan Hsu	January 1-December 31, 2019	

Unit: 1000s of NT\$

Audit Fees Amount Bracket		Audit Fee	Non-audit Fee	Total
1	Below NT\$2,000 Thousand	-	600	-
2	NT\$2,000 Thousand (inclusive) ~ NT\$4,000 Thousand	-	-	-
3	NT\$4,000 Thousand (inclusive) ~ NT\$6,000 Thousand	4,780	-	5,380
4	NT\$6,000 Thousand (inclusive) ~ NT\$8,000 Thousand	-	-	-
5	NT\$8,000 Thousand (inclusive) ~ NT\$10,000 Thousand	-	-	-
6	Over NT\$10,000 Thousand	-	-	-

Note: Non-Audit Fee refers to review and assurance services of the CSR Report and education and training.

- (I) Non-audit fee paid to the accountants, CPA firm, and its associated enterprises accounted for more than 25% of the audit fee: None
- (II) Replaced the CPA firm for auditing and the audit fee paid in the replacing year is less than the audit fee paid in the previous year: None
- (III) The audit fee of current year is less than the year before by more than 10%: None

VI. Change of Accountants:

(I) About Former Accountants:

Replacement Date	N/A		
Reasons for and Explanations of Such Replacement	N/A		
Explanation: The appointment for auditing service is terminated by the principal or refused by the accountant.	Party		Certified Public Accountant
	Situation		Principal
	Proactive Termination of Appointment		N/A
No Longer Accepting (continuing) Appointment			
The Independent Auditor's Report with an audit opinion other than an unqualified opinion issued in the last two years and the reasons:	N/A		
Whether there is any disagreement with the issuer: Not applicable	Yes		Accounting Principles or Practices
			Disclosures of Financial Report
			Audit Scope or Procedures
			Others:
	No		
	Description: Not applicable		
Other Disclosures (Disclosures according to Subparagraphs 1-4 - Subparagraph 1-7 of Paragraph 6, Article 10 of the Regulations)	N/A		

(II) About the Succeeding Accountants:

Firm Name	N/A
Name of CPA	N/A
Date of Appointment	N/A
Inquiries before appointments regarding the accounting processes or principles for the specific transactions and the possible audit opinions for the financial report and the results:	N/A
Written opinions of the succeeding accountant on specific events that are different from the former accountant:	N/A

(III) Replies of the former accountants on the events as stipulated in Subparagraph 1 and Subparagraphs 2-3, Paragraph 5, Article 10 of the Regulations: Not applicable

VII. The Company's Chairman, President, and manager of finance or accounting who has worked for a CPA firm or its associated enterprises within the year: None.

VIII. In the previous fiscal year and by the date of annual report publication, the equity transfer and change in pledged equity of the directors, supervisors, managers, and shareholders with more than 10% shareholding:

(1) Changes in Shareholdings of Directors, Supervisors, Managers, and Major Shareholders:

Unit: Shares

Title	Name	2019		By April 11, 2020	
		Increase/Decrease in Shares Held	Increase/Decrease in Shares Pledged	Increase/Decrease in Shares Held	Increase/Decrease in Shares Pledged
Chairman	Ying Jia Investment Co., Ltd.	59,902 0	0	0	0
	Representative: Tsang-tsun Chien	0	0	0	0
Director and Major Shareholder	Ruentex Industries Ltd.	0	0 (10,800,000)	0	14,000,000 (2,200,000)
	Representative: Chi-Fan Wang	0	0	0 (9,000)	0
	Representative: Chung-Yao Yin	0	0	0	0
Director	Run Tai Sing Co., Ltd.	0	0	0	0
	Representative: Chih-Hung Lee	0	0	0	0
	Representative: Li-Yu Chen	0	0	0	0
Director	Chien-Yu Lin	0	0	0	0
Independent Director	Yi-Long Zhao	0	0	0	0
Independent Director	Shun-Xiong Ke	0	0	0	0
Independent Director	Guo-Zhen Chang	0	0	0	0
President	Chih-Hung Lee	0	0	0	0
Vice President	Pei-Ling Zhou	0	0	0	0
Vice President	Li-Yu Chen	0	0	0	0
Vice President	Tien-Cheng Yeh	0	0	0	0
Vice President	Ding-Jie Lin	(18,000)	0	0	0
Vice President	Chin-Szu Lin	0	0	0	0
Vice President	Wen-Qing Zheng	0	0	0	0
Vice President	Wang, Kuo-Rong (took office on 2019/7/1)	0	0	0	0
Vice President	Wang, Pei-Shou (took office on 2019/9/12)	0	0	0	0
Assistant Vice President	Pei-Jin Cai	0	0	0	0
Assistant Vice President	Jia-Ru Wu	0	0	0	0
Assistant Vice President	Wei-cheng Chang	0	0	0	0
Assistant Vice President	Wen-chuen Yang	0	0	0	0
Assistant Vice President	Hui-zi Gong	0	0	0	0
Assistant Vice President	Wen-tan Liu	0	0	0	0
Assistant Vice President	Jia-Sheng Cai	0	0	0	0
Assistant Vice President	Guo-Zhi Zhuang	0 (18,000)	0	0	0
Assistant Vice President	Tien-Fang Kuo	0	0	0	0
Assistant Vice President	Tzu-Chien Kuo	0	0	0	0
Assistant Vice President	Bo-Yu Chen (took office on 2019/4/1)	0	0	0	0
Assistant Vice President	Chun-Miao Lin (took office on 2019/4/1)	0	0	0	0
Manager, Zhonglun Branch	Jie-Wen Gao	0	0	0	0
Major Shareholder (More than 10% shareholding)	Ruentex Industries Ltd.	0	0 (10,800,000)	0	14,000,000 (2,200,000)

Note (1): Shareholders with more than 10% shareholding of the Company should be indicated as major shareholders and listed separately.

Note (2): If the counterpart of equity transfer or equity pledge is a related party, please fill out the following forms:

1. The counterpart of the equity transfer is a related party: None
2. The counterpart of the equity pledge is a related party: None

IX. Information on top 10 shareholders in proportion of shareholdings and who are stakeholders, spouses, or related to one another or kin at the second pillar under the Civil Code to one another

April 11, 2020

Name	Shareholding of the Principal		Shareholdings of Spouse/Minor Children		Shares Held in the Name of Others		Titles or Names of the Top-ten Shareholders Who Have a Relationship With Each Other or a Spouse, or a Kinship of Second Cousin		Remark
	Shares	% of Shares Held	Shares	% of Shares Held	Shares	% of Shares Held	Name	Relationship	
Ruentex Industries Ltd. Representative: Chi-Fan Wang	257,844,024	25.70%	-	-	-	-	Huihong Investment Co., Ltd.	Huihong Investment Co., Ltd. is a corporate director of Ruentex Industries Ltd.	
Huihong Investment Co., Ltd. Representative: Yan-Liang Yin	63,886,830	6.37%	-	-	-	-	Changchun Investment Co., Ltd. Ruentex Industries Ltd. Runhua Dyeing and Weaving Co., Ltd. Yitai Investment Co., Ltd.	Huihong Investment Co., Ltd. is a corporate director of Changchun Investment Co., Ltd. Huihong Investment Co., Ltd. is a corporate director of Ruentex Industries Ltd. Runhua Dyeing and Weaving Co., Ltd. are corporate directors of Huihong Investment Co., Ltd. Yitai Investment Co., Ltd. is a corporate supervisor of Huihong Investment Co., Ltd.	
Yitai Investment Co., Ltd. Representative: Kun-Long Chang	43,555,116	4.34%	-	-	-	-	Huihong Investment Co., Ltd.	Yitai Investment Co., Ltd. is a corporate supervisor of Huihong Investment Co., Ltd.	
Changchun Investment Co., Ltd. Representative: Yan-Liang Yin	40,181,861	4.01%	-	-	-	-	Runhua Dyeing and Weaving Co., Ltd. Ying Jia Investment Co., Ltd. Huihong Investment Co., Ltd.	Changchun Investment Co., Ltd. is a corporate director of Runhua Dyeing and Weaving Co., Ltd. Changchun Investment is a corporate supervisor of Ying Jia Investment Huihong Investment Co., Ltd. is a corporate director of Changchun Investment Co., Ltd.	
Runhua Dyeing and Weaving Co., Ltd. Representative: Kun-Long Chang	15,195,508	1.51%	-	-	-	-	Huihong Investment Co., Ltd. Ying Jia Investment Co., Ltd. Changchun Investment Co., Ltd.	Runhua Dyeing and Weaving Co., Ltd. are corporate directors of Huihong Investment Co., Ltd. Runhua Dyeing and Weaving is a corporate director of Ying Jia Investment Changchun Investment Co., Ltd. is a corporate director of Runhua Dyeing and Weaving Co., Ltd.	
PGIA Integrated International ETF in Custody of JPMorgan Chase	12,692,278	1.27	-	-	-	-			
Public Service Pension Fund	12,609,570	1.26%	-	-	-	-	-	-	

Name	Shareholding of the Principal		Shareholdings of Spouse/Minor Children		Shares Held in the Name of Others		Titles or Names of the Top-ten Shareholders Who Have a Relationship With Each Other or a Spouse, or a Kinship of Second Cousin		Remark
	Shares	% of Shares Held	Shares	% of Shares Held	Shares	% of Shares Held	Name	Relationship	
Ying Jia Investment Co., Ltd. Representative: Kun-Long Chang	12,270,528	1.22%	-	-	-	-	Runhua Dyeing and Weaving Co., Ltd. Changchun Investment Co., Ltd.	Runhua Dyeing and Weaving is a corporate director of Ying Jia Investment Changchun Investment is a corporate supervisor of Ying Jia Investment	
Vanguard FTSE Emerging Markets ETF Special Account, JPMorgan Chase	11,172,970	1.11%	-	-	-	-	-	-	
Norges Bank Investment Special Account, CITI Bank (Taiwan)	10,385,120	1.04%	-	-	-	-	-	-	

Note 1: List all the top-ten shareholders; also, the title of the corporate shareholders and the name of their representatives should be listed separately.

Note 2: The calculation of the shareholding ratio refers to the shareholding ratio in the name of the principal, the spouse, the minor children, or the shareholding held in the name of others.

Note 3: For the shareholders disclosed in the preceding paragraph, including legal persons and natural persons, their relationships to each other should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

X. The total shareholding of the Company, the Company's directors, managers, and the same investees directly or indirectly controlled by the Company, and the consolidated shareholding ratio calculated.

March 31, 2020

Unit: thousand shares: %

Invested Companies (Note)	Investment of the Company		Comprehensive Investment of the Directors, Supervisors, Managers, and the Invested Companies Directly or Indirectly Controlled by the Company		Comprehensive Investment	
	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)
Ruentex Construction International (B.V.I) Co., Ltd.	25,000	100.00	-	-	25,000	100.00
Ruentex Property Management & Maintenance Co., Ltd.	2,828	100.00	-	-	2,828	100.00
Ruen Fu Newlife Corp.	900	60.00	600	40.00	1,500	100.00
Ruentex Security Co., Ltd.	6,900	100.00	-	-	6,900	100.00
Ruentex Construction International Co., Ltd. (Previously named City-Link Development Co., Ltd.)	109,874	100.00	-	-	109,874	100.00
Ruentex Xuzhan Co. Ltd.	160,000	80.00	-	-	160,000	80.00
Ruentex Baiyi Co., Ltd.	195,000	100.00	-	-	195,000	100.00
Ruentex Innovative Development Co., Ltd.	198,800	70.00	-	-	198,800	70.00
Ruentex Engineering & Construction Co., Ltd.	52,845	39.14	26,949	19.96	79,794	59.10
Ruentex Materials Co., Ltd.	15,740	10.49	68,288	45.53	84,028	56.02
Jing Hong Investment Co., Ltd.	27,000	30.00	63,000	70	90,000	100
Ruen Cheng Investment Holdings Co., Ltd.	4,414,750	25.00	4,061,570	23.00	8,476,320	48.00
Concord Greater China Ltd.	10,593	25.46	17,580	42.25	28,173	67.71
Shing Yen Construction Development Co., Ltd.	28,415	45.45	32,949	52.70	61,364	98.15
Sunny Friend Environmental Technology Co., Ltd.	29,677	26.62	2,310	2.07	31,987	28.69
Ruentex Industries Ltd.	65,721	11.63	14,058	2.49	79,779	14.12
Ruentex Construction International Ltd.	-	-	7,800	100.00	7,800	100.00
Sinopac Global Investment Ltd.	-	-	19,500	49.06	19,500	49.06
Ruentex Construction Co., Ltd.	-	-	600	100.00	600	100.00
Ruentex Interior Design Inc.	-	-	3,000	100.00	3,000	100.00
Nan Shan Life Insurance	29,670	0.23	65,477	0.51	95,147	0.74
Ruentex Precast Engineering and Technology (Shanghai) Ltd.	-	-	Co., Ltd. Shares	100.00	Co., Ltd. Shares	100.00

Note: The Company's invested company under the equity method

IV. Capital Overview

I. Capital and Shares

(1) Source of Capital

Year/Month	Issuance Price (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (1,000 Shares)	Amount (NT\$ Thousand)	Shares (1,000 Shares)	Amount (NT\$ Thousand)	Source of Capital	Paid-in Capital Paid with Considerations Other Than Cash	Others
1993/8	10	300,000	3,000,000	Common Stock: 185,150	1,851,500	Cash Capitalization: 700,000	No	08.09.1993 Securities & Futures Institute (1993) Tai.Chai.Chen (I) No. 32741
				Preferred Stock: 70,000	700,000			
1994/1	10	320,000	3,200,000	Common Stock: 240,695	2,406,950	Capitalization from Earnings: 555,450	No	01.22.1994 Securities & Futures Institute (1994) Tai.Chai.Chen (I) No. 49800
				Preferred Stock: 70,000	700,000			
1994/6	10	580,000	5,800,000	Common Stock: 288,834	2,888,340	Capitalization from Earnings: 481,390	No	06.25.1994 Securities & Futures Institute (1994) Tai.Chai.Chen (I) No. 29048
				Preferred Stock: 70,000	700,000			
1995/5	10	610,000	6,100,000	Common Stock: 323,494	3,234,941	Earnings from Earnings: 346,601	No	05.10.1995 Securities & Futures Institute (1995) Tai.Chai.Chen (I) No. 27761
				Preferred Stock: 70,000	700,000			
1995/7	10	610,000	6,100,000	Common Stock: 405,494	4,054,941	Cash Capitalization: 820,000	No	07.15.1995 Securities & Futures Institute (1995) Tai.Chai.Chen (I) No. 39113
				Preferred Stock: 70,000	700,000			
1997/5	10	800,000	8,000,000	Common Stock: 505,494	5,054,941	Cash Capitalization: 1,000,000	No	05.19.1997 Securities & Futures Institute (1997) Tai.Chai.Chen (I) No. 36838 05.19.1997 Securities & Futures Institute (1997) Tai.Chai.Chen (I) No. 40668
				Preferred Stock: 70,000	700,000			
1997/8	10	800,000	8,000,000	Common Stock: 575,494	5,754,941	-	No	Preferred Stock Converted to Common Stock
1998/6	10	950,000	9,500,000	Common Stock: 783,044	7,830,435	Cash Capitalization: 1,500,000 Capitalization From Paid-in Capital: 575,494	No	06.09.1998 Securities & Futures Institute (1998) Tai.Chai.Chen (I) No. 51342
2006/3	10	950,000	9,500,000	Common Stock: 759,318	7,593,185	-	Cancellation of Treasury Stock: 23,725 Thousand Shares	03.14.2006 MOEA.So.Sun No. 09501043870
2011/8	10	1,500,000	15,000,000	Common Stock: 979,318	9,793,185	Cash Capitalization 2,200,000	No	08.25.2011 FSC.Cert.Far No. 1,000038471
2012/10	10	1,500,000	15,000,000	Common Stock: 980,808	9,808,079	Corporate Bond Conversion: 14,894	No	10.16.2012 MOEA. So.Sun No. 10101214360
2013/2	10	1,500,000	15,000,000	Common Stock: 999,625	9,996,255	Corporate Bond Conversion: 188,176	No	02.08.2013 MOEA.So.Sun No. 10201027910

Year/Month	Issuance Price (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (1,000 Shares)	Amount (NT\$ Thousand)	Shares (1,000 Shares)	Amount (NT\$ Thousand)	Source of Capital	Paid-in Capital Paid with Considerations Other Than Cash	Others
2013/4	10	1,500,000	15,000,000	Common Stock 1,023,630	10,236,295	Corporate Bond Conversion 240,040	No	04.15.2013 MOEA.So.Sun No. 10201067950
2013/7	10	1,500,000	15,000,000	Common Stock 1,023,865	10,238,647	Corporate Bond Conversion 2,352	No	07.22.2013 MOEA.So.Sun No. 10201141260
2013/8	10	1,500,000	15,000,000	Common Stock 1,173,865	11,738,647	Cash Capitalization 1,500,000	No	08.22.2013 MOEA.So.Sun No. 10201171670
2013/10	10	1,500,000	15,000,000	Common Stock 1,179,478	11,794,779	Corporate Bond Conversion 56,132	No	10.16.2013 MOEA.So.Sun No. 10201211920
2014/1	10	1,500,000	15,000,000	Common Stock 1,191,977	11,919,768	Corporate Bond Conversion 124,989	No	01.20.2014 MOEA.So.Sun No. 10301009600
2014/4	10	1,500,000	15,000,000	Common Stock 1,192,069	11,920,685	Corporate Bond Conversion 92	No	04.18.2014 MOEA.So.Sun No. 10301066370
2014/7	10	1,500,000	15,000,000	Common Stock 1,192,113	11,921,132	Corporate Bond Conversion 447	No	07.25.2014 MOEA.So.Sun No. 10301137730
2014/10	10	1,500,000	15,000,000	Common Stock 1,192,545	11,925,453	Corporate Bond Conversion 4,321	No	10.17.2014 MOEA.So.Sun No. 10301216980
2015/1	10	1,500,000	15,000,000	Common Stock 1,192,565	11,925,647	Corporate Bond Conversion 194	No	01.14.2015 MOEA.So.Sun No. 10401003710
2015/4	10	1,500,000	15,000,000	Common Stock 1,192,591	11,925,914	Corporate Bond Conversion 267	No	04.24.2015 MOEA.So.Sun No. 10401069610
2015/8	10	1,500,000	15,000,000	Common Stock 1,192,849	11,928,487	Corporate Bond Conversion 2,573	No	08.03.2015 MOEA.So.Sun No. 10401146400
2015/8	10	1,500,000	15,000,000	Common Stock 1,392,849	13,928,487	Cash Capitalization 2,000,000	No	08.28.2015 MOEA.So.Sun No. 10401179970
2015/10	10	1,500,000	15,000,000	Common Stock 1,392,851	13,928,513	Corporate Bond Conversion 26	No	10.15.2015 MOEA.So.Sun No. 10401218780
2016/1	10	1,500,000	15,000,000	Common Stock 1,393,408	13,934,083	Corporate Bond Conversion 5,570	No	01.21.2016 MOEA.So.Sun No. 10501010450
2017/9	10	2,000,000	20,000,000	Common Stock 1,672,090	16,720,900	Capitalization From Earnings 2,786,817	No	09.13.2017 MOEA.So.Sun No. 10601131290
2018/8	10	2,000,000	20,000,000	Common Stock 1,003,254	10,032,540	Cash Reduction 6,688,360	No	08.28.2018 MOEA.So.Sun No. 10701107370

Note 1. The data of the current year should be filled in as of the Annual Report printing date.

2. The increase and decrease of capital should be stated with the effective (approved) date and document number included.

3. The stock issued at a value below the face value should be indicated conspicuously.

4. The private placement of stock should be indicated conspicuously.

5. The capital paid with currency credits and technology should be stated with the type and amount of said considerations detailed.

April 11, 2020

April 11, 2020

Type of Shares	Authorized Capital					Remarks
	Outstanding Shares			Unissued Shares	Total	
	Listed	Unlisted	Total			
Registered Common Stock	1,003,253,999	—	1,003,253,999	996,746,001	2,000,000,000	

(2) Shareholder Structure

April 11, 2020

Shareholder Structure Quantity	Government Agency	Financial Institutions	Other Legal Person	Individual	Foreign Institution and Foreigners	Total
Number of People	3	12	263	59,222	446	59,946
Shareholding	12,843,522	20,797,826	499,108,655	311,363,204	159,140,792	1,003,253,999
Shareholding Ratio (%)	1.28	2.07	49.75	31.04	15.86	100

Note: The first listed (OTC) company and emerging company should disclose the percentage of the shares held by Chinese investors. Chinese investors refer to the people, legal persons, groups, and other institutions in China as stipulated in Article 3 of the “Regulations Governing Permission for People from the Mainland Area to Invest in Taiwan” or the invested companies of theirs in a third region.

(3) Equity Dispersion

April 11, 2020

Shareholding Bracket	Number of Shareholders	Shareholding (Shares)	Shareholding Ratio (%)
1 to 999	21,723	9,009,608	0.90%
1,000 to 5,000	26,961	60,107,958	5.99%
5,001 to 10,000	5,482	40,615,708	4.05%
10,001 to 15,000	1,811	22,648,076	2.26%
15,001 to 20,000	1,045	18,961,185	1.89%
20,001 to 30,000	1,026	25,814,572	2.57%
30,001 to 50,000	761	29,975,422	2.98%
50,001 to 100,000	588	41,704,819	4.16%
100,001 to 200,000	273	38,017,519	3.79%
200,001 to 400,000	136	37,206,642	3.71%
400,001 to 600,000	36	17,483,591	1.74%
600,001 to 800,000	22	14,527,228	1.45%
800,001 to 1,000,000	16	14,043,471	1.40%
1,000,001 and above	66	633,138,200	63.11%
Total	59,946	1,003,253,999	100.00%

- (4) List of major shareholders: List all shareholders with a stake of 5 percent or more, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list

Name of Major Shareholders	Shares	Shareholding	Shareholding Ratio (%)
Ruentex Industries Ltd.		257,844,024	25.70
Huihong Investment Co., Ltd.		63,886,830	6.37
Yitai Investment Co., Ltd.		43,555,116	4.34%
Changchun Investment Co., Ltd.		40,181,861	4.01%
Runhua Dyeing and Weaving Co., Ltd.		15,195,508	1.51%
PGIA Integrated International ETF in Custody of JPMorgan Chase		12,692,278	1.27
Public Service Pension Fund		12,609,570	1.26%
Ying Jia Investment Co., Ltd.		12,270,528	1.22%
Vanguard FTSE Emerging Markets ETF Special Account, JPMorgan Chase		11,172,970	1.11%
Norges Bank Investment Special Account, CITI Bank (Taiwan)		10,385,120	1.04%

(5) Price per Share, Net Worth, Earnings, and Dividends for the Last Two Years

Unit: NTD

Item/Year		2018	2019	By April 11 for FY 2020.
Market Price per Share	Maximum	51.60	49.25	45.6
	Minimum	29.85	39.20	30
	Average	37.22	44.26	39.24
Net Value per Share	Before Distribution	30.94	80.63	—
	After Distribution	28.93	— ⁴	-
Earnings Per Share	Weighted Average Shares (1,000 Shares)	1,374,811	969,841	-
	Earnings Per Share Before Retroactive Adjustment	7.22	9.35	-
	Earnings Per Share After Retroactive Adjustment	—	-	-
Dividends per Share	Cash dividend	2	1 ⁴	-
	Stock Dividends	Stock Dividends from Earnings	5 ⁴	—
		Stock Dividends from Paid-in Capital	-	—
	Accumulated Unpaid Dividends		-	-
Return on Investment Analysis	Price-to-Earnings Ratio (P/E Ratio) (Note 1)		4.73	-
	Ratio of Dividends (Note 2)		44.26 ⁴	-
	Cash Dividend Yield Rate (Note 3)		2.26 ⁴	-

¹P/E ratio = Average closing price per share/Earnings per share for the year.²Ratio of dividend = Average closing price per share/Cash dividends per share for the year.³Cash dividend yield rate = Cash dividends per share/Average closing price per share for the year.⁴The 2019 earnings distribution was approved by the Board of Directors on March 30, 2020. According to the Company's Articles of Association and relevant laws and regulations, cash dividend is distributed at NT\$1 per share and stock dividend is distributed at NT\$5 per share. The aforementioned proposal is subject to the resolution of the AGM.⁵The net value per share and the earnings per share should be included in the latest seasonal financial report as of the Annual Report printing date, which is audited (reviewed) by the accountant; the remaining columns should be filled in with the data of the current year as of the Annual Report printing date.

(6) The Company's Dividend Policy and Implementation

1. Dividend Policy:

The Company's net income, if any, should be applied to pay taxes and make up for losses, and then 10% should be appropriated for legal reserve. In addition, special reserve will be appropriated or reversed according to laws and regulations. The remaining amount, if any, plus the undistributed earnings-beginning will be available for distribution according to the proposal of the Board of Directors, which should be reserved or distributed according to the resolutions reached in the Shareholders Meeting.

2. Implementation:

With respect to the Company's Articles of Incorporation and related laws and regulations, the profit distribution for 2019 includes NT\$1,003,253,999 (NT\$1/share) for cash dividend and NT\$5,016,269,990 (NT\$5/share) for stock dividend. After the approval by resolution of the Board of Directors, the said proposal should be approved at the 2020 AGM.

- (7) The impact of the stock dividends proposed in the current Shareholders Meeting on the Company's operating performance and earnings per share:

Item			Year	2020 (Estimated)
Paid-in Capital at the beginning of the period (Unit: NTD)				10, 032, 539, 990
Dividends (Note1)	Cash dividends per share (Unit: NTD)		1	
	Stock dividends per share		5 shares	
	Stock Dividend from Capital Reserve per share		-	
Changes in operating condition	Operating Income		N/A (Note2)	
	Rate of changes with last year in operating income			
	Net Profit After Taxes			
	Rate of changes with last year in net profit after taxes			
	Earnings per share			
	Rate of changes with last year in earnings per share			
	Average rate of return on investment of the year			
Earnings per share and rates (fictious)	If stock dividends turn to cash dividends.	Earnings per share (fictitious)		
		Average rate of return on investment of the year (fictitious)		
	If stock dividend from capital reserve is not applicable.	Earnings per share (fictitious)		
		Average rate of return on investment of the year (fictitious)		
	If stock dividends (not from capital reserve) turn to cash dividends.	Earnings per share (fictitious)		
		Average rate of return on investment of the year (fictitious)		

¹ The 2019 earnings distribution was approved by the Board of Directors on March 30, 2020. The aforementioned proposal is subject to the resolution of the AGM.

²Referring to Letter Tai-Cai-Zheng-Er-Zi No.00371 (Taiwan-Finance-Securities-II-00371) of the Financial Supervisory Commission dated February 1, 2000, the Company is not applicable because of unpublished financial estimation.

(8) Remuneration to Employees and Directors

1. The percentage or scope of remuneration to employees and directors stipulated in the company's Articles of Association:
 - (1) According to the Company's Articles of Association, 0.3% - 5% of the net income before taxes and before deducting remuneration to employees should be appropriated as remuneration to employees according to the Articles of Association. If the Company has accumulated losses, an equivalent amount from the profit earned shall be reserved to make up for losses.
The remuneration to employees as stated in the preceding paragraph can be paid in cash or with stock dividends, and the object of distribution must include employees of the subordinate company that meet certain conditions.
 - (2) The remuneration to directors is not stipulated in the Company's Articles of Association.
2. The accounting treatment for the difference between the estimation basis of the estimated remuneration to employees and directors in current period, the basis for the calculation of stock dividends to employees, and the actual distribution amount from the estimated amount:
 - (1) Please refer to (VIII) 1. for the estimation basis of the estimated remuneration to employees and directors in current period.
 - (2) The accounting treatment for the difference between the actual distribution amount and the estimated amount: It is regarded as a change in accounting estimate and is included in the profit or loss of the actual distribution year.

3. The distribution of remuneration resolved by the Board of Directors:

(1) Remuneration to employees and directors paid in cash or with stock dividends. If it is different from the estimated amount of the expense recognition year, the difference amount, cause, and treatment should be disclosed:

A. It is estimated at an amount equivalent to 0.3% of the net income of 2019. The distribution of earnings was resolved by the Board of Directors on March 20, 2020. The 2019 remuneration to employees is NT\$20,248,000 to be paid in cash.

B. There is no difference between the distributed amount and the estimated amount.

Unit: New Taiwan Dollars in Thousands

Distribution	Current Year (FY2019)				
	Estimated Amount in the Expense Recognizing Year	Distribution Amount Resolved by the Board of Directors	Difference	Reason for Difference	Handling
Remuneration to Employees in Cash	20,248	20,248	No	No	No

(2) The amount of stock dividends distributed to employees and their ratio to the net income and total remuneration to employees on the only and Individual Financial Report: There is no distribution of stock dividends to employees in this year, so it is not applicable.

4. The actual distribution of remuneration to employees and distributors in the previous year (2018) (including the number of shares distributed, amount, and stock price), and if it is different from the recognized remuneration to employees and directors, the amount of difference, the cause, and the handling of the difference should be stated: Unit: NTD thousand

Distribution	Last Year (FY2018)				
	Estimated Amount in the Expense Recognizing Year	Distribution Amount Resolved by the Board of Directors	Difference	Reason for Difference	Handling
Remuneration to Employees in Cash	34,519	34,519	No	No	No

(IX) Stock shares repurchased by the Company: None

II. Corporate bond issuance: None

III. Preferred stock issuance: None

IV. Global depository receipts: None

V. Employee stock warrants issuance: None

VI. New restricted employee shares issuance: None

VII. New shares in connection with a merger or acquisition, or new shares in connection with acquisition of another company's shares:

(I) In the most recent year and as of the Annual Report printing date, the Company has completed the acquisition or transfer of shares of the Company to issue new shares: None

(II) In the most recent year and as of the Annual Report printing date, the acquisition or transfer of shares of the Company to issue new shares resolved by the Board of Directors: None

VIII. Fund use implementation plan:

(I) Project Content:

The previous issuance of securities, outstanding private placement of securities, or the issuance of private placement of securities have been completed in the last three years without significant effect resulted: None

(II) Implementation Situation: Not applicable

V. Operational Highlights

I. Contents of Business

(I) Business Scope

1. Main content of the business:

- (1) E801010 Interior decoration business
- (2) F111090 Building materials wholesale business.
- (3) F211010 Building materials retail business
- (4) H701010 Residential and building development rental business.
- (5) H701040 Specific business area development.
- (6) H701060 New towns and new community development business.
- (7) H701070 Land expropriation and city rezoning agency services.
- (8) H701080 Urban regeneration and reconstruction business.
- (9) H703100 Real estate leasing business.
- (10) F108031 Medical equipment wholesale business.
- (11) F208031 Medical equipment retail business.
- (12) F108011 Chinese medicine wholesale business.
- (13) F108021 Western medicine wholesale business.
- (14) F208011 Chinese medicine retail business.
- (15) F208021 Western medicine retail business.
- (16) F101081 Seedlings wholesale business.
- (17) F201061 Seedlings retail business.
- (18) F401071 Vaccine import and export business
- (19) H704031 Real estate agency and brokerage business.
- (20) F401181 Weighing instrument input business.
- (21) F101040 Livestock and poultry wholesale business.
- (22) F101050 Aquatic products wholesale business.
- (23) F101070 Fishing gear wholesale business.
- (24) F101130 Vegetable and fruit wholesale business.
- (25) F102020 Edible oil wholesale business.
- (26) F102030 Tobacco and wine wholesale business.
- (27) F102040 Beverage wholesale business.
- (28) F102050 Tea leaves wholesale business.
- (29) C104020 Baking and steamed food manufacturing business.
- (30) F102170 Food and goods wholesale business.
- (31) F102180 Alcohol wholesale business.
- (32) F103010 Feed wholesale business.
- (33) F104110 Fabrics, clothing, shoes, hats, umbrellas, and garment wholesale business.
- (34) F105050 Furniture, bedding, kitchen utensils, and furnishings wholesale business.
- (35) F106020 Daily necessities wholesale business.
- (36) F106030 Mold wholesale business.
- (37) F106040 Water containers wholesale business.
- (38) F106050 Ceramic glassware wholesale business.
- (39) F107010 Paint and coating materials wholesale business.
- (40) F107020 Dye and pigment wholesale business.
- (41) F107030 Cleaning supplies wholesale business.
- (42) F108040 Cosmetics wholesale business.
- (43) F107190 Plastic film and bag wholesale business.

- (44) F109070 Culture, education, musical instruments, and recreational products wholesale business.
- (45) F112040 Petroleum products wholesale business.
- (46) F113020 Electrical appliances wholesale business.
- (47) F113060 Measurement wholesale business.
- (48) F114040 Bicycles and their parts wholesale business.
- (49) F115010 Jewelry and precious metals wholesale business.
- (50) F115020 Ore wholesale business.
- (51) F116010 Photographic equipment wholesale business.
- (52) F201010 Agricultural products retail business.
- (53) F201020 Livestock products retail business.
- (54) F201030 Aquatic products retail business.
- (55) F202010 Feed retail business.
- (56) F203010 Food and goods and beverage retail business.
- (57) F203020 Tobacco and alcohol retail business.
- (58) F203030 Alcohol retail business.
- (59) F204110 Fabrics, clothing, shoes, hats, umbrellas, and garments retail business.
- (60) F205040 Furniture, bedding, kitchen appliances, and furnishings retail business.
- (61) F206020 Daily necessities retail business.
- (62) F206040 Water containers retail business.
- (63) F207030 Cleaning supplies retail business.
- (64) F207050 Fertilizer retail business.
- (65) F207080 Environmental drug retail business.
- (66) F208040 Cosmetics retail business.
- (67) F207190 Plastic film and bag retail business.
- (68) IZ06010 Tally packaging business.
- (69) F209060 Culture, education, musical instruments, and recreational products retail business.
- (70) F215010 Jewelry and precious metal retail business.
- (71) F301010 Department store business.
- (72) F301020 Supermarket business.
- (73) F399010 Convenience store business.
- (74) F501030 Beverage store business.
- (75) F501060 Restaurant business.
- (76) G202010 Parking lot business.
- (77) F401021 Telecom control RF equipment import business.
- (78) ZZ99999 Except for charter business, business operations not prohibited or restricted by law.

2. Business Ratio:

Revenue Ratio Product Item	2019	
	Revenue	Ratio
Construction Department	11,622,753	67.35%
Commercial Real Property	1,842,183	10.67%
Building Materials Division	2,236,055	12.96%
Wholesale Business Department	1,212,879	7.03%
Other Business Operation Department	344,060	1.99%
Total	17,257,930	100.00%

3. The Company's current products, service projects, and new products and services planned for development:

The Company's main business, in addition to land development and investment in the construction of residents, villas, and commercial buildings, and investment in the elderly care business, is to carry out mid-term and long-term land development, such as, urban regeneration, urban planning changes, land change, leisure, MRT joint development, station OT/BOT and commercial real estate development, development of specific areas, surface rights setting for public projects, etc., and it actively plans to cooperate with Ruentex Group to implement diversification, such as, cooperation in MRT joint development and station OT/BOT projects, actively operating commercial real estate development and introducing department store business, through joint development of the MRT and the BOT station traffic line to connect to the Taipei City commercial center and to have local representative buildings emerge. The Company is committed to substantiating the service concept of "letting the house take care of people, rather than having people to take care of the house," continuing to innovate research and development, to diversifying product development with more excellent product planning, construction, and service quality, and to generating more profits.

In terms of building materials business, in response to the global climate change and the awakening of environmental protection awareness, we will continue to optimize new cementitious materials and non-calcium cement in order to save energy and reduce carbon emissions. In addition, with the improvement of living standards and the denser population of the metropolitan area, the residential pattern tends to be denser and stratified, which makes the impact of floor noises between the upper and lower tenants worse, thus reducing the quality of the living environment. The development of indoor noise-reducing floor mortar is planned to enhance living quality.

In addition, in terms of retail and wholesale business, the focus is mainly on operating shopping malls, self-operated counters, and selling a wide variety of products that are closely related to food, clothing, and housing. In the future, we will continue to develop our own branded products and introduce new international products to create more brilliant achievements.

(II) Industry Overview

(1) Construction Business

A. Current Status and Development of the Industry

Economically, the global economic drive has recently been weakened, and international material prices have been stagnated as a result of the US-China trade conflict, rises of the geopolitical risk, and the economic slump in emerging markets. Although the stage 1 US-China trade agreement has shed light on market recovery, the economic leading indicators in major countries were still weak, suggesting no obvious sign of recovery. Domestically, the economic slump was reduced thanks to the return of Taiwanese businesses and global order diversion due to the US-China trade war, equipment purchase of domestic high-tech industries, and the government's forward-looking projects,

When the house and land transactions income tax took effect in 2016, the housing market began to fall due to the doubled tax pressure for property possession. The transaction volume revived in 2017, and buying continued in 2018. Benefited from the handover heat by the end of 2019 across Taiwan, the constant emergence of self-use buyers, and the insignificant effect on housing transactions of the 2019 presidential election, the scale of the residential housing market can be maintained in the next half year.

However, the rigid demand was still the main trend of domestic home buying in 2019, and most buyers were first-time buyers with "low total prices," resulting in the "high quantity but low price" scene in the housing market. As large-area or luxury housing is still the main target of high asset groups, bringing forth a diverse contrast to the housing market.

Looking ahead at Taiwan's economy in 2020, the US-China trade tension will relax after the signing of the stage 1 US-China trade agreement. Alongside with the US preventive interest rate cuts, the launch of various policies to stimulate financial development of world-leading

countries, and the low base period, world-leading forecast organizations believe that the global trade growth in 2020 will be better than that of 2019.

The 2020 housing market can be observed in terms of three aspects: economic and financial, policy, and capital. Currently, easing is the main trend of the current policy of world-leading economies. As there is little chance for a raise of interest rate in the domestic housing market for the moment, and the Financial Supervisory Commission (FSC) also plans to mark down the minimum risk weight of mortgage in the next Q3 to help banks strive for more business from mortgage. In terms of policy, worries about Taiwan's housing development have been released from the recent board meeting of the Central Bank, and corresponding policies can be launched in the future. As the presidential candidates of each party have not introduced any policies that can significantly affect the housing market, we can only keep sitting on the fence. In terms of capital, apart from capital abundance, the proportion of circulating capital continues to escalate in Taiwan. In addition, as the interest rate maintains low, both favor the development of the domestic housing market.

Overall, with abundant capital supply, future housing market development is promising, and the growth momentum is sound. In the macro environment, both capital abundance and low interest rate can secure the housing market from decline. The investment of returning overseas Taiwanese businesses further brings more imagination to the market. In terms of policy, since the house and land transactions income tax and the actual price registration, the government has made no further policy to suppress the housing market, which is good news to housing transactions. In addition, as the public's home buying confidence increases, the 2020 housing market will be optimistic. The demand for real property of local citizens and society will go up when the economic prospects in the future is promising. At present, the real estate market has gradually developed towards the operation and management of urban regeneration, suitable housing, and taxation for combined housing and land. The professional operation ability and conditions of operating urban regeneration products are higher than those of ordinary real estate. Therefore, future real estate operations need to have a more positive attitude to enhance product development expertise and management capabilities and to transform the business model in order to have the strength needed for competition.

B. Relevance of the Up-stream, Mid-stream, and Low-stream of the Construction Industry:

Over the past decade or so, although the housing market has played an essential role in Taiwan's economic growth as time goes by, with the gradual rise of the productivity of other industries, the industrial influence of the productive value and contribution of the housing industry has diminished. As the reality industry is a domestic-demand-led industry unaffected by changes in foreign countries, and the output value of service grows reversely, it still brings positive contribution to economic growth. As the pace of supply-demand adjustment is rather slow in the housing market, either the realtor's short-term optimistic expectation or government intervention will easily result in overproduction. Take the government's active market control for example, limiting the percentage of mortgage and raising the housing tax, land value tax, and property stocking tax can effectively suppress housing price escalation and reduce the number of short-term house flippers to put the housing market back on the right track.

The construction industry covers architectural development, construction, building materials, real estate brokerage, construction consultants, construction finance related services, and related professional industries. The development and operation of buildings must be classified by the investment, production, trading, intended use, etc. into an up-stream, mid-stream, and low-stream supply with an overall industrial activity system constituted.

The main raw materials for the upstream of the construction industry are land and building materials. The acquisition of land can be achieved through the sale or joint construction of private landlords, or the redevelopment of old residential communities by urban renovation procedures, and the acquisition of state-owned non-public sites through government auctions. Building materials are purchased from professional suppliers or factories.

The mid-stream of the construction industry is the most critical core value in the construction industry chain, mainly for investment and production. The former as stated in the preceding

paragraph, such as, land developers, financial institutions, and consultants providing professional information and financing related to building development. The latter as stated in the preceding paragraph includes architects, construction managers, construction companies, and builders providing product positioning, construction planning, construction and engineering management, and other related services.

The downstream of the construction industry is traditionally for sales and after-sales service. The main economic activities are for trading and intended use. The former, such as, the construction company's sales department, agency sales, or underwriting business, and brokers, provides professional services, such as, advertising and sales; the latter includes the construction company's warranty department, property management company, or consulting industry providing product warranty, maintenance construction, property management, and other related services.

C. Product Development Trends and Competition Situation:

In 2020, the overall housing market will continue the steady and gradual growth as in 2019, and both the price and quantity will maintain or rise. Except for the oversupply, there is other unfavorable factor standing in the way. Furthermore, the government has not launched other policies to suppress the housing marketing. After the end of the presidential election, as self-use is still a rigid demand in the market, the price is the major factor affecting buying, with small-area completed units and low-total-price new projects as the target products that will continue in 2020. In addition, thanks to the return of overseas Taiwanese businesses and the market entry of the move-up and property buying groups, medium-to-large units and luxury housing can be consumed.

The government tried to activate the real estate market. Apart from adjusting the housing tax and land price tax, it promoted the construction and acceleration of housing for the younger generation. The policy will help to stabilize the transaction volume. Considering the needs of the younger generation in buying a residential house, the application for mortgage loan for young buyers of real estate is extended and the implementation of the urban regeneration policy for old buildings is accelerated to promote the increase and stabilization of transaction volume. The housing tax will be revised towards the direction of low self-occupying tax, and the housing market will return to the fundamentals.

As consumers pay more attention to quality living, building constructors strive to have products planned with humanization and refinement. In terms of space utilization, they also focus on the practicality and diversity of functions. The recent housing market is subject to the actual prices practice; therefore, construction of mid-size and small-size "self-occupied houses" is increasing. Among them, the green building label and related energy-saving building certification will become an important feature affecting housing prices; also, it is the most important factor to measure the competitiveness of the manufacturer, to obtain customer satisfaction, and to establish brand reputation.

After the 2018 nine-in-one election, pessimism has gone and home buying confidence regained. Take the first half year for example, since the US-China trade war relaxed, the Fed suspended the interest rate raise, and the buying heat arose from the election and Spring Festival, transactions revived. In the middle of the year, the buying confidence in the public was disturbed by the escalating US-China trade war, the Ghost Festival, and summer break.

In November 2019, the Central Bank announced that the amount of new housing loans of five banks, including the Bank of Taiwan, Land Bank, Cooperative Bank, First Bank, and Huanan Bank, increased by NT\$55.108 billion, the highest October over the years, suggesting the housing market was recovering. The policy to combine the income tax of house and land transactions has restored the basic supply-and-demand of the housing market, as most property flippers have left the market. As a result, buyers with a rigid demand for self-use and long-term possession have become the main market support, making the market trend more rational.

In 2019 there was little interference on the housing market, leaving space for returning to the fundamental trend. Issues at home and abroad, such as the US-China trade war, Brexit, and domestic presidential election, did not seem to have excessive market impact, while the return of Taiwanese businesses in mainland China and foreign investments in Taiwan did

bring good news to the market.

As the COVID-19 pandemic spreads in 2020, the Central Bank directly cuts the interest rate by 0.25%, reminding the public of the interest rate cut by the same level during SARS in 2003. In fact, there were 11 interest rate cuts between 2000 and 2011 and two in 2002, with the interest rate of home mortgage falling all the way down from 7% to below 3%. Alongside with the opening for foreign investments in estate in 2003 and other tax incentives, the government gradually revived the housing market by attracting capital to the housing marketing through various channels. However, as the five leading banks undertook new home mortgage cases at only 1.6%, and the interest rate has been controlled below 1.7% for four years, the present interest rate cut in this super-low interest rate environment does not seem to impress the public much. Fear out of the COVID-19 pandemic did not seem to spoil the market. The overall housing price is stable and transaction volume tightened. Volume up, price up, and bottom correction are still the main trends of the housing market in 2020. Based on the current pandemic situation, the future housing market is still optimistic, and buying will continue. The end of the pandemic will be a great opportunity for consumers with rigid demand to buy their homes. Although the pandemic will affect the overall consumer and housing markets for the short run, as the investment of returning Taiwanese businesses escalates, there are chances for Taiwan's housing market to maintain recovery in 2020.

Overall, as an outlook of the housing market in 2020, a gradual recovery is seen after three years of corrections. Although the transaction volume increases slowly and the recovery has not yet thrived, after the house and land transactions income tax took effect to force property flippers to leave the market, the housing market will return to a robust development led by self-use buyers. Constructors began the active search of land in 2019 and purchased at high expenses lots located in prime sections to increase land stock. Therefore, the housing market in 2020 is optimistic. However, the presidential election in both Taiwan and the USA, US-China trade war, the benefits of returning overseas Taiwanese businesses, and the COVID-19 pandemic are still the variables required for close observation in 2020.

Looking out to Taiwan's real estate industry in 2020, the fundamentals of the global economy decide. Due to the effect of the constant uncertainty of the US-China trade war, international geopolitics, and COVID-19 pandemic, investors are looking for comparatively stable and favorable objects for investments. As manufacturers increase investments, the office demand thrives, the self-use rigid demand is stable, and the interest rate keeps running low, optimistic development in prudence is expected in 2020.

(2) Building Materials

A. Current Status and Development of the Industry

Cement is the material for infrastructures in life. Government public constructions and private constructions all need a great deal of cement. It is a mature industry with steady demand. The cement industry in Taiwan features the following: it is capital intensive, domestic sales-oriented, fundamental for daily life and national defense, and it is also an industry featuring continuous production and manufacturing.

B. Correlation Among the Upstream, Mid-stream, and Downstream of the Cement Industry

The upstream of the cement industry includes quarrying for the supply of silicon sand and clay materials, non-metal mining for the supply of natural gypsum and limestone materials, iron and steel smelting for the supply of iron cake and hearthstone materials, coal-fired power generation for the supply of cinder and secondary gypsum materials, as well as supportive industries such as collaborative electricity supply, fuel supply, railway transport, automobile transport, and water transport. The downstream that directly requires a supply of finished cement products includes ready-mixed concrete, cement products (such as concrete pipes, cement bricks, and prefabricated elements, among others), and construction.

C. Product Trends and Competition

In addition to cement products, there are processed products containing cement. Cement is one of the products used for industrial purposes, and is provided to concrete premixing plants in compliance with performance specified in national standards. Cement products are not only steady and highly reliable in terms of quality. Reduced consumption of energy during production and raw material replacement are the future goals. In terms of reduced consumption of energy during production, in the future, efforts will be focused on precise use of energy/CO₂ output trial calculation, introduction of high-performance grinding aid solutions, and introduction of alternative fuels, among others. In addition, as far as raw material replacement is concerned, the type of alternative raw materials shall be established, and laws and regulations allowing such replacement, practices, and benefits shall be confirmed. The development as a whole is aimed at integrating environmental protection and energy conservation, and processing and re-utilizing business byproducts, taking care of both the capital threshold and the technical threshold. As for product development not under standard regulations, the focus in the future will be LOHAS products and development of construction techniques and machinery. Such LOHAS products include cement products that can prevent radiation, regulate humidity, are sterile, and can keep warm along with construction machinery in order to lead on the market.

(3) Retail and Wholesale

A. Current Status and Development of the Industry

We keep opening new stores every year regardless of the saturated department store business. With the contribution of three new stores: Mitsui Outlet in Taichung Port, Gloria Outlets phase II, and Breeze Nan Shan in Xinyi District, a revenue growth by 4-5% was seen in the department store business in 2019. With three new stores: Outlet Mall, FED Xinyi A13, and FED Hsinchu (at the end of the year) joining the sector, the 2020 revenue is expected to exceed NT\$360 billion.

According to the MOEA statistics, the revenue of department stores and malls in the first 11 months of 2019 increased by 5.2% to NT\$323.5 billion, with a total 2019 revenue estimated at over NT\$350 billion. Business analysis shows that the 2019 venue growth was mainly contributed by the returning overseas Taiwanese business people.

It is noteworthy that the fatigue has been seen in year-end “anniversary sale,” the traditional master promotional event of department stores following the changes in consumer buying habits and the rise of e-commerce and delivery platforms. Therefore, all department store systems have engaged in makeover to seek feature products and restaurant brands, expand positioning differentiation, and enhance daily life proposals to make better preparations for the keep competitions in 2020.

B. Correlation Among the Upstream, Midstream, and Downstream of Retail and Wholesale Business:

The department store and shopping mall industry covers different specializations such as land development, construction, design and remodeling, business recruitment and planning, operational management, and marketing and project management, among others. The overall industrial chain is divided into different segments, the upstream, mid-stream, and downstream. The main roles of and correlation among the respective segments are described as follows.

Upstream: The upstream of department stores and shopping malls is the primary raw materials such as land or shopping mall buildings, and they mainly come from large land developers, the financial insurance sector, government agencies, or a few private land owners. Some department store operators will also purchase/rent land to build their own department stores or cooperate with the government in BOT projects or ground rights in order to obtain shopping mall buildings.

Midstream: The mid-stream of the industry is the core scope of operation of a department store, that is, shopping mall planning and business recruitment, market intelligence, shopping mall positioning, interior design, planning of the type of business to be engaged in, implementation of business recruitment, engineering management, and deployment of brands, which is a series

of processes. There are the market survey companies and brand consultants to provide information on market and brand recruitment; architects (construction companies) or interior designers (remodeling companies) to provide planning, construction, and engineering management services; and financial institutions to provide funding and financing. In addition, brand owners are the most important resources in this period. Department stores and shopping malls are just space managers. The commodities come from respective brands that have their presence in the shopping mall.

Downstream: The downstream of the industry is primarily sales (products and services) and management. Sales are mainly about the sales representatives for the brands that are based on site. Shopping mall managers are responsible for implementing various marketing and promotional events in the field. There are also the various types of property managers (security, housekeeping, electricity and mechanics, various systems and equipment) to manage and maintain the overall hardware, space, and equipment.

C. Product Trends and Competition:

Department stores and shopping malls are a quite mature industry in Taiwan. Faced with the emergence of e-commerce over the past few years and changing consumption behavior, however, department stores are trying their best to seek change and survive. As far as the remodeling patterns and the changes in brand sales over these years are concerned, developmental trends on the department store market are as follows:

(1) Diversified Types

In light of the highly saturated department store market, department store operators are turning from monotone to theme-based focus as well. (The four branches of Shin Kong Mitsukoshi Department Store in Xinyi District, for example, have their specific positions). In addition, the entrances of large shopping malls and international outlet parks and their popularity all show the ambition of the operators to be novel and different.

(2) Change in Operational Pattern

Traditionally, department stores have mainly sold things, and the floors were planned and the scope of operation they went with were generally the same. For example, the first floor was usually for cosmetics, jewelry, women's shoes, and exquisite products, and each floor was homogeneous in terms of what was sold (such as men's wear or women's wear). Over the past few years, the logic underlying the planning of a department store has been "life proposal". Not emphasizing homogeneity, instead, commodities needed for the same lifestyle are the focus of planning in order to better reflect consumers' demands and to increase the fun of shopping.

(3) Food is King

In a traditional department store, dining is additional after shopping is done and hence accounted for around 10% of all commodities. Over the past few years, however, the ratio has significantly grown! All department stores are including famous popular restaurants as part of their important recruitment strategy. The aura has changed from "getting something to eat after shopping" to "going to which restaurant to eat first and then shop."

As a result, one can see restaurants are turning into a group and franchise and are proactively seeking a presence in department stores and shopping malls. Even some one-star restaurants look at gaining presence in a department store as their important goal. Accordingly, the ratio of dining in department stores has significantly increased by 25% to 35% compared to before. The Breeze Nan Shan that is opening soon has increased that ratio all the way to be above 45%! As the actual sales performance after one year of operations was not as good as expected, the optimal area proportion of restaurants in supermarket food courts requires a longer time for verification.

(4) Experience Economy

Retaining and gathering customers are also important work for shopping malls at the moment. In addition to dining, by adding characteristic experience business, it increases commodity differentiation and helps attract specific customers and extend their stay in the shopping mall.

(III). Technical and Research and Development Status

Over the past few years, Ruentex Development Co., Ltd. has been developing good land lots by constantly introducing innovative approaches that are unprecedented in the construction industry. The purpose is to fulfill the mission of the construction industry - to build the good house of the general consumers' dreams. We demand much from ourselves with multiple indicators such as rigid quality, cost effectiveness, and quick lead time while planning quality residential and commercial projects and providing vertically integrated professional services, accomplishing the utmost customer satisfaction and becoming a "value creating" team that is capable of not only innovation, research, and development, but also creating maximum value added for the land and the residents.

Members on the professional team are specialists in electrical and mechanical engineering, civil engineering, machinery, and materials. They meet on a weekly basis for research and development meetings and are devoted to the research and development of innovative techniques for various tasks, not only correcting the shortcomings of the traditional construction industry, namely labor intensity, waste of materials, and environmental pollution, but also significantly shortening the duration of construction and significantly improving quality of construction at the same time. Meanwhile, the multiple patent rights that Ruentex and its subsidiaries own are proof that its construction technology level is well recognized internationally. The symbolic differentiated construction approach, in particular, is prioritized to be applied in our construction planning, including one-piece stirrup, spiral stirrup, the NUL complex wall method, energy-saving insulation materials, and energy reducing composite sound insulation floors, among others.

Cost devoted to research and development by the Company and its subsidiaries in the most recent year up to the date the Annual Report was printed:

(expressed in NT\$ thousand; %)

Item	2019	March 31, 2020
Annual R&D Expenditures (A)	59,650	16,035
Annual Revenue (B)	17,257,930	3,859,108
(A/B)	0.35%	0.42%

Note: Self-assessed financial data of the previous quarter by the date of annual report publication.

(IV) Long-term and Short-term Business Development Plans

Short-term Plan: In terms of construction, in light of the current capital size, human resources, and investment return, and capital turnover efficiency of the Company, short-term business development is still focused on investing in the construction and sale of various select quality projects in the greater Taipei area. In addition to accomplishing optimal operational benefits, budget system, audit system, and strict control over cost and expenditure/income, and gradually increasing the ratio of self-owned funds are applied to normalize the financial structure and secure the operational base so that the Company can continue to constantly grow and create maximum profits for its shareholders.

In terms of building materials, continuous efforts are made to strengthen R&D capabilities and further differentiate ourselves from the competition. There is a proposal incentive to encourage colleagues to make proposals on how to improve management, equipment, and cost. The market share is increased and ratios of channels are stabilized so that shipping and unit prices can remain steady. We are seeking opportunities to undertake large government construction projects and increase the ratio of high-gross profit products in sales.

In the retail and wholesale business, by the end of 2019, CITYLINK had four stores, including CITYLINK Nangang, CITYLINK Songshan 1, CITYLINK Songshan 2, and CITYLINK Neihu. Faced with fierce competition on the retail market, for shopping malls, the short-term emphasis is placed on strengthening the operational composition of existing stores. The plan is primarily as follows:

(1) Adjustment of Brands: Efforts will be made to continue introducing well-known brands that are suitable for the commercial circle (commodities and restaurants), and gradually eliminate commodities whose performance is undesirable so that consumers will remain interested in the

shopping mall to a certain extent and revisit at a certain frequency helping to increase the revenue.

(2) Strengthening marketing differentiation: Unlike “Buy 1,000 Get 100” promotional activity of traditional retail markets, CITILINK hopes to create topics and become a check-in hotspot with endless and popular events to attract crowds to stores and thereby promote buying and consumption.

In addition, in light of the constant developments of new technologies and the changing reading medium for consumers, it is important to market events related to the shopping mall taking advantage of new social media.

(3) Member Loyalty Management: Maintaining membership has always been very important work for all department stores and shopping malls. How to increase the number of members and their loyalty is often important for the marketing staff!

By 2019, all CITYLINK stores have accumulated over 200,000 members contributing to over 30% of the total sales, with a unit consumption price higher than non-members. In 2020, more topical and promotional events (including increasing free parking frequencies, raising the value of gift for purchases, and member-only specials and discounts) will be planned to stimulate member purchases, increase their adherence, and enhance in-depth member management and interaction.

Long-term Plan: Looking into the future, the Company will continue to apply its core skills, namely “market insight, quick control over core operating techniques, and copying successful experiences quickly through the high-efficiency team”, and devote itself to construction or newly developed businesses. In terms of construction, it will proactively take part in respective major government public constructions and BOT projects while at the same time applying the fast precast method. It is expected that some of the capital will be devoted to commercial real estate assets that are held for a relatively long period of time and are self-operated or outsourced for operation and management in order to create steady profits for the Company. In terms of logistics, self-owned brands will continue to be developed and opportunities for opening more stores will be proactively evaluated in order to create more splendid performance. Efficiency will be enhanced and costs reduced through grouping, polygonization, and franchising. Pursuit of fruitful accomplishments for all businesses is committed to in order to create maximum interest for the shareholders of the Company.

For building materials, on the other hand, the environmental industry is combined for cross-industry integration. Quality is advanced to provide cement products of steady quality. Innovation, research, and development are focused on high quality and diversified cement products. Building material products and techniques are advanced to integrate service providers. Overseas quality building materials are sold through dealerships taking advantage of integral qualification capabilities. Mainland China and the overseas market are included. Sales representatives are trained with their professionalism improved.

As far as retail and wholesale business is concerned, faced with a quickly changing market where consumers have increased likings for new things and tend to dislike old ones, in addition to securing current grocery sales, efforts shall also be devoted to maintaining long-term competitive advantages and growth strength through different strategies. The primary plan is as follows:

(1) Talent Development: Talent is the cornerstone of corporate management. By selecting the precise talent, training them, and rotating them, in addition to creating a desirable workplace and corporate culture, outstanding talent can be retained. In addition, particular attention is paid to the employees’ moral conduct and loyalty to the Company.

Outstanding employees not only will create optimal business performance but also can inspire and motivate other colleagues to form an optimal team that is able to fulfill new missions assigned by and demanded by the Company, and accordingly break new ground.

(2) Exploring Opportunities to Open New Stores: In addition to the operating performance from a single store, how to expand the market share and keep opening additional stores is important! By increasing the number of stores, it helps not only enhance brand awareness, but also increases

negotiating chips with suppliers through cooperation with more brands. The sharing of costs among the stores forms a positive cycle for the operating performance to improve.

At present, all four CITYLINK shopping malls are located in Taipei City. In the future, they will reach out to important counties and cities in northern, central, and southern parts of Taiwan (New Taipei City, Hsinchu City, Taichung City, Kaohsiung City, etc.) once appropriate locations are found for additional stores.

(3) For the Co-brand Card, besides the current membership system, in the future, a Co-brand Card with a financial institution will be issued so that the parties can share resources and establish a far-reaching relationship with loyal customers that increases their adhesion and effectively enhances the per customer transaction.

In addition, the differentiation marketing strategy of a Co-brand Card effectively differentiates us from other grocery stores to increase the brand awareness of CITYLINK.

II. Market and Production/Distribution Overview

(1) Market analysis: Construction, construction materials, and wholesale are the three main business sectors of the company. The market analysis of these three sectors are as follows:

1. Construction:

A. Where products (services) are primarily sold to or provided.

Construction business of the Company for the past three years focused on residential elevator buildings or office buildings in Taipei City and New Taipei City where transportation is convenient, daily living functions are complete, and there is development potential in the future; the sales have been desirable.

B. Market Share:

Statistics of the price and volume changes residential housing by estate agents show that the transaction volume has been growing for two consecutive years, despite the speed being slow. The total transaction volume in January this year decreased by 21% compared to last December and about 10% YoY, with the highest in Kaohsiung by 20% and then Taoyuan by 19%. The transaction volume in Taipei, Hsinchu County and Hsinchu City, and Tainan increased by 2%, 10%, and 7%, respectively, with brilliant performance. After the presidential election, the market condition shows that the housing market has restored to the market supply-demand mechanism in the absence of new policies affecting the housing market. Following the end of the Spring Festival, the public returned to the normal pace of life, and buying should be recovered. However, as positive news including the return of overseas Taiwanese businesses and order transfer has escalated recently, some owners are optimistic about the future housing market and thus hold a stronger attitude in selling, enlarging the price gap with buyers to reduce the transaction volume. Although first-time buyers and move-up buyers have gradually returned to the market, they are still conservative about the price and unwilling to keep track on it.

In addition, due to the continuation of the US-China trade dispute and the outbreak of the COVID-19 pandemic that draws global concerns, both the stock market and forex market have taken a dive across the world. This pandemic will certainly affect the economic and financial markets across the globe to increase uncertainty, impacting the housing market for the short run. As the house watching volume is still stable, suggesting that the buying desire maintains in citizens. The price is the key of transaction, and the impact of the pandemic requires further observation.

Overall, price comparison in Taipei City and New Taipei City began to decline in 2019, and adjustments are still in progress. In 2020, constructors with confidence in the housing market performance unanimously believe that the heat of 2019 will continue and are optimistic about the market. Estimates of constructors show that the annual project volume will reach NT\$1.5 trillion, and more trends will push the overall market toward “increasing volume and slightly rising price” in 2020.

C. Future Supply and Demand and Market Growth:

Politics, economics, and interest rate are the three main factors affecting the real estate market. Realtors believe that the return to Taiwan for plant erection of overseas Taiwanese businesses

will accelerate industrial development and increase employment. As the domestic interest rate is favorable to the housing market, large banks are also optimistic about the mortgage demand. The quick disappearance of anxiety and doubts in the public after the presidential election will also stabilize housing market development. Looking out to 2020, the return of overseas Taiwanese businesses will drive and accelerate investments in offices, factory buildings, and land. With the elimination of external interferences, increase in currency supply, stabilization of the interest rate, and abundance of capital, the housing market has restored to its fundamental.

The recovery of the housing market for three consecutive years has significantly increased the land purchase and project initiation of constructors and the rigid demand for buying. According to the statistics of the Chinese Association of Real Estate Brokers, projects initiated in the first three quarters of 2019 accumulated 83,000 units, with a growth by 12.3%, the highest in the last five years. In 2019 constructors also bought land totaled NT\$199.9 billion, approx. 149 hectares, increased significantly by 106% YoY. This suggests that constructors are confident in the housing market recovery and optimistic about the overall market. Apart from actively accumulating land, the applied for building permits to a history high. Therefore, the project volume in 2020 will exceed NT\$1 trillion. In terms of the trend of sales rate, the current housing market decline hit the bottom in 2016. The overall transaction momentum was weakened by the market slump, as witnessed by the largest price negotiation range. Following the slow recovery in the sales rate and housing market in 2018, the annual sales rate recovered to 50%, suggesting that the normal market mechanism has regained. Currently, there is nearly no investment-based products, and the development of the overall real estate industry is positive, making it the best timing for citizens to buy their homes and the best opportunity for constructors to launch projects.

(A) Supply:

a. Completed Homes

The COVID-19 pandemic will continue to expand, and the fear index escalates ceaselessly. Besides the fear of affecting the housing market, the fear of dumping is even more frightening. For the short run, a significant decline of pre-owned home transaction will be unlikely to happen. As shown in the Q1 transaction volume of pre-owned homes, instead of reduction, transactions in January and February increased to the contrary. Although there is no sign of pandemic expansion in Taiwan for the moment, the future transaction volume is expected to reduce by 10-20%.

The possibility of a housing price plummet as a result of fear is low, because the housing price in Taiwan has dropped gently for four consecutive years since 2014, the price has been over-corrected, and unsold units have been sold gradually during the soft landing. Even the pandemic continues until May to June, the housing price will simply be lower than fall, and dumping is unlikely to happen. As the COVID-19 pandemic continues, the possibility of a lower price increases. If the pandemic continues to Q3 beyond imagination, it will affect the global economy. In that case, a global depression will be unavoidable, including the housing market.

Currently, a continual recovery of the housing market is expectant regardless of the pandemic. However, the housing price will maintain at a certain level and return to the fundamental of the market in the second half of the year.

The overall market status, on the other hand, continued from that last year and appears to be mild and steady. Currently, there is no sudden surge in volume and also no unpromising signs on the market. The slow recovery trend continued from last year. This year, individual performance will be an obvious trend. The builder brand, land lot, and planning, among other factors, will also become key to the popularity of a project. Low unit price and low total price will continue to be the mainstream on the market. Purchases are relatively minimally impacted by the economy. Room for investment and speculation is no longer available. All of the new products introduced this year primarily feature two bedrooms or three bedrooms. The number of pings involved is reduced and quality of building materials is increased. Meanwhile, easy initial payment and monthly payment conditions are introduced. The hope is to introduce products meeting the

demands of owner-occupation customers.

In addition to the rigid demand of new projects, luxury housing is the focus of sales in 2020. Although the US-China trade war and presidential election were unfavorable factors in 2019, as the interest rate is low, buying recovers after the election, the government is inviting overseas Taiwanese businesses to invest in Taiwan, and free capital in the domestic market, these four favorable factors will be likely to stabilize the robust growth of the housing market.

B. Pre-sale Market

According to My Housing magazine, the recovery of the housing market in 2019 has driven the move-up trend, and a high number of constructors began to launch medium-sized projects with units of about 130-200m² each. Under the pandemic impact, however, first-time buyers have become the major buying force again, and a few constructors of luxury housing without giving up on small-size units were accidentally benefited. Sales in Taiwan City are optimistic in the first half of the year. After the recovery last year, constructors have increased the size of projects. The supply of units for move-up increases significantly this year, as constructors are optimistic about the demand of the move-up groups and the middle class. However, man proposes, God disposes. No one could have ever predicted the COVID-19 pandemic, and the move-up demand reduces, while the demand for self-use small-size units maintains smoothly.

According to realtors, the 2019 performance will continue in 2020, featuring a steady market recovery, and there is no sign of deterioration. Continuing the recovery last year, sales during the Spring Festival were stable, similar to that of the last year. In general, small-to-medium-size units were sold more quickly. Apart from the location and product planning, the constructor brand has become another buying indicator of consumers, suggesting that the constructor brand will be the key to hot sale of individual projects this year.

The supply-demand mechanism regains in the housing market. New policies to suppress market development are not seen. Anxiety from the presidential election has ended. The economic side is stable. Self-use and property buying will be the major heating up buying power, making the housing market return to the right track. When purchasing real estate, as long as they do not speculate over the short term, and if they choose the correct area and product, consumers can still preserve the value of the home they purchase despite the falling price over the long term. The number of new products introduced this year should be increased compared to that last year. The pre-sale market has returned to owner-occupation and rigid demand.

C. Commercial Real Estate Market (office supply, rent, and vacancy rate)

No new office building was released in 2019, and sales of existing objects continues. The rent of grade A office buildings in Taipei City is stable and remains the same as in the previous quarter, and the average monthly rent throughout the city is NT\$2,580/ping. As landlords hold a strong attitude toward the rent and the pre-lease period, the average office rent in Taipei City will maintain at a regular level. Rent growth in the Xinyi and Dunbei are the most significant among all business areas. The rent in Xinyi business area is the bellwether of grade A office area, as witnessed by the rent of the three grade A office buildings (Nanshan Plaza, Cathay Landmark, and Farglory Financial Center) at NT\$4,000/ping for higher floors and NT\$3,600-NT\$3,900 for lower floors. By Q4 2019, the idle rate of grade A office buildings in Taipei City was 4.5%, the new lowest point. However, the low idle rate may inhibit future relocation activities. When no new options are available, most enterprises will choose to renew the lease. In addition, in location selection, small businesses with less than 50 employees will tend to consider office sharing or business centers. Most lease activities in this quarter involved with small areas and focused on Xinyi District.

In terms of supply, constructors and owners are actively engaging in the construction or reconstruction of office buildings. Preliminary estimates show that grades A and B office buildings with a total building area of nearly 400,000 ping (or 1,322,320m²) will be completed and released in 2020-2025, mostly in Dunbei and Xinyi business areas. However, as new office buildings are constructed by means of urban regeneration or

reconstruction of urban unsafe and old buildings, they progress is slow. In the last year, only three: CBF Building, Shanghai Commercial & Savings Bank HQ, and Cathay 1 Chunghua Building were approved, with demolition and construction in progress. In consideration of the administration time required for reconstruction, the schedule of office release will be deferred. When new supply is limited and the idle rate is low, the office rent will continue to rise, with an estimated growth of over 3.5% in 2020.

(B) Demand

a. Completed Homes

According to the Central Bank statistics, the February balance of housing loans increased by NT\$30.7 billion to NT\$7.4558 trillion, with an annual growth of 6.45%, the new high over the past nine and a half years since August 2010. According to the analysis of Central Bank officials, a buying heat emerged after the Spring Festival, suggesting that the pandemic's impact on the housing market is insignificant. According to the Central Bank statistics, the February balance of construction financing, the project promotion indicator of contractors, increased by NT\$23.6 billion from January, with an annual growth up to 14.14%, a new high over the last eight and a half year. According to the analysis of Central Bank officials, when constructors restarted work after the Spring Festival, financing need arose for land preparation for construction, operating turnover, or sales promotion, spurring the increase in construction financing.

Although the COVID-19 pandemic spread rapidly after the Spring Festival, so far its impact on the domestic housing market is not as significant as that of SARS. Central Bank officials added, hesitation has begun in housing transaction according to recent investigations. Therefore, the pandemic's actual impact on the housing market needs further observation. Accumulation in 2019

Despite returning purchases last year, the slowly recovering trading volume due to price reduction in downtown new homes, the significant price-volume modifications in downtown areas of Taipei and New Taipei, the market returning to the fundamental side, less tax and relatively large room for price negotiation of second-hand homes that are likely to bring up the momentum, and the thick wait-and-see atmosphere in areas where supply is in excess resulted in investment-oriented purchases of new homes remaining at the price reduction section where price comparison occurs in the midst of price-slashing competition.

Medium-to-low-priced products are still the mainstream on the market primarily because of the owner-occupation demand that can be fulfilled by medium-to-low-priced housing; as a result, the supply is evened out by demand. When short-term property flippers were forced to leave the market after the basic supply-demand mechanism recovered in 2019, self-use home buyers will become the major support of the housing market. Homes with a small floor area with a total price of NT\$12 million to NT\$15 million near MRT stations in Taipei City or medium-to-small-sized homes around NT\$8 million to NT\$12 million are the primary targets for first-time purchasers. The total price remains the mainstream on the market. For the population that owns a high level of assets, on the other hand, they will select luxury homes located in prime sites that will appreciate and whose value will be retained.

B. Pre-sale Market

The heat of superficies tendering in 2019 attracted the constant deployment of insurers, and this trend is expected to continue in 2020. According to My Housing magazine, the big heat of office buildings is the main reason for the rise of superficies, as superficies leased by tendering in recent years will be used for building office buildings. This heat will continue in 2020, with focus on office buildings and luxury housing.

Performance will rise steadily in 2020 following the end of the presidential election. Politics, economics, and selling pressure are the hidden worries in the housing market. Currently, self-use is still the major demand. The price is the main concern of buyers. Small-to-medium-size completed objects and low-price new projects were the major products and will continue in 2020. Alongside with the return of overseas Taiwanese businesses, the move-up and property purchase groups will join the market to help

consume medium-to-large-size objects and luxury housing this year.

Although the COVID-19 pandemic spread rapidly after the Spring Festival, so far its impact on the domestic housing market is not as significant as that of SARS. Central Bank officials added, hesitation has begun in housing transaction according to recent investigations. Therefore, the pandemic's actual impact on the housing market needs further observation.

As impacts from the US-China trade war start to surface, overseas Taiwanese businessmen have returned. In addition to the reduced current value of land announced for the year, both are in favor of the luxury home market. In addition, taxation for real estate properties will not be increased further and the housing market has reached the bottom. The traditional high season is approaching for the housing market. After the sluggish atmosphere that has been going on for a while resulting in quite a few delayed purchases, builders are sensing the proactive attitudes of buyers in looking for homes. Given the gap between offered prices and expected ones, during a transaction, the seller adequately adjusts the selling price. As a result, the trading volume on the housing market bounced last year. It is inferred that the bottom-out had to do with price modification. Central Bank officials added, hesitation has begun in housing transaction according to recent investigations. Therefore, the pandemic's actual impact on the housing market needs further observation.

C. Commercial Real Estate Market (office supply/lessee dynamics)

In the past two years, the strong demand for new buildings, the success of the pre-leasing model, and the high occupancy and rate performance drove the demand for pre-owned buildings and thrived the office market. With no grade A office buildings completed in 2019, a total of 26,000 ping (85,950m²) of office buildings were sold in 2019, 50% less than the previous year. Further analysis of the large leasing transactions (over 500 ping (1,653m²)) of grade A office buildings shows, nearly 30% of the demand with a leased area of nearly 9,600 ping (31,735m²) came from business centers or office sharing, the major tenants of grade A office buildings; while insurers or professional service providers were the major tenants in the past. Businesses enforcing expansion included foreign investors JustCo, Wework, and The Executive Centre. Following the rapid change and rise of industries, the office demand of many emerging industries increases exponentially, with preferences toward grade A office buildings. Leading lease examples include e-commerce platforms Shopee, which has rented half of the whole UDN Building (3,400 ping (11,239m²)), and Taobao Taiwan, which has rented on whole story of Hongtai International Financial Center. Pure internet banks established last year will rent four stories of Continental Engineering's building on Dunhua South Road (approx. 1,500 ping (5,000m²)). These examples have shown the capital abundance and the confidence in future expansion of emerging industries.

Looking out to the future, although the lease demand is still high in the market, as the availability of idle space is low and all new buildings to be completed in the next two years are for self-use, the demand will outgrow the supply. Customers with leasing needs may turn to office sharing and pre-owned office buildings in the city or office buildings in the outskirts for the short run. The rent will continue to rise due to lack of products.

(C) Growth Potential:

a. Housing Market

The return of overseas Taiwanese businesses was the market highlight in 2019. As a result of the US-China trade war, Taiwanese businesses in mainland China re-invest in Taiwan to heat up the land demand in Taiwan. Although the COVID-19 pandemic spread rapidly after the Spring Festival, so far its impact on the domestic housing market is not insignificant. Recent market surveys show that hesitation has emerged in buying and selling. Therefore, the impact of COVID-19 requires further observation. According to the Central Bank, the new home loans introduced by the leading banks are increasing. According to Central Bank officials, as the date of the Spring Festival differs every year, an overall analysis is required. The amount of loans for new mortgage cases

in January and February of the five leading banks was BT\$84.6 billion, a new high over the last nine years since 2012, suggesting that the pandemic's impact on the buying is temporarily insignificant. Thanks to the return of overseas Taiwanese businesses, some indicative luxury housing projects were sold for self-use or investment. With pressure from redundant homes that have accumulated in the past on the market, subsequent impacts on the market remain. Fortunately, the rigid demand from first-time purchasers and those wanting to change homes can still support part of the market. Without other major impacts on the market, the short-term price-volume trend begins with relatively steady price and shrinking volume. The volatile atmosphere in the overall political and economic environment, however, can still impact the subsequent market conditions. The extent of impact depends on how far it goes. The major factors affecting the housing market trend in 2019 include: stable supply-demand structure, economic stimulation by the interest rate cut of the Central Bank, and the economic revitalization measures adopted by the government to address the COVID-19 pandemic. It is expected that the housing market will return to the fundamental side where good products and good brands will continue to thrive.

b. Commercial Real Estate Market (Overall prospects on the commercial real estate market)

The 2019 transaction volume of the commercial buildings increased, with an amount accumulating to NT\$148.1 billion, a new high since the last 12 years. The total transaction amount was even over 10% higher than the previous wave commercial building purchase by life insurance companies in 2011. Among all types of estate, malls, factory buildings, and offices are the three most common types. Due to the push of Living Mall (NT\$37.2 billion), malls have become the largest type of estate transaction in 2019. Offices were the second largest type of estate transaction, with a total amount of NT\$29.7 billion. The self-use demand accounted for nearly 60%, with the demand of financial and high-tech headquarters being the strongest. Major transactions in 2019 included the purchase of the Dazhi office building at NT\$5.67 billion of IBF Financial Holdings and the purchase of the office building of the Pearl of Nangang at NT\$5.086 billion of Synnex Technology International. Both objects were used as enterprise headquarters. As the availability of large-area offices is low, enterprises turn to pre-sale objects. Apart from meeting the demand for department spatial integration, pre-sale objects allowed for spatial customization to meet the office need.

The transaction of both commercial buildings and land increased significantly in 2019. The economic and policy stability has increased confidence in buyers. The annual sales of large estate and superficies in 2019 accumulated NT\$258.3 billion. Over 80% of land was bought by constructors. In terms of transaction amount, the region with the highest total amount is Taichung City (NT\$64.3 billion) and New Taipei City (NT\$44.3 billion), suggesting that constructors are optimistic about the self-use residential market with understated value. There are many land tendering projects over NT\$10 billion in 2020, including the large investment projects like Xinyi D3, Living Mall, and the superficies of Xinyi Administration Center, where the trace of active constructor involvement is seen. This suggests that constructors have high confidence in the future housing market. The scale of individual investments increased significantly to mark out the intention of price competition.

It is estimated that the transaction of commercial buildings in 2020 still requires the promotion of government policies, such as the 3D development of industrial parks, return of overseas Taiwanese businesses, welcoming overseas Taiwanese businesses to return to invest in Taiwan, and the extension of the reconstruction of urban unsafe and old buildings in discussion, to provide market momentum to stimulate both self-use and investment. However, it is believed that the COVID-19 pandemic broke out in early 2020 will affect economic growth, business activities, and individual behavior for a short time, with the greatest impact found in the retail and hotel industries. It is generally believed that investments will be slowed in the first half of the year, while global economic growth will rebound in the second half of the year. However, for risk dispersion, industries will adopt the asset distribution strategy, which will reduce the impacts on estate transactions, as its ROI is still more attractive than other assets.

D. Competitive Niche

- (A) Abundant operating capital and sound credit rating.
- (B) Outstanding land development and project sales abilities.
- (C) Understanding of market demand and stringent product design.
- (D) Precise control of project quality, progress, and costs.
- (E) Outstanding management team and sound customer service.
- (F) Excellent brand image.

E. Advantageous and Disadvantageous Factors for Future Developments as well as Response Measures

Although the overall sales rate does not reflect the generally believed extremely less transactions due to the better sales performance of a few projects, the overall transactions of most projects were very few. In terms of international finance, the strength of global economic expansion reduced as the US-China trade conflict escalated. Most international organizations have marked down their forecast on the global economic and trade growth for 2020 due to the hidden downturn potential. However, the speed of interest rate raise will also slow. In terms of domestic economics and finance, domestic stocks fell in pace with the global stock fluctuation that affected consumer faith. However, the Central Bank has decided to maintain the current interest rate and currency easing to facilitate the robust development of the overall economy and finance. Buying in the housing market was moderately affected by the nine-in-one election last year. Although the amendment to the Urban Renewal Act may bring benefits the estate market, the recent cross-strait tension and political turmoil may bring external interference to the domestic housing market in the future.

After Trump took office in the US, under the threat of trade protectionism, the government had to maximize domestic demand in order to make up for deteriorating exports, including increasing the number of major public constructions completed, activation of urban renewal, the preferred tax system, and incentives for private investments, among others. This indirectly stopped the falling streak on the housing market in the future. Although housing prices lack the momentum to bounce over the short term, it has helped boost the overall confidence in transactions on the housing market.

Over the past few years, the real price registry policy has been adopted and enforced in respective major metropolitan areas. Market intelligence is transparent. The enforcement of the joint tax of house and land in 2016 cleared up the taxation policy and connected with real pricing. The market will hopefully stabilize in the future. As the government introduces more new construction plans and favorable news in the future, it may continue to boost the housing market. There is good policy news in the market. Overall, the favorable factors and unfavorable factors affecting the development of the overall housing market in 2020 and the countermeasures are as follows:

Advantageous Factors:

- (A) **Policy:** Housing emphasizing transportation function featuring the MRT will never fail. While transportation development is promoted across Taiwan at the moment, projects along public transportation routes have become highlights. For example, the metro Circular Line and Wanda Line and the Green Mountain Line of the Danhai LRT under construction in Taipei City and New Taipei City, and the Taoyuan Metro (Airport Line) in operation will stabilize the housing market growth for their interaction with the daily life.
- (B) **Capital:** Benefits from low interest rate. The board meeting of the Central Bank determines to maintain the low interest rate. The influence of the US-China trade war and the uncertainty of the pandemic will affect Taiwan's economic growth. The low interest rate for housing is expected to continue to benefit first-time home buyers. Home purchasers will still return to owner occupation demand and plan long-term investments.
- (C) **Market** — In terms of the international economic and financial situation, the uncertainty with the US trade policy, the worsened financial situation on emerging markets, the sliding economy in Mainland China, and geopolitical risks will all affect the global

economic outlook.Domestic economics and finances: Moderate inflation pressure. The Central Bank maintain the low interest rate and currency easing policies in Q4 2018 to create a stable environment for commodity price and finance. However, second-mortgage applicants should be aware of the risk of interest rate raise. issues such as reconstruction of old and dangerous homes and house-for-pension are favorable for the housing market. A low birth rate, aging, and immigration, however, will also concern subsequent development of real estate product types.

Disadvantageous Factors:

- (A) **Continuously low economic growth:** The domestic macroeconomics keeps running low, which will become an important factor affecting the development of domestic housing market. For the short term, the price-volume trend on the market will start out with falling prices and shrinking volumes and many buyers are waiting and seeing. The uncertainty factors that are rampant in the overall political and economic environment may impact fiercely the subsequent market performance. In addition, whether or not new housing market policies will be launched after the presidential election will affect housing market transactions.
- (B) **Hesitation from pandemic:** The pandemic that spreads across the world has brought significant impact to economic development, stopping the volume of housing transactions from recovery. Hesitation begins in some citizens, as shown in the transaction volume in March, which was about 5% less than February; particularly in late March when COVID-19 broke out across the world. Fear began to escalate in the public to reduce house watching. The housing market is not that optimistic in Q2. The new canopy regulations will affect the land price and the operational intention of constructors due to the influence of the cost and integration condition.
- (C) **Impact of US-China trade dispute:** The dispute has impacted both the global economics and forex market. Due to the difficulty in business operations, achievements in global economic growth will be unlikely in the short run. The number of unsold new units and use permits are still high in Taiwan. It is estimated there will be 144,000 building permits in 2019, the highest in history. The excessive supply will accumulate sales pressure. The volume of unsold luxury housing increases significantly in all six municipalities, and prices have begun to reduce. Therefore, the pandemic, trade war, excessive supply, and housing market policy will be variables affecting the housing market in 2020 and the subsequent development of the estate market.

Response Measures:

Looking ahead at the 2020 market trend, the return of capital from overseas Taiwanese businesses will increase due to the US-China trade confrontation Housing market confidence in central and southern Taiwan recovered after the end of the presidential election. M1b money supply has increased, interest rates remain unchanged, and funds are still sufficient. Some cases performed well due to regional product planning, branding, and other factors. Self-occupied buying and small and medium-sized houses are easier to sell for owner-occupant types, and as the market has rebounded, consumer's confidence in the future housing market also increases. Then 2020 presidential election. If the domestic macroeconomics keeps running low due to the pandemic, and the pressure from excessive unsold units accumulates, the development of the domestic housing market will be affected. If there are no other major events, the short-term trend of market prices and quantities will display a pattern of prices and quantities dropping, and buyers will wait and see. Uncertainties in the overall political and economic environment may still significantly affect the subsequent market.

Countermeasures for the 2020 domestic housing market:

- (A) Carefully select project locations, focus on construction quality, and enhance product competitiveness.
- (B) Short-term Strategy: As land prices remain high, insist on construction quality and service to sell at a higher price for a good brand.
- (C) Long-term response: For the long run, the housing price can grow steadily. Therefore,

good products, good locations, and good planning should be maintained to create value.

2. Building Materials Business

A. Sales (supply) Areas of Main Building Materials (services)

The building materials of the Company and its subsidiaries are mainly sold to the northern region, such as Yilan, Keelung, Taipei, Taoyuan, Hsinchu, and other counties. Our products have huge transportation advantages in the northern region in terms of distance.

B. Market Share, Market Supply and Demand in the Future, and the Outlook

Thanks to the large number of contracts under the Forward-Looking Infrastructure Project, an increase of 1 million tons of cement is expected for the overall domestic cement market in 2020. In addition, construction projects for factory and office buildings and green energy (solar energy and wind power) facilities will drive the growth of the cement industry.

However, as project initiation has been affected by COVID-19 in Q1, cement shipping volume experienced a negative growth compared to the same period in 2018. A steady growth in the overall cement shipping volume is expected in 2020 for the above reasons.

C. Competitive Niche

- (A) High vertical integration of the management team with a complete system.
- (B) Product diversity.
- (C) A powerful R&D team with strong innovation and R&D capacity.
- (D) Implementation of the six sigma and IT tools including SAP and RFID.
- (E) Good reputation and National Standardization Award facilitate project undertaking.
- (F) Products comply with global specifications for design customization.
- (G) Forefront QC equipment and technology provide customers with excellent products of stable quality.

D. Favorable and Unfavorable Factors and Countermeasures for Future Development

Advantageous Factors:

- (A) High entry barriers with less competitors.
- (B) Lab certification enhances quality barriers, the first cement maker in Taiwan to implement the quality record scheme.
- (C) Segmentation from competitors with the corporate brand RT.MIX that attracts customers.
- (D) Rise of environmental protection awareness increases the use of green construction materials.
- (E) Talents from different fields, ready for vertical integration.
- (F) R&D capacity superior to that of competitors.
- (G) Provision of special technology for construction and materials with RT.MIX.
- (H) Inclusion of the CNS specifications for ready-mix mortar in the Public Works Construction Specifications to facilitate promotion.
- (I) Active pursuit of life quality and thriving travel and tourism habits in nationals.

Disadvantageous Factors:

- (A) Influence of the business cycle in the construction industry.
- (B) Influence of the fluctuation in international coal prices.
- (C) Peer competition.
- (D) Higher operating cost from the rising environmental protection awareness.
- (E) Promotion of new-typed construction materials.
- (F) Difficulty in recruitment or high turnover rate of design talents.

Response Measures:

- (A) Enhance cost control; strengthen up-, mid-, and down-stream channels; continue to cultivate the domestic market; introduce differentiated products; and secure the existing market position to achieve the total production-sales goal and thereby stabilize profit.
- (B) Apart from maintaining sound cooperation with coal suppliers, we also pay close attention to varied market information, adopt a prudent purchase strategy, and continue to reduce production costs through process and equipment improvements to reduce the impacts of rising raw material prices.

- (C) Continue to optimize and improve the cement process, strive to improve quality and enhance production efficiency; and penetrate the market of ready-mixed cement mortar to enhance product value to avoid price competitions in cement products.
- (D) Dry sand (sand drying is one of the production processes of ready-mixed cement materials) with waste heat from the cement rotary kiln to enhance energy efficiency, in order to help reduce energy consumption and enhance production efficiency.
- (E) Apart from constantly enhancing production efficiency and improving product quality to acquire competitive advantages in price, we will strengthen cooperation with existing customers, maintain the existing market with high-quality custom products, and enhance brand awareness with sound reputation to cultivate new markets.
- (F) Develop a complete framework and roadmap for talent management; engrain corporate culture; pay attention to the talent recruitment strategy and performance management process. In addition, the Company will also build a roadmap to meet the needs of job skills, and provide vertical and horizontal career and learning pathways to facilitate talent development along the planning path.

3. Retail and Wholesale Business

A. Major Markets of Retail and Wholesale Business (services):

Consumption of department stores is significantly different by regions, namely, most consumers are people in the effective business district. Of course, some business districts can attract a wider range of consumer groups, and even attract tourists at home and abroad due to their special geographical conditions and business features. CITYLINK currently has four shopping malls located in Taipei City, so the Greater Taipei area (Taipei City and New Taipei City) is its main market. Keelung City is also included in the market (business district) because it is located in the northeast of Taipei City.

B. Market Share, Market Supply and Demand, and Growth Outlook:

In 2019, the sales revenue of department stores (including malls) in Taiwan was about NT\$ 350 billion. The total sales revenue of the four CITYLINK stores in 2019 was NT\$4.06 billion, accounting for about 1.2% of the total market. We hope to continually increase the market share through establishing new stores in the future.

Future Supply and Demand Situation and Growth of the Market:

- (1) Supply: Although Taiwan's population will not grow or even decrease in the future, department stores have continued to increase; Taipei City has the highest density of department stores in the world. Apart from opening of the Top City Department Store A13 in Q1 2020, we will launch other development projects in the future!

In addition to Taipei City, other Taiwan regions also have large-scale shopping malls. In addition to existing chain stores (such as Hsin Kuang, Top City, Sogo, and Breeze), new operators (such as Mitsui Outlet Park) continue to join and bring a new competition pattern. Diversity, abundance, and individualization will be the future operational trends of department stores in Taiwan. The increasing supply will only accelerate the elimination of operators with poor performance!

- (2) Demand: Taiwan's population will see negative growth in the future. The sluggish economy, and rising wages and prices will continue to dampen consumer confidence, and has seriously affected the performance of physical department stores in recent years! In addition, the impact of e-commerce, changes in population structure, and consumption habits have caused huge changes in demand.

The very popular fast fashion style in the past few years has encountered a plunge of consumption power and slowed down the pace of opening new stores. Therefore, it will be an important issue for shopping malls in the future to accurately understand the new trend of consumer demand.

- (3) Growth: Continuing the above-mentioned demand description, the growth of the future market is not optimistic given consumer population has not increased and the overall environmental climate has not improved. Of course, if we find the right place and the right positioning plan in the current saturated market, we can still capture market niche and

growth opportunities!

Our goal is to maintain a growth of 3 to 5% per year through our four existing shopping malls and continuous adjustment and service quality improvement.

C. Competitive Niche:

- (1) Location Advantages: CITYLINK currently has four shopping malls located in Taipei City, of which the Songshan Stores (No. 1 and No. 2 Stores) and Nangang Store are located in station business complexes and business and hotel complexes, so they can attract passengers, regular office collars, commuters, business travelers, etc. in addition to general customers in the commercial circle, showing a completely different consumer group from the general department store. Although Neihu is a community-based department store, it has stable consumers because its floor 2 store directly connects to the MRT.

The light rail economy is a very important trend for Taiwan's department store retailing in recent year, it is an important issue for CITYLINK to make good use of locational advantages to continually introduce more suitable products.

- (2) Group's Comprehensive Effect: Ruentex Group has diversified businesses: Real estate development can provide shopping mall construction sources, construction and decoration can provide shopping mall planning and decoration, and cleaning, repair, electrical, and mechanical maintenance can guarantee the shopping mall's daily management operation, and can also support human resources, accounting, information, and so on. Additionally, because of the huge resources of the group, CITYLINK can provide better service to all consumers.

In addition, CITYLINK can also closely cooperate with other investment units in the Group to differentiate its business and marketing, making the best use of the Group's resources.

- (3) Differentiation: CITYLINK's four shopping malls strive to differentiate their business by continuing to hold topic marketing activities, introducing TUZTAYA BOOKSTORE, and introducing exclusive brands.

D. Favorable Factors, Unfavorable Factors, and Countermeasures for the Business Development:

Favorable Factors

CITYLINK has earned certain brand awareness and reputation in the market, and maintains good business relations with brand manufacturers. Its four stores are located in bustling areas and are complex commercial facilities, having inherently stable consumer groups, so its business is little affected by the change in the business district or market sentiment.

The operating performance and accumulated knowhow of the existing stores, and the manufacturer's recognition of CITYLINK's operating ability will also help attract new customers to new stores in the future. If we can speed up the opening of new stores, it will help enhance business development, cultivate talents, and improve awareness of CITYLINK in the long run.

In addition, the Group's abundant resources can also provide more support for long-term business growth.

Unfavorable Factors

- (A) Presently the market share of the four stores is too small, so its influence on brand manufacturers is not significant.
- (B) Although the existing four stores are located in bustling areas, they are not important or densely populated business districts, therefore, they are easily restricted in selecting brands.
- (C) There are not so many brands and quantities (such as cosmetics, jewelry, boutiques, etc.), so they must spend more time to communicate about store opening and attract business in the future, and it is difficult to compete with large department stores!

Response Measures:

- (A) The existing four stores should attract brands that match the store according to the business district, its own transport facilities, and the number of local office workers.

- (B) Strengthen marketing and planning activities, store space maintenance, and service quality.
- (C) Strengthen the cultivation of human resources and reserve cadres; and aggressively open new stores to play up the brand effect.

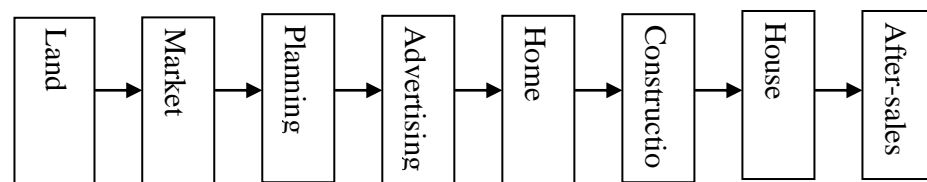
(2) Main Product Purpose and Production Process:

(1) Main Product Purpose:

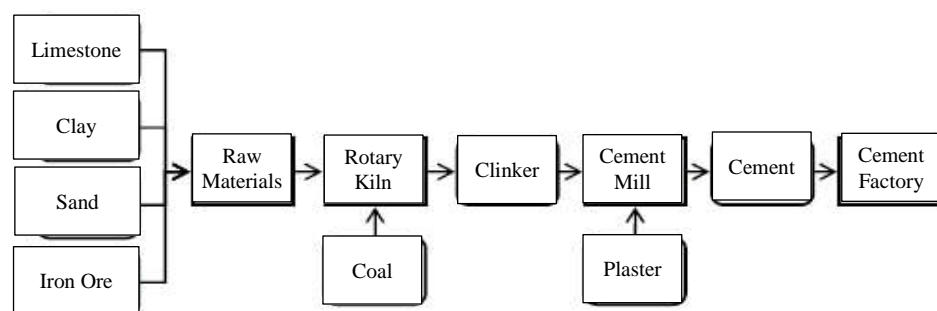
The Company's main products can be broadly divided into construction, building materials, and wholesale business categories. The construction category can be further divided into residential and commercial buildings. Residential buildings are for use by people. Commercial buildings are sold or rented for users to engage in business activities. Building materials are used for construction projects. Logistics provides a large variety of grocery, clothing, electrical appliances, and fresh goods to meet the needs of consumers.

(2) Production Process of Main Products:

A. Construction



B. Building Materials



C. Retail and Wholesale Business: No production process for wholesale business.

(3) Supply Status of Main Raw Materials:

The main raw materials of the upstream in the construction industry are land and building materials. The acquisition of land can be achieved through the sale or joint construction of private landlords, or the redevelopment of old residential communities by urban renovation procedures, and the acquisition of state-owned non-public sites through government auctions. Building materials are purchased from professional suppliers or factories.

The main raw materials in the cement industry are limestone, strontium sand, iron slag, gypsum, vermiculite powder, and artificial stone. Raw materials are from long-term reliable suppliers, so the supply of raw materials is stable, and no shortage of supply has occurred in the past.

Land, buildings, and branded suppliers are the major materials for wholesale and retail.

Regarding land or buildings, large land developers, banks and life insurance companies, government units, and a small number of private landlords are the major sources; and a small number of department stores will purchase (lease) land for self-construction or engage in government BOT or superficies projects to acquire buildings for their malls. Although the supply is sufficient, the location or acquisition cost are the focus of assessment.

In branded suppliers, apart from recruiting brand chains (domestic or international) in different trades from the existing department store channels, cultivating potential brands that have not set channels in department stores or introducing new brands overseas into the Taiwan market

are options. As the department store business is highly competitive, each makes hard endeavor to recruit popular brands or exclusive brands (first of the kind) or introduce non-shopping experience and services. Therefore, the brand supply is also sufficient.

- (4) Customers who have accounted for more than 10% of the total sales revenue of goods in the past two years and their respective amount and proportion of the goods purchased, as well as the reasons for the increase or decrease:

1. Customers who have accounted for more than 10% of the total sales revenue of goods in the past two years and their respective amount and proportion of the goods purchased:

Unit: NT\$ in Thousands; %

Item	2018				2019				Q1 2020 (Note 3)			
	Name	Amount	Percentage of Net Annual Sales Revenue (%)	Relationship With the Seller	Name	Amount	Percentage of Net Annual Sales Revenue (%)	Relationship With the Seller	Name	Amount	Percentage of Net Annual Sales Revenue (%)	Relationship With the Seller
1	Others	11,172,350	100	-	Others	13,645,895	100	-	Others	-	-	-
	Net Purchase Amount	11,172,350	100		Net Purchase Amount	13,645,895	100		Net Purchase Amount	-	-	

Note 1: List suppliers who have accounted for more than 10% of the total purchase amount in the past two years and their respective sales amount and proportion, suppliers that we are not allowed to disclose as required by the contract or trading parties who are individuals rather than related parties are indicated by code.

Note 2: As of the date of release of the Annual Report, the companies that have been listed or whose shares have been traded in the securities firms' business outlets should disclose the latest financial information that have been audited or reviewed by an accountant.

Note 3: By the date of annual report publication, no CPA-reviewed financial data for Q1 2020 is available.

The information related to major suppliers in the past two years is provided as below:

Regarding suppliers who have accounted for more than 10% purchase amount of the Company and its subsidiaries in the past two years, the reasons for the increase or decrease are subject to different cases. Generally speaking, changes in major suppliers are due to the progress of contracted cases and the size of the cases.

2. Customers who have accounted for more than 10% of total sales revenue in the past two years and their respective amount and proportion:

Item	2018				2019				Q1 2020 (Note 3)			
	Name	Amount	Percentage of Net Annual Sales Revenue (%)	Relationship With the Seller	Name	Amount	Percentage of Net Annual Sales Revenue (%)	Relationship With the Seller	Name	Amount	Percentage of Net Annual Sales Revenue (%)	Relationship With the Seller
1	Others	14,859,430	100	-	Others	17,257,930	100	-	Others	-	-	-
	Net Sales Revenue	14,859,430	100		Net Sales Revenue	17,257,930	100		Net Sales Revenue	-	-	

Note 1: List suppliers who have accounted for more than 10% of the total purchase amount in the past two years and their respective sales amount and proportion, suppliers that we are not allowed to disclose as required by the contract or trading parties who are individuals rather than related parties are indicated by code.

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Information related to the major customers in the past two years is provided as below:

Regarding customers who have accounted for more than 10% sales revenue of the Company and its subsidiaries in the past two years, the reasons for the increase or decrease are subject to different cases. Generally speaking, changes in major customers are due to the progress of contracted cases and the size of the cases.

(5) Production Value in the Last Two Years

Unit: Production Volume: Unit/Production Value: NTD thousand

Year Volume Value Department	2018			2019		
	Capacity	Production Volume	Production Value	Capacity	Production Volume	Production Value
Construction Division	—	101	6,921,548	—	192	9,303,587
Commercial Real Estate	—	—	877,299	—	—	1,007,976
Building Materials Division	—	—	1,909,614	—	—	2,052,623
Wholesale Business Division	—	—	1,085,685	—	—	937,128
Other Operation Divisions	—	—	378,204	—	—	344,581
Total	—	101	11,172,350	—	192	13,645,895

Note:

- (1) Capacity refers to the production volume that the Company achieves by using existing production equipment under normal operation conditions after taking into account necessary shutdowns, holidays, and other factors.
- (2) If the production of each product has alternatives, the capacity should be aggregated, and notes should be provided.
- (3) Production is calculated based on the number of contracted houses in the production year (the co-construction part is based on the number of allocated houses). However, production volume is not applicable to the construction industry, so the production value is calculated based on the cost of goods sold in the current year.

(6) Sales Volume in the Past Two Years:

Unit: Sales Volume: Unit/Sales Value: NTD thousand

Year Volume Value Department	2018				2019			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Construction Division	129	9,350,576	—	—	227	11,622,753	—	—
Commercial Real Estate	—	1,771,570	—	—	—	1,842,183	—	—
Building Materials Division	—	2,037,775	—	—	—	2,236,055	—	—
Wholesale Business Division	—	1,374,734	—	—	—	1,212,879	—	—
Other Operation Divisions	—	324,775	—	—	—	344,060	—	—
Total	129	14,859,430	—	—	227	17,257,930	—	—

Note: (1) Description on calculation of sales volume.

- A. The number of unfinished cases refers to the number of pre-sale houses between project launch and project completion.
- B. The number of cases after completion refers to the number of houses that have been actually sold.
- C. The sales volume is not applicable to the construction industry due to its special industry feature.

- (2) The sales value uses the operating revenue in the current year.

III. Employees:

Employee information in the past two years and by the date of annual report publication.

Year		2018	2019	By April 30 for 2020
Number of Employees*	Construction Division	711	889	914
	Building Materials Division	368	372	377
	Wholesale Business Division	254	198	194
	Other Operation Division	659	140	759
	Total	1,953	1,599	2,244
Average Age		42.70	43.37	43.30
Average Service Years		6.51	6.55	6.34
Education Distribution Ratio	Doctorate	0.71%	0.67%	0.65%
	Master's	7.99%	7.82%	7.70%
	Diploma	47%	48.68%	48.85%
	High School and Below	44.30%	42.84%	42.80%
*Excluding part-time employees.				

IV. Environmental Expenditure Information

Any losses or fines incurred (including compensations and violations of environmental protection laws found in environmental audits with information regarding the date of punishment, ticket number, regulations breached, contents of breach, and contents of punishment) due to pollution in the last year and by the date of annual report publication, and disclose the estimated amount at present and in the future and countermeasures, or the method for estimating losses that cannot be estimated, if any):

(1) Total amount of losses and fines of subsidiaries from environmental pollution in the previous year and by the date of annual report publication:

Type	Punishment Date	Document No.	Regulation	Contents of Regulation	Contents of Punishment
Noise	2019/1/8	Yin-Zi No. 22-108-010018	Article 8, subparagraph 4, Noise Control Act	No use of powered machinery in night-time construction activities.	A fine of NT\$3,000.
Noise	2019/1/14	Yin-Zi No. 22-108-010047	Article 8, paragraph 1, subparagraph 4, Noise Control Act	Construction project: Noise over the control standard	A fine of NT\$36,000 and environmental training for 4 hours.
Noise	2019/2/3	22-108-040003	Article 8, subparagraph 4, Noise Control Act	No use of powered machinery in night-time construction activities.	Violation of the Noise Control Act by impairing the tranquility of the lives of others. A fine of NT\$3,000.
Noise	2019/2/3	22-108-040004	Article 8, subparagraph 4, Noise Control Act	No use of powered machinery in night-time construction activities.	Violation of the Noise Control Act by impairing the tranquility of the lives of others. A fine of NT\$3,000.
Noise	2019/2/16	22-108-030006	Article 8, subparagraph 4, Noise Control Act	No use of powered machinery in night-time construction activities.	Violation of the Noise Control Act by impairing the tranquility of the lives of others. A fine of NT\$6,000.
Noise	2019/2/16	22-108-030007	Article 8, subparagraph 4, Noise Control Act	No use of powered machinery in night-time construction activities.	Violation of the Noise Control Act by impairing the tranquility of the lives of others. A fine of NT\$9,000.
Noise	2019/2/16	22-108-030008	Article 8, subparagraph 4, Noise Control Act	No use of powered machinery in night-time construction activities.	Violation of the Noise Control Act by impairing the tranquility of the lives of others. A fine of NT\$12,000.
Noise	2019/2/16	22-108-030009	Article 8, subparagraph 4, Noise Control Act	No use of powered machinery in night-time construction activities.	Violation of the Noise Control Act by impairing the tranquility of the lives of others. A fine of NT\$15,000.
Noise	2019/3/13	Xin-Bei-Gong-Shi-Zi No. 1080393700	Violation of articles 39 and 87 of the Building Act	Failure to implementation construction within the time in the plan.	Impairing the tranquility of the lives of others. A fine of NT\$9,000.
Noise	2019/3/16	22-108-040115	Article 8, subparagraph 4, Noise Control Act	No use of powered machinery in night-time construction activities.	Impairing the tranquility of the lives of others. A fine of NT\$3,000.

Type	Punishment Date	Document No.	Regulation	Contents of Regulation	Contents of Punishment
Noise	2019/3/19	Yin-Zi No. 22-108-030087	Article 8, subparagraph 4, Noise Control Act	Use of powered machinery in night-time construction activities.	Impairing the tranquility of the lives of others. A fine of NT\$3,000.
Noise	2019/4/25	Bei-Shi-Du-Jian-Zi No. 10830361311	Violation of the Taipei City Regulations for Controlling the Construction Time of Construction Projects and Article 67 of the Building Act	Construction in the non-construction time	Impairing the tranquility of the lives of others. A fine of NT\$18,000.
Noise	2019/5/8	Yin-Zi No. 22-108-050012	Article 8, subparagraph 4, Noise Control Act	Use of powered machinery in night-time construction activities.	Impairing the tranquility of the lives of others. A fine of NT\$3,000.
Noise	2019/5/10	22-108-060072	Article 8, subparagraph 4, Noise Control Act	No use of powered machinery in night-time construction activities.	Violation of the Noise Control Act by impairing the tranquility of the lives of others. A fine of NT\$3,000.
Noise	2019/6/16	22-108-080014	Article 8, subparagraph 4, Noise Control Act	No use of powered machinery in night-time construction activities.	Violation of the Noise Control Act by impairing the tranquility of the lives of others. A fine of NT\$3,000.
Noise	2019/7/2	Yin-Zi No. 22-108-070023	Article 8, paragraph 1, subparagraph 4, Noise Control Act	Construction project: Noise over the control standard	A fine of NT\$18,000 and environmental training for 4 hours.
Noise	2019/7/5	Yin-Zi No. 22-108-070042	Article 8, paragraph 1, subparagraph 4, Noise Control Act	Construction project: Noise over the control standard	A fine of NT\$18,000 and environmental training for 4 hours.
Noise	2019/8/8	Yin-Zi No. 22-108-080046	Article 8, paragraph 1, subparagraph 4, Noise Control Act	Construction project: Noise over the control standard	A fine of NT\$18,000 and environmental training for 4 hours.
Noise	2019/9/25	Yin-Zi No. 22-108-090062	Article 8, subparagraph 4, Noise Control Act	Use of powered machinery in night-time construction activities.	Impairing the tranquility of the lives of others. A fine of NT\$3,000.
Noise	2019/10/4	Yin-Zi No. 22-108-100012	Article 8, paragraph 1, subparagraph 4, Noise Control Act	Construction project: Noise over the control standard	A fine of NT\$18,000 and environmental training for 4 hours.
Noise	2019/11/8	Xin-Bei-Gong-Shi-Zi No. 1082107173	Violation of articles 39 and 87 of the Building Act	Disturbing neighbors with noise for construction too late.	Impairing the tranquility of the lives of others. A fine of NT\$9,000.
Noise	2019/11/12	Xin-Bei-Gong-Shi-Zi No. 1082048500	Violation of articles 39 and 87 of the Building Act	Noise control according to related regulations of the Noise Control Act	Construction not according to the reported plan, thus being fined NT\$9,000 according to Article 87 of the same act.
Noise	2019/11/28	Xin-Bei-Huan-Ji-Zi No. 22-108-110165	Article 8, subparagraph 4, Noise Control Act	Use of powered machinery in construction works in the no-use time.	A fine of NT\$3,000 for violating Article 8, subparagraph 4, Noise Control Act.
Noise	2019/12/4	Xin-Bei-Huan-Ji-Zi No. 22-108-120122	Article 8, subparagraph 4, Noise Control Act	Use of powered machinery in construction works in the no-use time.	A fine of NT\$3,000 for violating Article 8, subparagraph 4, Noise Control Act.
Noise	2019/12/6	Xin-Bei-Gong-Shi-Zi No. 1082311486	Violation of articles 39 and 87 of the Building Act	Construction not according to the schedule.	Impairing the tranquility of the lives of others. A fine of NT\$9,000.
Noise	12/26/2019	Xin-Bei-Gong-Shi-Zi No. 1082311486	Violation of articles 39 and 87 of the Building Act	Construction not according to the schedule on the plan.	Impairing the tranquility of the lives of others. A fine of NT\$9,000.
Noise	2020/2/4	Xin-Bei-Gong-Shi-Zi No. 1090174556	Violation of articles 39 and 87 of the Building Act	Noise control according to related regulations of the Noise Control Act	Construction not according to the reported plan, thus being fined NT\$9,000 according to Article 87 of the same act.
Noise	2020/2/21	Xin-Bei-Gong-Shi-Zi No. 1090296296	Violation of articles 39 and 87 of the Building Act	Construction not according to the schedule on the plan.	Impairing the tranquility of the lives of others. A fine of NT\$9,000.
Noise	3/13/2020	Fu-Huan-Ji-Zi No. 1090058247	Article 8, subparagraph 4, Noise Control Act	No use of powered machinery in night-time construction activities.	A fine of NT\$3,000 for grouting at night to impair the tranquility of the lives of others.
Noise	2020/3/25	Fu-Huan-Ji-Zi No. 1090009344	Article 9, paragraph 1, subparagraph 1 of the Noise Control Act	Sounds emitted by the following premises, construction projects or facilities within noise control zones may not exceed noise control standards. I. Factory plants or sites II. Entertainment premises III. Business premises IV. Construction projects V. Public address facilities VI. Other premises, construction projects or facilities officially announced by the competent authority.	Fined NT\$24,000 by the Yilan County Government for violating the Noise Control Act.

Type	Punishment Date	Document No.	Regulation	Contents of Regulation	Contents of Punishment
Waste	2019/8/28	Fei-Zi No. 41-108-083778	Article 27, subparagraph 11, Waste Disposal Act	Improper disposal of water containers, such as empty bottles, empty cans, styrene containers, etc.	A fine of NT\$ 1,200/
Waste	2019/9/6 2019/9/19	Fei-Zi No. 40-108-090016 and Fei-Zi No. 40-108-090065	Article 27, subparagraph 2, Waste Disposal Act Article 27, subparagraph 2, Waste Disposal Act	Contamination of the ground, water pools, gutters, walls, beams or pillars, utility poles, trees, roadways, bridges or other fixed structures (contamination of gutters with mud and sand)	Contamination of gutters with mud and sand A fine of NT\$1,200. A fine of NT\$1,200.
Waste	2019/10/4	Fei-Zi No. 40-108-100010	Article 27, subparagraph 2, Waste Disposal Act	Same as above	A fine of NT\$1,200.
Air	2019/8/16	Fu-Sho-Huan-Kong Zi No.1080024396	Article 22, paragraph 3, Air Pollution Control Act	Establishment of monitoring equipment and connection equipment according to the monitoring equipment installation plan and connection plan	Fined NT\$100,000 by the Yilan County Government for violating the Air Pollution Control Act.
Air	2019/8/22	Fu-Sho-Huan-Kong Zi No. 1080025060	Article 32, paragraph 1, subparagraph 1, Air Pollution Control Act	The following acts are prohibited within each class of control region or within total quantity control zones: Engagement in burning, melting, refining, grinding, casting, conveyance or other operation that causes the production of significant particulate pollutants that are dispersed into the air or onto the property of others.	Fined NT\$100,000 by the Yilan County Government for violating the Air Pollution Control Act.

(2) Estimated amounts that may occurred at present and in the future and countermeasures.

Construction Projects: In response to the abovementioned losses arising out of environmental pollution, we will strengthen environmental education and training, environmental awareness, educate employees to appropriately maintain site hygiene, and regularly send employees to participate in various seminars organized by the municipal government.

Yilan Factory: It has violated air pollutant discharge standards for fixed pollution sources in public and private places. We have improved dust collection efficiency for the clinker EP (electrostatic precipitator). It also violated the regulations for the effective monitoring frequency percentage of monitoring facilities each quarter. We have increased the effective monitoring frequency percentage to more than 85 percent, and the pollution situation has been improved. There are no possible losses, fines, and compensation in the future.

V. Employment Relationship

(1) The Company's various employee welfare measures, further education, training, retirement system, and their implementation, as well as labor-management agreements and the measures to maintain the rights and interests of employees:

The Company always attaches great importance to employee welfare and talent training, and abides by labor-related laws and regulations to protect the rights of employees.

1. Employee benefits

[Health Checkups]

We value the physical health of employees. Therefore, we arrange periodic health checkups for employees better than the regulatory requirements. All permanent employees (director labor) regardless of age receive two health checkups every year. In addition to the results and recommendations of the current checkup, traces of individual indicators in previous checkups are presented in curves for employees to understand the health status at present and the health trend in the last five checkups. By doing so, we aim to facilitate early detection of health anomalies for early intervention, including lifestyle adjustments and treatments. In addition, apart from funding the general checkup items, we arrange self-financed further checkup items and discounts for dependent checkup to provide employees with more options and take care of their family at the same time.

To encourage higher-level employees to pay attention to physical health, we arrange personalized advanced checkups for managers and above aged 40 and older. Apart from the advanced checkup, VPs and higher officers can participate in the annual member healthcare service. Currently, we fund 75% of the fee for the advanced checkup and healthcare service.

[Group Insurance]

To maximize our care for employees and the financial support for employees after an accident, apart from the mandatory Labor Insurance and National Health Insurance, we proactively arrange the

group life insurance for all permanent employees after their arrivals. We also provide the group medical plan for the spouse and children of employees. Besides funding the full amount of the group insurance premium, we offer discounts for self-financed insurance for permanent employees and their spouse, children, and parents to provide more options and protection for the family of employees and after an accident.

[Daily Life Talks]

From time to time we invite medical, insurance, and financial professionals to give talks on popular topics and topics that interest employees. These talks for voluntary participation are organized to provide employees with more channels for direct exchange with experts to learn new knowledge and correct concepts in health care, accident prevention and handling, and financial management.

[Other Benefits]

We have established an employee (staff) welfare committee and a labor union and provide employees with allowances for marriage, birth, funerals, hospitalization, injuries, and disabilities. We also distribute vouchers to employees on Spring Festival, Labor Day, Dragon Festival, Mid-Autumn Festival, and birthday; and fund employee travels and departmental reunions and recreational activities. In addition, all employees can enjoy a staff discount when shopping at the CITILINK malls and TSUTAYA BOOKSTORE run by this Company. We value the interaction among employees, their family, and the Company. Through mutual understanding, we hope to let their family understand more about the Company and thereby support employees to work and develop at the Company. In 2019, we trialed the new employee travel scheme and Family Day.

2. Employee further education and training: Every year we plan a training budget for employees to improve their professional skills, leadership, and career development. We also encourage them to actively improve their knowledge, participate in external training courses, and actively participate in further education.
 3. Retirement system: A monthly pension reserve is contributed according to the Labor Standards Law, and employees are free to choose to retire according to the Labor Pension Regulations (new system). The monthly pension is contributed to the labor pension personal account set up by the Labor Insurance Bureau.
 4. The Company's labor policy is founded upon the principle of open communication to create a win-win situation for the Company and employees through the following measures:
 - (1) Comply with the Labor Standards Act and related laws and regulations for the maximum protection of the rights and interests of employees.
 - (2) Provide unfettered and diverse communication channels for employees to freely express their opinion.
 - (3) Fully communicate the Company's operating conditions and major measures for employees can clearly understand them.
- (2) Losses arising from labor-management disputes (including the violation of the Labor Standards Act found in the labor inspection, with information regarding the date of punishment, ticket number, regulations breached, contents of breach, and contents of punishment) in the last year up and by the date of annual report publication; and the estimated amounts that may occurred at present and in the future and countermeasures.
1. Nonconformities found in labor inspections of this Company and subsidiaries in the previous year and by the date of annual report publication:

Punishment Date	Document No.	Regulation	Contents of Violation	Contents of Punishment
2019/05/07	Yuan-Fa-Zi No. 000937	Article 32, paragraph 2, Labor Standards Act	The extension of working hours combined with the regular working hours shall not exceed twelve hours a day.	Fined NT\$50,000 for extension of working hours in excess of the limit by law. The names of offender and responsible person were announced.
2019/12/10	Bei-Shi-Lao-Dong-Zi No. 10861028081	Article 32, paragraph 2, Labor Standards Act	Same as above	Same as above
2019/12/16	Bei-Shi-Lao-Dong-Zi No. 10860883791	Article 24, paragraph 1, Labor Standards Act	An employer shall pay workers the overtime wage shall not using the following basis.	Fined NT\$300,000 for extension of working hours in excess of the limit by law. The names of offender and responsible person were announced.

2. Future countermeasures and potential expenses:

- (1) Worker education and training have been enhanced for the said offences. These offences were also publicized in internal education and training to maintain the rights and interests of employees. As this is a negligence rather than willful act, there will be no potential loss or expense for punishment and compensation in the future.
- (2) Since this Company was established, labor-management harmony has been maintained to achieve the

corporations in collaboration with employees. Therefore, no loss from labor-management disputes has been reported recently, and there will be no damage from labor-management dispute in the future.

VI. Significant Contracts: List of significant contracts in the previous year and still valid by the date of annual report publication

Contractual Nature	Parties	Effective Dates of Contracts	Main Content	Restrictions
Engineering Contracts	Ruentex Engineering & Construction Co., Ltd.,	2019 - 2022 2017 - 2019 2019 - 2022 2019 - 2022 2020-2023 2019 - 2022 2020-2023 2020-2022	Sanchong Metro 6 Case Ruentex Dunfeng Ruentex Dingfeng Ruentex Wenhua Wulong Street Chlorine-Ionic Building Urban Regeneration Lihe Government-Led Urban Regeneration Sanchong Wuguwang A Sanghong Wuguwang B	No
Lease Contract	PRESICARRE CORPORATION	Contract signed on May 15, 2003, the lease period has passed 20 years since it was notarized.	Real estate lease contract (underground floor 1 and 2 of New World, Taipei), the rent was collected in two phases, the rent of phase 1 was collected when the contract was signed, and rent of phase 2 was collected on Jan 1, 2004.	No
Management Entrustment Contract	Ruen Fu Newlife Corp.	July 1, 2016 -June 30, 2036 (Renew on expiry date)	The Company and Ruentex Industries jointly entrusted Runfu to manage the elderly residential building of Ruen Fu, Tamsui, and signed a management entrustment contract. The related expenses were shared by the Company and Ruentex Industries in terms of 60% and 40% shareholding, the contract is described below: 1.Management Fee: Refers to maintenance of facilities and living service administrative cost of the elderly, paid by the Company according to the contract. 2. Commission Expenses: 4% rent of the rental household.	Management Entrustment Contract
Authorized Operating Contract	RT-Mart Logistics Co., Ltd.	December 2004-December 2024	Logistics Division Authorized Operation Contract (Zhonglun Store) The Company has signed an authorized operation contract and entrustment management and procurement contract related to the Zhonglun wholesale store with RT-Mart. The latter is responsible for providing services related to the establishment, operation, and maintenance of the wholesale store. The contract is detailed as follows: 1.During the contract period, namely August 2004 to December 2009, both parties have reached a consensus to extend the contract for 10 years. An agreement to extend the contract to December 2024 was signed in December 2019. 2.Remuneration for procurement and management services: Calculated at 1% of the monthly revenue before tax of the Zhonglun Store.	During the contract period, if the Company intends to sell, lease, or otherwise dispose of the assets or business of the wholesale store, it shall propose in writing to sell, rent, or transfer the same to RT-Mart at the agreed price. If RT-Mart fails to notify the Company of its willingness to accept it within 60 days of receiving the proposal, the Company may lease, sell, or otherwise dispose of the store assets or business to a third party.

Contractual Nature	Parties	Effective Dates of Contracts	Main Content	Restrictions
Long-term Loan Contract	Bank of Taiwan	2018.08.01-2020.08.01	Mortgage Loan	Stock and guaranteed note of NT\$ 300,000 thousand.
Long-term Loan Contract	Changhua Bank	2012.11.29-2021.03.31	Mortgage Loan	Land Under Construction
Long-term Loan Contract	Mega Financial Holding	2018.04.27-2021.05.31	Mortgage Loan	Stock and guaranteed notes of NT\$ 3,000,000 thousand.
Long-term Loan Contract	Hua Nan Commercial Bank	2018.07.27-2021.08.30	Mortgage Loan	Stock
Long-term Loan Contract	Wing Fung Bank	2018.08.13-2021.08.13	Mortgage Loan	Stock and guaranteed notes of NT\$ 3,000,000 thousand.
Long-term Loan Contract	Bank of Taiwan	2018.08.13-2022.09.10	Credit Loan	Open guaranteed note of NT\$ 2,000,000
Long-term Loan Contract	Changhua Bank	2018.05.31-2021.05.31	Credit Loan	N/A
Long-term Loan Contract	Changhua Bank	2019.05.31-2022.05.31	Credit Loan	N/A
Long-term Loan Contract	KGI Commercial Bank	2017.12.28-2021.12.13	Credit Loan	Issued a guarantee check of
Long-term Loan Contract	National Agricultural Treasury	2016.02.22-2022.02.22	Credit Loan	N/A
Long-term Loan Contract	Mega Financial Holding	2018.04.27-2021.05.31	Credit Loan	Open guaranteed note of NT\$ 4,500,000 thousand.
Long-term Loan Contract	Taishin Bank	2018.10.09-2021.10.08	Credit Loan	Open guaranteed note of NT\$ 1,500,000 thousand.
Long-term Loan Contract	Huatai Bank	2016.01.22-2020.07.23	Credit Loan	Open guaranteed note of NT\$ 100,000 thousand.
Long-term Loan Contract	DBS Bank	2018.10.31-2021.10.31	Credit Loan	Open guaranteed note of NT\$ 1,000,000 thousand.
Long-term Loan Contract	Mizuho Bank	2018.12.20-2021.12.20	Credit Loan	Issued a guarantee check of NT\$300 million
Long-term Loan Contract	Mizuho Bank	2018.01.23-2021.01.22	Credit Loan	Open guaranteed note of NT\$ 600,000 thousand.
Long-term Loan Contract	Hua Nan Commercial Bank	2018.10.09-2021.10.08	Credit Loan	N/A
Long-term Loan Contract	Kaohsiung Bank	2018.06.11-2021.05.27	Credit Loan	Open guaranteed note of NT\$ 200,000 thousand.
Long-term Loan Contract	CTBC Bank	2018.10.09-2021.10.08	Credit Loan	Open guaranteed note of NT\$ 700,000 thousand.
Long-term Loan Contract	Taiwan SME Bank	2018.10.09-2021.10.08	Credit Loan	Open guaranteed note of NT\$ 2,000,000 thousand.

Contractual Nature	Parties	Effective Dates of Contracts	Main Content	Restrictions
Long-term Loan Contract	O-Bank	2017.03.08-2021.02.18	Credit Loan	Issued a guarantee check of NT\$300 million
Long-term Loan Contract	First Bank	2019.05.15-2021.05.15	Credit Loan	Issued a guarantee check of NT\$600 million
Long-term Loan Contract	Mega bills syndicated loan	2018.12.05-2021.12.04	Credit Loan	Issued a guarantee check of NT\$2.45 billion
Long-term Loan Contract	Taishin Bank	2018.03.30-03.30.2020	Credit Loan	Issued a guarantee check of NT\$200 million

VI. Financial Highlights

I. Condensed Balance Sheet, Consolidated Income Statement for the Last Five Years

(1) Condensed Balance Sheet and Consolidated Income Statement - International Financial Reporting Standards

(I) Condensed Statement of Financial Position (consolidated)

Unit: NTD thousand

Item \ Year		Financial Information for the Last Five Years (Note 1)					By March 31, 2020 (Note 3)
		2015.12.31	2016.12.31	2017.12.31	2018.12.31	2019.12.31	
Current Assets		27,928,932	29,110,204	44,569,589	34,920,927	37,813,596	-
Property, plant, and equipment		4,164,418	4,067,337	4,008,905	4,105,951	4,430,532	-
Intangible assets		258,037	239,330	220,222	224,106	244,424	-
Others Assets		42,057,481	44,156,221	55,358,038	47,069,542	107,643,995	-
Total Assets		74,408,868	77,573,092	104,156,754	86,320,526	150,132,547	-
Current Liabilities	Before Distribution	15,951,757	23,986,802	31,638,228	13,413,364	20,331,180	-
	After Distribution	15,951,757	23,986,802	34,982,408	15,419,872	(Note 2)	-
Non-current liabilities		26,066,154	17,248,212	19,869,867	37,628,148	44,409,087	-
Total liability	Before Distribution	49,266,507	41,235,014	51,508,095	51,041,512	64,740,267	-
	After Distribution	49,266,507	41,235,014	54,852,275	53,048,020	(Note 2)	-
Equity attributed to owners of the parent		28,775,684	32,360,169	48,476,761	30,896,333	80,892,817	-
Capital		13,934,083	13,934,083	16,720,900	10,032,540	10,032,540	-
Capital reserve	Before Distribution	17,895,684	17,900,583	17,986,504	18,013,510	18,136,402	-
	After Distribution	17,895,684	17,900,583	17,986,504	18,013,510	(Note 2)	-
Retained earnings	Before Distribution	16,058,019	23,956,168	32,270,815	35,346,581	39,901,502	-
	After Distribution	16,058,019	21,169,351	28,926,635	33,340,073	(Note 2)	-
Other equities		(19,006,902)	(23,325,465)	(18,396,258)	(32,411,659)	12,907,012	-
Treasury stock		(105,200)	(105,200)	(105,200)	(84,639)	(84,639)	-
Non-controlling interests		4,013,677	3,977,909	4,171,898	4,382,681	4,499,463	-
Total Equity	Before Distribution	32,789,361	36,338,078	52,648,659	35,279,014	85,392,280	-
	After Distribution	32,789,361	33,551,261	49,304,479	33,272,506	(Note 2)	-

Note 1: The above information is verified and certified by an accountant.

Note 2: Based on the Company's Articles of Incorporation and related laws and regulations, this Company proposes to distribute cash dividend amounting to NT\$1,003,253,999 (NT\$1/share) and stock dividend amounting to NT\$5,016,269,990 (NT\$5/share) for profit distribution in 2018. The proposal has been approved by the Board of Directors and will be submitted to the 2020 AGM for approval.

Note 3: By the date of annual report publication, no CPA-reviewed financial data for Q1 2020 is available.

(2) Condensed Statement of Financial Position (individual)

Unit: NTD thousand

Item \ Year		Financial Information for the Last Five Years (Note 1)					By March 31, 2020 (Note 3)
		2015.12.31	2016.12.31	2017.12.31	2018.12.31	2019.12.31	
Current Assets		22,857,471	24,506,606	37,019,104	26,284,402	27,363,790	-
Property, plant, and equipment		48,864	49,373	41,384	33,656	45,924	-
Intangible assets		—	—	—	—	-	-
Others Assets		32,408,117	34,659,628	46,681,118	39,291,236	91,136,183	-
Total Assets		55,314,452	59,215,607	83,741,606	65,609,294	118,545,897	-
Current Liabilities	Before Distribution	10,986,642	19,855,455	27,462,817	9,666,894	14,342,350	-
	After Distribution	10,986,642	19,855,455	30,806,997	11,673,402	(Note 2)	-
Non-current liabilities		15,552,126	6,999,983	7,802,028	25,046,067	23,310,730	-
Total liability	Before Distribution	26,538,768	26,855,438	35,264,845	34,712,961	37,653,080	-
	After Distribution	26,538,768	26,855,438	38,609,025	36,719,469	(Note 2)	-

Item \ Year		Financial Information for the Last Five Years (Note 1)					By March 31, 2020 (Note 3)
		2015.12.31	2016.12.31	2017.12.31	2018.12.31	2019.12.31	
Equity attributed to owners of the parent		28,775,684	32,360,169	48,476,761	30,896,333	80,892,817	-
Share Capital		13,934,083	13,934,083	16,720,900	10,032,540	10,032,540	-
Capital reserve	Before Distribution	17,895,684	17,900,583	17,986,504	18,013,510	18,136,402	-
	After Distribution	17,895,684	17,900,583	17,986,504	18,013,510	(Note 2)	-
Retained earnings	Before Distribution	16,058,019	23,956,168	32,270,815	35,346,581	39,901,502	-
	After Distribution	16,058,019	21,169,351	28,926,635	33,340,073	(Note 2)	-
Other equities		(19,006,902)	(23,325,465)	(18,396,258)	(32,411,659)	12,907,012	-
Treasury stock		(105,200)	(105,200)	(105,200)	(84,639)	(84,639)	-
Non-controlling interests		—	—	—	—	-	-
Total Equity	Before Distribution	28,775,684	32,360,169	48,476,761	30,896,333	80,892,817	-
	After Distribution	28,775,684	29,573,352	45,132,581	28,889,825	(Note 2)	-

Note 1: The above information is verified and certified by an accountant.

Note 2: Based on the Company's Articles of Incorporation and related laws and regulations, this Company proposes to distribute cash dividend amounting to NT\$1,003,253,999 (NT\$1/share) and stock dividend amounting to NT\$5,016,269,990 (NT\$5/share) for profit distribution in 2018. The proposal has been approved by the Board of Directors and will be submitted to the 2020 AGM for approval.

Note 3: By the date of annual report publication, no CPA-reviewed financial data for Q1 2020 is available.

(3) Statement of Comprehensive Income (consolidated)

Unit: NTD thousand; EPS: NTD

Item \ Year	Financial Information for the Last Five Years (Note 1)					By March 31, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Operating Revenue	12,978,916	13,117,956	10,912,476	14,859,430	17,257,930	-
Gross Margin	3,702,605	3,417,775	2,677,666	3,687,080	3,612,035	-
Operating Profit and Loss	2,181,461	1,846,203	1,035,041	1,970,099	1,899,243	-
Non-operating Income and Expenses	6,498,404	6,985,051	12,985,933	10,316,086	8,111,225	-
Profit Before Income Tax	8,679,945	8,831,254	14,020,974	12,286,185	10,010,468	-
Net Profit for the Period of the Continued Business Unit	8,532,476	8,474,601	11,510,258	10,447,180	9,586,119	-
Profit (Loss) of Suspension Business	—	(57,663)	(171)	-	-	-
Net Income Current Period	8,532,476	8,416,938	11,510,087	10,447,180	9,586,119	-
Other Comprehensive Income (Net Profit After Taxes)	(7,373,003)	(4,525,446)	4,760,767	(36,707,759)	42,520,688	-
Total Comprehensive Income Current Period	1,159,473	3,891,492	16,270,854	(26,260,579)	52,106,807	-
Profit Attributable to Owners of the Parent	7,999,182	7,940,753	11,164,638	9,932,094	9,067,952	-
Net Profit Attributable to Non-controlling Interests	533,294	476,185	345,449	515,086	518,167	-
Total Profit and Loss Attributable to the Parent Company's Owners	714,976	3,579,586	16,030,671	(26,771,376)	51,706,025	-
Total Consolidated Profit and Loss Attributable to Non-controlling Interests	444,597	311,906	240,183	510,797	400,782	-
Earnings Per Share	6.46	4.91	6.91	7.22	9.35	-

Note 1: The above financial information of 2015-2019 is verified and certified by an accountant.

Note 2: By the date of annual report publication, no CPA-reviewed financial data for Q1 2020 is available.

(4) Statement of Comprehensive Income (individual)

Unit: NTD thousand; EPS: NTD

Item \ Year	Financial Information for the Last Five Years (Note 1)					By March 31, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Operating Revenue	5,624,060	3,728,170	6,980,281	5,834,768	5,507,432	-
Gross Margin	1,949,697	1,403,798	825,600	1,501,746	1,261,036	-
Operating Profit and Loss	1,269,534	698,984	13,773	673,214	427,611	-
Non-operating Income and Expenses	6,792,796	7,411,187	13,472,476	10,798,511	8,807,980	-
Profit Before Income Tax	8,062,330	8,110,171	13,486,249	11,471,725	9,235,591	-
Net profit for the period of the continued business unit	7,999,182	7,940,753	11,164,638	9,932,094	9,067,952	-
Losses on Ceased Business Units	-	-	-	-	-	-
Current Net Profit (Loss)	7,999,182	7,940,753	11,164,638	9,932,094	9,067,952	-
Other comprehensive Income (Net Profit After Taxes)	(7,284,206)	(4,361,167)	4,866,033	(36,703,470)	42,638,073	-
Total Comprehensive Income Current Period	714,976	3,579,586	16,030,671	(26,771,376)	51,706,025	-
Profit Attributable to Owners of the Parent	7,999,182	7,940,753	11,164,638	9,932,094	9,067,952	-
Net Profit Attributable to Non-controlling Interests	-	-	-	-	-	-
Total Profit and Loss Attributable to the Parent Company's Owners	714,976	3,579,586	16,030,671	(26,771,376)	51,706,025	-
Total Consolidated Profit and Loss Attributable to Non-controlling Interests	-	-	-	-	-	-
Earnings Per Share	6.46	4.91	6.91	7.22	9.35	-

Note 1: The above financial information of 2015-2019 is verified and certified by an accountant.

Note 2: By the date of annual report publication, no CPA-reviewed financial data for Q1 2020 is available.

(2) The Name and the Audit Opinion of the CPA in the Past Five Years

Year	Name of Accounting Firm	Name of CPA	Audit Opinions
2015	PricewaterhouseCoopers Taiwan	Chao-Ming Wang, Shu-Chiung Chang	Revised Unqualified Opinion
2016	PricewaterhouseCoopers Taiwan	Chao-Ming Wang, Shu-Chiung Chang	Unqualified Opinion (Note 1)
2017	PricewaterhouseCoopers Taiwan	Shu-Chiung Chang, Chao-Ming Wang	Unqualified Opinion (Note 1)
2018	PricewaterhouseCoopers Taiwan	Chao-Ming Wang, Ming-Chuan Hsu	Unqualified Opinion (Note 1)
2019	PwC Taiwan	Chao-Ming Wang, Ming-Chuan Hsu	Unqualified Opinion (Note 1)

Note 1: The CPA expresses unqualified opinion and other items for the audits of 2016-2019.

II. Financial Analysis in the Past Five Years:

(1) 1. Consolidated Financial Analysis for the Past Five Years: International Financial Accounting Reporting Standards (consolidated)

Item \ Year		Financial Analysis Over the Past Five Years ¹					By March 31, 2020 (Note 2)	Change Rate in the Past Two Years (%)	Remarks
		2015	2016	2017	2018	2019			
Financial Structure (%)	Liabilities to Assets Ratio	55.93	53.12	49.46	59.13	43.12	-	(27)	1
	Long-term Capital to PP&E Ratio	1,403.73	1,318.32	1808.94	1,775.65	2,929.70	-	65	2
Solvency	Current Ratio	179.57	121.80	140.85	260.34	185.99	-	(29)	3
	Quick Ratio	36.77	25.15	48.48	51.91	52.43	-	1	
	Debt Service Coverage Ratio	13.43	16.38	25.45	21.36	12.33	-	(42)	4
Utility	Average Collection Turnover (times)	5.91	7.13	8.08	11.64	13.27	-	14	
	Average Collection Days	61	51	45	31	28	-	(10)	
	Average Inventory Turnover (times)	0.42	0.43	0.31	0.39	0.49	-	26	5
	Average Payable Turnover (times)	2.69	3.56	3.47	5.61	4.11	-	(27)	6
	Average Inventory Turnover Days	869	849	1,177	936	745	-	(20)	5
	PP&E Turnover (times)	3.02	3.19	2.70	3.66	4.04	-	10	
	Total Assets Turnover (times)	0.18	0.17	0.12	0.16	0.15	-	(6)	

Item \ Year		Financial Analysis Over the Past Five Years ¹					By March 31, 2020 (Note 2)	Change Rate in the Past Two Years (%)	Remarks
		2015	2016	2017	2018	2019			
Portability	ROA (%)	11.93	11.38	12.93	11.28	8.54	-	(24)	7
	ROE (%)	21.35	22.97	25.09	22.59	15.03	-	(33)	8
	Profit Before Tax to Capital Stock (%)	62.29	62.96	83.85	122.46	99.78	-	(19)	
	Net Profit Rate	65.74	64.16	105.48	70.31	55.55	-	(21)	9
	EPS	6.46	5.9	6.9	7.22	9.35	-	30	10
Cash Flow	Cash Flow Ratio (%)	7.5	5.57	21.22	13.41	15.22	-	14	
	Net Cash Flow Adequacy Ratio (%)	-(Note 3)	-(Note 3)	25.37	40.2	51.36	-	28	11
	Cash Reinvestment Ratio (%)	-(Note 4)	2.48	9.26	-(Note 4)	-(Note 4)	-	-	
Leverage	Operation Leverage	1.2	1.28	1.52	1.29	1.49	-	16	
	Financial Leverage	1.18	1.18	1.39	1.22	1.47	-	20	12

Accounts for changes in financial ratio up to 20% in the past two years:

1. The debt to total assets ratio reduced mainly because of the year-end total assets increased significantly.
2. The long-term capital to property, plant & equipment ratio increased mainly because the total equity and non-current liabilities increased.
3. The current assets to current liabilities ratio reduced mainly because the current liabilities increased.
4. The interest coverage ratio reduced mainly because the net income before tax reduced and the interest expenses and interest capitalization amount increased.
5. The average inventory turnover and average inventory turnover days reduced mainly because the sales cost increased and average inventory reduced.
6. The payables turnover reduced mainly because the average payables increased.
7. The ROA reduced mainly because the net income after tax reduced and the average total assets increased.
8. The ROE reduced mainly because the net income after tax reduced and the average total equity increased.
9. The net profit margin reduced mainly because the net income after tax reduced.
10. The EPS increased mainly because the year-end unweighted average outstanding shares reduced.
11. The cash flow adequacy ratio increased mainly because the net operating cash flow of the past five years increased.
12. The degree of financial leverage increased because the operating income reduced and the interest expense increased.

Note 1: The net operating cash flow is negative and is exempted from calculation according to regulations.

Note 2: By the date of annual report publication, no CPA-reviewed financial data for Q1 2020 is available.

Note 3: Net operating cash flow of the past five years was not calculated due to data insufficiency.

Note 4: The difference of net operating cash flow subtracting cash dividend is a negative value, thus not calculated by law.

Note 5: The financial analysis formula of this table is as follows:

1. Financial Structure

(1) Liabilities to assets ratio = Total Liabilities/Total Assets

(2) Long-term capital to PP&E ratio = (Total Equity + Non-Current Liabilities) /Net PP&E

2. Solvency

(1) Current ratio = Current Assets/ Current Liabilities

(2) Quick ratio = (Current Assets – Inventory - Prepaid Expenses) / Current Liabilities

(3) Interest coverage ratio = Net Income Before Income Tax and Interest Expense / Interest Expenses

3. Management Ability

(1) Balance of Receivables (including accounts receivable and notes receivable due to business) Turnover = net sales/average receivables for each period (including accounts receivable and notes receivable due to business).

(2) Average Collection Days = 365/receivables turnover.

(3) Inventory Turnover = cost of goods sold/average inventory amount.

(4) Balance of Payables (including accounts payable and notes payable due to business) Turnover = cost of goods sold/average payables for each period (including accounts payable and notes payable due to business).

(5) Average Sales Days = 365/inventory turnover.

(6) PP&E Turnover = net sales/ net average PP&E

(7) Total Asset Turnover = net sales/average total assets.

4. Profitability

(1) Return on Assets = [after-tax profit (loss) + interest expense × (1 - tax rate)]/average total assets.

(2) Return on Equity = after-tax profit (loss)/average equity.

(3) Net Profit Rate = after-tax profit (loss)/net sales.

(4) EPS = (Equity attributable to owners of the parent – dividend from preferred shares)/weighted average number of outstanding shares.

5. Cash Flow

(1) Cash Flow Ratio = net cash flow from operation– current liabilities

(2) Net Cash Flow Adequacy Ratio = net cash flow from operation over the past five years/(capital expense + addition to inventory + cash dividend) over the past five years.

(3) Cash Reinvestment Ratio = (net cash flow from operation – cash dividend)/(gross PP&E + long-term investment + other non-current assets + working capital).

6. Leverage

(1) Degree of operating leverage = (net income – variable cost and expenses from operation)/operating profit.

(2) Financial Leverage = operating income/(operating income-interest expenses).

Note 6: When evaluating the above equations for calculating EPS, the following factors must be taken into consideration:

1. The number of common shares shall be based on the weighted average method and not the outstanding shares as of the end of the year.
2. When raising additional capital through issuance of new shares or treasury shares trade, the outstanding period of the shares shall be considered alongside with the weighted average of outstanding shares.
3. In capitalization of retained earnings or additional paid-in capital (APIC), adjustment shall be made in proportion to the amount capitalized when calculating the earnings per share for the previous year and the interim period. The term of the capitalization of retained earnings or capital surplus for new capital is not required for consideration.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividends for the current period (whether or not being paid out) should be deducted from earnings or added to earnings. If the preferred shares are not cumulative, dividends for preferred shares should be deducted from earnings if there is a surplus. If there is loss after taxation, no adjustment is required. If the preferred shares are not cumulative, dividends for preferred shares should be deducted from earnings if there is a surplus. If there is loss after taxation, no adjustment is required.

Note 7: When analyzing cash flow, pay attention to the following:

1. Operating cash flow (OCF) refers to the net operating cash inflow as stated in the statement of cash flow.
2. Capital spending shall be referred to as cash outflow for capital investment each year.
3. Addition to inventory shall be referred to as the value at the end of the ending period is greater than that of the beginning period. If there is decrease in inventory, put a zero.
4. Cash dividend includes cash dividends for common and preferred stocks.
5. The gross amount of property, plants, and equipment is the total balance of property, plants, and equipment before subtracting accumulated depreciation

Note 8: Securities issuers shall classify operating costs and operating expenses as fixed or variable. If estimates or subjective judgment is involved in such classification, the accounting staff shall pay attention to the reasonableness and maintain the consistency of such classification.

Note 9: If the Company's stocks do not have a par value or the par value is other than NT\$10, the calculation of percentage of paid-in capital is calculated with the ratio of equity attributable to the parent company in the balance sheet.

2. Consolidated Financial Analysis Over the Past Five Years: IFRS (individual)

Item	Year	Financial Analysis Over the Past Five Years ¹					By March 31, 2019 (Note 2)	Change Rate in the Past Two Years (%)	Remarks
		2015	2016	2017	2018	2019			
Financial Structure (%)	Liabilities to Assets Ratio	47.98	45.22	42.11	52.91	31.76		(39)	1
	Long-term Capital to PP&E Ratio	90,716.70	79,439.85	135,991.66	166,218.21	226,904.34		36	2
Solvency	Current Ratio	208.05	123.73	134.80	271.90	190.79		(30)	3
	Quick Ratio	5.47	8.49	44.04	29.77	36.44		22	4
	Debt Service Coverage Ratio	17.61	23.04	34.80	30.60	22.90		(25)	5
Utility	Average Collection Turnover (times)	113.49	54.58	69.72	90.51	335.94		271	6
	Average Collection Days	3	7	5	4	1		(75)	6
	Average Inventory Turnover (times)	0.16	0.10	0.26	0.18	0.18		—	
	Average Payable Turnover (times)	3.11	2.52	7.72	6.82	6.74		(1)	
	Average Inventory Turnover Days	2,281	3,650	1,426	2,062	1,984		(4)	
	PP&E Turnover (times)	108.45	75.90	153.82	155.51	138.41		(11)	
	Total Assets Turnover (times)	0.1	0.07	0.10	0.08	0.06		(25)	7
Portability	ROA (%)	14.55	14.03	15.78	13.52	10.04		(26)	8
	ROE (%)	29.79	29.98	27.62	25.03	16.22		(35)	9
	Profit Before Tax to Capital Stock (%)	57.86	58.2	80.66	114.35	92.06		(19)	
	Net Profit Rate	142.23	212.99	159.95	170.22	164.65		(3)	
	EPS	6.46	5.90	6.91	7.22	9.35		30	10
Cash Flow	Cash Flow Ratio (%)	8.88	0.75	36.08	6.63	13.87		109	11
	Net Cash Flow Adequacy Ratio (%)	-(Note 3)	-(Note 3)	78.54	68.89	69.38		1	
	Cash Reinvestment Ratio (%)	-(Note 3)	-(Note 3)	17.60	-(Note 3)	-(Note 3)		-	
Leverage	Operation Leverage	1.03	1.04	3.26	1.05	1.14		9	
	Financial Leverage	1.17	1.18	(0.11)	1.41	1.99		41	12

Accounts for changes in financial ratio up to 20% in the past two years:

1. The liability to asset ratio reduced mainly because the year-end total assets increased.
2. The long-term capital to property, plant & equipment ratio increased mainly because the total equity increased.
3. The current ratio reduced mainly because the current liabilities increased.
4. The quick ratio increased because the quick assets increased.
5. The interest coverage ratio reduced mainly because the net income before tax reduced and the interest expenses and interest capitalization amount increased.
6. The payables turnover increased and the average collection days reduced mainly because the average payable reduced.
7. The total assets turnover reduced mainly because the sales amount reduced and the average assets increased.
8. The ROA reduced because the average total assets increased.
9. The ROE reduced because the average equity increased.
10. The EPS increased mainly because the year-end unweighted average outstanding shares reduced.
11. The cash flow ratio increased because the operating cash inflow increased.
12. The degree of financial leverage increased because the operating income reduced and the interest expense increased.

Note 1: The above data has been audited and certified by an accountant.

Note 2: By the date of annual report publication, no CPA-reviewed financial data for Q1 2020 is available.

Note 3: The net cash flow is a negative value and thus omitted by law.

Note 4: Please refer to the description above for the calculation of financial analysis.

III. Audit Report on the Financial Statements in the most recent year by the Audit Committee

Ruentex Development Co., Ltd

Audit Committee's Review Report

The Board of Directors prepared the business report, financial statements and proposal on profit distribution proposal for 2019. The financial statements were audited by Chao-ming Wang and Ming-chuan Hsu, accountants of PwC Taiwan, and an audit report was issued by them. The above-mentioned business report, financial statements and proposal on profit distribution were reviewed by the Audit Committee and deemed appropriate. Therefore, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we present this report for further examination.

To

2020 Shareholders' Meeting of Ruentex Development Co., Ltd.

Audit Committee Convener: Ko, Shun-Hsiung

March 30, 2020

IV. Financial Statements of the Previous Year: See Appendix A

V. Individual Financial Statements of the Previous Year Certified by a CPA : See Appendix B

VI. Insolvency that occurs in the Company and affiliates in the previous year until the date of report publication: NA.

VII. Review of Financial Position, Financial Performance, and Risk Management

I. Financial Position

Analysis of Significant Changes in Assets, Liabilities, and Equity in the Past Two Years

Unit: NTD thousand

Item \ Year	2019	2018	difference		
			Amount	%	Note
Current Assets	37,813,596	34,920,927	2,892,669	8.28	
Property, plant, and equipment	4,430,532	4,105,951	324,581	7.91	
Right-of-use assets	2,006,860	-	2,006,860	-	1
Net value of investment properties	21,418,294	12,691,233	8,727,061	68.76	2
Intangible Assets	244,424	224,106	20,318	9.07	
Others Assets	84,218,841	34,378,309	49,840,532	144.98	3
Total Assets	150,132,547	86,320,526	63,812,021	73.92	1、2、3
Current Liabilities	20,331,180	13,413,364	6,917,816	51.57	4
Non-current Liabilities	44,409,087	37,628,148	6,780,939	18.02	
Total Liabilities	64,740,267	51,041,512	13,698,755	26.84	4
Equity Attributable to Owners of the Parent Company	80,892,817	30,896,333	49,996,484	161.82	5
Capital	10,032,540	10,032,540	-	-	
Capital Reserve	18,136,402	18,013,510	122,892	0.68	
Retained Earnings	39,901,502	35,346,581	4,554,921	12.89	
Other Equities	12,907,012	(32,411,659)	45,318,671	139.82	5
Non-controlling Interest	4,499,463	4,382,681	116,782	2.66	
Total equity	85,392,280	35,279,014	50,113,266	142.05	

Description of ratio changes (changes below 20% and with an amount below NT\$10 million were eliminated.):

- (1) Increase in the right-of-use asset: The right-of-use asset is set aside with respect to IFRS 16 Leases as of 2019.
- (2) Increase in net investment property: This is mainly because part of the right-of-use assets were re-categorized under investment property.
- (3) Increase in other assets: This is mainly because the investments made by the equity method increased.
- (4) Increase in current liabilities: This is mainly because the short-term loans and short-term bills payable increased.
- (5) Increase in other equity: This is mainly because the changes in the unrealized gain on valuation of associates and the re-categorization with the overlay approach.

II. Financial Performance:

Analysis of the Significant Changes in Operating Results in the Past Two Years

Unit: NTD thousand

Item \ Year	2019	2018	Increased (Decreased) Amount	Change Ratio (%)	Note
Operation income	17,257,930	14,859,430	2,398,500	16.14	
Operation Cost	13,645,895	11,172,350	2,473,545	22.14	1
Gross Margin	3,612,035	3,687,080	(75,045)	(2.04)	
Operating Expenses	1,712,792	1,716,981	(4,189)	(0.24)	
Operating profit	1,899,243	1,970,099	(70,856)	(3.60)	
Non-operating Income and Expenses	8,111,225	10,316,086	(2,204,861)	(21.37)	2
Profit Before Income Tax	10,010,468	12,286,185	(2,275,717)	(18.52)	
Net Income Current Period	9,586,119	10,447,180	(861,061)	(8.24)	
Other Comprehensive Income Current Period, Net	42,520,688	(36,707,759)	79,228,447	215.84	3
Total Comprehensive Income Current Period	52,106,807	(26,260,579)	78,367,386	298.42	3
Profit Attributable to Owners of the Parent	9,067,952	9,932,094	(864,142)	(8.70)	
Profit Attributable to Non-controlling Interest	518,167	515,086	3,081	0.60	
Comprehensive Income Attributable to Owners of the Parent Company	51,706,025	(26,771,376)	78,477,401	293.14	4
Comprehensive Income Attributable to Noncontrolling Interests	400,782	510,797	(110,015)	(21.54)	4
Equity per Share (NT\$)	9.35	7.22	2.13	29.50	5

1. Description of Ratio Changes (changes below 20% and with an amount below NT\$10 million were eliminated):
 - (1) The operating income increased mainly because the cost rate of individual projects sold in the year was high, and the gross margin was low.
 - (2) The operating income and expenses reduced mainly because profit from investments not recognized by shareholding ratio of associates reduced.
 - (3) The net comprehensive income and the comprehensive income of the period increased mainly because of the changes in the unrealized gain on valuation of associates and the re-categorization with the overlay approach.
 - (4) The EPS increased mainly because the year-end unweighted average outstanding shares reduced.
2. Potential Financial Influence of the Estimated Sales Volume and its Basis and Countermeasures:
 - (1) Projects ready for sales this year include: : Botanic Garden Villa, Ruentex Spectacular Life, RT-Fuduxin, Ruentex Dunfeng, Ruentex Dingfeng (pre-sales), Ruentex Wenhua (pre-sales), and No Place Like Home of this Company, and Ruentex Awesome (pre-sales) of subsidiary Ruentex Development. Projects in construction include the Lihe Government-Led Urban Regeneration Project, Ruentex Wenhua, and Wulong Street Chlorine-Ionic Building Urban Regeneration Project. In addition, we actively develop various potential co-construction projects to create profit for the company.
In commercial property, driven by the favorable conditions, including tenants moving in the offices and hotels and the inauguration of the THSR Nangang Station and Nangang Bus Station, subsidiaries Ruentex Hsu Chan and Ruentex Pai Yi will actively introduce various marketing programs to increase the number of visitors in order to boost the overall revenue and business performance of CITYLINK. In addition, the CITYLINK Songshan Store 2, CITYLINK Neihu, TSUTAYA BOOKSTORE (Songshan Station Front, Neihu, and Nangang stores) of subsidiary Ruentex Construction (formerly City-Link Development) create the railway economy by linking the transportation of the Nangang Railway Station, Songshan Railway Station, and Neihu Metro Station to gain stable return.
 - (2) In the wholesale business, by 2019 we constantly increased the revenue of all stores with flexible marketing approaches in the increasingly competitive domestic supermarket business, to maintain stable income; except for the Zhonglun Store.

III. Cash Flow

(1) Changes in Consolidated Cash Flow in the Previous Year: Unit: NT\$ thousands

Beginning Cash Balance	Annual Net Operating Cash Flow	Annual Net Investing and Financing Cash Flow	Cash Balance (insufficiency)	Remedy for Cash Shortage	
				Investment Plans	Financial Management Plans
\$3,994,104	\$3,062,914	\$90,683	\$7,147,701	-	-
(1) The net operating cash inflow of about NT\$3.063 billion gained mainly on the handing over of projects including Ruentex Spectacular Life, RT-Fuduxin, RT-New Twin Stars, Ruentex Liren, and Ruentex Qiyan.					
(2) Net investing cash outflow of about NT\$823 million lost mainly on the planning for recognizing reinvestment with the equity method.					
(3) Net financing cash inflow of about NT\$914 million gained mainly on the increase in loans.					

(2) Analysis of Cash Liquidity in the Next Year:

Beginning Cash Balance	Estimated Annual Net Operating Cash Flow	Annual Net Investing and Financing Cash Flow	Estimated Cash Balance (insufficiency)	Estimated Remedy for Cash Shortage	
				Investment Plans	Financial Management Plans
\$7,147,701	\$323,433	(\$1,409,254)	\$ 6,061,880	-	-
(1) Operating activities: In the next year, the estimated annual net operating cash inflow will be about NT\$323 million due to the steady operations of all business types and the continuation of all development projects.					
(2) Investing and financing activities: In the next year, the estimated cash outflow will be NT\$1.409 billion for cash dividend distribution, investing activities, and financing activities.					

IV. Influence of major capital spending on financial position and operation in recent years: NA.

V. Re-investment policies, main causes of profit or loss, and improvement plans in the previous year, and investment plans in the next year:

- (1) We invest, on principle, in public companies with steady operations and industries in relation to the business of this Company with developmental potential. We will still focus on investments in companies with a robust financial structure and assess investments carefully and conservatively to ensure the success of investment diversification.

(2) Profit and Loss of Investees in 2019:

Name of Investee	Major Operating Items	Gain (Loss) in 2019	Main Reasons for Gain or Loss	Improvement Plans
Ruentex Construction International BVI	General Investment	53,774	Recognition of the profit from investing in Concord Greater China Ltd. through investee Sinopac Global was the main reason for the gain.	NA
Ruentex Property Management & Maintenance Co., Ltd.	Property Management and Maintenance Services	6,212	Recognition of the profit from long-term shares investment in non-operating income was the main reason for the gain.	NA
Ruen Fu Newlife Corp.	Retirement Home and General Property Management and Maintenance Services	(3,776)	Low occupancy as a result of the age increase of residents, withdrawal rate increase, and vacancy rate increase were the main reasons for the loss.	Continue to raise occupancy and control expenses.
Ruentex Security Co., Ltd.	Security Services	(163)	There was loss because of the personnel expenses and the reduction of gains on long-term stock investments recognized.	NA
Ruentex Resources Integration Co., Ltd.	Cable, Elevator, and Fire Equipment Installation	285,185	This is mainly because of the gain from re-investment in Ruentex Engineering & Construction Co., Ltd.	NA (The proposal of dissolution was approved by the extraordinary meeting of shareholders in January 2019, and the liquidation was completed in November).
Ruentex Construction International Co., Ltd. (Previously named City-Link Development Co., Ltd.)	Mall Operations, Proprietary Booths, Commercial Property Leasing, Housing and Building Development, Leasing and Sales, and Business Management Consulting	(233,406)	The higher beginning operating cost of new business groups was the main reason for the loss.	Enhance overall revenue and competitiveness. (Renamed in August 2019)
Ruentex Xuzhan Co. Ltd.	Mall Operations and Commercial Property Leasing	303,778	It was established to undertake government BOT projects. Profit maintains because the condition of the mall and offices are great.	NA
Ruentex Baiyi Co., Ltd.	Mall Operations and Commercial Property Leasing	146,209	It was established to undertake government BOT projects. Profit maintains because the condition of the mall and offices are great.	NA
Ruentex Development Co., Ltd.	Commissioning Constructor to Build Collective Housing and Sales	(41,582)	It is a new company established at the end of 2015. As no revenue has been recognized, a loss is presented.	NA
Nan Shan Life Insurance Co., Ltd.	This is mainly because of the income from personal insurance, such as life insurance, health plans, injury	32,019,503	insurance, and annuity, and the disposition of financial assets.	NA
Ruentex Engineering & Construction Co., Ltd.	Undertaking Construction and Civil Engineering Projects, the Import, Export, Production, and Planning of Precast Beams, Columns, and Exterior Walls, and Related Electrotechnical Projects	679,710	Despite the influence of the macro environment, the performance in both revenue and profit was up to the standard among competitors. Apart from implementing existing projects, we will continue to increase the value and characteristics of differentiation to constantly increase the income from new projects.	NA

Name of Investee	Major Operating Items	Gain (Loss) in 2019	Main Reasons for Gain or Loss	Improvement Plans
Ruentex Materials Co., Ltd.	Production and Distribution of Construction Materials	87,797	This is because of recognizing the gain from investment of investee Ruentex Interior Design and the steady operations in the year.	NA
Jing Hong Investment Co., Ltd.	General Investment	154,740	The profit from investments increased mainly because of the equity distribution of investee Ruentex Industries Ltd.	NA
Ruen Chen Investment Holding Co., Ltd.	General Investment	28,832,953	The profit from investments of investee Nan Shan Life Insurance.	NA
Concord Greater China Ltd.	General Investment	603,283	It is a general investee with gains mainly from recognizing the profit on re-investing in Sun Art Retail.	NA
Shing Yen Construction Development Co., Ltd.	Congregate housing and commercial building rental and sale and operation of department store business	1,807	Asset lease is the main source of income.	NA
Sunny Friend Environmental Technology Co., Ltd.	Waste Disposal and Manufacture of Pollution Prevention Equipment	992,998	The profit of re-investments in waste disposal and manufacture of pollution prevention equipment because of the increase in sales volume and steady growth.	NA
Ruentex Industries Ltd.	Spinning, Textiles, and Manufacturing, Processing and Sales of Garments	6,675,452	Main Reasons for Profit: (1) Recognition of the profit from investments of Concord Greater China Ltd. and Ruentex Development using the equity method. (2) Recognition of the gain from investment in Ruen Chen Investment Holding Co., Ltd.	NA
Ruentex Construction International Ltd.	General Investment	569	Rent is the main source of income.	NA
Sinopac Global Investment Ltd.	General Investment	108,579	Recognition of the profit from investments of Concord Greater China Ltd. and Ruentex Development using the equity method.	NA
Ruentex Construction Co., Ltd.	Civil Engineering Projects	472	The increase in operating income was main reason for profit.	NA
Ruentex Interior Design Inc.	Design and Construction of Interior Decoration, Gardens, and Greenery	78,336	The increase in operating income was main reason for profit.	NA
Ruentex Precast Engineering and Technology (Shanghai) Ltd.	Construction Engineering and Technology Consulting and Services	2,808	Currently, it is the promotion center of the construction business in Mainland China. After related business types are on the right track, profit will increase continuously.	NA

VI. Risk Analysis and Assessment (the previous year until the date of report publication)

(1) Influence on gains/losses of changes in interest rate and exchange rate and inflation, and future countermeasures:

The 2019 interest expense was higher because of more loans were raised compared to 2018. We will keep track on the influence on gains/losses of changes in the interest rate and take appropriate actions according to actual needs. The influence of the exchange rate is lower, as we are basically in an industry for domestic demands. Currently, the influence of inflation is still insignificant. We will keep track of commodity price volatility constantly and take relevant countermeasures as necessary.

(2) Policies, main reason(s) for gains/losses, and future countermeasures for engaging in high-risk and high-leverage investments, lending, offering guarantees and endorsements, and derivatives investments:

1. Policies, main reason(s) for profits or losses, and future countermeasures for engaging in high-risk and high-leverage investments and derivatives investments: We prohibit engagement in high-risk and high-leverage investments.

Investments in derivatives aim for hedging and are conducted with respect to related laws and regulations of the regulations

of this Company.

2. Policies, main reason(s) for profits or losses, and future countermeasures for engaging in lending, offering guarantees and endorsements: We engage in lending, offering guarantees, and endorsements with respect to related laws and regulations of the regulations of this Company. There is no record of losses.
- (3) Future R&D projects and planned R&D funds: NA
- (4) Influence of major policies and legal changes at home or abroad on finance and operations and countermeasures: In 2018 there was not significant policy or legal changes at home and abroad to affect the Company's finance and operations. We will constantly keep track of major policies and legal changes at home or abroad with significant influence on our finance and operations.
- (5) Influence of changes in technology and the industry on finance and operations and countermeasures: In response to environmental protection across the globe and the seismic and geological morphologies of Taiwan, we will launch projects with well-planned environmental protection and shock resistance to meet customer demands.
- (6) Influence of market presence changes on crisis management and countermeasures: By the date of annual report publication, there is no report of the influence of market presence change on crisis management.
- (7) Expected benefits and potential risks of mergers and acquisitions: NA.
- (8) Expected benefits and potential risks of factory expansion and countermeasures: NA.
- (9) Potential risk of procurement or sales centralization and acquisitions: Apart from land development and investment in the construction of housing, villa, and commercial buildings, MRT joint development projects, and station BOT and commercial property development projects, our major scope of business does not cover sales centralization. In procurement management, we carefully assess the quality, technology, and operational performance of constructors before contracting and implement strict control of project schedules and service quality to ensure the construction quality of each project.
- (10) Influence and potential risk of the massive transaction of or conversion of shares of the directors, supervisors, or dominant shareholders holding over 10% of the shareholding and countermeasures: By the date of annual report publication, there is no report of massive transaction or conversion of shares.
- (11) Influence and risks of management changes and countermeasures: NA.
- (12) Litigious or non-litigious events: NA.
- (13) Other important risks and countermeasures: Influence of information security risk on the company's finance and operations and countermeasures: To ensure the security and stability of information systems; prevent anomalies and disasters of information systems and data damage; and enhance data protection, we have established the information security policy, adopted the offsite backup and data backup mechanisms for information systems, and sent data to offsite storage. In addition, we have established the disaster recovery plan to strengthen disaster management. We also conduct disaster recovery drills to ensure the normal system operation and data security.
We have established stringent internal control procedures and protection mechanisms to control and secure application programs, operating systems, and network systems, in order to effectively control information system risks and maintain business continuity.
In 2019 and by the date of annual report publication, no event causing significant financial influence was reported, nor involvement in related litigious events or supervisory investigation was recorded.

VII. Other material information: NA.

VIII. Special Remarks

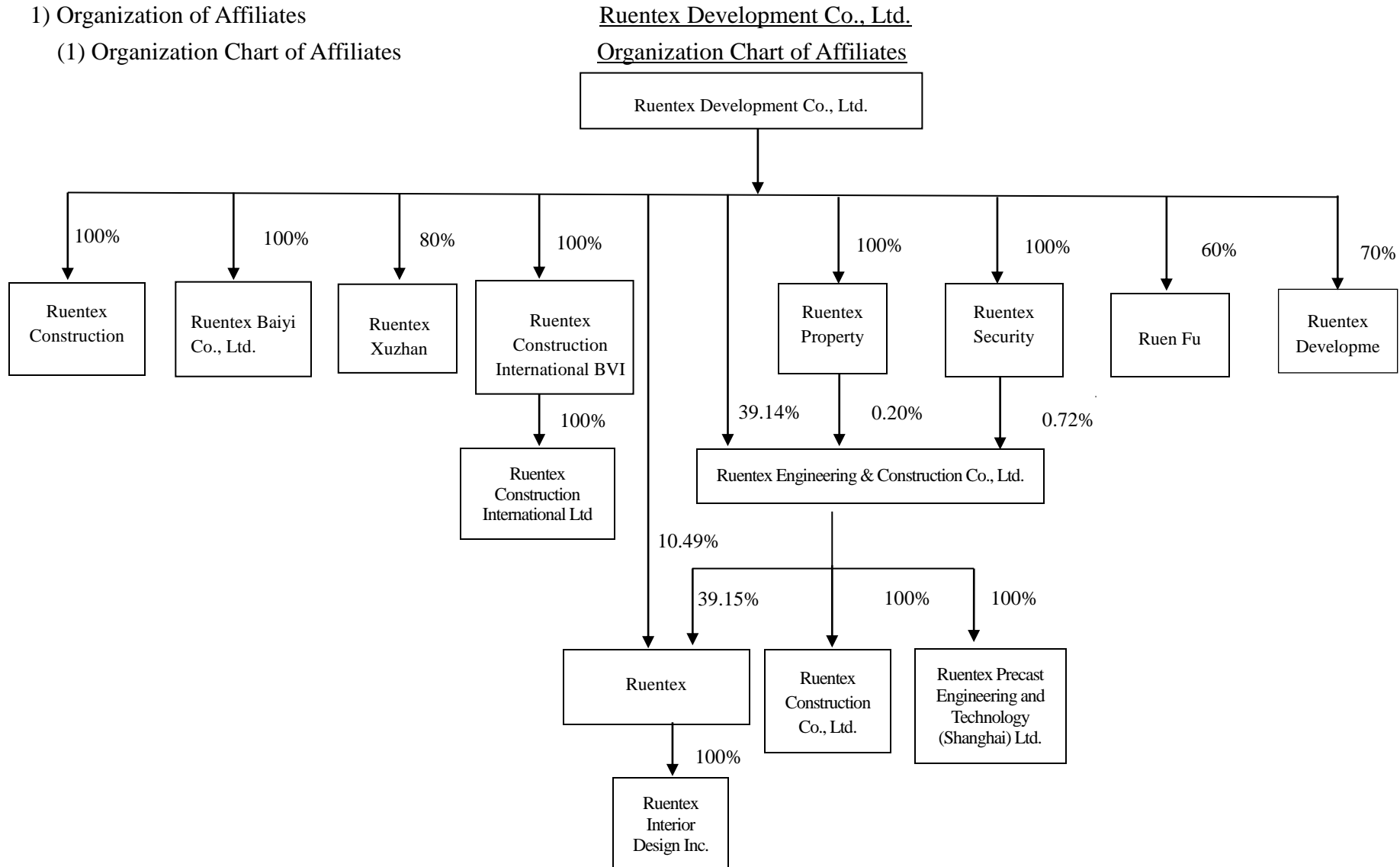
I.Information of Affiliates

Date: By December 31, 2019

(1) Consolidated Business Reports of Affiliates

1) Organization of Affiliates

(1) Organization Chart of Affiliates



(2) Basic Data of Affiliates

Unit: NTD/USD/HKD thousand

Affiliate	Establishedn	Address	Paid-in Capital	Major Business or Production
Ruentex Construction International BVI	11/29/1994	Tropic Isle Building, P.O. Box438, Road Town, Tortola, British Virgin Islands	USD25,000	General Investment
Ruentex Construction International Ltd	03/24/1994	2/F, Jonsim Place, No. 228 Queen's Road East, Wanchai, Hong Kong	HK7,800	General Investment
Ruentex Construction International Co., Ltd. (Previously named City-Link Development Co., Ltd.)	10/25/2002	11F.-1, No. 308, Sec. 2, Bade Rd., Taipei City	1,098,744	Mall Operations, Proprietary Booths, Commercial Property Leasing, Housing and Building Development, Leasing and Sales, and Business Management Consulting (Renamed in August 2019)
Ruentex Baiyi Co., Ltd.	03/22/2007	1F., No. 11, Songshan Rd., Taipei City	1,950,000	Mall Operations and Commercial Property Leasing
Ruentex Xuzhan Co. Ltd.	11/20/2006	No. 369, Sec. 7, Zhongxiao E. Rd., Taipei City	2,000,000	Mall Operations and Commercial Property Leasing
Ruentex Property Management & Maintenance Co., Ltd.	09/16/1992	11F.-1, No. 308, Sec. 2, Bade Rd., Taipei City	28,287	Property Management and Maintenance Services
Ruentex Security Co., Ltd.	06/28/1999	11F., No. 308, Sec. 2, Bade Rd., Taipei City	69,000	Security Services
Ruen Fu Newlife Corp.	12/19/1991	11F.-1, No. 308, Sec. 2, Bade Rd., Taipei City	15,000	Retirement Home and General Property Management and Maintenance Services
Ruentex Development Co., Ltd.	11/19/2015	11F.-1, No. 308, Sec. 2, Bade Rd., Taipei City	2,840,000	Commissioning Constructor to Build Collective Housing and Sales
Ruentex Engineering & Construction Co., Ltd.	11/03/1974	10F., No. 308, Sec. 2, Bade Rd., Taipei City	1,350,000	Undertaking Construction and Civil Engineering Projects, the Import, Export, Production, and Planning of Precast Beams, Columns, and Exterior Walls, and Related Electrotechnical Projects
Ruentex Materials Co., Ltd.	09/23/1992	10F., No. 308, Sec. 2, Bade Rd., Taipei City	1,500,000	Production and Distribution of Construction Materials
Ruentex Construction Co., Ltd.	03/13/1995	10F., No. 308, Sec. 2, Bade Rd., Taipei City	6,000	Civil Engineering Projects
Ruentex Precast Engineering and Technology (Shanghai) Ltd.	01/08/2014	Room 276, 202 Fulian Road, Pudong District, Shanghai City	USD5,200	Construction Engineering and Technology Consulting and Services
Ruentex Interior Design Inc.	11/14/1994	11F.-1, No. 308, Sec. 2, Bade Rd., Taipei City	30,000	Design and Construction of Interior Decoration, Gardens, and Greenery

(3)Data of shareholders with designated control or affiliation: NA

(4) Scope of Business Covered by all Affiliates: The scope of business of this Company and affiliates covers commission/investment in the construction of public housing/general apartments; interior design; property management and maintenance; electrical appliance wholesale; precision equipment wholesale and retail; production and sale of yarn dyed fabrics, bleach, and piece dyed fabrics; wholesale; and general investments.

(5) Directors, Supervisors, and Presidents of Affiliates and Their Shareholdings

Unit: Shares/%; Date: December 31, 2019

Affiliate	Title	Name or Representative	Shareholdings	
			Shares	Shareholding percentage
Ruentex Construction International BVI	Director	Representative of Ruentex Development Co., Ltd.: Tsang-Jiunn Jean	25,000,000	100.00%
Ruentex Construction International Ltd.	Director	Representative of Ruentex Construction International BVI: Tsang-Jiunn Jean	7,800,000	100.00%
Ruentex Construction International Co., Ltd. (Previously named City-Link Development Co., Ltd.)	Chairman	Representative of Ruentex Development Co., Ltd.: Tsang-Jiunn Jean	109,874,319	100.00%
	Director	Representative of Ruentex Development Co., Ltd.: Chih-Hung Lee	109,874,319	100.00%
		Representative of Ruentex Development Co., Ltd.: Li-Yu Chen	109,874,319	100.00%
	Supervisors	Representative of Ruentex Development Co., Ltd.: Xiu-Yan Chang	109,874,319	100.00%
Ruentex Baiyi Co., Ltd.	Chairman	Representative of Ruentex Development Co., Ltd.: Tsang-Jiunn Jean	195,000,000	100.00%
	Director	Representative of Ruentex Development Co., Ltd.: Chih-Hung Lee	195,000,000	100.00%
		Representative of Ruentex Development Co., Ltd.: Tien-Cheng Yeh	195,000,000	100.00%
	Supervisors	Representative of Ruentex Development Co., Ltd.: Xiu-Yan Chang	195,000,000	100.00%
Ruentex Xuzhan Co. Ltd.	Chairman	Representative of Ruentex Development Co., Ltd.: Tsang-Jiunn Jean	160,000,000	80.00%
	Director	Representative of Ruentex Development Co., Ltd.: Chih-Hung Lee	160,000,000	80.00%
		Representative of Ruentex Development Co., Ltd.: Chi-Fan Wang	160,000,000	80.00%
		Representative of Ruentex Development Co., Ltd.: Chung-Yao Yin	160,000,000	80.00%
		Representative of Mitsubishi Estate Co., Ltd.: Tougenn Shoubunn	40,000,000	20.00%
	Supervisors	Xiu-Yan Chang	0	0.00%
Ruentex Property Management & Maintenance Co., Ltd.	Chairman	Representative of Ruentex Development Co., Ltd.: Zi-Jing Yang	2,828,650	100.00%
	Director	Representative of Ruentex Development Co., Ltd.: Wen-Qing Zheng	2,828,650	100.00%
		Representative of Ruentex Development Co., Ltd.: Xue-Xian Chen	2,828,650	100.00%
	Supervisors	Representative of Ruentex Development Co., Ltd.: Chin-Szu Lin	2,828,650	100.00%
Ruentex Security Co., Ltd.	President	Xue-Xian Chen	—	—
	Chairman	Representative of Ruentex Development Co., Ltd.: Zi-Jing Yang	6,900,000	100.00%
	Director	Representative of Ruentex Development Co., Ltd.: Tsang-Jiunn Jean	6,900,000	100.00%
		Representative of Ruentex Development Co., Ltd.: Xue-Xian Chen	6,900,000	100.00%
	Supervisors	Representative of Ruentex Development Co., Ltd.: Chih-Chuan Chen	6,900,000	100.00%
Ruen Fu Newlife Corp.	President	Xue-Xian Chen	—	—
	Chairman	Representative of Ruentex Development Co., Ltd.: Zi-Jing Yang	900,000	60.00%
	Director	Representative of Ruentex Development Co., Ltd.: Tsang-Jiunn Jean	900,000	60.00%
		Representative of Ruentex Development Co., Ltd.: Fan-Wen Meng	900,000	60.00%
Ruentex Innovative Development Co., Ltd.	Supervisors	Representative of Ruentex Industries Ltd.: Chih-Chuan Chen	600,000	40.00%
	Chairman	Representative of Ruentex Development: Tsang-Jiunn Jean	198,800,000	70.00%
	Director	Representative of Ruentex Development: Chih-Hung Lee	198,800,000	70.00%
		Representative of Mitsubishi Estate Co., Ltd.: Tougenn Shoubunn	85,200,000	30.00%
	Supervisors	Xiu-Yan Chang	0	0.00%

Affiliate	Title	Name or Representative	Shareholdings	
			Shares	Shareholding percentage
Ruentex Engineering & Construction Co., Ltd.	Chairman	Representative of Ruentex Development Co., Ltd.: Shi-Shun Lai	52,844,859	39.14%
	Director	Representative of Ying Jia Investment Co., Ltd.: Wei-Han Mo	8,437,000	6.25%
		Representative of Ruentex Development Co., Ltd.: Chih-Hung Lee	52,844,859	39.14%
		Representative of Ruentex Dyeing and Textile Co., Ltd.: Chung-Yao Yin	2,584,000	1.91%
		Representative of Huihong Investment Co., Ltd.: Chih-Chuan Chen	360,000	0.26%
		Sho-Min Cao	0	0.00%
	Independent Director	Xiao-Ling Shen	0	0.00%
		Hui-Bin Zheng	0	0.00%
		Jen-Hui Tsai	0	0.00%
	Supervisors	Qing-Quan Chen	30,000	0.02%
		Bo-Wen Zheng	1,012,000	0.75%
		Yao-Qin Lee	5,000	0.00%
	President	Wei-Han Mo	8,000	0.00%
Ruentex Materials Co., Ltd.	Chairman	Representative of Ruentex Engineering & Construction Co., Ltd.: Chih-Hung Lee	58,726,917	39.15%
	Director	Representative of Ruentex Industries Ltd.: Chi-Fan Wang	7,139,530	4.76%
		Representative of Ruentex Engineering & Construction Co., Ltd.: Shi-Shun Lai	58,726,917	39.15%
		Representative of Ruentex Industries Ltd.: Hui-Sheng Chiu	7,139,530	4.76%
		Representative of Huihong Investment Co., Ltd.: Chung-Yao Yin	4,214,222	2.81%
		Representative of Huihong Investment Co., Ltd.: Chih-Chuan Chen	4,214,222	2.81%
	Independent Director	Ming-Jin Chen	0	0.00%
		Guo-Zhen Chang	0	0.00%
		Da-Peng Chang	0	0.00%
	President	Hui-Sheng Chiu	890,000	0.59%
Ruenyang Construction Co., Ltd.	Chairman	Representative of Ruentex Engineering & Construction Co., Ltd.: Zhen-Hong Lee	600,000	100.00%
	Director	Representative of Ruentex Engineering & Construction Co., Ltd.: Gong-Chen Chang	600,000	100.00%
		Representative of Ruentex Engineering & Construction Co., Ltd.: Guang-Ming Lee	600,000	100.00%
	Supervisors	Representative of Ruentex Engineering & Construction Co., Ltd.: Yao-Qin Lee	600,000	100.00%
Ruentex Precast Engineering and Technology (Shanghai) Ltd.	Chairman	Representative of Ruentex Engineering & Construction Co., Ltd.: Shi-Shun Lai	5,200,000	100.00%
	Director	Representative of Ruentex Engineering & Construction Co., Ltd.: Wei-Han Mo	5,200,000	100.00%
		Representative of Ruentex Engineering & Construction Co., Ltd.: Yao-Yi Jan	5,200,000	100.00%
	Supervisors	Representative of Ruentex Engineering & Construction Co., Ltd.: Chun-Guo Zhao	5,200,000	100.00%
Ruentex Interior Design Inc.	Chairman	Representative of Ruentex Materials Co., Ltd.: Tsang-Jiunn Jean	3,000,000	100.00%
	Director	Representative of Ruentex Materials Co., Ltd.: Chih-hung Lee	3,000,000	100.00%
		Representative of Ruentex Materials Co., Ltd.: Yu-Huang Lu	3,000,000	100.00%
	Supervisors	Representative of Ruentex Materials Co., Ltd.: Chin-Szu Lin	3,000,000	100.00%

Note 1: The proposal of dissolution was approved by the extraordinary meeting of shareholders in January 2019, and the liquidation was completed in November

2. Performance of Affiliates

Unit: NTD/USD/HKD Thousand; Date: December 31, 2019

Affiliate	Authorized Capital	Total Assets	Total liability	Net Worth	Operation income	Operating Income	Income of the Period After Taxes	EPS (NT\$) After Taxes
Ruentex Construction International BVI	(USD) 25,000	2,076,281	176	2,076,105	1,205	319	53,774	—
Ruentex Construction International Ltd	(HK) 7,800	22,355	176	22,179	1,205	916	569	—
Ruentex Construction International Co., Ltd. (Previous named City-Link Development Co., Ltd.)	1,098,744	2,816,678	2,322,243	494,435	202,696	(81,468)	(233,406)	(2.23)
Ruentex Baiyi Co., Ltd.	1,950,000	9,071,309	6,847,651	2,223,658	686,728	313,630	146,209	0.75
Ruentex Xuzhan Co. Ltd.	2,000,000	12,005,358	9,549,639	2,455,719	1,060,528	536,956	303,778	1.52
Ruentex Property Management & Maintenance Co., Ltd.	28,287	94,993	58,062	36,931	232,997	6,016	6,212	2.20
Ruentex Security Co., Ltd.	69,000	103,707	38,014	65,693	148,773	(5,198)	(163)	(0.02)
Ruen Fu Newlife Corp.	15,000	32,392	28,003	4,389	48,015	(6,158)	(3,776)	(2.52)
Ruentex Development Co., Ltd.	2,840,000	5,817,220	3,049,049	2,768,171	143	(54,046)	(41,582)	(0.15)
Ruentex Engineering & Construction Co., Ltd.	1,350,000	6,900,150	3,042,821	3,857,329	8,773,188	604,078	679,710	5.03
Ruentex Materials Co., Ltd.	1,500,000	4,791,086	2,452,383	2,338,703	2,314,528	28,661	87,797	0.59
Ruentex Construction Co., Ltd.	6,000	25,701	15,792	9,909	36,164	(112)	472	0.79
Ruentex Precast Engineering and Technology (Shanghai) Ltd.	(USD) 5,200	159,388	19,768	139,620	75,576	(5,346)	2,808	—
Ruentex Interior Design Inc.	30,000	532,957	349,233	183,724	771,792	87,421	78,336	26.11

(2) Consolidated Financial Statements of Affiliates:

The affiliates included in our 2019 Consolidated Financial Statements are identical with those required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards Board (IASB), International Accounting Standards (IASs), and Standing Interpretations Committee (SICs) accredited by the FSC. In addition, the information to be disclosed by affiliates in their Consolidated Financial Statements has been disclosed in the Consolidated Financial Statements of said parent company. Therefore, no separate Consolidated Financial Statements of affiliates will be published.

(3) Repots on Relations with Affiliates: NA.

II. Private placements of securities in the previous year and by the date of report publication: NA.

III. Stocks of this Company held and disposed by subsidiaries in the previous year and by the date of report publication: NA.

Name of Subsidiary	Paid-in capital	Capital Source	Shareholding percentage of the Company	Date of Acquisition or Disposal	Number and Amount of Shares Acquired	Number and Amount of Shares Disposed	Profit and Loss on Investments	Number of Shares Held by March 31, 2020 and Their Face Value	Pledge Creation	Amount of Endorsements and Guarantees for Subsidiaries	Amount of Lending to Subsidiaries
Ruentex Engineering & Construction Co., Ltd.	1,350,000	Self-owned Funds	40.07% (Comprehensive Shareholding)	-	-	-	-	3,426,000 shares NT\$19,984,000	-	-	-
This Year and by the Date of Report Publication					-	-	-	3,426,000 shares NT\$19,984,000	-	-	-

IV. Other required supplementary notes: NA.

IX. Events with material impacts on shareholders equity or stock price as specified in article 36, paragraph 3 and subparagraph 2 of the Securities and Exchange Act in the previous year and by the date of report publication: NA.

Ruentex Development Co., Ltd. and subsidiaries
Consolidated Financial Statements and Report of
Independent Accountants
Year 2019 and 2018
(Stock Code: 9945)

Company Address: 11F.-1, No. 308, Sec. 2, Bade Rd., Taipei City
Telephone: (02)8161-9888

Ruentex Development Co., Ltd. and subsidiaries
Consolidated Financial Statements and Report of Independent Accountants of 2019 and 2018
Table of Contents

Item	Page
1. Cover page	1
2. Table of Contents	2 ~ 3
3. Declaration	4
4. Independent Auditors' Report	5 ~ 10
5. Consolidated Balance Sheet	11 ~ 12
6. Consolidated Statements of Comprehensive Income	13 ~ 14
7. Consolidated Statements of Changes in Equity	15
8. Consolidated Statements of Cash Flows	16 ~ 17
9. Notes to the Consolidated Financial Statements	18 ~ 121
I. Company History	18
II. Date and Procedure for Approval of Financial Statements	18
III. Application of New Standards, Amendments, and Interpretations	18 ~ 20
IV. Summary of Significant Accounting Policies	20 ~ 37
V. Significant Accounting Judgments, Estimations, Assumptions, and Sources of Estimation uncertainty	37
VI. Details of Significant Accounts	37 ~ 95
VII. Related Party Transactions	96 ~ 102

Item	Page
VIII. Pledged Assets	103
IX. Significant Contingent Liabilities and Unrecognized Contract Commitments	103 ~ 105
X. Significant Disaster Loss	105
XI. Significant Events After the Balance Sheet Date	105 ~ 106
XII. Others	106 ~ 117
XIII. Additional Disclosure	117 ~ 118
XIV. Information on Departments	119 ~ 121

Ruentex Development Co., Ltd. and subsidiaries

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, from January 1 to December 31, 2019, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. In addition, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare.

Company name: Ruentex Development Co., Ltd.

Responsible person: Tsang-Jiunn Jean

March 30, 2020

Independent Auditors' Report

(2020)PWCR 19004907

The Board of Directors and Shareholders Ruentex Development Co., Ltd.

Audit opinion

We have audited the accompanying consolidated balance sheets of Ruentex Development Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants (please refer to the “other matter” section of our report), the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. In view of the audit result concluded by our representatives and the audits concluded by other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

The most significant key audit matters in our audit of the Group’s consolidated financial statements for the year ended 2019 are as follows:

Accuracy of Investment Balance Accounted for using equity method

Description of Key Audit Matters

As at December 31, 2019 the Group's investments accounted under equity method were NT\$78,936,414 thousand, representing 52.58% of the total consolidated assets. Please refer to Note IV(15) for accounting policies on investments accounted under equity method and Note VI(8) for details.

Due to the complexity of multi-layered cross-holdings among multinational investee enterprises accounted for under equity method, conducting audit and calculation on such investments may require significant costs and human resources, so we identified the accuracy for calculating the balance of investments accounted under equity method as a key audit matter.

Corresponding Audit Procedures

We summarize the audit procedures executed for the aforementioned key audit matters as follows:

1. We assessed the consistency of the internal control and the accounting process adopted by the management on the investments using equity method.
2. We obtained the investment profit/loss and equity account calculation form and the annual financial statements of investees audited by independent auditors from the management re-calculated the investment profit/loss and equity account amounts, and entered into account appropriately.

Accuracy of Time for Recognition of Construction Cost

Description of Key Audit Matters

Please refer to Note IV (30) for accounting policies on construction costs recognition.

The Group's recognition of construction costs for each contract as at the end of the reporting period is estimated based on construction progress and customer acceptance. Aforementioned procedures for the recognition of construction costs usually depends on whether construction personnel inspect and calculates the costs based on the actual construction outcome for each contract correctly. Any inappropriate timing of construction costs recognition may result in material impact on the presentation of financial statements, so we identified the accuracy of construction cost recognition timing as a key audit matter.

Corresponding Audit Procedures

We summarize the audit procedures executed for the aforementioned key audit matters as follows:

1. We conducted understanding and tested on the process adopted by the management in the recognition of construction cost to verify that it had been performed according to the internal control operation of the Company, including that the construction personnel had performed acceptance according to the construction result and had submitted to the accounting department to perform account entry after the confirmation of the responsible supervisors.
2. We performed the cut-off test on the construction cost incurred for a certain period before and after the end of the financial report period, including the verifying the acceptance record, verifying the accuracy of the calculation of construction pricing, confirming that the construction cost incurred had been recorded at the appropriate period.

Accuracy of the Recognition of Construction Incomes

Description of Key Audit Matters

For the year ended December 31, 2018, the Group's construction contract revenue was NT\$7,297,775 thousand, representing 42.29% of consolidated operating revenue. Please refer to Note IV (30) for accounting policies on revenue recognition, Note V (2) for critical accounting estimates and assumptions and Note VI (24) for details.

The Group's recognition of construction revenue is based on the stage of completion of a contract using the percentage of completion method of accounting during the duration of a contract. The stage of completion is determined by the proportion that contract costs incurred for work performed to date compared to the estimated total contract costs. Aforementioned estimated total contract costs were based on contract budget details compiled by owner's design drawing considering the changes in the price fluctuations in the recent market to estimate the contract work, overhead and relevant costs.

Since the estimation of construction total cost can affect the recognition of construction completion progress and the construction income, and since the construction total cost items are complicated and often involving high degree of estimation, such that it can cause major uncertainty. Consequently, we've considered the accuracy of the recognition of construction income as one of the key matters in this year's audit.

Corresponding Audit Procedures

For the abovementioned key audit matters, except for the accuracy of the recognition of construction incomes, other preformed audit procedures are summarized as the following:

1. We obtained an understanding of the nature of business and industry of the Group and assessed the reasonableness of internal process of estimating total construction cost, including the procedure of estimating each construction cost and overhead, and the consistency of applying the estimation method.
2. We assessed and tested the internal controls that would affect the recognition of construction contract revenue based on stage of completion, including verifying the evidence of additional or less work and significant constructions.
3. Re-check the percentage of the completion of each construction, and review the accuracy of the recognition of the related construction incomes and if they have been accounted for.
4. We obtained details of construction profit or loss and performed substantive procedures, including randomly checking the incurred cost of current period with the appropriate evidence, and additional or less work with the supporting documents, and recalculated the stage of completion to ensure a reasonable recognition of construction revenue.

Other matter - Reference to audits of other independent accountants

We did not audit the financial statements of multiple subsidiaries and investments accounted under the equity method that are included in the Group's consolidated financial statements. Those statements were audited by other independent accountants whose report thereon has been furnished to us, and our opinion expressed herein is based solely on the audit reports issued by other independent accountants. The total assets of the aforementioned subsidiaries as at December 31, 2019 and 2018, were NT\$45,443 thousand and NT\$60,017 thousand, respectively, and constituted 0.03% and 0.07% of total consolidated assets. Their total operating income of NT\$47,625 thousand and NT\$46,880 thousand for the years ended December 31, 2019 and 2018, constituted 0.28% and 0.32% of total consolidated operating income. The aforementioned investments recognized under equity method as at December 31, 2019 and 2018 were NT\$14,932,672 thousand and NT\$9,804,972 thousand, respectively, and constituted 9.95% and 11.36% of total consolidated assets. Share of other comprehensive income of associates and joint ventures accounted for under equity method and other comprehensive income were NT\$5,761,174 thousand and NT\$1,026,217 thousand for the years ended December 31, 2019 and 2018, respectively, and constituted 11.06% and 3.91% of total consolidated comprehensive income.

Other matter- Parent only financial reports

We have audited and expressed an unqualified opinion on the parent only financial statements of Ruentex Development Co., Ltd. for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIS Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

1. We identify and assess the risks of material misstatement of 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 opinions. 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. We 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. We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 going concern.
5. We evaluate the overall presentation, structure and content of the consolidated financial statements, including the related disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. We obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, overseeing and executing audit of the Group, and forming the audit opinion for the Group.

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 the governance units with statements that we have complied with relevant matters that may reasonably be thought to bear on our independence, and we have also communicated with the governance units on all relationships and other matters, including relevant protective measure, that may be considered to affect the independence of auditors.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Group's consolidated financial statements of 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude 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.

PwC Taiwan

Chao-Ming Wang,

CPA

Ming-Chuan Hsu

Ex Securities Commission of the Ministry of Finance
Approval Certificate No.:(1996) Tai-Cai-Zheng (VI) No.
65945

Financial Supervisory Commission
Approval Certificate No.: Jin-Guan-Zheng-Shen-Zi No.
1050029449

March 30, 2020

Ruentex Development Co., Ltd. and the Subsidiaries
Consolidated Balance Sheet
December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

Assets		Notes	December 31, 2019		December 31, 2018	
			Amount	%	Amount	%
Current Assets						
1100	Cash and cash equivalents	VI (1)	\$ 7,147,701	5	\$ 3,994,104	5
1110	Financial assets at fair value through profit or loss - current	VI (2)	39,210	-	64,879	-
1136	Financial assets measured at amortized costs - current	VI (7)	25,760	-	22,372	-
1140	Contract asset - current	VI (24) and VII	1,275,724	1	714,791	1
1150	Net Notes Receivable	VI (3)	257,873	-	140,366	-
1160	Notes receivable - related parties - net	VII	9,020	-	941	-
1170	Net Accounts Receivable	VI (3) (11)	1,071,790	1	1,068,365	1
1180	Accounts receivable - related parties - net	VII	1,828	-	23,706	-
1200	Other receivables		21,438	-	9,542	-
1210	Other Receivables - related party	VII	12,683	-	13,600	-
1220	Current income tax assets		17,001	-	1,287	-
130X	Inventories	VI (4) and VIII	26,911,326	18	27,720,538	32
1410	Prepayments	VI (10) (14)	242,125	-	238,105	-
1470	Other Current Assets	VI (5) and VIII	780,117	-	908,331	1
11XX	Total Current Assets		37,813,596	25	34,920,927	40
Non-Current Assets						
1517	Financial Assets at fair value through other comprehensive income - non-Current	VI (6), VII and VIII	3,825,675	3	4,694,131	5
1535	Amortized cost financial Assets - non-Current	VI (7)	560,000	1	560,000	1
1550	Investment accounted for under the equity method	VI (8), VII, and VIII	78,936,414	53	21,611,442	25
1600	Real estate, plant and equipment	VI (9) and VIII	4,430,532	3	4,105,951	5
1755	Right-of-use assets	VI (10), VII, and VIII	2,006,860	1	-	-
1760	Net Value of Investment Properties	VI (12) and VIII	21,418,294	14	12,691,233	15
1780	Intangible Assets	VI(13)	244,424	-	224,106	-
1840	Deferred tax Assets	VI(31)	207,722	-	268,225	-
1930	Long-term notes and accounts receivable	VI(11)(34)	460,954	-	515,643	1
1990	Other non-current assets - others	VI (10) (14)and VIII	228,076	-	6,728,868	8
15XX	Total Non-Current Assets		112,318,951	75	51,399,599	60
1XXX	Total Assets		\$ 150,132,547	100	\$ 86,320,526	100

(Continued)

Ruentex Development Co., Ltd. and the Subsidiaries
Consolidated Balance Sheet
December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

Liabilities and Equity			December 31, 2019		December 31, 2018	
			Amount	%	Amount	%
Current Liabilities						
2100	Short-term borrowings	VI(15) and VIII	\$ 3,323,000	2	\$ 880,000	1
2110	Short-term notes and bills payable	VI(16) and VIII	3,038,126	2	699,795	1
2130	Contract liabilities - Current	VI (24) and VII	1,172,937	1	1,042,024	1
2150	Notes payable		681,035	-	360,919	-
2160	Notes payable - related party	VII	16,576	-	2,670	-
2170	Accounts payable		1,942,621	1	1,487,907	2
2180	Accounts payable - related party	VII	17,650	-	4,890	-
2200	Other payables	VII	985,610	1	907,833	1
2230	Income tax liabilities of current period		150,833	-	823,420	1
2280	Lease liabilities - Current	VI (10) and VII	380,509	-	-	-
2300	Other Current liabilities	VI (17) (18) and VII	8,622,283	6	7,203,906	8
21XX	Total Current Liabilities		20,331,180	13	13,413,364	15
2540	Long-term borrowings	VI (17) and VIII	30,927,546	21	33,793,940	39
2570	Deferred income tax liabilities	VI(31)	1,533,240	1	1,375,204	2
2580	Lease liabilities - Non-current	VI (10) and VII	10,058,917	7	-	-
2610	Long-term notes and accounts payable	VI (14)	-	-	623,258	1
2670	Other non-current liabilities - others	VI (18) (19)	1,889,384	1	1,835,746	2
25XX	Total Non-Current Liabilities		44,409,087	30	37,628,148	44
2XXX	Total Liabilities		64,740,267	43	51,041,512	59
Equity						
Equity attributable to owners of parent						
Capital			VI(20)			
3110	Share capital		10,032,540	7	10,032,540	12
Capital surplus			VI (21)			
3200	Capital surplus		18,136,402	12	18,013,510	21
Retained earnings			VI (22)			
3310	Legal reserve		3,816,407	3	4,829,705	6
3320	Special reserve		29,523,666	20	17,450,088	20
3350	Unappropriated earnings		6,561,429	4	13,066,788	15
Other equity			VI (23)			
3400	Other equity		12,907,012	8	(32,411,659)	(38)
3500	Treasury Stock	VI(20)	(84,639)	-	(84,639)	-
31XX	Total equity attributable to owners of parent		80,892,817	54	30,896,333	36
36XX	Non-controlling interest	VI (32)	4,499,463	3	4,382,681	5
3XXX	Total Equity		85,392,280	57	35,279,014	41
Significant contingent liabilities and unrecognized contractual commitments			IX			
Significant Subsequent Events			XI			
3X2X	Total Liabilities and Equity		\$ 150,132,547	100	\$ 86,320,526	100

The accompanying notes are in integral part of these consolidated financial statements.

Chairman: Tsang-Jiunn Jean

Manager: Chih-Hung Lee

Accounting Manager: Chin-Szu Lin

Ruentex Development Co., Ltd. and the Subsidiaries
Consolidated Balance Sheet
December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

	Item	Notes	Year 2019		Year 2018	
			Amount	%	Amount	%
4000	Operating Revenue	VI (24) and VII	\$ 17,257,930	100	\$ 14,859,430	100
5000	Operating Costs	VI (4) (19)(25)(29) (30)and VII	(13,645,895)	(79)	(11,172,350)	(75)
5900	Gross profit		3,612,035	21	3,687,080	25
	Operating Expenses	VI(19)(29) (30) and VII				
6100	Selling and marketing expenses		(702,521)	(4)	(762,142)	(5)
6200	Administrative expense		(948,647)	(6)	(879,736)	(6)
6300	Research and development expenses		(59,650)	-	(71,496)	(1)
6450	Expected credit losses	VI (29)	(1,974)	-	(3,607)	-
6000	Total Operating Expenses		(1,712,792)	(10)	(1,716,981)	(12)
6900	Operating Profit		1,899,243	11	1,970,099	13
	Non-operating Income and Expenses					
7010	Other income	VI (7) (26)	410,614	2	544,949	4
7020	Other gains and losses	VI (27)	(281,955)	(2)	30,445	-
7050	Finance costs	VI (28) and VII	(611,057)	(3)	(356,944)	(2)
7060	Share of comprehensive income of associates and joint ventures accounted for under equity method	VI (8)	8,593,623	50	10,097,636	68
7000	Total Non-operating Income and Expenses		8,111,225	47	10,316,086	70
7900	Net income before tax		10,010,468	58	12,286,185	83
7950	Income tax expense	VI(31)	(424,349)	(2)	(1,839,005)	(13)
8200	Net income of current period		\$ 9,586,119	56	\$ 10,447,180	70

The accompanying notes are in integral part of these consolidated financial statements.

Chairman: Tsang-Jiunn Jean

Manager: Chih-Hung Lee

Accounting Manager: Chin-Szu Lin

Ruentex Development Co., Ltd. and the Subsidiaries
Consolidated Balance Sheet
December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

			Year 2019		Year 2018	
Item		Notes	Amount	%	Amount	%
Other Comprehensive Income (net)						
Items may not be reclassified subsequently to profit or loss:						
8311	Remeasurements of defined benefit plans	VI(19)	\$ 1,304	-	\$ 16,753	-
8316	Unrealized equity instrument profit or loss measured at fair value through other comprehensive income	VI (6)	(872,867)	(5)	(396,643)	(3)
8320	Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will not be reclassified to profit or loss	VI (22)	(48,983)	-	(93,931)	-
8349	Income tax related to items not to be reclassified into profit or loss	VI(31)	104,642	-	50,602	-
8310	Total of items not to be reclassified into profit or loss		(815,904)	(5)	(423,219)	(3)
Items may be reclassified subsequently to profit or loss						
8361	Exchange differences on translating foreign operations		(171,605)	(1)	254,602	2
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will probably be reclassified to profit or loss	VI (23)	43,818,066	254	(36,551,302)	(246)
8399	Income tax related to items may be reclassified into profit or loss	VI(31)	(309,869)	(2)	12,160	-
8360	Total of items may be reclassified subsequently to profit or loss		43,336,592	251	(36,284,540)	(244)
8300	Other Comprehensive Income (net)		\$ 42,520,688	246	(\$ 36,707,759)	(247)
8500	Total Comprehensive Income of current period		\$ 52,106,807	302	(\$ 26,260,579)	(177)
Profit attributable to:						
8610	Owners of the parent		\$ 9,067,952	53	\$ 9,932,094	67
8620	Non-controlling interest		\$ 518,167	3	\$ 515,086	3
Comprehensive loss attributable to:						
8710	Owners of the parent		\$ 51,706,025	300	(\$ 26,771,376)	(180)
8720	Non-controlling interest		\$ 400,782	2	\$ 510,797	3
Earnings Per Share						
		VI(33)				
9750	Basic earnings per share		\$ 9.35		\$ 7.22	
9850	Diluted earnings per share		\$ 9.34		\$ 7.22	

The accompanying notes are in integral part of these consolidated financial statements.

Chairman: Tsang-Jiunn Jean

Manager: Chih-Hung Lee

Accounting Manager: Chin-Szu Lin

Ruentex Development Co., Ltd. and the Subsidiaries
Consolidated statement of changes in Equity
December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

Notes	Equity attributable to owners of parent							Total	Non-controlling interest	Total Equity
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Other equity	Treasury Stock			
Year 2018										
Balance on January 1, 2018	\$ 16,720,900	\$ 17,986,504	\$ 3,719,263	\$ 17,447,134	\$ 11,104,418	(\$ 18,396,258)	(\$ 105,200)	\$ 48,476,761	\$ 4,171,898	\$ 52,648,659
Effect of retrospective application and retrospective restatement	-	-	-	-	(193,654)	19,369,575	-	19,175,921	26,313	19,202,234
January 1, 2018 Restated balance	16,720,900	17,986,504	3,719,263	17,447,134	10,910,764	973,317	(105,200)	67,652,682	4,198,211	71,850,893
Net income of current period	VI (22)(32)	-	-	-	9,932,094	-	-	9,932,094	515,086	10,447,180
Other Comprehensive Income	VI (22) (23)	-	-	-	(80,498)	(36,622,972)	-	(36,703,470)	(4,289)	(36,707,759)
Total Comprehensive Income of current period		-	-	-	9,851,596	(36,622,972)	-	(26,771,376)	510,797	(26,260,579)
Cash Reduction	VI(20)	(6,688,360)	-	-	-	-	8,552	(6,679,808)	-	(6,679,808)
2017 Appropriation and distribution of retained earnings:	VI (22)									
Legal reserve		-	-	1,110,442	(1,110,442)	-	-	-	-	-
Special reserve		-	-	2,954	(2,954)	-	-	-	-	-
Cash dividends		-	-	-	(3,344,180)	-	-	(3,344,180)	-	(3,344,180)
Dividends unclaimed by shareholders with claim period elapsed	VI (21)	-	9,205	-	-	-	-	9,205	-	9,205
Changes in associates & joint ventures accounted for using equity method	VI (20) (21)	-	17,801	-	-	-	12,009	29,810	-	29,810
Equity instruments valuation profit or loss measured at fair value through disposal of other comprehensive income	VI (22)	-	-	-	(3,237,996)	3,237,996	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	VI (32)	-	-	-	-	-	-	-	33,239	33,239
Decrease in non-controlling interests	VI (32)	-	-	-	-	-	-	-	(359,566)	(359,566)
Balance, December 31, 2018		<u>\$ 10,032,540</u>	<u>\$ 18,013,510</u>	<u>\$ 4,829,705</u>	<u>\$ 17,450,088</u>	<u>\$ 13,066,788</u>	<u>(\$ 32,411,659)</u>	<u>\$ 30,896,333</u>	<u>\$ 4,382,681</u>	<u>\$ 35,279,014</u>
Year 2019										
Balance on January 1, 2019		\$ 10,032,540	\$ 18,013,510	\$ 4,829,705	\$ 17,450,088	\$ 13,066,788	(\$ 32,411,659)	\$ 30,896,333	\$ 4,382,681	\$ 35,279,014
Net income of current period	VI (22)(32)	-	-	-	-	9,067,952	-	9,067,952	518,167	9,586,119
Other Comprehensive Income	VI (22) (23)	-	-	-	-	(44,119)	42,682,192	42,638,073	(117,385)	42,520,688
Total Comprehensive Income of current period		-	-	-	-	9,023,833	42,682,192	51,706,025	400,782	52,106,807
2018 Appropriation and distribution of retained earnings:	VI (22)									
Legal reserve		-	-	993,210	(993,210)	-	-	-	-	-
Special reserve		-	-	-	12,073,578	(12,073,578)	-	-	-	-
Cash dividends from the legal reserve	VI (22)	-	-	(2,006,508)	-	-	-	(2,006,508)	-	(2,006,508)
Dividends unclaimed by shareholders with claim period elapsed	VI (21)	-	3,409	-	-	-	-	3,409	-	3,409
Changes in associates & joint ventures accounted for using equity method	VI (21)	-	122,482	-	-	184,120	(10,045)	296,557	-	296,557
Changes in ownership interests in subsidiaries	VI (21)	-	9,910	-	-	-	-	9,910	4,281	14,191
Equity instruments valuation profit or loss measured at fair value through disposal of other comprehensive income	VI (22) (23)	-	-	-	-	(2,646,524)	2,646,524	-	-	-
Changes in the Reorganization	VI (21)	-	(12,909)	-	-	-	-	(12,909)	-	(12,909)
Increase of non-controlling Interest	VI (32)	-	-	-	-	-	-	-	1,447,979	1,447,979
Decrease in non-controlling interests	VI (32)	-	-	-	-	-	-	-	(1,736,260)	(1,736,260)
Balance on December 31, 2019		<u>\$ 10,032,540</u>	<u>\$ 18,136,402</u>	<u>\$ 3,816,407</u>	<u>\$ 29,523,666</u>	<u>\$ 6,561,429</u>	<u>(\$ 84,639)</u>	<u>\$ 80,892,817</u>	<u>\$ 4,499,463</u>	<u>\$ 85,392,280</u>

The accompanying notes are in integral part of these consolidated financial statements.

Chairman: Tsang-Jiunn Jean

Manager: Chih-Hung Lee

Accounting Manager: Chin-Szu Lin

Ruentex Development Co., Ltd. and the Subsidiaries
Consolidated Statements of Cash Flows
December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

	Notes	January 1 to December 31, 2019	January 1 to December 31, 2018
Cash Flows from Operating Activities			
Income before income tax of current period		\$ 10,010,468	\$ 12,286,185
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Income and expense items			
Depreciation expense	VI (29)	929,826	544,050
Amortization	VI (29)	9,420	19,802
Expected credit losses	VI (29)	1,974	3,607
Impairment loss on use-of-right assets	VI (27)	88,809	-
Impairment loss on properties of investment	VI (27)	94,871	-
Interest Cost	VI (28)	611,057	356,944
Long-term prepaid rent - transfer of premium to expense	VI (14)	-	28,144
Interest income	VI (26)	(101,812)	(194,522)
Dividend income	VI (26)	(127,440)	(173,658)
Share of profit of associates accounted for using equity method	VI (8)	(8,593,623)	(10,097,636)
Expenses of intangible asset transfer	VI(13)	1,229	-
Gains on disposals of real estate, plant and equipment	VI (27)	(426)	(116)
Net valuation profit on financial assets at fair value through profit or loss	VI (2) (27)	(2,207)	(30)
Gains on reversal of financial assets impairment loss	VI (27)	(295)	(4,185)
Loss on liquidation	VI (27)	-	22,100
Impairment loss on long-term prepaid rent	VI (13) (27)	-	200,000
Gains on write-off of accounts payable past due	VI (26)	-	(2,248)
Other income		(40,802)	(53,323)
Change in operating assets/liabilities			
Net change in operating assets			
Contract asset - current		(560,933)	67,667
Notes receivable		(117,507)	123,751
Notes receivable - related parties		(8,079)	7,819
Accounts receivable		(5,399)	(359,461)
Accounts receivable - related party		21,878	(22,310)
Other receivables		(1,898)	67,551
Other receivables - related Party		1,920	7,490
Inventories		1,058,660	247,134
Prepayments		(70,855)	171,534
Other Current Assets		(36,071)	(4,552)
Long-term notes and accounts receivable		54,689	37,173
Other non-Current Assets		(73,824)	(5,389)
Net change in operating liabilities			
Contractual Liabilities - Current		130,913	350,534
Notes payable		320,130	(61,903)
Notes payable - related party		13,906	(23,140)
Accounts payable		454,355	(107,540)
Accounts payable - related party		12,760	(79,949)
Other payables		93,659	1,920
Other Current liabilities		37,358	64,243
Long-term notes and accounts payable		-	63,897
Other non-Current liabilities		57,064	199,440
Cash flow in from operating		4,263,775	3,681,023
Interest received		100,292	196,677
Interest payment		(860,745)	(576,307)
Dividends received		701,550	802,012
Income tax refunded		3,166	-
Income tax paid		(1,113,343)	(2,301,596)
Cash inflow from operating activities		3,094,695	1,801,809

(Continued)

Ruentex Development Co., Ltd. and the Subsidiaries
Consolidated Statements of Cash Flows
December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

	<u>Notes</u>	<u>January 1 to December 31, 2019</u>	<u>January 1 to December 31, 2018</u>
<u>Cash flow from investing activities</u>			
Return of investment in financial assets at fair value through profit or loss	VI (2)	\$ 295	\$ 4,185
Acquisition of financial assets at fair value through profit or loss		(85,866)	(64,849)
Disposal of financial assets at fair value through profit or loss		111,026	-
Acquisition of financial Assets at fair value through other comprehensive income acquired - non-Current	VI (6)	(13,865)	-
Acquisition of financial assets measured at amortized costs - current		(25,760)	(22,372)
Disposal of financial assets measured at amortized costs - current		21,765	-
Return of share capital from financial assets at fair value through other comprehensive income	VI (6)	-	152,366
Investment accounted for under the equity method	VI (8)	(578,962)	(87,500)
Proceeds from capital reduction of investments under equity method	VI (8)	195,429	558,291
Investment in real estate properties, plants, and equipment	VI (9)	(478,289)	(216,765)
Proceeds from disposal of real estate, plant and equipment		558	272
Investment real estate acquired	VI (35)	(102,941)	(26,767)
Acquisition of intangible assets	VI (35)	(30,742)	(20,959)
Decrease (increase) in other financial assets		164,285	(186,144)
Net cash generated from (used in) investment activities		(823,067)	89,758
<u>Cash Flows from Financing Activities</u>			
Net increase (decrease) in short-term borrowings	VI (36)	2,443,000	(12,050,000)
Net increase (decrease) in short-term notes and bills payable	VI (36)	2,340,000	(5,139,000)
Proceeds from long-term borrowings	VI (36)	26,250,413	29,173,475
Repayments of long-term borrowings	VI (36)	(27,708,825)	(12,298,762)
Increase in guarantee deposits	VI (36)	29,482	6,729
Issuance of cash dividends	VI (22)	(2,006,508)	(3,344,180)
Repayment to the lease principal	VI (10) (36)	(132,622)	-
Cash Reduction	VI (20)	-	(6,688,360)
Changes in non-controlling interest	VI (32)	(288,281)	(326,327)
Reorganization	VI (21)	(12,909)	-
Cash flow generated from (used in) financing activities		913,750	(10,666,425)
Effect of exchange rate changes		(31,781)	20,415
Net increase (decrease) in cash and cash equivalents		3,153,597	(8,754,443)
Cash and cash equivalents at beginning of period		3,994,104	12,748,547
Cash and cash equivalents at end of period		\$ 7,147,701	\$ 3,994,104

The accompanying notes are in integral part of these consolidated financial statements.

Chairman: Tsang-Jiunn Jean

Manager: Chih-Hung Lee

Accounting Manager: Chin-Szu Lin

Ruentex Development Co., Ltd. and subsidiaries
Notes to Consolidated Financial Statements
Year 2019 and 2018

Unit: New Taiwan Dollars in Thousands
(Unless Stated Otherwise)

I. Company History

Ruentex Development Co., Ltd. (hereinafter referred to as the “Company”), was incorporated In September 1977 under the laws of Republic of China (ROC) and formerly known as “Ruentex Construction Co., Ltd.”. The Company was authorized to trade its stocks on the Taiwan Stock Exchange since April 30, 1992. On July 2, 2002, the Company changed its name to “Ruentex Development Co., Ltd.” under the approval of the competent authority. The Company and its subsidiaries (collectively referred herein as “the Group” or “Group”) are primarily engaged in construction of residential buildings through subcontracting; lease and sales of commercial buildings; trading of construction materials; sales of related merchandise; operation of supermarkets and shopping malls; undertaking of construction and civil engineering; import/export, manufacturing, and planning of precast constructional components, such as beams, columns, walls, and relevant electrical and mechanical work.

II. Date and Procedure for Approval of Financial Statements

These consolidated financial statements were authorized by the Board of Directors on March 30, 2020.

III. Application of New, Amended and Revised Standards and Interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

<u>New and revised standards, amendments to standards and interpretations</u>	<u>To be determined by the International Accounting Standards Board (IASB) Effective date of IASB announcement</u>
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
IFRS 16, “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
2015-2017 annual improvements cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact on the Group’s financial position and financial performance based on the Group’s assessment.

IFRS 16, “Leases”

1. IFRS 16, “Leases,” replaces IAS 17, “Leases” and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value Assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
2. When applying the 2019 version of IFRSs recognized by FSC, the Group recognized the leases in which it is a lessee in accordance with the IFRS 16, without restating the financial

statements of the prior reporting period (the “modified retrospective approach.”) The probable adjustments to the balance sheet as of January 1, 2019 are increases of NT\$11,659,129 and NT\$10,639,783 in right-of-use assets and lease liabilities, respectively; decreases of NT\$66,041, NT\$1,576,563, and NT\$623,258 in prepayments, long-term prepaid rent (recognized in “other non-current assets - others”) and long-term notes and accounts payable, respectively.

3. The Group took the following practical expedients at initial adoption of IFRS 16.

- (1) Without re-assessing whether the contracts are, or contain leases, the contracts identified as leases pursuant to the applied IFRS 17 or IFRIC 4 are treated with IFRS 16.
 - (2) A single discount rate is applied to the lease mix with reasonably similar characteristics.
 - (3) The leases to be applied with IFRS 16 that terminated before December 31, 2019 due to expiry, are treated as short-term leases; these contracts are recognized lease expenses of NT\$ 88,073 for Year 2019.
 - (4) The original direct costs are not accounted for the evaluation of right-of-use assets.
 - (5) When assessing execution of option to extend leases or non-execution of option to terminate leases, the determinations are based on hindsight.
4. When calculating the current value of the lease liabilities, the incremental lending rate, whose average weighted Interest rate range is 1.18%~2.63%.
5. The amount of operating lease commitment disclosed pursuant to IFRS 17, the reconciliations between the current value as the incremental lending rate at the initial adoption day and the recognized lease liabilities on January 1, 2019 are as the following:

The operating lease commitment disclosed pursuant to IFRS 17 on December 31, 2019	\$ 18,783,235
Less: exemptions under short-term leases.	(91,207)
The total amount of lease contract to be recognized as lease liabilities pursuant to IFRS on January 1, 2019	<u>\$ 18,692,028</u>
The Group’s incremental lending rate at the initial adoption day	1.18%~2.63%
The total amount of lease contract recognized as lease liabilities on January 1, 2019	\$ 10,639,783

(II)Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by FSC

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

<u>New and revised standards, amendments to standards, and interpretations</u>	<u>To be determined by the International Accounting Standards Board (IASB) Effective date of IASB announcement</u>
Amendments to IAS 1 and IAS 8 “Disclosure Initiative - Definition of Material”	January 1, 2020
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7 on “Interest Rate Benchmark Reform”	January 1, 2020

The above standards and interpretations have no significant impact on the Group’s financial position and financial performance based on the Group’s assessment.

(III) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by the International Accounting Standard Board but not yet included in the IFRSs as endorsed by the FSC are as follows:

	<u>To be determined by the International Accounting Standards Board (IASB) Effective date of IASB announcement</u>
<u>New and revised standards, amendments to standards and interpretations</u>	
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by the International Accounting Standards Board (IASB)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Except for the following whose related impacted amounts will be disclosed upon the completion of evaluation, the above standards and interpretations have no significant impact on the Group’s financial position and financial performance based on the Group’s assessment.

IFRS 17 “Insurance Contracts”

IFRS 17 “Insurance Contracts” replace IFRS 4, and establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. The standard applies to the insurance contracts, including reinsurance contracts, issued by an entity, reinsurance contracts it holds, and investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts. Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts. At the original recognition, an entity shall divide a portfolio of insurance contracts issued to three groups: a group of contracts that are onerous at initial recognition, a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, and a group of the remaining contracts in the portfolio. IFRS 17 requires present value measurement model, and remeasurement to such estimates at each reporting period. The measurement is based on the cash flow, risk-adjustment, and the element representing the unearned profit (contractual service margins) after discounting and probability-weighting the contracts. An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. Recognizes the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately. An entity shall recognize and report the insurance revenue, insurance service expenses, and insurance finance income or expenses separately, and disclose the amount, judgement, and risk related information from the insurance contracts.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance statement

The consolidated financial statements have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(II) Basis of preparation

1. Except the following material items, these consolidated financial statements have been prepared under the historical cost convention:
 - (1) Financial assets (including derivative instruments) at fair value through profit or loss.

- (2) Financial assets at fair value through other comprehensive income.
 - (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note V.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements

- (1) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtained control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if these results in the non-controlling interests having a deficit balance.
- (4) Changes in parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. The Company recognizes directly in equity any difference between the adjusted amount of non-controlling equity and the fair value of the consideration paid or received.
- (5) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the association or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the consolidated financial statements:

			<u>Percentage of shareholding</u>		
			<u>(%)</u>		
<u>The Investee</u>			<u>2019</u>	<u>2018</u>	
<u>Company Name</u>	<u>Subsidiary Name</u>	<u>Nature of Business</u>	<u>December 31</u>	<u>December 31</u>	<u>Description</u>
Ruentex Development Co., Ltd.	Ruentex Resources Integration Co., Ltd. (Resource Integration)	Cable, Elevator, and Fire Equipment Installation	-	71.12	Note 2, 3, and 7
Ruentex Development Co., Ltd.	Ruentex Construction International Co., Ltd. (Ruentex Construction) (Previous named City-Link Development Co., Ltd.)	Mall Operations, Proprietary Booths, Commercial Property Leasing, Housing and Building Development, Leasing and Sales, and Business Management Consulting	100.00	100.00	Note 6
Ruentex Development Co., Ltd.	Ruentex Construction International (B.V.I.) Ltd. (Ruentex B.V.I.)	General Investment	100.00	100.00	
Ruentex Development Co., Ltd.	Ruentex Property Management and Maintenance Co., Ltd. (Ruentex Property)	Property Management and Maintenance Services	100.00	100.00	
Ruentex Development Co., Ltd.	Ruen Fu Newlife Corp. (Ruen Fu)	Retirement Home and General Property Management and Maintenance Services	60.00	60.00	Note 1
Ruentex Development Co., Ltd.	Ruentex Security Co., Ltd. (Ruentex Security)	Ruentex Security Co., Ltd.	100.00	100.00	
Ruentex Development Co., Ltd.	Ruentex Xuzhan Co., Ltd. (Ruentex Xuzhan)	Mall Operations and Commercial Property Leasing	80.00	80.00	
Ruentex Development Co., Ltd.	Ruentex Baiyi Co., Ltd. (Ruentex Baiyi)	Mall Operations and Commercial Property Leasing	100.00	100.00	

			<u>Percentage of shareholding</u> <u>(%)</u>		
<u>The Investee</u> <u>Company Name</u>	<u>Subsidiary Name</u>	<u>Nature of</u> <u>Business</u>	<u>2019</u> <u>December 31</u>	<u>2018</u> <u>December 31</u>	<u>Description</u>
Ruentex Development Co., Ltd.	Ruentex Precision Engineering Co., Ltd. (Ruentex Engineering)	Undertaking Construction and Civil Engineering Projects, the Import, Export, Production, and Planning of Precast Beams, Columns, and Exterior Walls, and Related Electrotechnical Projects	39.14	0.75	Notes 7 and 8
Ruentex Development Co., Ltd.	Ruentex Material Co., Ltd. (Ruentex Material)	Production and Distribution of Construction Materials	10.49	10.49	
Ruentex Development Co., Ltd.	Ruentex Innovative Development Co., Ltd. (Ruentex Development)	Commissioning Constructor to Build Collective Housing and Sales	70.00	70.00	Note 5
Ruentex Construction International (B.V.I.) Ltd.	Ruentex Construction International Ltd. (Ruentex Construction)	General Investment	100.00	100.00	Note 1
Ruentex Resources Integration Co., Ltd.	Ruentex Precision Engineering Co., Ltd. (Ruentex Engineering)	Undertaking Construction and Civil Engineering Projects, the Import, Export, Production, and Planning of Precast Beams, Columns, and Exterior Walls, and Related Electrotechnical Projects	-	53.99	Note 7
Ruentex Resources Integration Co., Ltd.	Wide Profit International Holdings Ltd. (Wide Profit)	General Investment	-	-	Note 4

			<u>Percentage of shareholding</u> <u>(%)</u>		
<u>The Investee</u> <u>Company Name</u>	<u>Subsidiary Name</u>	<u>Nature of Business</u>	<u>2019</u> <u>December 31</u>	<u>2018</u> <u>December 31</u>	<u>Description</u>
Ruentex Security Co., Ltd.	Ruentex Precision Engineering Co., Ltd. (Ruentex Engineering)	Undertaking Construction and Civil Engineering Projects, the Import, Export, Production, and Planning of Precast Beams, Columns, and Exterior Walls, and Related Electrotechnical Projects	0.72	0.72	Note 8
Ruentex Property Management and Maintenance Co., Ltd.	Ruentex Precision Engineering Co., Ltd. (Ruentex Engineering)	Undertaking Construction and Civil Engineering Projects, the Import, Export, Production, and Planning of Precast Beams, Columns, and Exterior Walls, and Related Electrotechnical Projects	0.20	0.20	Note 8
Ruentex Precision Engineering Co., Ltd.	Ruentex Material Co., Ltd. (Ruentex Material)	Production and Distribution of Construction Materials	39.15	39.15	
Ruentex Precision Engineering Co., Ltd.	Ruentex Construction Co., Ltd. (Ruentex Construction)	Civil Engineering Projects	100.00	100.00	
Ruentex Precision Engineering Co., Ltd.	Runzhu Architecture and Engineering (Shanghai) Co., Ltd. (Runzhu)	Construction Engineering and Technology Consulting and Services	100.00	100.00	
Ruentex Precision Engineering Co., Ltd.	Wide Profit International Holdings Ltd. (Wide Profit)	General Investment	-	-	Note 4
Ruentex Materials Co., Ltd.	Ruentex Interior Design Inc. (Ruentex Design)	Design and Construction of Interior Decoration, Gardens, and Greenery	100.00	100.00	

Note 1: Audited by other independent accountants for the years ended December 31, 2018 and 2019.

Note 2: Resource Integration was to reduce the idle capital; the capital reduction was conducted in December 2018, and the share capital was returned to shareholders. The capital reduction percentage was 69.21% and the returned cash amount was NT\$ 265,274.

- Note 3: In order to simplify the Group's organization structure and integrate resources, a proposal for dissolution of the subsidiary Resource Integration was submitted by the board of directors on January 14, 2019, and approved by the extraordinary shareholders' meeting on January 30, 2019. Also on February 13, 2019, the competent authority was filed to and approved the dissolution. Resource Integration completed the distribution of the residual properties and settlement on November 4, 2019. NT\$3,276,244 was distributed to the Company in cash.
- Note 4: Wide Profit suspended the operating activities on July 31, 2018, and in September 13, 2018 remitted the settled share capital. On December 14, 2018, upon the resolutions of the Board and the Shareholders' Meeting, the company was dissolved on December 27, 2019 with the announcement on the Hong Kong Government Gazette.
- Note 5: To improve financial structure and to satisfy operating capital, Ruentex Development executed capital increase by cash in June 2019 and May 2018, respectively, and the numbers of new shares issued were 73,000,000 shares and 47,000,000 shares respectively. The subscription amounts of the Company according to the shareholding percentage were NT\$511,000 and NT\$329,000.
- Note 6: Ruentex Construction was previously named City-Link Development Co., Ltd., and was approved by the Department of Commerce, MOEA on August 16, 2019.
- Note 7: Pursuant to resolution of the interim shareholder meeting on October 23, 2019, Resource Integration sold all the shares of Ruentex Engineering & Construction Co., Ltd. proportionally with the stake held by its shareholders. Also, the Company acquired 51,832,359 common shares of Ruentex Engineering & Construction at the price of NT\$ 58.6 on October 28, 2019, for total amount of 3,037,376, service charge of NT\$1,898, recognized as the premium to issuance of the capital reserve.
- Note 8: Though the Company does not own more than 50% of the voting rights directly or indirectly, but meets the requirement of controlling capability, and thus it is included in the consolidated entity.

3. Subsidiaries not included in the consolidated financial statements.

None.

4. Adjustments for subsidiaries with different balance sheet dates.

None.

5. Significant restrictions.

None.

6. Subsidiaries that have non-controlling interests that are material to the Group.

The Group's non-controlling interests accounted NT\$4,499,463 and NT\$4,382,681 as of December 31, 2019 and 2018 respectively, and the following are non-controlling interests that are material to the Group:

Subsidiary Name	Main business Place of Business	Non-controlling interest			
		December 31, 2019		December 31, 2018	
		Amount	Percentage shareholding	Amount	Percentage shareholding
Ruentex Engineering & Construction Co., Ltd.	Taiwan	\$ 3,176,221	59.94%	\$ 2,946,485	44.34%

Summary of subsidiaries' financial information:
Balance Sheet

	<u>Ruentex Engineering & Construction Co., Ltd.</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current Assets	\$ 4,995,962	\$ 3,989,433
Non-Current Assets	6,133,886	5,950,083
Current Liabilities	(3,871,128)	(2,879,158)
Non-current liabilities	(1,978,321)	(1,596,418)
Total net assets	<u>\$ 5,280,399</u>	<u>\$ 5,463,940</u>

Statements of Comprehensive Income

	<u>Ruentex Engineering & Construction Co., Ltd.</u>	
	<u>2019</u>	<u>2018</u>
Income	\$ 11,637,322	\$ 8,646,070
Net income before tax	882,717	860,881
Income tax expense	(149,584)	(129,319)
Net income of current period	733,133	731,562
Other comprehensive income (Net of tax)	(204,783)	(55,235)
Total Comprehensive Income of current period	<u>\$ 528,350</u>	<u>\$ 676,327</u>
Total comprehensive income attributed to non-controlling interest	<u>\$ 49,677</u>	<u>\$ 71,367</u>
Dividends paid to non-controlling interest	<u>\$ 340,206</u>	<u>\$ 203,365</u>

Statements of Cash Flows

	<u>Ruentex Engineering & Construction Co., Ltd.</u>	
	<u>2019</u>	<u>2018</u>
Cash inflow from operating activities	\$ 605,287	\$ 1,011,564
Cash used in investing activities	(114,882)	(308,594)
Cash flow generated from (used in) financing activities	40,826	(308,736)
Effect of exchange rate changes	(1,234)	(2,467)
Increase of cash and cash equivalents current period	529,997	391,767
Cash and cash equivalents at beginning of period	786,025	394,258
Cash and cash equivalents at end of period	<u>\$ 1,316,022</u>	<u>\$ 786,025</u>

(IV) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in "New Taiwan dollars", which is the Company's functional currency.

1. Foreign currency translation and balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (2) Monetary Assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary Assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary Assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date. Their translation differences are recognized in other comprehensive income. However, non-monetary Assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (4) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

2. Translation of foreign operations

- (1) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - C. All resulting exchange differences are recognized in other comprehensive income.
- (2) When the foreign operation partially disposed of or sold is an associate cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred into part of the gain or loss on the sale or disposal thereof. When the Group still retains partial interest in the former associate or joint arrangements after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in those foreign operations.
- (3) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. When the Group still retains partial interest in the former subsidiary after losing significant influence over the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(V) Classification of Current and non-Current items

1. Assets that meet one of the following criteria are classified as Current Assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (2) Assets held mainly for trading purposes;
 - (3) Assets that are expected to be realized within 12 months from the balance sheet date;
 - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.
- Assets that do not meet any of above criteria are classified as non-current assets.

2. Liabilities that meet one of the following criteria are classified as Current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle;
- (2) Assets held mainly for trading purposes;
- (3) Liabilities that are to be settled within 12 months from the balance sheet date;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities that do not meet any of above criteria are classified as non-current liabilities.

3. The operating cycles of sales of buildings and construction contracts are usually longer than one year, so assets and liabilities in relation to sales of buildings and long-term construction contracts are classified as current or non-current according to length of their operating cycles.

(VI) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(VII) Financial assets at fair value through profit or loss

1. Financial assets not included as financial assets measured at amortized costs or at fair value through other comprehensive income.
2. On regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. Financial assets at fair value through profit or loss are initially recognized at fair value. Associated transaction costs are accounted in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. When the right to receive dividend is established, inflow of economic effects of dividend becomes probable, and the dividend amount can be reliably measured, the Group recognizes the dividend income in profit or loss.

(VIII) Financial Assets at fair value through other comprehensive income acquired

1. It refers to an irrevocable choice made during the initial recognition, and the fair value change of the equity tool investment not held for trading is listed in the other comprehensive income.
2. On regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
3. These financial assets are initially recognized at fair value plus transaction costs and subsequently remeasured and stated at fair value:

The fair value change of equity tool is recognized under the other comprehensive income, and during the derecognition, the cumulative profit or loss previously recognized under the other comprehensive income should not be re-categorized into income, but should be listed under the retained earnings. When the right to receive dividend is established, inflow of economic effects of dividend becomes probable, and the dividend amount can be reliably measured, the Group recognizes the dividend income in profit or loss.

(IX) Financial Assets at amortized cost

1. Refer to financial Assets satisfying the following criteria at the same time:
 - (1) Financial Assets held under the operating model for the purpose of receiving contractual cash flows.
 - (2) Where contract terms of such financial Assets generated cash flow of specific date, and it is completely for the payment of the interest of principle and external circulating principle amount.
2. On regular way purchase or sale basis, financial assets measured at amortized cost are recognized and derecognized using trade date accounting.
3. These financial assets are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using effective interest rate method, less provision for impairment. Interest income is recognized during the circulation. When derecognizing these financial assets, gains or losses of disposal are recognized in profit or loss.

(X) Notes and accounts receivable

1. Refer to accounts and notes to be received due to transfer of commodities or labors already performed unconditionally in exchange for the right for consideration amount according to the contract terms.
2. Short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XI) Impairment of financial Assets

The Group assesses at each balance sheet date measures the loss allowance for financial assets measured at amortized cost after considering all reasonable and supportable information (including forecasts). When the credit risk has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss within 12 months after the reporting date. If, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life. For accounts receivable and contract assets that do not include significant financing components, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life.

(XII) Derecognition of financial Assets

Financial assets are derecognized when one of the following criteria is met:

1. The contractual rights to receive the cash flows from the financial asset expire.
2. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
3. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(XIII) Lease receivables/operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(XIV) Inventories

The Group uses the perpetual inventory system, and initially recognizes at the amount equal to acquisition cost. Subsequently, interests related to the construction in progress over the construction period are capitalized. Costs are recognized using the weighted average method where the costs of finished products and work-in-progress include the raw materials, direct labor, other direct costs and expenses related to the production. The ending inventories are stated at the lower of cost and net realizable value. In addition, the item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(XV) Investments/associates accounted for under equity method

1. An associate is an entity over which the Group has significant influence but not control. Generally, it is an entity in which the Group directly or indirectly holds more than 20% of its voting shares. The Group recognizes the investments in associates using the equity method at acquisition cost initially.
2. Subsequent profit or loss for the investments in associates are recognized in profit or loss after the acquisition; other comprehensive income after the acquisition is recognized in other comprehensive income. If the Group's share of losses of an associate equals to or exceeds its interest in the associate, including any other unsecured receivables, the Group discontinues recognizing its share of further losses unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. When there is a change in equity of an associate that is not related to profit or loss and other comprehensive income and does not impact the Group's shareholding in the associate, the equity change attributable to the Group's interests in the associate is recognized as "Capital Surplus" in proportion to the Group's shareholding in the associate.
4. The unrealized gains and losses resulted from transactions between the Group and associates are eliminated to the extent of the Group's interest in each associate. Unless impairment on the assets transferred is indicated with clear evidence, the unrealized losses are eliminated. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
5. When an associate issues new shares and the Group does not subscribe or acquire in proportion to its shareholding resulting in a change of the Group's investment percentage in the associate but where the Group still retain significant influence over the associate, the change in the net equity value is recognized in "Capital Surplus" or "Investments Recognized under Equity Method". If it causes the investment ratio to decrease, in addition to the aforementioned adjustment, for the profit or loss related to the decrease of the ownership equity and previously recognized in the other comprehensive income, and such profit or loss requires to be reclassified into profit or loss during the disposal of relevant Assets or liabilities, it is reclassified into profit or loss according to the ratio of decrease.
6. When the Group's significant influence over an associate ceases, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
7. When the Group disposes shares in an associate and thus loses significant influence over the former associate, all amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses significant influence over an associate, all gains or losses previously recognized in other comprehensive income in relation to the associate should be reclassified from equity to profit or loss. If the Company still has significant influence on the associate, then the amount previously recognized in the other comprehensive income is transferred out proportionally according to the aforementioned method.
8. If an investment recognized under equity method holds shares of the Company and measures the investment in the Company using the equity method, the gains or losses from such investment is measured at the investment's carrying amount excluding the Company's profit or loss recognized by the former investment entity.

(XVI) Real estate, plant and equipment

1. Real estate, plant and equipment are initially recorded at cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other real estate, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of real estate, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, changes in Accounting Estimates and Errors" from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 years ~ 66 years
Machinery and equipment	2 years ~ 25 years
Warehouse equipment	3 years ~ 8 years
Transportation equipment	2 years ~ 7 years
Office equipment	2 years ~ 8 years
Other equipment	2 years ~ 11 years

(XVII) Lessees' lease transactions - right-of-use assets/lease liabilities

Adoption in Year 2019

1. The lease assets are recognized as the right-of-use assets and lease liabilities on the date availed to the Group. If the lease contracts are short-term lease or low-value underlying asset lease, the lease payments are recognized as expenses during the lease terms with the straight line method.
2. From the starting date of lease, the lease liabilities are recognized at the current values of the unpaid lease payments discounted with the Group's incremental lending rate; the lease payments include the fixed payments deducting the receivable lease incentives, and the variable lease payments depending on certain index or rate. Subsequently, they are measured at the amortized costs based on the interest method, and recognized as the interest expenses during the lease terms. Shall the lease terms or lease payments change due to the non-contractual modifications, the lease liabilities will be measured again, and the re-measurements will be used to adjust the right-of-use assets.
3. The right-of-use assets are recognized as the costs on the starting date of leases. The costs include the original measured amount of the lease liabilities, and the lease payment on or before the starting date, if any. Subsequently, they are measured at the costs; the depreciation expenses are recognized at the end of useful lives, or the expiry of the lease terms, whichever is earlier. Shall the lease liabilities be reassessed, the right-of-use assets will adjust any re-measurement of the lease liabilities.

(XVIII) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(XIX) Investment Real Estate

Investment property is initially recognized at acquisition cost and subsequently measured applying cost model. Interests incurred during construction period are capitalized. Except Land, property, plant and equipment are depreciated on a straight line basis with useful lives from 3 to 66 years.

(XX) Intangible Assets

1. Trademark, patent rights and service concession
Trademark, patent rights and service concession are stated as acquisition cost and amortized on a straight line basis with useful lives of 3~20 years.

2. Computer software

Computer software is stated at acquisition cost and amortized on a straight line basis with useful lives of 3~5 years.

3. Mineral rights

Based on expected number of units the mineral resource should produce, depreciation is calculated using the unit of production method. If there is any change to the expected production units, the depreciation per unit is recalculated using the assets' carrying amount, and the depreciation recognized in the prior years is not restated.

4. Goodwill

Goodwill is resulted from the business combination using the acquisition method.

5. Intangible assets generated internally - expenses of R&D

(1) R&D expenses are recognized as the expenses of the current term when occur.

(2) The R&D expenses disqualified from the following criteria are recognized as the expenses of the current term; the R&D expenses qualified with the following criteria are recognized as intangible assets:

- A. The technical feasibility of being intangible assets has been achieved, so that the intangible asset may be used or sold;
- B. Intention to complete the intangible assets for use or sale;
- C. Capability to use or sell the intangible assets;
- D. The likely perspective economic benefits of the concerned intangible assets may be proved;
- E. Sufficient technical, financial, and other resources to complete the developments are in place, to use or sell the intangible assets;
- F. The expenses attributed to the intangible assets during the development may be measured reliably.

(3) Intangible assets generated internally - grouting materials for the offshore wind power generation are amortized with the units of production method based on the estimated future production units upon passing the certification. If there is any change to the future production volume, the depreciation per unit is recalculated using the assets' carrying amount, and the amortization recognized in the prior years is not restated.

(XXI) Impairment of non-financial Assets

1. The group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should be not more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
2. Periodic estimate of recoverable amounts of goodwill, and intangible assets not available for use shall be estimated regularly. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss for goodwill is not reversible.
3. To test for impairment, goodwill must be allocated to each cash-generating units. The allocation is based on operation units, and goodwill is allocated to each cash-generating units or groups of cash-generating units that are expected to be benefited by the business combination.

(XXII) Loans

Refer to long-term, short-term borrowings from banks and other long-term, short-term loans. The Group recognizes initially at fair value, net of transaction costs incurred, and subsequently stated at amortized cost. Any difference between the proceeds, net of transaction costs, and the redemption value is amortized in profit or loss as an adjustment to the finance costs over the period of circulation using the effective interest method.

(XXIII) Notes and accounts payable

1. Debt arising from purchase of raw materials, goods or services and notes payable arising from ordinary course of business or non-business related matters.
2. Short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XXIV) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or canceled or expires.

(XXV) Provisions

Provisions for warranty liability are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Provisions are not recognized for future operating losses.

(XXVI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2. Pensions

(1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plans

- A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in Current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan Assets, together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- B. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- C. Past service costs are recognized immediately in profit or loss.

3. Termination benefits

Termination benefits are benefits paid to employees when their employment has been terminated prior to their ordinary date of retirement or for acceptance of termination of employment. Termination benefits are recognized when the Group can no longer withdraw the offer of the benefit or when the Group recognizes costs for a restructuring, whichever is earlier. Benefits that are not expected to be settled wholly before twelve months after the end of the balance sheet date should be discounted.

4. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXVII) Income tax

1. The income tax expense for the period comprises Current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. The management assesses the status of income tax declaration according to relevant applicable income tax laws, and shall pay the income tax liability estimated to the taxation agency according to the expectation under applicable status. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings in a shareholders' meeting of the following year.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. The deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of reversal of temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in foreseeable future. Deferred income tax is determined using tax rates or laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax Assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax Assets are reassessed.
5. Current income tax Assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax Assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset Current tax Assets against Current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

6. Tax credits resulting from research and development expenditures are treated with accounting for income tax credits.
7. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from investments and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(XXVIII) Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(XXIX) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(XXX) Income

1. Land development and sale

- (1) The Group conducts its business in land development and sale of residential buildings, revenue is recognized when the control of the property has been transferred to the customer. For a signed residential contract, due to restrictive terms set out in the contract, the Group retains no continuing involvement of the associated property. Only if the legal ownership of property has been transferred to the customer, the Group will have the right to the contract consideration. Thus, revenue is recognized when the legal ownership has been transferred to the customer.
- (2) Income is measured based on the contract negotiated amount, and the contract price is paid when the statutory ownership of the real estate is transferred. In rare cases, the Group and the customer agree to defer the payments for a period less than 12 months that doesn't involve a significant financing component, so the contract consideration is not adjusted.

2. Sale of goods

- (1) The Group manufactures and sells cement, building materials and related merchandises, as well as operates supermarkets and shopping malls. Revenue arising from sales of goods is recognized when the control of products has been transferred to the customer, that is when products are delivered to the customer and there is no unsatisfied performance obligation by the Group that may affect the customer acceptance of the product. When goods are transported to the designated location, the obsolete and impairment risks have been transferred to the customer, and customer also accepts goods according to the sales contract, or when there is objective evidence proving that all acceptable standards have been satisfied, which occurs when the goods is delivered to the customer.
- (2) The Group offers loyalty program to retail customers by giving out reward points for purchases, and customers may use the reward points in exchange for discounts or free products. The reward point is an important right that cannot be obtained if a customer has not made any initial transaction; therefore, the reward point provided to customers is a single contract performance obligation. The transaction price is appropriated to the goods and reward point based on the relative independent sales price. The independent sales price of reward point is estimated according to the discount obtained by the customer and the possibility of exchange of points based on the past experience.
- (3) Accounts receivable are recognized when products are delivered to customers. Since the Group has the absolute right for the contract consideration after the point of the time of delivery, and may collect such consideration from customers after such point of time.
- (4) Financial component
For the contracts that the Group signs with customers, the time between product or service delivery and customer payment does not exceed one year, so the price is not adjusted for the time value of money.

3. Construction contract revenue

- (1) The Group sub-contracts construction projects. As the performance of construction contracts creates or enhances one asset, and the concerned asset becomes under control of the client or does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date, the Group recognizes revenue over time as it satisfies the performance obligation.
- (2) The Group's recognition of construction contract revenue is based on the stage of completion of a contract using the percentage of completion method of accounting during the duration of a contraction. The contract costs are recognized as expenses in the incurred period. The stage of completion is determined by reference to the contract costs incurred to date and the proportion that contract costs incurred for work performed to date compared to the estimated total contract costs. If the total contract costs are probable to exceed total contract revenue, the estimated loss is recognized as expenses immediately. When the result of a construction contract cannot be reasonably estimated, revenue is recognized only to the extent of contract costs incurred.
- (3) The Group's estimations for revenue, costs and stage of completion are adjusted accordingly. Any variation of estimated revenue or costs arising from change of estimations is reflected in profit or loss in the period when the condition for change of estimation is made known to the management.
- (4) The variable consideration arising from performance bonuses, penalties or claims that could result in variation of total contract price is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future.
- (5) Retention money mandated in the construction contract should be paid after acceptance of construction by the customers. The retention money receivable is a form of protection for its customers in the event that the counter-party does not perform parts or all obligations properly, and thus does not contain any significant financing component.
- (6) The excess of receivables from customers on construction contracts, that is, the cumulative costs incurred plus, recognized profits (less recognized losses) over the progress billings on each construction contract is presented as a contract asset. While the excess of the progress billings over the cumulative costs incurred plus, recognized profits (less recognized losses) on each construction contract is presented as a contract liability.

4. Services revenue

The Group manages apartment buildings and provides security services. Services revenue is recognized when service is provided to customers within the reporting period. Revenue from fixed-price contracts is recognized in proportion to the service rendered up to the balance sheet date. Customers make payments based on agreed schedule, and the excess of service rendered over receivables from customers is presented as a contract asset; oppositely, the excess of receivables from customers over service rendered is presented as a contract liability.

5. Lease income

Income is recognized in profit or loss on a straight-line basis over the lease term.

6. Costs to obtain clients' contracts

For the incremental costs incurred to obtain clients' contracts (mainly sales commission), the expected recoverable parts are recognized as asset when incurred (listed as other current assets), and amortized based on the systematic basis consistent to the transfer of the products or services related to the concern assets. Subsequently, if the expected receivable consideration becomes lower than the carrying amount recognized in the Assets after deducting the costs not recognized as expenses, the excessive amount to the carrying amount in the Assets is recognized as the impairment loss.

(XXXI) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

V. Significant Accounting Judgments, Estimations, Assumptions, and Sources of Estimation uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of Assets and liabilities within the next financial year. The critical accounting judgments, estimates and key sources of assumption uncertainty is addressed as follows:

(I) Critical judgments in applying the Group's accounting policies

Investment Real Estate

The properties that the Group holds for the purposes of earning rent or capital appreciation are classified as investment property.

(II) Critical accounting estimates and assumptions

1. Financial assets at fair value through other comprehensive income - the shares of unlisted companies measured at fair value.

The Group's investments in securities of other unlisted companies at fair value through other comprehensive income, the fair values are measured with reference to the valuation of comparable companies, company technology development, market condition, and other economic indicators. Any change of determination and estimation can affect the measurement at fair value. Please refer to Note XII (4) for the details of fair value of financial instruments.

On December 31, 2019, the carrying amount of the Group's investments in securities of other unlisted companies at fair value through other comprehensive income was NT\$599,612.

2. Revenue recognition

Construction revenue should be recognized by reference to the stage of completion in the contract period using the percentage of completion method. Contract costs are recognized in the incurred period. The stage of completion is determined by reference to the contract costs incurred to date and the proportion that contract costs incurred for work performed to date compared to the estimated total contract costs.

VI. Details of Significant Accounts

(I) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 10,460	\$ 14,364
Checking deposits and demand deposits	295,997	426,954
Time deposits	3,026,136	2,379,895
Cash equivalents - Bonds under repurchase agreements	<u>3,815,108</u>	<u>1,172,891</u>
	<u>\$ 7,147,701</u>	<u>\$ 3,994,104</u>

1. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. The Group did not pledge cash and cash equivalents to others as collateral.

(II) Financial assets at fair value through profit or loss

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets compulsorily measured at fair value through profit or loss		
Structured wealth management products	\$ 39,210	\$ 64,879
Non-current items:		
Financial assets compulsorily measured at fair value through profit or loss		
Privately offered fund	\$ 42,583	\$ 80,356
Adjustments for valuation	(42,583)	(80,356)
Total	\$ -	\$ -

1. Detail of financial assets at fair value through profit or loss is as follows:

	2019	2018
Financial assets at fair value through profit or loss (mandatory)		
Structured wealth management products	\$ 2,207	\$ 30

2. For the year 2019 and 2018, the reversal of impairment profit due to return of share capital was NT\$295 and NT\$4,185.
3. The privately offered fund invested by the Group completed the dissolution in March 2019, and the Group wrote off the recognized investment costs, and cumulatively recognized unrealized adjustment for valuation - both were losses of NT\$37,773.

(III) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	\$ 257,873	\$ 140,366
Accounts receivable (Note)	\$ 131,324	\$ 177,564
Construction payment receivable	949,033	908,589
	1,080,357	1,086,153
Less: Allowance for loss	(8,567)	(17,788)
	\$ 1,071,790	\$ 1,068,365

Note: the amounts due within a year of the long-term rent receivables included; please refer to Note VI (11) for details.

1. Ruentex Material, the sub-subsidiary of the Company, issues the invoice and bill of lading when taking the customer's order, debts accounts receivable and credits advance sales receipt (the "contract liability-current" account). When it receives notes issued by the customer, the amount is then transferred to notes receivable from accounts receivable. Based on demand quantity, the customer picks up the cement in batches, and the actual sales amount is then transferred from advance sales receipt to revenue. To prevent inflated assets and liabilities, the notes and accounts receivable and advance sales receipt related to undelivered cement are offset with each other and presented in the net values. As of December 31, 2019 and 2018, the amounts were NT\$159,097 and NT\$116,136.
2. The aging analysis of accounts receivable and notes receivable is as follows:

	December 31, 2019		December 31, 2018	
	<u>Accounts</u>	<u>Notes</u>	<u>Accounts</u>	<u>Notes</u>
	<u>receivable</u>	<u>receivable</u>	<u>receivable</u>	<u>receivable</u>
Not overdue	\$ 1,069,758	\$ 257,873	\$ 1,065,423	\$ 140,366
Overdue				
Within 30 days	2,026	-	2,656	-
31-60 days	3,008	-	65	-
61-90 days	837	-	1,024	-
91 days and more	4,728	-	16,985	-
	<u>\$ 1,080,357</u>	<u>\$ 257,873</u>	<u>\$ 1,086,153</u>	<u>\$ 140,366</u>

The aging analysis was based on past due date.

3. The balances of the receivables and notes receivable as of December 31, 2018 were incurred by the clients' contracts; also as of January 1, 2018, the balances of the notes receivable and receivables were NT\$264,117 and NT\$712,547, respectively.
4. The Group's maximum exposure to credit risk, before consideration of associated collateral held and other credit enhancements, were NT\$257,873 and NT\$140,366 for notes receivable, as of December 31, 2019 and 2018, respectively; the accounts receivable were NT\$1,071,790 and NT\$1,068,365 as of December 31, 2019 and 2018, respectively.
5. The Group did not hold any collateral as security.
6. Please refer to Note XII (3) for information of credit risk for accounts receivable and notes receivable.

(IV) Inventories

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Construction business department:		
Real property for sale (including parking space)	\$ 3,178,524	\$ 6,282,253
Property under construction	20,129,900	16,665,926
Construction land	2,341,003	2,354,557
Prepaid construction payments	40	-
Prepayment for land purchases	1,090,435	2,227,682
Materials and supplies	309,404	267,292
Work in progress and finished goods	133,721	219,720
Less: Allowance for valuation losses	(422,106)	(428,784)
Subtotal	<u>26,760,921</u>	<u>27,588,646</u>
Hypermarket and Shopping Mall Business Department:		
Merchandise inventory	153,193	133,818
Less: allowance for obsolescence loss	(2,788)	(1,926)
Subtotal	<u>150,405</u>	<u>131,892</u>
Total	<u>\$ 26,911,326</u>	<u>\$ 27,720,538</u>

1. The cost of inventories recognized as expense for the Current period is as follows:

	2019	2018
Cost of inventories sold	\$ 12,441,574	\$ 9,934,054
loss on physical inventory	11,763	10,457
Revenue from sales of scraps	(11,532)	(13,316)
Gain from price recovery/Loss from price reduction	(5,816)	6,007
	<u>\$ 12,435,989</u>	<u>\$ 9,937,202</u>

The inventories recognized as allowance of loss were sold in 2019, the inventories generated gains from price recovery.

2. Inventory capitalization amount and interest range:

	2019	2018
Amount of capitalization	<u>\$ 249,448</u>	<u>\$ 235,092</u>
Interest rate collars of capitalization	1.00% ~ 1.87%	0.94% ~ 1.86%

3. The aforementioned construction lands include the payment amount of the Company for the purchase of the agricultural lands. Since they are still agricultural lands, and the land category has not been changed completely, the ownership of the lands is still registered under the name of third party, and pledge has been set on such agricultural lands.

4. For the collateral status for the inventory of the aforementioned Construction Business Department, please refer to Note VIII.

(V) Other Current Assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Joint construction guarantee deposits	\$ 518,939	\$ 414,070
Restricted bank deposits	61,424	14,688
Guarantee deposits paid	153,307	469,197
Others	<u>46,447</u>	<u>10,376</u>
	<u>\$ 780,118</u>	<u>\$ 908,331</u>

Details of the Group's other financial assets pledged to others as collateral are provided in Note VIII.

(VI) Financial Assets at fair value through other comprehensive income acquired - non-Current

Item	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity Instrument		
Shares of TWSE listed companies	\$ 958,501	\$ 967,955
Shares of the TPEX listed companies	257,185	243,320
Privately offered shares of TWSE listed companies	71,208	71,208
Privately offered shares of TPEX listed companies	432,000	432,000
Shares of non-TWSE/TPEX listed companies	<u>686,718</u>	<u>760,308</u>
	<u>2,405,612</u>	<u>2,474,791</u>

Adjustments for valuation

- Shares of TWSE listed companies	573,733	670,597
- Shares of the TPEX listed companies	991,438	1,718,202
- Privately offered shares of TWSE listed companies	(3,095)	(22,048)
- Privately offered shares of TPEX listed companies	(54,907)	(80,852)
- Shares of non-TWSE/TPEX listed companies	(87,106)	(66,559)

	<u>1,420,063</u>	<u>2,219,340</u>
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Total

	<u>\$ 3,825,675</u>	<u>\$ 4,694,131</u>
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1. The Group elected to classify the TWSE listed securities for stable dividends as financial assets at fair value through other comprehensive income; such investments amounting NT\$1,532,234 and NT\$1,638,5529 as of December 31, 2019 and 2018, respectively.
2. The Group elected to classify the strategic investments in TPEX listed securities as financial assets at fair value through other comprehensive income, amounting to NT\$1,248,623 and NT\$1,961,522 as of December 31, 2019 and 2018, respectively.
3. The Group elected to classify the strategic investments in privately offered shares of TWSE listed companies as financial assets at fair value through other comprehensive income, amounting to NT\$68,113 and NT\$49,160 as of December 31, 2019 and 2018, respectively.
4. The Group elected to classify the strategic investments in privately offered shares of TPEX listed companies as financial assets at fair value through other comprehensive income, amounting to NT\$377,093 and NT\$351,148 as of December 31, 2019 and 2018, respectively.
5. The Group elected to classify the strategic investments in unlisted securities as financial assets at fair value through other comprehensive income, amounting to NT\$599,612 and NT\$693,749 as of December 31, 2019 and 2018, respectively.
6. TPEX-listed company, OBI Pharma, Inc. had increased its capital in cash in June 2019, and the Group subscribed for NT\$13,865.
7. As of December 31, 2019, an unlisted company, Powtec ElectroChemical Corp., had sustained material losses continuously, and the current assets were insufficient to offset the current assets. The company had request bankruptcy upon the Board's resolution in February 2020. The Group has adjusted the carrying value of that financial asset to NT\$0, and the valuation loss has been recognized in in variables of changes in fair value recognized as other comprehensive income.
8. The Group's maximum exposure to credit risk for financial assets at fair value through other comprehensive income, before consideration of associated collateral held and other credit enhancements was NT\$3,825,675 and NT\$4,694,131 as of December 31, 2019 and 2018, respectively.
9. An unlisted company, Gloria solar International Holding Inc., was approved by the government of Cayman Islands to be dissolved, and the certificate issued by the oversea embassy status-quo was obtained on September 3, 2019. The Group wrote off the recognized investment costs, and cumulatively recognized unrealized adjustment for valuation; both losses were NT\$73,590.

10. Detail of the financial Assets at fair value through other comprehensive income recognized under the comprehensive income is as follows:

Item	2019	2018
Changes in fair value recognized as other comprehensive income	(\$ 872,867)	(\$ 396,643)
Dividend incomes recognized in profit and loss	\$ 127,440	\$ 173,658
Accumulating losses due to derecognizing and transferring retained earnings	\$ 73,590	\$ -

11. Capital reductions were made by the listed investees of the Group in October 2018, and the cash refund returned to shareholders amounted to NT\$152,366.

12. Details of the Group's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note VIII.

(VII) Financial Assets at amortized cost

Item	December 31, 2019	December 31, 2018
Current items:		
Guaranteed principal and income wealth management products	\$ 25,760	\$ 22,372
Non-current items:		
Subordinated corporate bonds	\$ 560,000	\$ 560,000

1. Detail of the financial Assets at amortized cost recognized under the profit (loss) is as follows:

	2019	2018
Interest income	\$ 20,823	\$ 22,304

2. The Group's maximum exposure to credit risk for financial assets measured at amortized costs, before consideration of associated collateral held and other credit enhancements was NT\$585,760 and NT\$582,372 as of December 31, 2019 and 2018, respectively.

3. The Group did not pledge financial assets measured at amortized costs to others as collateral.

4. Please refer to Note XII(3) for credit risk information.

(VIII) Investment accounted for under the equity method

1. Details are as follows:

<u>Name of the associate</u>	<u>Carried Value</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Shing Yen Construction & Development Co., Ltd. (Shing Yen)	\$ 287,964	\$ 450,828
Ruentex Industries Ltd. (Ruentex Industries)	7,317,441	2,554,832
Jing Hong Investment Co., Ltd. (Jing-Hong)	680,697	677,343
Sunny Friend Environmental Technology Co., Ltd. (Sunny Friend)	831,113	777,408
Ruen Chen Investment Holdings Ltd. (Ruen Chen)	62,089,194	10,578,234
Nan Shan Life Insurance Co., Ltd. (Nan Shan Life Insurance)	795,471	-
Global Mobile Corp. (Global Mobile)	-	-
Concord Greater China Ltd.(Concord)	4,883,696	4,529,325
Sinopac Global Investment Ltd.(Sinopac)	2,050,838	2,043,472
	<u>\$ 78,936,414</u>	<u>\$ 21,611,442</u>

2. The investment shareholder percentage is as follows:

<u>Name of the associate</u>	<u>Shareholding percentage</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Shing Yen	45.45%	45.45%
Ruentex Industries	11.95%	11.95%
Gin-Hong	30.00%	30.00%
Sunny Friend	26.62%	26.62%
Ruen Chen	25.00%	25.00%
Nan Shan Life Insurance	0.23%	-
Global Mobile	9.46%	9.46%
Concord	25.46%	25.46%
Sinopac	49.06%	49.06%

3. Details of the Group's interests in associates accounted for under equity method are as follows:

Name of the associate	2019	2018
Shing Yen	\$ 42,756	\$ 103,033
Ruentex Industries	797,824	916,900
Gin-Hong	46,422	56,279
Sunny Friend	264,336	219,179
Ruen Chen	7,208,238	5,614,369
Nan Shan Life Insurance	27,185	-
Concord	153,596	2,451,162
Sinopac	53,266	736,714
	<u>\$ 8,593,623</u>	<u>\$ 10,097,636</u>

4. The basic information of the associates that are material to the Group are as follows:

Company Name	Main business Place of Business	Shareholding percentage		Nature of Relationship	Measurement Method
		December 31, 2019	December 31, 2018		
Ruen Chen	Taiwan	25.00%	25.00%	Diversification	Equity method
Concord	British Virgin Islands (BVI)	Note	25.46%	Diversification	Equity method

Note: As of December 31, 2019, the balance of investment in Concord was not significant.

5. The summarized financial information of the associates that are material to the Group are as follows:

Balance Sheet

	Ruen Chen	
	December 31, 2019	December 31, 2018
Total assets	\$ 4,846,936,411	\$ 4,363,406,671
Total liabilities	(4,562,716,753)	(4,310,146,058)
Total net assets (Note)	<u>\$ 284,219,658</u>	<u>\$ 53,260,613</u>
Portion of the net assets of associates	<u>\$ 62,089,194</u>	<u>\$ 10,578,234</u>

Note: Including the non-controlling interests consolidated in Ruen Chen Investment Holding's financial statements for NT\$35,862,882.

	Concord	
	December 31, 2019	December 31, 2018
Total assets	\$ -	\$ 18,031,630
Total liabilities	-	(245,031)
Total net assets	<u>\$ -</u>	<u>\$ 17,786,599</u>
Portion of the net assets of associates (Note)	<u>\$ -</u>	<u>\$ 4,528,468</u>

Note: the difference from the carrying amount arises from the net difference between the initial investment costs and the fair value of acquired net identifiable value.

Statements of Comprehensive Income

	<u>Ruen Chen</u>	
	<u>2019</u>	<u>2018</u>
Income	\$ 622,318,319	\$ 636,836,934
Current Net Profit (Note)	\$ 32,004,408	\$ 24,301,356
Other comprehensive income (Net of tax)	<u>173,096,475</u>	<u>(150,286,690)</u>
Total Comprehensive Income	<u>\$ 205,100,883</u>	<u>(\$ 125,985,334)</u>
Current Period (Note)		

Note: Included the net profit and the total comprehensive Income attributed non-controlling interests consolidated in Ruen Chen Investment Holdings of the current period, for NT\$3,171,535 and NT\$16,616,067, respectively.

	<u>Concord</u>	
	<u>2019</u>	<u>2018</u>
Income	\$ -	\$ 9,639,125
Net income of current period	\$ -	\$ 9,627,501
Other comprehensive income (Net of tax)	<u>-</u>	<u>565,477</u>
Total Comprehensive Income of current period	<u>\$ -</u>	<u>\$ 10,192,978</u>

6. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2019 and 2018, the carrying amount of the Group's individually immaterial associates amounted to NT\$16,847,220 and NT\$6,503,883 respectively.

	<u>2019</u>	<u>2018</u>
Net income of current period	\$ 40,556,361	\$ 10,322,991
Other comprehensive income (Net of tax)	<u>206,087,853</u>	<u>(11,700,292)</u>
Total Comprehensive Income of current period	<u>\$ 246,644,214</u>	<u>(\$ 1,377,301)</u>

7. As of December 31, 2019 and 2018, among the investments accounted under equity method, the amounts for Ruentex Industries, Jing-Hong, Concord, and Sinopac were measured based on the financial reports audited by other independent accountants.

8. The fair value of the Group's investments accounted under equity method with quoted market prices is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Ruentex Industries	\$ 4,964,453	\$ 5,308,925
Sunny Friend	<u>6,944,453</u>	<u>6,024,461</u>
	<u>\$ 11,908,906</u>	<u>\$ 11,333,386</u>

9. Concord with the approval from its board of directors' meeting on November 20, 2017, swapped and disposed of its investments in A-RT Retail Holdings Ltd. and Sun Art Retail

Group Ltd. The settlements were made on December 7, 2017 and January 30, 2018, and the Company recognized gains from investments proportional to its interests in the associate, amounting NT\$8,042,511 and NT\$3,000,618, for the three-month period ended December 31, 2017 and for the six-month period ended June 30, 2018, respectively.

10. In order to adjust its capital structure and improve return on equity ratio, Ruentex Industries conducted a capital reduction in August, 2018 and returned cash capital to its shareholders with a capital reduction ratio of 40%. The total cash refund received by the Group was NT\$450,291.
11. In order to improve utilization of funds, Jing-Hong conducted capital reductions in December, 2018 with capital reduction ratio of 28.57%. The cash refunds were NT\$108,000.
12. Ruen Chen Investment Holding conducted cash capital increase in June and July, 2019, and April, 2017; the Company subscribed the new issued shares in proportion to its shareholding amounting to NT\$100,000, NT\$5,000,000, and NT\$87,500, respectively.
13. In order to adjust its capital structure and improve return on equity ratio, Shing Yen conducted a capital reduction in July 2019 and returned cash capital to its shareholders with a capital reduction ratio of 40.75%. The total cash refund received by the Group was NT\$195,429.
14. Global Mobile Corp. is the investment accounted under equity method of Ruentex Industries, which is the investment accounted under equity method by the Company. Thus, the Company has significant influence over Global Mobile Corp. and recognized it as investment accounted under equity method. Global Mobile received a letter in March 2015 stating that its application for the extension of wireless broadband reception business was rejected by the competent authority. Global Mobile had filed appeal for its application according to the law, and subsequently, in November 2015, it received a letter informing that its appeal had been rejected by the competent authority such that its service was terminated in December of the same year. Global Mobile had filed appeal and subsequent litigation according to laws. However, based on the conservative and stable business principle of the Company, it had recognized an impairment loss in 2015 as NT\$ 5,247.
15. (1) For the purposes of investments and diversifying operations, the Company invested in Nan Shan Life Insurance in 2010 through Ruen Chen Investment Holding. Ruen Chen Investment Holdings executed capital increase by cash during the period from 2010 to 2011 respectively, and the total subscription amount of the Company according to the shareholding percentage was NT\$ 11,250,000. In the Nan Shan Life Insurance investment project, as required by competent authority, the Company transferred portion of shares of Ruen Chen Investment Holdings for trust, the major terms and conditions of the trust are as follows:
 - A. Purpose of trust: After Ruen Chen Investment Holdings acquired the management right of Nan Shan Life Insurance, to satisfy the commitment in long-term operation and the promise for the vision of stable operation, the total of 612,500 thousand shares held by Ruen Chen Investment Holdings were transferred to the Trust Department of First Commercial Bank Co., Ltd. on September 5 and September 9, 2011 respectively, and trust registration was performed.
 - B. Term of trust: The term of trust was ten years starting from the signing date of the trust contracts on September 5 and September 9, 2011 respectively.
 - C. Management, use method and limitation to trust property:

- (a) The management and use method for the trust property under this contract is for specific independent management and use. The trustee has no right to determine the use of the trust property. Unless otherwise specified in this contract, the trust property shall be managed properly according to the operating scope or method instructed by the trustor.
 - (b) The change of this contract shall be performed only after the joint negotiation of the trustor and trustee, followed by reporting to FSC for written approval.
 - (c) This contract shall become effective upon the signing of both parties. Unless otherwise specified in the laws or both parties agree otherwise, this contract is terminated due to the following matters along with the written consent of the competent authority:
 - (i) In case of the occurrence of breach of contract by any one party, the breaching party shall correct within 15 days from the date of notice by the other party. Any failure to correct beyond such period, the other party may terminate this contract and may claim damage indemnification.
 - (ii) Where there is an actual difficulty in the continuous management of the trust matter, it may be terminated based on the written consents of both parties.
 - (iii) Where the trustee is subject to dissolution, restructure, bankruptcy, revocation of establishment registration or being informed by the exchange office to be a rejected account, it shall inform the other party. Any one party may terminate this contract by informing the other party in writing.
 - (iv) When a creditor of the trustor files petition to the court to revoke the trust under this contract due to harms to its rights and such petition is confirmed.
 - (d) Once this contract is terminated, the trustor shall repay the trust management fee and all necessary fees as well as taxes to the trustee, and the trustee may deduct such fees from the trust property.
- (2) As instructed by the FSC on June 13, 2016, the Company issued a letter of undertaking for the investment in Nan Shan General Insurance Company, Ltd. (Referred herein as “Nan Shan General Insurance”; originally named as Chartis Taiwan Insurance Co., Ltd.), and the undertaking is as follows:
- A. The Company undertakes to request Nan Shan Life Insurance to ensure its long-term operation in handling the investment in Nan Shan General Insurance according to the laws and FSC's commitment.
 - B. The Company undertakes that after Nan Shan Life Insurance acquires 200,000,000 ordinary shares of Nan Shan General Insurance, i.e. 100% issued shares with voting rights, when Nan Shan General Insurance has the needs for capital increase at any time, the Company will request Nan Shan Life Insurance to handle the capital increase for Nan Shan General Insurance according to the laws and the request of the competent authority.
 - C. To fulfill the commitment of the Company and Ruen Chen Investment Holdings other shareholders on the long-term operation of Nan Shan General Insurance, in case where there is a need for capital increase for the Nan Shan General Insurance according to the laws or the request of competent authority such that new shares are to be issued for the capital increase, the Company and Ruen Chen Investment Holdings other shareholders undertake to request Nan Shan Life Insurance to hold

at least a percentage of 51% on the number of outstanding ordinary shares.

- (3) As instructed by the FSC on November 15, 2017, the Company issued a letter of undertaking for the increase of investment in Nan Shan Life Insurance and agreed to transfer cash of NT\$5,000,000 for trust in Mega International Commercial Bank Trust Department in the event that when Nan Shan Life Insurance requires capital injection and Ruen Chen Investment Holding cannot provide such fund. The company agreed to transfer aforementioned cash for trust in exchange for the cash capital increase through Ruen Chen Investment Holding or other method authorized by the authority. All the funds for capital increase of Nan Shan Life Insurance should be paid fully in cash, and in the event other shareholders are short on funds, the Company will make up the entirety of the shortage. In addition, for the capital increase in cash to Nan Shan Life Insurance in June 2019 through Ruen Chen Investment Holdings, the payment was made by deposited cash in the amounts of NT\$4,995,758 and NT\$4,242.
- 16. To meet the demands of reinvestment plan and diversified operations, in June 2019 the Company subscribed 29,670,000 shares of Nan Shan Life Insurance for NT\$474,720, for holding 0.23% of the total shares. As Nan Shan Life Insurance is the investee company accounted for under the equity method of Ruen Chen Investment Holding, the Company is considered has a material influence to Nan Shan Life Insurance, and thus Nan Shan Life Insurance was recognized as the investment accounted with the equity method
- 17. Details of the Group's investments accounted under equity method pledged to others as collateral are provided in Note VIII.

(IX) Real estate, plant and equipment

2019									
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Warehouse equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
January 1									
Cost	\$ 1,533,249	\$ 1,382,271	\$ 1,909,211	\$ 32,270	\$ 61,414	\$ 132,611	\$ 1,240,449	\$ 4,679	\$ 6,296,154
Accumulated depreciation	<u>- (468,864)</u>	<u>(1,109,294)</u>	<u>(30,105)</u>	<u>(45,582)</u>	<u>(94,986)</u>	<u>(441,372)</u>	<u>-</u>	<u>(2,190,203)</u>	
	<u>\$ 1,533,249</u>	<u>\$ 913,407</u>	<u>\$ 799,917</u>	<u>\$ 2,165</u>	<u>\$ 15,832</u>	<u>\$ 37,625</u>	<u>\$ 799,077</u>	<u>\$ 4,679</u>	<u>\$ 4,105,951</u>
January 1	\$ 1,533,249	\$ 913,407	\$ 799,917	\$ 2,165	\$ 15,832	\$ 37,625	\$ 799,077	\$ 4,679	\$ 4,105,951
Addition	-	6,083	39,032	47	2,733	15,739	14,670	399,985	478,289
Transfer (Note 1)	- (13,241)	30,683	-	-	(11)	-	-	(29,189)	(11,758)
Reclassification - costs (Note 2)	-	258,291	-	-	-	-	(161,850)	-	96,441
Reclassification - accumulated depreciatio (Note 2)	- (10,626)	-	-	-	-	-	37,053	-	26,427
Costs of disposal of assets	-	-	(138,471)	-	(268)	(5,407)	(5,622)	-	(149,768)
Accumulated depreciation on disposal date	-	-	138,433	-	241	5,349	5,613	-	149,636
Capitalization of interest	-	-	-	-	-	-	-	927	927
Depreciation expense	- (61,682)	(122,420)	(504)	(5,443)	(13,540)	(58,662)	-	-	(262,251)
Net exchange differences	<u>- (3,314)</u>	<u>(16)</u>	<u>-</u>	<u>(28)</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,362)</u>
December 31	<u>\$ 1,533,249</u>	<u>\$ 1,088,918</u>	<u>\$ 747,158</u>	<u>\$ 1,708</u>	<u>\$ 13,067</u>	<u>\$ 39,751</u>	<u>\$ 630,279</u>	<u>\$ 376,402</u>	<u>\$ 4,430,532</u>
December 31									
Cost	\$ 1,533,249	\$ 1,627,274	\$ 1,840,382	\$ 32,317	\$ 63,754	\$ 142,902	\$ 1,087,598	\$ 376,402	\$ 6,703,878
Accumulated depreciation	<u>- (538,356)</u>	<u>(1,093,224)</u>	<u>(30,609)</u>	<u>(50,687)</u>	<u>(103,151)</u>	<u>(457,319)</u>	<u>-</u>	<u>(2,273,346)</u>	
	<u>\$ 1,533,249</u>	<u>\$ 1,088,918</u>	<u>\$ 747,158</u>	<u>\$ 1,708</u>	<u>\$ 13,067</u>	<u>\$ 39,751</u>	<u>\$ 630,279</u>	<u>\$ 376,402</u>	<u>\$ 4,430,532</u>

Note 1: including the transfer of prepaid equipment payment of NT\$2,294; transfer to the investment properties of NT\$14,041, and transfer to expenses of NT\$11.

Note 2: the reclassification from the investment properties of NT\$247,665, and the reclassification from to the invested properties of NT\$124,797 .

2018									
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Warehouse equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Payments of construction in progress/prepaid lands and equipment to be inspected</u>	<u>Total</u>
January 1									
Cost	\$ 1,392,594	\$ 1,227,250	\$ 1,876,464	\$ 32,082	\$ 57,472	\$ 105,356	\$ 1,207,893	\$ 76,722	\$ 5,975,833
Accumulated depreciation	-	(414,571)	(1,014,398)	(29,629)	(40,186)	(85,855)	(382,289)	-	(1,966,928)
	<u>\$ 1,392,594</u>	<u>\$ 812,679</u>	<u>\$ 862,066</u>	<u>\$ 2,453</u>	<u>\$ 17,286</u>	<u>\$ 19,501</u>	<u>\$ 825,604</u>	<u>\$ 76,722</u>	<u>\$ 4,008,905</u>
January 1	\$ 1,392,594	\$ 812,679	\$ 862,066	\$ 2,453	\$ 17,286	\$ 19,501	\$ 825,604	\$ 76,722	\$ 4,008,905
Addition	76,527	-	19,769	188	5,332	27,560	32,905	54,484	216,765
Transfer (Note)	64,128	156,497	53,163	-	-	693	-	(126,527)	147,954
Reclassification	-	-	(1,151)	-	-	1,151	-	-	-
Costs of disposal of assets	-	-	(38,998)	-	(1,318)	(2,155)	(414)	-	(42,885)
Accumulated depreciation on disposal date	-	-	38,998	-	1,288	2,155	288	-	42,729
Depreciation expense	-	(54,391)	(133,914)	(476)	(6,730)	(11,275)	(59,307)	-	(266,093)
Net exchange differences	-	(1,378)	(16)	-	(26)	(5)	1	-	(1,424)
December 31	<u>\$ 1,533,249</u>	<u>\$ 913,407</u>	<u>\$ 799,917</u>	<u>\$ 2,165</u>	<u>\$ 15,832</u>	<u>\$ 37,625</u>	<u>\$ 799,077</u>	<u>\$ 4,679</u>	<u>\$ 4,105,951</u>
December 31									
Cost	\$ 1,533,249	\$ 1,382,271	\$ 1,909,211	\$ 32,270	\$ 61,414	\$ 132,611	\$ 1,240,449	\$ 4,679	\$ 6,296,154
Accumulated depreciation	-	(468,864)	(1,109,294)	(30,105)	(45,582)	(94,986)	(441,372)	-	(2,190,203)
	<u>\$ 1,533,249</u>	<u>\$ 913,407</u>	<u>\$ 799,917</u>	<u>\$ 2,165</u>	<u>\$ 15,832</u>	<u>\$ 37,625</u>	<u>\$ 799,077</u>	<u>\$ 4,679</u>	<u>\$ 4,105,951</u>

Note: transferred from prepayments for equipment of NT\$2,664, and investment properties of NT\$145,290.

1. The Company's sub-subsidiary, Ruentex Material, signed a property sales contract with individual to purchase the land at Zhonghe section, Ligang Township, Pingtung County with the total contract price of NT\$116,646 on December 12, 2017. The registration of ownership transfer was filed for aforementioned transaction on January 9, 2018, and the ownership was transferred on June 28, 2018. The final payment was made on the same date.
2. The Company's sub-subsidiary, Ruentex Material, signed a property sales contract with individual to purchase the agricultural land at Zhonghe section, Ligang Township, Pingtung County with the total contract price of NT\$24,000 on March 23, 2018. The registration of ownership transfer was filed for aforementioned transaction on April 23, 2018, and the ownership was transferred on August 31, 2018. The final payment was made on the same date. Due to legal restrictions, Ruentex Material is not entitled to the property right of aforementioned land. Therefore, the property right of the agricultural land was registered to the chief management and pledged as collateral to Ruentex Material in May 2018.
3. Details of the Group's property, plant and equipment pledged to others as collateral are provided in Note VIII.

(X) Lease transactions - lessees

Adoption in Year 2019

1. The underlying assets of the Group to be leased include the land for operation, operating offices, Zhonglun Building office, and minefields from others in the form of operating lease, and the lease period is from 2012 to 2084. The lease contracts are negotiated individually, with different terms and conditions. The leased assets are neither to be used as collaterals for loans, nor the rights to be transferred to others in the form of business transfer or merge, among other forms.
2. The information of the right-of-use assets are as the following:

	2019			
	Land - rent	Buildings - rent	Land - premiums	Total
January 1	\$ -	\$ -	\$ -	\$ -
The effects applied for the first adoption				
-Cost	4,260,268	393,607	7,205,254	11,859,129
-Accumulated impairment	-	-	(200,000)	(200,000)
Balance at 1 January, as restated	4,260,268	393,607	7,005,254	11,659,129
Newly added lease contracts	-	382	-	382
Cost of asset derecognition	-	(219)	-	(219)
Accumulated depreciation on de-recognition date	-	219	-	219
Modifications to leases	(68,100)	-	-	(68,100)
Reclassification - costs	(3,996,347)	(66,315)	(5,392,685)	(9,455,347)
Reclassification accumulated depreciation (note)	41,583	4,102	53,573	99,258
Reclassification accumulated impairment (note)	-	-	103,307	103,307
Depreciation expense	(74,713)	(82,147)	(86,085)	(242,945)
Impairment loss	-	-	(88,809)	(88,809)
Net exchange differences	-	(15)	-	(15)
December 31	<u>\$ 162,691</u>	<u>\$ 249,614</u>	<u>\$ 1,594,555</u>	<u>\$ 2,006,860</u>
December 31				
- Cost	\$ 195,821	\$ 327,440	\$ 1,812,568	\$ 2,335,829
- Accumulated depreciation	(33,130)	(77,826)	(32,511)	(143,467)
- Accumulated impairment	-	-	(185,502)	(185,502)
	<u>\$ 162,691</u>	<u>\$ 249,614</u>	<u>\$ 1,594,555</u>	<u>\$ 2,006,860</u>

Note: Reclassification to investment properties of NT\$9,252,782.

3. Rents and premiums to lands are as follows:

- (1) In January 2014, Ruentex Construction (previous Citylink) signed the land superficies rights contracts with Northern Region Branch, National Property Administration, MOF for the two lands located at Land No. 265, sub-section 6, Baoqing Section, Songshan District, Taipei City with a contract period of 70 years. The total premium amounted NT\$1,711,112 was paid in full upon the signing of contract. In addition to the premium, monthly rent equal to 3.5% of the publicly announced land value should be paid monthly.

The premium was paid in full in January 2014, and the registration for the superficies right was completed on January 15, 2014.

- (2) Citylink Nangang signed the construction contraction and operation contract for Nangang Railway Station building with the Taiwan Railway Administrations in December 2006; Citylink Songshan signed the private participation in construction and operation contract for Songshan Railway Station building and parking tower with the Taiwan Railway Administrations in May 2007. Details of the contracts are as follows:

A. Construction and operation contract for Taiwan Railway Nangang Railway Station Building:

a. Period of development and operation:

A total of 52 years since the signing date of superficies right contract. Citylink Nangang signed the superficies right contract on September 27, 2012. Taiwan Railway Administrations handed over the associated land and building to Citylink Nangang, and Citylink Nangang confirmed and accepted on October 19, 2012. The registration for setting the superficies right was completed on October 25, 2012, and a guarantee note amounting NT\$250,000 was pledged as collateral on the same date.

b. Development premium:

Citylink Nangang should pay a total of NT\$80 million development premium in 5 installments from the year of contract signing. The former development premium was paid in full.

c. Operation premium:

Within the approximate 52 years, from the date that the building and equipment associated to the Nangang Railway Station Building project were confirmed and handed over to Citylink Nangang to the end of the operation period, Citylink Nangang should pay certain amounts of premium each year, totaling NT\$6.82548 billion. As of December 31, 2019 and 2018, the cumulative premiums paid were NT\$532,079 and NT\$436,179, respectively.

d. Performance bond:

Citylink Nangang should pay the performance bond of NT\$20 million before signing the operation contract for Nangang Railway Station Building, and another performance bond of NT\$180 million before the first transfer of operation area (the OT part). The aforementioned bond was paid with NT\$100 million guarantee bond certificate issued by the domestic bank that is registered with the Ministry of Finance and NT\$100 million refundable deposit. After one year of operation, as specified in the contract, the Taiwan Railway Administrations should return NT\$100 million of performance bond. In the event of default by Citylink Nangang resulting in termination of contract by the Taiwan Railway Administrations, the Taiwan Railway Administrations can forfeit the performance bond without proceeding any lawsuit or arbitration procedures, and Citylink Nangang may not object. The performance bond

above was collected in January 2017.

e. Land rent:

During the construction period, the land rent is calculated as 1% of the total announced land value; during the operation period, the land rent is calculated as 1%~3% of the total announced land value. In addition, Citylink Nangang reached an agreement with Taiwan Railway Administrations to waive land rent for 2016, and the land rent amount of NT\$39,764 paid in 2016 will be debited to the land rent payable across the following 4 years. The debit amount was NT\$9,764 for the first year, and NT\$10,000 for the remaining 3 years. As of December 31, 2019, NT\$ 20,000 was recognized as the land - rents under the investment properties; NT\$10,000 and NT\$10,000 were recognized in prepayment and long-term prepaid rent-land rent as of December 31, 2018, respectively.

f. Return and transfer of operating assets:

At the end of the permitted period, Citylink Nangang should unconditionally return the operating assets owned by the Taiwan Railway Administrations and the existing operating assets acquired due to construction and operation of this project.

g. Other agreed matters:

Citylink Nangang should donate 30% of its net operating income from the parking spaces located within the contracted operating area to Taiwan Railway Administrations for the maintenance of the first-floor atrium and surrounding gardens and facilities at Nangang Railway Station. The preceding net operating income is the operating income net operating costs and administration expenses. The net operating loss from the parking spaces is presented below:

	<u>2019</u>	<u>2018</u>
Operating Revenue	\$ 21,055	\$ 21,041
Operating Costs	(75,567)	(77,877)
Net operating losses	<u>(\$ 54,512)</u>	<u>(\$ 56,836)</u>

B. Private participation in construction and operation contract for Songshan Railway Station building and parking tower:

a. Period of development and operation:

A total of 55 years since the next day of the signing date of superficies right contract, including construction and operation period. Citylink Songshan signed the superficies right contract with Taiwan Railway Administrations on August 30, 2012. Taiwan Railway Administrations handed over the associated land and building to Citylink Songshan, and Citylink Songshan confirmed and accepted on in September 2012. Citylink Songshan completed the registration for setting the superficies right on October 22, 2012.

b. Development premium:

Citylink Songshan should pay a total of NT\$120 million development premium in 4 installments from the year of contract signing. The former development premium was paid in full.

c. Operation premium:

Citylink Songshan should pay the operation premium amount by method as specified in the operation premium quotation annually. During official operation, the annual operation premium amount is calculated by using the

actual net operating income multiplying by the “ratio of operation premium to net operating income,” and if the result is less than the “agreed minimum payment of operation premium,” the “agreed minimum payment of operation premium” amount should be paid.

d. Performance bond:

Citylink Songshan should pay the performance bond of NT\$20 million before signing the contract, and another performance bond of NT\$80 million before date for the transfer date of land and building assigned by Taiwan Railway Administration. The aforementioned bond was paid with guarantee bond certificate issued by the domestic bank that is registered with the Ministry of Finance. Upon completion of construction and receipt of use permit, as specified in the contract, the Taiwan Railway Administrations should return NT\$50 million of performance bond. Citylink Songshan took back the certificate in May 2015. In the event of default by Citylink Songshan resulting in termination of contract by the Taiwan Railway Administrations, the Taiwan Railway Administrations can forfeit the performance bond.

e. Land rent:

During the construction period, the land rent is calculated as 1% of the total announced land value; during the operation period, the land rent is calculated as 1%~3% of the total announced land value.

f. Return and transfer of operating assets:

At the end of the permitted period, Citylink Songshan should unconditionally return the operating assets owned by the Taiwan Railway Administrations and the existing operating assets acquired due to construction and operation of this project.

4. Lease liabilities related to lease contracts are as the following:

	<u>December 31, 2019</u>
Total amount of lease liabilities	\$ 10,439,426
Less: Due within one year (listed as lease liabilities - current)	(380,509)
	<u>\$ 10,058,917</u>

5. Information of income items related to lease contracts are as the following:

	<u>2019</u>
<u>Items affects the income of the current period</u>	
Interest expenses of lease liabilities	\$ 250,014
Expenses of short-term lease contracts	110,752
Variable lease payments	<u>869</u>
	<u>\$ 361,635</u>

6. The Group's total cash out flows of lease in 2019 was NT\$494,257, including the expenses of short-term lease contracts for NT\$110,752, variable lease payments for NT\$869, interest expenses of lease liabilities for NT\$250,014, and repayments to lease principals for NT\$132,622.

7. Influences to the lease liabilities from variable leases

The subsidiary of the Company, Ruentex Pai Yi, has an underlying lease subject to the variable lease payment terms in the lease contract, which is the rent revenues from the

proprietary booths which were the Service Center included to OT mall. To the underlying lease in the scope, the premium is calculated based on “50% of the net revenues from proprietary booths” or “the minimum payment of the committed operation premium,” whichever is higher. For the rent revenues of the proprietary booths related to the sales amount variation, shall 50% of the net value exceed “the minimum payment of the committed operation premium,” such variable lease payments were recognized as expenses during the contract term.

The costs of premium for Year 2019 were calculated as the following:

	2019	2018
Revenues from proprietary booths	\$ 8,513	\$ 7,853
Costs of premiums	\$ 4,256	\$ 3,927

- 8.(1)The Company’s third-tier subsidiary, Ruentex Material has leased four government-owned minefields located at Hualien County Xiulin Township Kebaoshan Section 0026-0001 (one) and 0026-0002 (three), and applied for lease renewal on July 1, 2014 and July 1, 2015 before the lease expiry. The National Property Administration of the Ministry of Finance replied on August 23, 2017 regarding the lease renewal and approved the increase of rent from NT\$1,000 per hectare to NT\$18,200 per hectare, that is an increase of monthly rent from NT\$26 to NT\$472. Ruentex Material filed an objection regarding the excessive approved amount of the market price of the lands. On November 17, 2017, the National Property Administration of the Ministry of Finance issued the letter numbered Tai-Cai-Tsan-Bei-Hua-San-Zhi No. 10603121940, to agree the payments of the abovementioned rents and bonds might be postponed to the explanation directive issued by the Bureau of Mine, MOEA, until the evidence of the approved prices of the government-owned lands to be clear.
- (2) However, the National Property Administration of MOF issued a letter dated March 28, 2019, to require Ruentex Material to pay the rents and bonds of lands located at Hualien County Xiulin Township Kebaoshan Section 0026-0001 (one) and 0026-0002 (three). The reasons of the National Property Administration of MOF specified as the Administration had sent letter to the Bureau of Mine, MOEA, requesting the updated progress pursuant to Article 46 of the Act of Mine; nonetheless, the Bureau of Mine, MOEA had not yet replied the National Property Administration of MOF pursuant to the directive.
- (3) Also, based on the letter issued on April 23, 2019, by the Bureau of Mine, MOEA, numbered Kuan-Ju-Xing-Er-Zhi No. 10800031690. to the National Property Administration of MOF, after the Bureau of Mine, MOEA studied and analyzed the appraisal provided by the National Property Administration of MOF and the operating procedure of the state-owned property appraisal, the Bureau had issued Jing-Shou-Wu-Zhi No. 10720112240, dated December 6, 2018, titled “The Recommendations of Checking and Appraising the Minefields” to the National Property Administration of MOF. In the related meetings of the National Property Administration of MOF, the related comments were provided and recorded. It was advised that the National Property Administration of MOF to review the reasonableness of the significant adjustments to the rents and bonds of minefields.
- (4) Therefore, Ruentex Material believed that the reasons specified in the abovementioned letter from the National Property Administration of MOF inconsistent with the letter from the Bureau of Mine, MOEA, and thus issued a letter to the National Property

Administration of MOF, requesting withdrawing the request of paying the rents and bonds of government owned minefields located at Hualien County Xiulin Township Kebaoshan Section 0026-0001 (one) and 0026-0002 (three), and the executions as specified in the letter numbered Tai-Cai-Tsan-Bei-Hua-San-Zhi No. 10603121940, dated November 17, 2017, which agrees Ruentex Material to calculate and make the payments of the abovementioned rents and bonds might be postponed to until the evidence of the approved prices of the government-owned lands to be clear.

- (5) On May 23, 2019, the National Property Administration of MOF issued an letter again to request Ruentex Material to pay the rents and bonds of government owned minefields located at Hualien County Xiulin Township Kebaoshan Section 0026-0001 (one) and 0026-0002 (three) before May 31, 2019. Since Ruentex Material did not paid before the mentioned due day, the National Property Administration of MOF issued two letters, numbered Tai-Cai-Tsan-Bei-Hua-San-Zhi No. 10842019180 and 10842019200 on July 1, 2019, respectively, claimed that as the leases were not renewed before the due day, the renewals were cancelled and the leases were terminated pursuant to the regulations, with the termination dates of July 2, 2014 and July 2, 2015, respectively. As Ruentex Material had to recover the lands, the paid bonds of NT\$ 367 and \$2,487 were held as occupancy. Ruentex Material had to pay the land compensations based on the rents of these rented minefields until the lands were returned.
 - (6) Considering that the mineral rights of these rented lands were in the durations, and the application of expanding the minefields were under review of the competitive authority, the Bureau of Mine, MOEA, Ruentex Material intends to apply to the minefields again pursuant to the current laws when required by the business. From the termination dates to June 30, 2019, the compensation of the abovementioned lease contracts was NT\$1,259, and paid by Ruentex Material in July 2019. The originally recognized and the abovementioned lease contracts related to the right-of-use assets for NT\$ 1,922 and lease liabilities for NT 1,922 were reversed on June 30, 2019.
9. Please refer to Note 8 for the descriptions of the information of these collaterals provides with the right-of-use assets.

(XI)Lease transactions - lessor

Adoption in Year 2019

1. The Group's underlying assets to be leased include the Songshan Station Building, Nangang Station Building, Songshan Baoqing Building "Ruentex Daikanyama," and the parking lot in Neihu. The terms of the leases are between 2014 to 2084. The lease contracts are negotiated individually, with different terms and conditions. The leased assets are neither to be used as collaterals for loans, nor the rights to be transferred to others in the form of business transfer or merge, among other forms. Please refer to Note VI(18) for the information related to Songshan Baoqing Building.

2. For the year 2019, lease incomes of NT\$1,286,244 were recognized based on the operating lease contracts; the aforementioned lease income, in addition to lease income specified in the contract, includes the long-term lease receivable, arising from the amortization of total lease amount using straight-line method over the lease period, recognized as income of the period, amounting NT\$ 37,230.
3. As of December 31, 2019, the long-term lease receivable recognized as amortization for the total lease income using the straight-line method over the lease period is as follows:

	<u>December 31, 2019</u>
Long-term notes and accounts receivable	\$ 507,509
Less: Due within one year (listed as other accounts receivable)	(46,555)
	<u>\$ 460,954</u>

4. Analysis to the due dates of lease payments leased as operating leases by the Group is as the following:

	<u>December 31, 2019</u>
2020	\$ 1,239,058
2021	1,102,911
2022	1,102,154
2023	1,112,996
2024 and after	<u>6,130,045</u>
	<u>\$ 10,687,164</u>

(XII) Investment Real Estate

	2019					
	<u>Land</u>	<u>Land - rent</u>	<u>Land - premiums</u>	<u>Operation premiums</u>	<u>Buildings</u>	<u>Total</u>
January 1						
- Cost	\$ 1,008,724	\$ -	\$ -	\$ -	\$ 12,881,135	\$ 13,889,859
- Accumulated depreciation	-	-	-	-	(1,198,626)	(1,198,626)
	<u>\$ 1,008,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,682,509</u>	<u>\$ 12,691,233</u>
January 1	\$ 1,008,724	\$ -	\$ -	\$ -	\$ 11,682,509	\$ 12,691,233
Addition	-	-	-	-	102,941	102,941
Transfer (Note 1)	-	-	-	-	14,041	14,041
Reclassification - costs (Note 2)	-	3,996,347	976,457	4,416,228	(30,126)	9,358,906
Reclassification - accumulated depreciation (Note 2)	-	(41,583)	(7,137)	(46,436)	(30,529)	(125,685)
Reclassification - accumulated amortization (Note 2)	-	-	(103,307)	-	-	(103,307)
Depreciation expense	-	(41,583)	(7,137)	(46,438)	(329,472)	(424,630)
Impairment loss	-	-	(94,871)	-	-	(94,871)
Net exchange differences	-	-	-	-	(334)	(334)
December 31	<u>\$ 1,008,724</u>	<u>\$ 3,913,181</u>	<u>\$ 764,005</u>	<u>\$ 4,323,354</u>	<u>\$ 11,409,030</u>	<u>\$ 21,418,294</u>
December 31						
- Cost	\$ 1,008,724	\$ 3,996,347	\$ 976,457	\$ 4,416,229	\$ 12,972,125	\$ 23,369,882
- Accumulated impairment	-	-	(198,178)	-	-	(198,178)
- Accumulated depreciation	-	(83,166)	(14,274)	(92,875)	(1,563,095)	(1,753,410)
	<u>\$ 1,008,724</u>	<u>\$ 3,913,181</u>	<u>\$ 764,005</u>	<u>\$ 4,323,354</u>	<u>\$ 11,409,030</u>	<u>\$ 21,418,294</u>

Note 1: Transferred NT\$14,041 from property, plant, and equipment.

Note 2: These are the reclassifications from right-of-use assets for NT\$9,252,782; from real estate properties, plants, and equipment for NT\$124,797; and to real estate properties, plants, and equipment for NT\$247,665.

	2018		
	Land	Buildings	Total
January 1			
- Cost	\$ 388,673	\$ 12,545,372	\$ 12,934,045
- Accumulated depreciation	-	(920,669)	(920,669)
	<u>\$ 388,673</u>	<u>\$ 11,624,703</u>	<u>\$ 12,013,376</u>
January 1	\$ 388,673	\$ 11,624,703	\$ 12,013,376
Addition	-	21,945	21,945
Transfer (Note)	620,051	313,818	933,869
Depreciation expense	-	(277,957)	(277,957)
December 31	<u>\$ 1,008,724</u>	<u>\$ 11,682,509</u>	<u>\$ 12,691,233</u>
December 31			
- Cost	\$ 1,008,724	\$ 12,881,135	\$ 13,889,859
- Accumulated depreciation	-	(1,198,626)	(1,198,626)
	<u>\$ 1,008,724</u>	<u>\$ 11,682,509</u>	<u>\$ 12,691,233</u>

Note: Transferred from inventories for NT\$1,083,449; transferred to prepayment for NT\$4,290, and to property, plant, and equipment and prepayments for \$145,290.

1. Rent income from the lease of the investment property and direct operating expenses:

	2019	2018
Rental income from investment properties (Note 1)	<u>\$ 1,284,587</u>	<u>\$ 1,211,497</u>
The direct operating expenses of the investment properties incurred during the current period (note 2)	<u>\$ 710,475</u>	<u>\$ 733,217</u>
The direct operating expenses of the investment properties not incurred during the current period (note 2)	<u>\$ 3,428</u>	<u>\$ 8,662</u>

Note 1: The rent revenues from the investment properties in Year 2019 include the lease revenue - real estate properties for NT\$1,257,658 and lease revenue - proprietary booths for NT\$26,929; the rent revenues from the investment properties in Year 2018 include the lease revenue - real estate properties for NT\$1,196,772 and lease revenue - proprietary booths for NT\$14,725.

Note 2: The direct operating expenses of the investment properties incurred in 2019 include the lease costs - real estate properties for NT\$700,015 and lease costs - proprietary booths for NT\$13,888; the direct operating expenses of the investment properties incurred in 2018 include the lease costs - real estate properties for NT\$708,037 and the costs of booths for NT\$33,842.

2. In the balance of investment properties as of December 31, 2019, NT\$1,994,041; its fair value was based on transaction price of similar property of neighboring area with a fair value of NT\$2,861,852, which was classified as level three fair value. For the other investment properties of NT\$19,424,253, plus the right-of-use assets - right-of-use for lands, and the property, plant and equipment of the Group's superficies rights for the land at Baoqing section, the fair value was NT\$28,570,753, also classified as level three fair value.

In the balance of investment property as of December 31, 2018, NT\$1,948,121 was an estimate based on transaction price of similar property of neighboring area with a fair value of NT\$2,846,171, which was classified as level three fair value. The other investment properties of NT\$10,743,112, plus the right-of-use assets - right-of-use for lands, long-term prepaid rents - premiums, and the property, plant and equipment of the Group's superficies rights for the land at Baoqing section, was NT\$28,974,460, which was classified as level three fair value, too.

The aforementioned fair values were resulted from the independent appraisers, by applying the income approach, with the following major assumptions:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Growth rate	1.50%~2.00%	1.00%~1.90%
Discount rate	2.78%~3.46%	2.75%-3.85%

- Based on the aforementioned appraisal results, it is shown that there were impairment to the investment properties - land - premiums, and right-of-use assets - land - premiums; the provision of impairment loss were made in 2019 for NT\$94,871 and NT\$88,809, respectively.
- Details of the Group's investments property pledged to others as collateral are provided in Note VIII.

(XIII) Intangible Assets

2019						
	<u>Mineral source</u>	<u>Trademarks and patents Rights and concessions</u>	<u>Computer software</u>	<u>Good will</u>	<u>Others</u>	<u>Total</u>
January 1						
- Cost	\$ 234,076	\$ 49,213	\$ 78,035	\$ 2,553	\$ 16,721	\$ 380,598
- Accumulated amortization	(59,807)	(25,776)	(70,909)	-	-	(156,492)
	<u>\$ 174,269</u>	<u>\$ 23,437</u>	<u>\$ 7,126</u>	<u>\$ 2,553</u>	<u>\$ 16,721</u>	<u>\$ 224,106</u>
January 1	\$ 174,269	\$ 23,437	\$ 7,126	\$ 2,553	\$ 16,721	\$ 224,106
Addition	-	4,028	1,153	-	25,006	30,187
Reclassification (Note)	-	-	793	-	-	793
Transferred expenses	-	(1,229)	-	-	-	(1,229)
Amortization	(609)	(5,625)	(3,186)	-	-	(9,420)
Net exchange differences	-	-	(13)	-	-	(13)
December 31	<u>\$ 173,660</u>	<u>\$ 20,611</u>	<u>\$ 5,873</u>	<u>\$ 2,553</u>	<u>\$ 41,727</u>	<u>\$ 244,424</u>
December 31						
- Cost	\$ 234,076	\$ 52,012	\$ 79,955	\$ 2,553	\$ 41,727	\$ 410,323
- Accumulated amortization	(60,416)	(31,401)	(74,082)	-	-	(165,899)
	<u>\$ 173,660</u>	<u>\$ 20,611</u>	<u>\$ 5,873</u>	<u>\$ 2,553</u>	<u>\$ 41,727</u>	<u>\$ 244,424</u>

Note: NT\$793 was reclassified from the Prepayments.

2018						
	<u>Mineral source</u>	<u>Trademarks and patents Rights and concessions</u>	<u>Computer software</u>	<u>Good will</u>	<u>Others</u>	<u>Total</u>
January 1						
- Cost	\$ 234,076	\$ 44,190	\$ 76,097	\$ 2,553	\$ -	\$ 356,916
- Accumulated amortization	(49,636)	(19,936)	(67,122)	-	-	(136,694)
	<u>\$ 184,440</u>	<u>\$ 24,254</u>	<u>\$ 8,975</u>	<u>\$ 2,553</u>	<u>\$ -</u>	<u>\$ 220,222</u>
January 1	\$ 184,440	\$ 24,254	\$ 8,975	\$ 2,553	\$ -	\$ 220,222
Addition	-	5,023	1,600	-	8,855	15,478
Reclassification (Note)	-	-	352	-	7,866	8,218
Amortization	(10,171)	(5,840)	(3,791)	-	-	(19,802)
Net exchange differences	-	-	(10)	-	-	(10)
December 31	<u>\$ 174,269</u>	<u>\$ 23,437</u>	<u>\$ 7,126</u>	<u>\$ 2,553</u>	<u>\$ 16,721</u>	<u>\$ 224,106</u>
December 31						
- Cost	\$ 234,076	\$ 49,213	\$ 78,035	\$ 2,553	\$ 16,721	\$ 380,598
- Accumulated amortization	(59,807)	(25,776)	(70,909)	-	-	(156,492)
	<u>\$ 174,269</u>	<u>\$ 23,437</u>	<u>\$ 7,126</u>	<u>\$ 2,553</u>	<u>\$ 16,721</u>	<u>\$ 224,106</u>

Note: It is from the reclassification of prepayment NT\$ 7,866 and the reclassification of equipment prepayment NT\$ 352.

1. The Group's sub-subsidiary, Ruentex Material, owns the mine operation rights at Yilan Lankan Minefield (Tai-Ji-Chai-Zi No. 5569 mine operation right) and Hualien Huahsin Minefield (Tai-Ji-Chai-Zi No. 5345 Marble mine operation right) which will expire on June 18, 2032 and July 1, 2025, respectively. In need of raw materials for manufacturing cement-limestone, Ruentex Material has submitted the application to the Bureau of Mines of the Ministry of Economic Affairs for approval and change of registration in accordance with Article 43 of the Mining Act. As instructed by the Bureau of Mines of the Ministry of Economic Affairs, Ruentex Material has submitted applications to other relevant governing agencies for approval in accordance with relevant laws and regulations.

For the application for Yilan Lankan Minefield, Ruentex Material has applied for review pursuant to Article 13 of the Regulations for Conservation Forest Managements. As replied by the Luodong Forest District Office of the Forestry Bureau of the Council of Agriculture, Executive Yuan, the review for the application has been re-opened, and currently under the review by the competitive authorities.

For the Hualien Huahsin Minefield application, the Bureau of Mines of the Ministry of Economic Affairs replied on September 3, 2018 and required Ruentex Material to hold a seminar with local tribe in accordance with Article 21, of the Indigenous Peoples Basic Law. Ruentex Material continues to communicate with the Bureau of Mines of the Ministry of Economic Affairs, the Council of Indigenous Peoples and Hualien XiuLin Township Office for organizing the aforementioned seminar.

2. To participate the grouting material market for the offshore wing power generator foundations, the Group developed the product of the “grouting material for offshore wing power generators ShifuGrout U799.” The product was certified by DNV GL on September 20, 2019, and to be used for the production of extremely strong grouting material for offshore wing power generator foundations in the future. The Group has recognized the expenses attributed to the development of the products to other intangible assets; as of December 31, 2019, the amount was NT\$32,486.
3. The Group did not pledge intangible assets to others as collateral.
4. Details of amortization of intangible assets are as follows:

	2019	2018
Operating Costs	\$ 5,595	\$ 12,634
Selling and marketing expenses	112	135
Administrative expense	3,713	7,033
	<u>\$ 9,420</u>	<u>\$ 19,802</u>

(XIV) Other non-Current Assets

	December 31, 2019	December 31, 2018
Long-term prepaid rents - premium	\$ -	\$ 1,566,563
Long-term prepaid rents - Land rent	-	10,000
Other financial assets	188,300	5,132,875
Others	39,776	19,430
	<u>\$ 228,076</u>	<u>\$ 6,728,868</u>

1. Details of Long-term prepaid rent are as follows:

- (1) Ruentex Construction International Co., Ltd. (previous named City-Link Development Co., Ltd.) signed the superficies rights contracts at the lands of Baoqing section; Citylink Nangang and Citylink Songshan signed the construction contraction and operation contract for Nangang Railway Station building and the private participation in construction and operation contract for Songshan Railway Station building and parking tower, respectively. Please refer to VI (5) 3 for the description.
- (2) The total operation premium is amortized using the straight-line method, and the royalty payment increases annually to reflect the market condition. For the year ended December 31, 2018, the operation premium expenses were NT\$208,867, and the operation royalty included the payment for the period specified in the contract and the expenses transferred from long-term rent payable that was the amortization expense for the total operation royalty recognized on a straight-line basis within the rental period, amounting NT\$63,897.
As of December 31, 2018, the long-term rent payable recognized as amortization for the total operation royalty using the straight-line method over the rental period was NT\$623,258 (accounted in “long-term notes and accounts payable”).

(3) The future minimum lease payments for the irrevocable contract above is as follows:

	<u>December 31, 2018</u>
Less than one years	\$ 259,798
More than one year but less than five years	1,104,615
More than five years	<u>16,788,071</u>
	<u>\$ 18,152,484</u>

(4) For the abovementioned Long-term prepaid rents - premiums, the recognized premium expenses in 2018 was NT\$28,144. Details of the Group's long-term rent payable and other financial assets pledged to others as collateral are provided in Note VIII.

(5) Based on the valuation from independent appraisal professional using the market approach, Ruentex Construction International (previous Citylink) had impairments, and thus impairment loss of NT\$200,000 on long-term rent payable-premium for was recognized for 2018. Until December 31, 2018, the recognized impairment was amounting NT\$200,000.

2. Other financial asset was the a letter of undertaking for the increase of investment in Nan Shan Life Insurance and agreed to transfer cash of NT\$5,000,000 for trust in Mega International Commercial Bank Trust Department; also the capital increase in cash to Nan Shan Life Insurance was made in June 2019 through Ruen Chen Investment Holdings, the payment was made in the aforementioned deposited cash NT\$4,995,758. Please find Note VI(8)15 for details.

(XV) Short-term borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured bank loan	\$ 800,000	\$ -
Credit bank loan	<u>2,523,000</u>	<u>880,000</u>
	<u>\$ 3,323,000</u>	<u>\$ 880,000</u>
Interest rate collars	1.00% ~ 1.34%	1.00% ~ 1.50%

In addition to the pledged assets for short-term borrowings provided in Note VIII, the Group also issued guarantee notes as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Guarantee notes	<u>\$ 10,865,000</u>	<u>\$ 11,730,800</u>

(XVI) Short-term notes and bills payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commercial papers payable	\$ 3,040,000	\$ 700,000
Less: Unamortized discount	<u>(1,874)</u>	<u>(205)</u>
	<u>\$ 3,038,126</u>	<u>\$ 699,795</u>
Interest rate collars	0.48% ~ 1.20%	0.49% ~ 1.16%

In addition to the pledged assets for short-term notes payable provided in Note VIII, the Group also issued guarantee notes as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Guarantee notes	<u>\$ 9,220,000</u>	<u>\$ 7,819,000</u>

(XVII) Long-term borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured bank loan	\$ 20,770,000	\$ 19,665,412
Credit bank loan	<u>17,072,000</u>	<u>19,880,000</u>
	37,842,000	39,545,412
Less: Arrangement fees for leading banks of syndicated loan	(4,447)	(22,768)
	37,837,553	39,522,644
Face value of long term commercial paper	1,670,000	1,425,000
Less: Unamortized discount	(2,023)	(1,525)
Deferred expenses - transaction costs	(3,984)	-
	39,501,546	40,946,119
Less: Due within one year (listed as other current liabilities)	(2,598,000)	(1,176,179)
Due within one operating cycle (listed as other current liabilities)	(5,976,000)	(5,976,000)
	<u>\$ 30,927,546</u>	<u>\$ 33,793,940</u>
Interest rate collars	0.55% ~ 2.22%	0.50% ~ 2.22%

- The Company signed a syndicated loan agreement with a bank group including Land Bank of Taiwan in July 2010 to provide the financing for the construction of the Company. The term of loan was from July 2014 to July 2021, the total loan amount was NT\$ 4,600,000. Up to the date of December 31, 2019, the Company has drawn the credit amount of the contract performance guarantee letter at an amount of NT\$ 194,036. The main commitments of the Company are as follows:
 - The Company shall use the loan amount obtained under this agreement in the purpose of credit extension for payment specified in this agreement, and shall prepare accounting books and records as well as certificates for recordation.
 - The Company shall provide the consolidated financial report audited by independent director as well as audited consolidated and unconsolidated financial reports within 60 days and 120 days after the first half and the end of each fiscal year respectively.
 - Before obtaining the prior consents of all members of the syndicated loan banks, the Company shall not merger with others or demerger the Company according to the Company Act. However, where the Company is a survival company (after merger) and the merger result has no adverse impacts on its ability to perform obligations under this agreement, then such restriction shall not be applied.
- The Company signed a long-term loan agreement with Chang Hwa Commercial Bank in November 2012 to provide the financing for the construction of the Company. The term

of the loan was from November 2012 to March 2021, the total loan amount was NT\$ 7,576,000. Up to the date of December 31, 2019, the Company has drawn down the credit amount of NT\$ 5,976,000.

3. The Company signed a long-term borrowing contract with Mega International Commercial Bank in April 2018 for its operating funds, and the loan period is from April 2018 to May 2020 with a credit line of NT\$7,500,000. As of December 31, 2019, the facility drawn was NT\$7,500,000.
4. The Company signed a syndicated loan agreement with the financial institution group including Mega Bills in December 2018 to provide the operational financing necessary for the Company. The term of the loan was from December 2018 to December 2021, the total loan amount was NT\$ 2,450,000. Up to the date of December 31, 2019, the Company has drawn down the credit amount of NT\$ 1,470,000. The main commitments of the Company are as follows:
 - (1) The Company shall use the loan amount obtained under this agreement in the purpose of credit extension for payment specified in this agreement, and shall prepare accounting books and records as well as certificates for recordation.
 - (2) The Company should provide the audited consolidated and parent only financial statements within 120 days after the end of each fiscal year.
 - (3) The Company should maintain its time interest earned above 3 times and tangible net worth above \$18,000,000, and preceding ratio and standard should be based on the audited annual consolidated financial statements. If the financial ratio or agreed items cannot be satisfied, since the date of default, the Company should pay 0.1% of the outstanding principal at each lending bank as compensation on each check date until the financial ratio is met.
5. Ruentex Development and financial institutions, including KGI Bank, entered into a contract for syndicated borrowing in October 2017 for the fund needed to purchase land and land for road. The loan period is from November 2017 to November 2021 with a credit line of NT\$2,680,000. As of December 31, 2019, the facility drawn was NT\$2,680,000. The major agreed matters made by Ruentex Development are provided below:
 - (1) The Company should provide the audited financial statements within 150 days after the end of each fiscal year.
 - (2) Without the consent from majority of the lending financial institutions, Ruentex Development cannot merge with other entity or split up in accordance with the Company Act. The preceding restriction does not apply when Ruentex Develop is the surviving company (after the merger), and its ability for repayment is unaffected.
6. Ruentex Development has signed a long term loan agreement with Hua Nan Bank in July 2018, for financing the operations of Ruentex Development. The loan period is five years from the date of the first drawing, with a credit line of NT\$1,400,000. As of December 31, 2019, the facility drawn was not yet drawn.
7. Citylink Nangang and guaranteeing financial institutions, including Bank of Taiwan, entered into a contract for syndicated borrowing in April, 2012 for the direct or indirect costs and expenses needed for the construction of Nangang Railway Station Building. The loan period is from March 2013 to March 2028 with a credit line of NT\$6,000,000. The aforementioned loan was fully repaid in March 2019. The major agreed matters

made by Citylink Nangang are provided below:

- (1) Within the duration of this facility contract, besides regular loans to others or compliance with the Procedures for Endorsements and Guarantees, with the consent from all participating banks, it cannot make endorsements or guarantees for a third party.
- (2) Starting from the sixth year after the first draw down date and within duration of the contract, the it should maintain the financial ratio set out below:
 - a. Current ratio: should be maintained at 100%.
 - b. Times of interest earned: should be above 2.5 times (inclusive).

The above financial ratios and restrictions are calculated based on the borrowers' audited non-consolidated financial statements of the year as approved by the credit management bank.

If the borrower does not meet any of the financial ratios or restrictions above, it does not constitute a default event. However, monthly compensations, calculated using 0.1% annual interest rate multiplying the outstanding principal, should be paid from May 1 of the year to the end of month when the financial ratios or restrictions are met; for days less than one month, one month payment should be made; the compensation should be paid to the credit management bank on the first business day of the following month, and the credit management bank would transfer to each participating bank in proportion to its associated credit risk.

- (3) Collateral:
 - a. The associated superficies right obtained in accordance with the construction and operation contract and relevant contracts should be pledged to the collateral management bank with an amount of \$6,000,000 and a maximum amount of first-priority mortgage right as collateral for the loan. The pledge period cannot exceed the permitted period.
 - b. Once permitted by laws, the associated buildings and facilities should be included as collateral within three months after completion. The mortgage amount should be set at 1.2 times of the total credit line and pledged to the collateral management bank with a maximum amount of first-priority mortgage right, and the pledge period cannot exceed the permitted period.

8. Citylink Nangang has entered a long-term loan agreement with Bank of Taiwan in December 2018, to repay the outstanding balance of the syndicated borrowing related to the construction of Nangang Railway Station Building for total credit limit of NT\$3,822,000. The Class A and Class B of the loan period is from March 2019 to March 2029, and Class C is from December 2018 to December 2020. As of December 31, 2019, the Class A facility drawn was NT\$3,160,000; Class B for NT\$100,000 performance bond certificate, and borrowing from Class C for NT\$300,000.

9. Citylink Songshan signed a credit facility contract with the Land Bank of Taiwan in January 2012 for the direct or indirect costs and expenses needed for the construction of Songshan Railway Station Building. The loan period is 12 years starting from the first drawdown date. After 5 years from the first drawdown date, an installment should be paid semi-annually, totaling 15 installments. The total credit line is NT\$3,600,000. As of December 31, 2019, Class E facility drawn was \$2,214,000, drawn from Class C for NT\$60,000, and Class D drawn for performance bond was \$50,000. The major agreed matters made by Citylink Songshan are provided below:

- (1) Within the duration of the facility contract, without the bank's advance written consent, the collateral for the contact cannot be pledged to a third party other than

the creditor banks.

- (2) Starting from the fifth year after the first draw down date and within duration of the contract, the it should maintain the financial ratio set out below:
- a. Current ratio: should be maintained at 100%, however, starting from the effective date of the fourth supplement contract (May 29, 2018), the current ratio requirement was waived.
 - b. Times of interest earned: should be above 2 times (inclusive).

The above financial ratios and restrictions are calculated based on the borrowers' audited non-consolidated financial statements of the year as approved by the credit management bank.

If the borrower does not meet any of the financial ratios above, it does not constitute a default event; However, monthly compensations, calculated using 0.1% annual interest rate multiplying the outstanding principal, should be paid from May 1 of the year to the end of month when the financial ratios or restrictions are met; for days less than one month, one month payment should be made; the compensation should be paid to the credit management bank on the first business day of the following month. Assessment of improvement of financial ratio above should be based on the audited or reviewed non-consolidated financial statements.

(3) Collateral:

- a. The associated superficies right obtained in accordance with the construction and operation contract and relevant contracts should be pledged to the collateral management bank with an mortgage amount of 1.2 times of total credit facility and a maximum amount of first-priority mortgage right as collateral for the loan. The pledge period cannot exceed the permitted period.
- b. Once permitted by laws, the associated buildings and facilities should be included as collateral within three months after completion. The mortgage amount should be set at 1.2 times of the total credit line and pledged to the collateral management bank with a maximum amount of first-priority mortgage right, and the pledge period cannot exceed the permitted period.

10. Ruentex Development (previous Citylink) signed a long-term borrowing contract with Taishin International Bank in July 2017 to finance the Company's construction project, and the loan period is from July 2017 to July 2024 with a credit line of NT\$1,200,000. As of December 31, 2019, the facility drawn was NT\$930,000. The major agreed matters made by the Company are provided below:

- (1) Starting from 2018 and within duration of the contract, the it should maintain the financial ratio set out below:
- a. debt to equity ratio: should not exceed 200%.
 - b. Times of interest earned: should be above 1.5 times (inclusive).

The above financial ratios and restrictions are calculated based on the borrowers' audited non-consolidated financial statements of the year as approved by the credit management bank.

(2) Collateral:

- a. The associated superficies right obtained in accordance with the construction and operation contract and relevant contracts should be pledged to the collateral management bank with an mortgage amount of 1.2 times of total credit facility and a maximum amount of first-priority mortgage right as collateral for the loan. The pledge period cannot exceed the permitted period.

- b. Once permitted by laws, the associated buildings and facilities should be included as collateral within three months after completion. The mortgage amount should be set at 1.2 times of the total credit line and pledged to the collateral management bank with a maximum amount of first-priority mortgage right, and the pledge period cannot exceed the permitted period.
11. Except items described above, the loan period for the remaining borrowings is from January 2016 to May 2022.
12. In addition to the pledged assets for long-term borrowings provided in Note VIII, the Group also issued guarantee notes as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Guarantee notes	<u>\$ 45,400,600</u>	<u>\$ 49,356,700</u>

13. The Group's undrawn long-term facilities are listed below:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Due within one year	<u>\$ 2,185,334</u>	<u>\$ 3,034,717</u>
Due longer than one year	<u>13,441,936</u>	<u>12,455,210</u>
	<u>\$ 15,627,270</u>	<u>\$ 15,489,927</u>

(XVIII) Other non-current liabilities - other

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Guarantee deposits received	<u>\$ 1,307,242</u>	<u>\$ 1,277,760</u>
Accrued pension liabilities	<u>207,343</u>	<u>240,250</u>
Advance rent receipts	<u>282,750</u>	<u>214,240</u>
Warranty provision	<u>92,049</u>	<u>103,496</u>
	<u>\$ 1,889,384</u>	<u>\$ 1,835,746</u>

1. The major part of the deposited bonds are the deposits paid by the tenants of the Company's subsidiary, Ruen Fu, for NT\$993,312; others are the deposits for joint construction and proprietary booths deposits.

In 2018, the Company's subsidiary, Ruentex Development (previously Citylink), introduced the superficies right-based house lease - Ruentex Daikanyama with a lease period of 25 years, and the lease is stated as advance lease receipt that is amortized and recognized as income monthly using the straight-line method during the lease period. As of December 31, 2019 and 2018, the pre-received rents due within a year were NT\$18,546 and NT\$12,254, respectively, and recognized under "Other current liabilities."

(XIX) Pensions

1. (1) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are

accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contributions to cover the deficit by next March.

(2) The amounts recognized in the balance sheet are determined as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligation	(\$ 431,306)	(\$ 435,070)
Fair value of plan assets	<u>223,963</u>	<u>194,820</u>
Defined benefit liability (listed as non-current liabilities)	<u>(\$ 207,343)</u>	<u>(\$ 240,250)</u>

(3) Movements in net defined benefit liabilities are as follows:

<u>2019</u>	<u>Defined benefit obligation current value</u>	<u>Plan assets Fair value</u>	<u>Net affirmed Benefit liabilities</u>
Balance, January 1	(\$ 435,070)	\$ 194,820	(\$ 240,250)
Current service cost	(3,603)	-	(3,603)
Interest (expense) revenue	(3,004)	1,362	(1,642)
Repayment incomes (Listed other incomes)	<u>2,241</u>	<u>-</u>	<u>2,241</u>
	<u>(439,436)</u>	<u>196,182</u>	<u>(243,254)</u>
Re-measurements:			
Returns on plan assets (the amounts included in the interest incomes or expenses are excluded)	-	7,735	7,735
Effects of changes in demographic assumptions	(542)	-	(542)
Effects of changes in economic assumptions	(2,639)	-	(2,639)
Experience adjustments	<u>(3,250)</u>	<u>-</u>	<u>(3,250)</u>
	<u>(6,431)</u>	<u>7,735</u>	<u>1,304</u>
Contribution to pension fund	-	35,976	35,976
Payment of pension benefits	14,942	(14,942)	-
Settled pension benefits	<u>(381)</u>	<u>(988)</u>	<u>(1,369)</u>
Balance, December 31	<u>(\$ 431,306)</u>	<u>\$ 223,963</u>	<u>(\$ 207,343)</u>

<u>2018</u>	<u>Defined benefit obligation current value</u>	<u>Plan assets Fair value</u>	<u>Net affirmed Benefit liabilities</u>
Balance, January 1	(\$ 457,511)	\$ 198,782	(\$ 258,729)
Current service cost	(4,925)	-	(4,925)
Interest (expense) revenue	(4,064)	1,749	(2,315)
	(466,500)	200,531	(265,969)
Re-measurements:			
Returns on plan assets (the amounts included in the interest incomes or expenses are excluded)	-	6,138	6,138
Effects of changes in demographic assumptions	(1,073)	-	(1,073)
Effects of changes in economic assumptions	(8,065)	-	(8,065)
Experience adjustments	19,753	-	19,753
	10,615	6,138	16,753
Contribution to pension fund	-	8,966	8,966
Payment of pension benefits	20,815	(20,815)	-
Balance, December 31	(\$ 435,070)	\$ 194,820	(\$ 240,250)

(4) As there has been no employee in Ruentex Development applicable to the retirement tenure of the Labor Standards Act, in October 2019, it was applied to claim the remaining pension reserve in Bank of Taiwan. The application was approved by Taipei City Government on November 27, 2019 with the letter numbered Bei-Shi-lao-Zhi No. 1086086001 for reference.

(5) The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.), and the performance of fund utilization is supervised by the Labor Funds Supervisory Committee. With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan Assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(6) The principal actuarial assumptions used were as follows:

	2019	2018
Discount rate	0.65% ~ 0.75%	0.75% ~ 1.00%
Future salary increase in percent	2.00% ~ 3.00%	2.00% ~ 3.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increase in percent	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
The impact on the present value of defined benefit obligations	(\$ 9,002)	\$ 9,310	\$ 9,106	(\$ 8,854)
December 31, 2018				
The impact on the present value of defined benefit obligations	(\$ 9,463)	\$ 9,802	\$ 9,595	(\$ 9,314)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis the current period are the same as the ones of the previous period.

(7) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amounts to NT\$6,535.

(8) As of December 31, 2019, the weighted average duration of that retirement plan is 6~11 years. The analysis of timing of the future pension payment was as follows:

Less than 1 year	\$ 14,709
1-2 years	22,392
2-5 years	113,030
More than 5 years	284,866
	<u>\$ 434,997</u>

2. (1) Effective on July 1, 2005, the Company and its domestic subsidiaries have established a defined pension plan under the Labor Pension Act covering all regular employees with R.O.C. nationality. Under the defined contribution pension plan in compliance with the Labor Pension Act, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (2) The Group contributes monthly an amount equal to a fixed percentage of the local employees' monthly salaries and wages as pension fund in accordance with the pension regulations in the People's Republic of China. The pension fund is administrated by the government, and other than the monthly contributions, the Group has no further obligations.
- (3) For the years ended December 31, 2019 and 2018, pension expenses were NT\$66,504 and NT\$61,086, respectively.

(XX)Capital

1. As of December 31, 2019, the Company's authorized capital was NT\$ 20,000,000, and the paid-in capital was NT\$ 10,032,540 (including share capital of convertible corporate bonds of NT\$ 384,539) with a par value of NT\$ 10 per share, all issued as ordinary shares. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding (in thousand shares) are as follows:

	2019	2018
January 1	1,003,254	1,672,090
Cash Reduction	-	(668,836)
December 31	<u>1,003,254</u>	<u>1,003,254</u>

2. In order to adjust the capital structure and improve return on equity ratio, the Company conducted a cash capital reduction as approved by the shareholders' meeting on June 14, 2018. The capital reduction ratio was 40%, and 668,836 thousand shares were canceled. After the capital reduction, the paid-in capital was \$10,032,540. The date of August 17, 2018 was the target date for capital reduction, and the shares alternation registration had been completed on August 28, 2018, and the share capital had been returned to shareholders on October 12, 2018.
3. To adjust the capital structure and to increase the shareholders' return on equity, the associate of the Company, Ruentex Industries executed capital reduction in August 2018, and the Company recognized the treasury stock changes for Ruentex Industries according to the shareholding percentage.

4. The treasury shares Ruentex Engineering & Construction accounted for by the Company refer to the subsidiary of the Company - Ruentex Engineering & Construction holding 3,426 thousand shares of the Company for the purpose of protecting the interests of the shareholders and the treasury shares for the associate of the Company - Ruentex Industries. The information on their respective amounts is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Ruentex Engineering & Construction Co., Ltd.	\$ 19,984	\$ 19,984
Amount accounted for using equity method	64,655	64,655
	<u>\$ 84,639</u>	<u>\$ 84,639</u>

(XXI) Capital surplus

- Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- In accordance with Jin-Shang-Zi No.10202420460 of the Ministry of Economic Affairs on July 15, 2013, upon the adoption of IFRSs, if the change in parent's ownership in a subsidiary does not result in the loss of control, the capital surplus arising from the excess of share price over book value can be deemed as the income derived from the issuance of new shares at a premium as specified in Paragraph 1, Article 241 of the Company Act. In addition, according to Jing-Shang-Zi No. 10300532520 of MOEA dated March 31, 2014, for the capital surplus actually acquired as recorded or the difference between the disposal of subsidiary's equity and carrying value, Article 241 of the Company Act may be applicable in order to use it for issuance of new shares or cash.
- Change of capital surplus is as follows:

2019								
	<u>Issued at premium</u>	<u>Treasury Stock Transaction</u>	<u>Overdue shareholders Unclaimed Dividends</u>	<u>Associates net worth of equity Changes</u>	<u>Actually acquisition or Disposal of subsidiaries Price of equity and Difference of carrying amounts</u>	<u>Recognition of ownership of subsidiaries Changes of equity</u>	<u>Total</u>	
January 1	\$ 17,296,568	\$ 136,626	\$ 9,205	\$ 420,294	\$ 1,535	\$ 149,282	\$ 18,013,510	
Others	-	-	3,409	147,544	-	(4,282)	146,671	
Income tax effect	-	-	-	(25,062)	-	14,192	(10,870)	
Reorganization	(12,909)	-	-	-	-	-	(12,909)	
December 31	<u>\$ 17,283,659</u>	<u>\$ 136,626</u>	<u>\$ 12,614</u>	<u>\$ 542,776</u>	<u>\$ 1,535</u>	<u>\$ 159,192</u>	<u>\$ 18,136,402</u>	

	Issued at premium	Treasury Stock Transaction	Overdue shareholders Unclaimed Dividends	Associates net worth of equity Changes	Actually acquisition or Disposal of subsidiaries Price of equity and Difference of carrying amounts	Recognition of ownership of subsidiaries Changes of equity	Total
January 1	\$ 17,296,568	\$ 136,626	\$ -	\$ 402,493	\$ 1,535	\$ 149,282	\$ 17,986,504
Others	-	-	9,205	17,048	-	-	26,253
Income tax effect	-	-	-	(1,023)	-	-	(1,023)
Effects of change of tax rate	-	-	-	1,776	-	-	1,776
December 31	<u>\$ 17,296,568</u>	<u>\$ 136,626</u>	<u>\$ 9,205</u>	<u>\$ 420,294</u>	<u>\$ 1,535</u>	<u>\$ 149,282</u>	<u>\$ 18,013,510</u>

(XXII) Retained earnings

1. According to the Company's Articles of Incorporation, the Current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve, following which special reserve shall be set aside or reversed according to the laws. If there are still remaining earnings, the remainder shall be combined with the prior year's accumulated retained earnings, and the board of directors shall establish earnings distribution proposal for submission to the shareholders' meeting for resolution on the retention or distribution thereof. The Company's dividend policy adopts the remaining dividend policy. According to the future capital budget planning, the future capital demand of the Company is measured, and after the necessary capital is retained for financing purpose, the remaining earnings can then be distributed in the method of cash dividend.
2. Except for covering accumulated deficit or issuing new stocks or cash to shareholder in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- 3.(1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
 - (2) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi No. 1010012865 Letter dated April 6, 2012, shall be reversed proportionately when the relevant Assets are used, disposed of or reclassified subsequently.
4. (1) The Company's earning distribution plans for the year ended December 31, 2018 and 2017, approved by the shareholders' meeting on June 5, 2019 and June 14, 2018, respectively, are as follows:

	2018		2017	
	<u>Amount</u>	<u>Dividend per share (NTD)</u>	<u>Amount</u>	<u>Dividend per share (NTD)</u>
Provision of statutory reserves	\$ 993,210		\$ 1,110,442	
Provision of special reserves	12,073,578		2,954	
Cash dividends	-	\$ -	3,344,180	\$ 2.00
Total	<u>\$ 13,066,788</u>		<u>\$ 4,457,576</u>	

(2) Approved by the shareholders' meeting on June 5, 2019, the Company would distributed \$2 per share in cash using its legal reserve, totaling \$2,006,508.+

(3) The Company's earning distribution plan for 2019 approved by the board of directors' meeting on March 30, 2019 is as follows:

	2019	
	<u>Amount</u>	<u>Dividend per share (NTD)</u>
Provision of statutory reserves	\$ 656,143	
Reversal of special reserve	(29,015,899)	
Cash dividends	1,003,254	\$ 1.00
Stock dividends	<u>5,016,270</u>	5.00
Total	<u>(\$ 22,340,232)</u>	

5. Change of retained earnings is as follows:

	2019
January 1	\$ 13,066,788
Appropriation and distribution of retained earnings of 2018:	
- Legal reserve	(993,210)
- Special reserve	(12,073,578)
Accumulating losses due to derecognizing and transferring retained earnings	(73,590)
Equity instruments valuation profit or loss measured at fair value through disposal of other comprehensive income	(2,572,934)
Changes in associates & joint ventures accounted for using equity method	184,120
Net income of current period	9,067,952
Remeasurements of defined benefit obligation	5,083
Portion of other comprehensive income from the associates and joint ventures accounted for using equity method	(48,983)
Income tax relating to items that will not be reclassified:	
- Tax related to the group	(592)
- Tax related to the associates	<u>373</u>
December 31	<u>\$ 6,561,429</u>

	<u>2018</u>
January 1	\$ 11,104,418
Effects of retrospective application and retrospective restatement	(193,654)
Balance at 1 January, as restated	10,910,764
Appropriation and distribution of retained earnings of 2017:	
- Legal reserve	(1,110,442)
- Special reserve	(2,954)
- Cash dividend	(3,344,180)
Equity instruments valuation profit or loss measured at fair value through disposal of other comprehensive income	(3,237,996)
Net income of current period	9,932,094
Remeasurements of defined benefit plans with actuarial valuation	9,268
Portion of other comprehensive income from the associates and joint ventures (accounted for using equity method)	(93,931)
Income tax relating to items that will not be reclassified:	
- Tax related to the group	5,420
- Tax related to the associates	(2,248)
- Effects of changes in tax rates	993
December 31	<u>\$ 13,066,788</u>

(XXIII) Other equity items

	2019				
	<u>Unrealized</u>	<u>Foreign currency</u>	<u>Hedging</u>	<u>By the overlay</u>	
	<u>valuation income and</u>	<u>translation</u>	<u>reserve</u>	<u>approach</u>	<u>Total</u>
	<u>loss</u>			<u>Reclassification</u>	
January 1	(\$ 13,789,819)	(\$ 6,625)	\$ 404	(\$ 18,615,619)	(\$ 32,411,659)
Unrealized valuation profit or loss of financial assets:					
- Group	(730,917)	-	-	-	(730,917)
- Tax related to the group	75,335	-	-	-	75,335
- Associates (Note 1)	24,545,636	-	-	-	24,545,636
- Tax related to the associates	(226,315)	-	-	-	(226,315)
- Accumulating losses due to derecognizing and transferring retained earnings (Note 2)	73,590	-	-	-	73,590
- Changes of disposing associates (Note 1)	2,572,934	-	-	-	2,572,934
- Associates not reclassified by the proportion of share holding	(10,045)				(10,045)
Foreign currency translation differences:					
- Group	-	(167,508)	-	-	(167,508)
- Tax related to the group	-	33,608	-	-	33,608
- Associate	-	(42,218)	-	-	(42,218)
- Tax related to the associates	-	2,500	-	-	2,500
Cash flow hedge:					
- Associate	-	-	(329)	-	(329)
Reclassification by the overlay approach:					
- Associates (Note 1)	-	-	-	19,314,977	19,314,977
- Tax related to the associates	-	-	-	(122,577)	(122,577)
December 31	<u>\$ 12,510,399</u>	<u>(\$ 180,243)</u>	<u>\$ 75</u>	<u>\$ 576,781</u>	<u>\$ 12,907,012</u>

	2018				
	<u>Unrealized</u> <u>valuation income and</u> <u>loss</u>	<u>Foreign currency</u> <u>translation</u>	<u>Hedging</u> <u>reserve</u>	<u>By the overlay</u> <u>approach</u> <u>Reclassification</u>	<u>Total</u>
January 1	(\$ 18,182,620)	(\$ 214,253)	\$ 615	\$ -	(\$ 18,396,258)
Impacts on retrospective application and retrospective restatement	20,072,870	-	-	(703,295)	19,369,575
Balance at 1 January, as restated	1,890,250	(214,253)	615	(703,295)	973,317
Effects of changes in tax rates	11,185	(9,483)	-	-	1,702
Unrealized valuation profit or loss of financial assets:					
- Group	(362,165)	-	-	-	(362,165)
- Tax related to the Group	21,917	-	-	-	21,917
- Associates (Note 1)	(18,552,185)	-	-	-	(18,552,185)
- Tax related to the associates	(36,817)	-	-	-	(36,817)
- Changes of disposing associates (Note 1)	3,237,996	-	-	-	3,237,996
Foreign currency translation differences:					
- Group	-	242,338	-	-	242,338
- Tax related to the group	-	(48,478)	-	-	(48,478)
- Associate	-	24,713	-	-	24,713
- Tax related to the associates	-	(1,462)	-	-	(1,462)
Cash flow hedge:					
- Associate	-	-	(211)	-	(211)
Reclassification by the overlay approach:					
- Associates (Note 1)	-	-	-	(18,023,619)	(18,023,619)
- Tax related to the associates	-	-	-	111,295	111,295
December 31	<u>(\$ 13,789,819)</u>	<u>(\$ 6,625)</u>	<u>\$ 404</u>	<u>(\$ 18,615,619)</u>	<u>(\$ 32,411,659)</u>

Note 1: the changes in unrealized gains or losses from valuation and reclassification using overlay method were due to the Ruen Chen Investment Holding's recognition of Nan Shan Life Insurance's effect of changes in the fair value of financial assets through profit or loss or through other comprehensive income or disposal of such financial assets.

Note 2: Please refer to Note VI (6) for details.

(XXIV) Operating Revenue

	2019	2018
Revenue from contracts with customers:		
Revenue from construction contracts	\$ 7,297,775	\$ 4,816,813
Revenue from sales of real estate	4,218,562	4,397,599
Revenue from sales of goods	3,414,920	3,404,525
Revenue from contract for service	298,848	293,329
Other revenue from contracts	104,832	88,730
Lease income		
Lease income - real estate properties	1,257,801	1,212,347
Lease income - proprietary booths	45,110	58,642
Revenues from booths	447,585	415,132
Other operating revenue	172,497	172,313
	<u>\$ 17,257,930</u>	<u>\$ 14,859,430</u>

1. Detail of customer contract income

The Group's revenue is mainly from the transfer of land and buildings, products and services over time or at a point of time, and it can be divided based on product lines and regions as follows:

	Taiwan				China	
2019	<u>Construction</u> <u>business</u>	<u>Building</u> <u>materials business</u>	<u>Hypermarket</u> <u>business</u>	Other operations	<u>Construction</u> <u>business</u>	Total
Departmental revenue	\$13,838,916	\$ 2,314,528	\$ 1,212,879	\$ 464,929	\$ 75,576	\$17,906,828
Revenue from internal department transactions	(2,331,284)	(78,473)	-	(162,134)	-	(2,571,891)
Revenue from contracts of Income	<u>11,507,632</u>	<u>2,236,055</u>	<u>1,212,879</u>	<u>302,795</u>	<u>75,576</u>	<u>15,334,937</u>
Timing of revenue recognition						
Revenues recognized at a certain point	4,225,845	2,219,799	1,212,879	83,123	-	7,741,646
Revenues recognized at a certain point	<u>7,281,787</u>	<u>16,256</u>	<u>-</u>	<u>219,672</u>	<u>75,576</u>	<u>7,593,291</u>
	<u>\$11,507,632</u>	<u>\$ 2,236,055</u>	<u>\$ 1,212,879</u>	<u>\$ 302,795</u>	<u>\$ 75,576</u>	<u>\$15,334,937</u>

2018	Taiwan				China	Total
	Construction business	Building materials business	Hypermarket business	Other operations	Construction business	
Departmental revenue	\$11,120,034	\$ 2,104,305	\$ 1,374,734	\$ 425,610	\$ 87,289	\$15,111,972
Revenue from internal department transactions	(1,896,731)	(66,530)	-	(147,715)	-	(2,110,976)
Revenue from contracts of Income	<u>9,223,303</u>	<u>2,037,775</u>	<u>1,374,734</u>	<u>277,895</u>	<u>87,289</u>	<u>13,000,996</u>
Timing of revenue recognition						
Revenues recognized at a certain point	4,417,629	2,026,485	1,374,734	72,240	-	7,891,088
Revenues recognized at a certain point	<u>4,805,674</u>	<u>11,290</u>	<u>-</u>	<u>205,655</u>	<u>87,289</u>	<u>5,109,908</u>
	<u>\$ 9,223,303</u>	<u>\$ 2,037,775</u>	<u>\$ 1,374,734</u>	<u>\$ 277,895</u>	<u>\$ 87,289</u>	<u>\$13,000,996</u>

2. As of December 31, 2019, for the signed construction contracts, the aggregated amounts of the transaction amount allocated to the unsatisfied contract performance, and the estimated recognition years are as the followings:

<u>Year of the estimated recognized revenues</u>	<u>Amounts of the signed contracts</u>
2020 to 2022	<u>\$ 10,747,020</u>

3. Contract assets and liabilities (related parties included)

The Group's recognition of contract assets and contract liabilities related to contracts with customers is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract asset:			
Contract asset			
- reserves of constructions	\$ 437,750	\$ 370,455	\$ 301,833
Contract asset - Construction contract	<u>837,974</u>	<u>344,336</u>	<u>480,625</u>
Total	<u>\$ 1,275,724</u>	<u>\$ 714,791</u>	<u>\$ 782,458</u>
Contract liability:			
Contract liability –Construction contract	\$ 361,296	\$ 594,640	\$ 354,211
Contract liability - Contract for service	22,396	49,944	61,223
Contract liabilities			
- contracts of building material sales	15,634	13,160	10,587
Contract liabilities - contracts of real estate sales	772,082	382,727	263,967
Contract liabilities			
- contracts of good sales	<u>1,529</u>	<u>1,553</u>	<u>1,502</u>
Total	<u>\$ 1,172,937</u>	<u>\$ 1,042,024</u>	<u>\$ 691,490</u>

4. Contract assets and contract liabilities related to aforementioned contracts recognized as of December 31, 2019 and 2018, and as of January 1, 2018:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Incurring total costs and recognized earnings (deducting the recognized losses)	\$ 13,519,607	\$ 12,166,355	\$ 11,342,227
Less: Amount requested for progress of works	(13,042,929)	(12,416,659)	(11,215,813)
Net liabilities for contract in progress	<u>\$ 476,678</u>	<u>(\$ 250,304)</u>	<u>\$ 126,414</u>
Listed as:			
Contract asset-Construction contract	\$ 837,974	\$ 344,336	\$ 480,625
Contract liability-Construction contract	(361,296)	(594,640)	(354,211)
	<u>\$ 476,678</u>	<u>(\$ 250,304)</u>	<u>\$ 126,414</u>

(XXV) Operating Costs

	<u>2019</u>	<u>2018</u>
Costs of clients' contracts		
Cost of construction contract	\$ 6,088,728	\$ 3,702,401
Cost of sales of real estate	3,279,548	3,222,911
Cost of sales of goods	3,067,713	3,011,890
Cost of contract for service	231,309	225,060
Other costs from contracts	11,956	12,513
Lease costs:		
Lease cost - real estate properties	700,015	720,078
Lease cost - proprietary booths	27,683	32,377
Costs of booths	<u>238,943</u>	<u>245,120</u>
	<u>\$ 13,645,895</u>	<u>\$ 11,172,350</u>

(XXVI) Other income

	<u>2019</u>	<u>2018</u>
Interest income	\$ 101,812	\$ 194,522
Dividend income	127,440	173,658
Gains on write-off of accounts payable past due	-	2,248
Other income	<u>181,362</u>	<u>174,521</u>
	<u>\$ 410,614</u>	<u>\$ 544,949</u>

(XXVII) Other gains and losses

	2019	2018
Gains on disposals of real estate, plant and equipment	\$ 426	\$ 116
Foreign exchange net (loss) gain	(59,418)	315,409
Gains on reversal of financial assets impairment loss	295	4,185
Incomes of financial assets at fair value through profit or loss	2,207	30
Loss on liquidation	-	(22,100)
Impairment loss on long-term prepaid rent	-	(200,000)
Impairment loss on use-of-right assets	(88,809)	-
Impairment loss on properties of investment	(94,871)	-
Others	(41,785)	(67,195)
	<u>(\$ 281,955)</u>	<u>\$ 30,445</u>

(XXVIII) Finance costs

	2019	2018
Interest expense:		
Bank loan and short-term notes and bills	\$ 611,418	\$ 592,036
Lease liabilities	250,014	-
Amount of assets eligible for capitalization		
Inventories	(249,448)	(235,092)
Real estate, plant and equipment	(927)	-
Finance costs	<u>\$ 611,057</u>	<u>\$ 356,944</u>

(XXIX) Additional information of expenses by nature

	2019	2018
Changes in merchandise inventory	\$ 6,307,798	\$ 6,188,553
Raw materials purchased and contract work for current period	4,402,632	2,256,039
Employee benefit expense	2,053,394	1,886,914
Depreciation expenses for real estate properties, plants, equipment	262,251	266,093
Depreciation expenses for investment properties	424,630	277,957
Depreciation expenses for right-of-use assets	242,945	-
Amortization	9,420	19,802
Tax expense	415,250	413,652
Advertisement expense	183,744	155,574
Rent expenses - short term lease	110,752	343,536
Rent expense - premium	869	86,194
Expected credit losses	1,974	3,607
Other expense	943,028	991,410
Operating costs and expenses	<u>\$ 15,358,687</u>	<u>\$ 12,889,331</u>

(XXX) Employee benefit expense

	2019	2018
Wages and salaries	\$ 1,701,301	\$ 1,558,412
Labor and Health Insurance costs	135,415	122,017
Pension expense	71,749	68,326
Directors' Remuneration	50,687	52,486
Other employment fees	94,242	85,673
	<u>\$ 2,053,394</u>	<u>\$ 1,886,914</u>

1. In accordance with the Articles of Incorporation of the Company, when the Company has a profit in a fiscal year, 0.3% to 5% of such profit shall be distributed as the employees' compensation; however, when the Company still has accumulated losses, amount still be reserved in advance to make up the losses. The employees' compensation described in the preceding paragraph shall be in shares or cash, and the subjects for receiving the shares or cash may include employees of affiliates satisfying certain criteria.
2. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at NT\$20,248 and NT\$34,519, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation was estimated and accrued based on 0.3% of distributable profit of Current year for the year ended December 31, 2019. The employees' compensation resolved by the board of directors was NT\$20,248, which will be distributed in the form of cash.

Employees' compensation of 2018 as resolved by the board of directors was in agreement with the amount of NT\$34,519 recognized in the 2018 financial statements. The aforementioned employees' compensation was distributed in the form of cash. The distribution of the previous year has not yet made.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the board of directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(XXXI) Income tax

1. Income tax expense:

(1) Components of Income tax expense:

	2019	2018
Current income tax:		
Income tax occurred in the current period	\$ 283,865	\$ 292,709
Land value increment tax	144,480	148,822
Overestimation on income tax for prior years	(6,507)	(16,258)
Extra imposed on undistributed earnings	69	652,673
Income tax effects of increases in land rice	-	-
Total income tax for current period	421,907	1,077,946
Deferred income tax:		
Origination and reversal of temporary differences	3,490	684,176
Investment tax credits and tax losses	(1,048)	10,096
Effects of the change in tax rates	-	66,787
Total deferred income tax	2,442	761,059
Income tax expense	\$ 424,349	\$ 1,839,005

(2) Income tax expense relating to components of other comprehensive income:

	2019	2018
Changes in unrealized valuation profit or loss - group	\$ 75,335	\$ 21,917
Changes in unrealized valuation profit or loss - non-controlling interest	30,807	12,789
Differences on translation of foreign operations - group	33,608	(48,478)
Differences on translation of foreign operations - non- controlling interests	717	(1,269)
Portion of other comprehensive income from the associates	(346,019)	70,768
Re-measurements of defined benefit obligation - group	592	5,420
Re-measurements of defined benefit obligation - non- controlling interests	917	(1,080)
Effects of the change in tax rates	-	2,695
	(\$ 205,227)	\$ 62,762

(3) Income tax expense directly debited or credited to equity:

	2019	2018
Capital surplus	(\$ 10,870)	(\$ 1,023)
Effects of the change in tax rates	-	1,776
	<u>(\$ 10,870)</u>	<u>\$ 753</u>

2. Reconciliation between income tax expense and accounting profit

	2019	2018
Imputed income taxes on pretax income at statutory tax rate	\$ 2,137,536	\$ 2,619,689
Expenses to be excluded as stipulated in the tax law	15,465	749
Income with exemption from tax as stipulated in the tax law	(1,998,532)	(1,738,020)
Tax loss on unrealized deferred income tax assets	103,266	25,661
Temporary differences on unrealized deferred income tax assets	41,811	43,405
Income tax effects of investment tax credits	(722)	12,940
Changes in realizability evaluation on deferred income tax assets	(12,517)	22,557
Income tax imposed on undistributed earnings	69	652,673
Land value increment tax	144,480	148,822
Overestimation on income tax for prior years	(6,507)	(16,258)
Income tax effects of amendments to the tax law	-	66,787
Income tax expense	<u>\$ 424,349</u>	<u>\$ 1,839,005</u>

3. Amounts of deferred tax assets or liabilities as a result of temporary differences, taxation loss and investment tax credit are as follows:

	2019				
	January 1	Recognition in Income (Loss)	Recognition in Others Comprehensive net income	Recognition in Equity	December 31
Temporary differences:					
- Deferred income tax assets:					
Loss for market price decline and obsolete and slow-moving inventories	\$ 11,916	(\$ 1,112)	\$ -	\$ -	\$ 10,804
Pension exceeding the limits	16,842	(6,172)	-	-	10,670
Deferred promotion expenses	19,633	(3,039)	-	-	16,594
Unrealized gross profit from sales	3,460	4,660	-	-	8,120
Warranty provision	20,700	(2,289)	-	-	18,411
Power subsidies timing difference	78	(78)	-	-	-
Valuation income and loss	1,148	(833)	-	-	315
Employee benefits	4	(4)	-	-	-
Domestic investment loss	54,330	8,794	-	-	63,124
Unrealized sales discounts	-	1,646	-	-	1,646
IFRS 16 book-tax difference	-	22,510	-	-	22,510
Portion of other comprehensive income from the associates	98,291	-	(98,291)	-	-
Unrealized valuation profit or loss changes	-	-	1,069	-	1,069
Differences on translation of foreign operations	-	-	11,263	-	11,263
Re-measurements of defined benefit obligation	28,432	-	325	-	28,757
Tax loss	13,391	1,048	-	-	14,439
Subtotal	268,225	25,131	(85,634)	-	207,722
- Deferred income tax liabilities:					
Foreign investment gain	(1,186,582)	(42,833)	-	-	(1,229,415)
Unrealized foreign exchange gains	(14,854)	14,708	-	-	(146)
Allowance for bad debt exceeding the limits	(10)	-	-	-	(10)
Commissions expense timing difference	(3,678)	550	-	-	(3,128)
Construction contracts	(2)	2	-	-	-
Portion of other comprehensive income from the associates	-	-	(247,728)	-	(247,728)
Unrealized valuation profit or loss Changes	(105,073)	-	105,073	-	-
Differences on translation of foreign operations	(23,062)	-	23,062	-	-
Capital surplus	(41,943)	-	-	(10,870)	(52,813)
Subtotal	(1,375,204)	(27,573)	(119,593)	(10,870)	(1,533,240)
Total	(\$ 1,106,979)	(\$ 2,442)	(\$ 205,227)	(\$ 10,870)	(\$ 1,325,518)

2018

	<u>January 1</u>	<u>Recognition in Income (Loss)</u>	<u>Recognition in Others Comprehensive net income</u>	<u>Recognition in Equity</u>	<u>Changes of tax rate effects</u>	<u>IFRS 9 adjustment</u>	<u>Others</u>	<u>December 31</u>
Temporary differences:								
- Deferred income tax assets:								
Loss for market price decline and obsolete and slow-moving inventories	\$ 9,108	\$ 1,201	\$ -	\$ -	\$ 1,607	\$ -	\$ -	\$ 11,916
Pension exceeding the limits	14,678	(550)	-	-	2,714	-	-	16,842
Deferred promotion expenses	11,134	6,534	-	-	1,965	-	-	19,633
Unrealized foreign exchange losses	13,224	(15,558)	-	-	2,334	-	-	-
Unrealized gross profit from sales	3,331	(459)	-	-	588	-	-	3,460
Warranty provision	19,503	(2,245)	-	-	3,442	-	-	20,700
Allowance for bad debt exceeding the limits	5	(6)	-	-	1	-	-	-
Power subsidies timing difference	132	(77)	-	-	23	-	-	78
Valuation income and loss	13,782	833	-	-	-	(13,467)	-	1,148
Employee benefits	8	(5)	-	-	1	-	-	4
Domestic investment loss	44,053	10,277	-	-	-	-	-	54,330
Differences on translation of foreign operations	25,079	-	(26,685)	-	1,606	-	-	-
Portion of other comprehensive income from the associates	40,238	-	70,768	-	(12,715)	-	-	98,291
Re-measurements of defined benefit obligation	19,579	667	4,340	-	3,846	-	-	28,432
Tax loss	7,388	5,458	-	-	545	-	-	13,391
Investment tax credits	15,554	(15,554)	-	-	-	-	-	-
Subtotal	236,796	(9,484)	48,423	-	5,957	(13,467)	-	268,225
- Deferred income tax liabilities:								
Foreign investment gain	(433,902)	(670,458)	-	-	(82,222)	-	-	(1,186,582)
Unrealized foreign exchange gains	-	(14,854)	-	-	-	-	-	(14,854)
Allowance for bad debt exceeding the limits	-	(10)	-	-	-	-	-	(10)
Commissions expense timing difference	(3,549)	505	-	-	(634)	-	-	(3,678)
Construction	(27)	29	-	-	(4)	-	-	(2)

contracts

Unrealized valuation profit or loss								
Changes	(154,325)	-	34,706	-	12,811	5,666	(3,931)	(105,073)
Differences on translation of foreign operations	-	-	(23,062)	-	-	-	-	(23,062)
Capital surplus	(42,696)	-	-	(1,023)	1,776	-	-	(41,943)
Subtotal	(634,499)	(684,788)	11,644	(1,023)	(68,273)	5,666	(3,931)	(1,375,204)
Total	<u>(\$ 397,703)</u>	<u>(\$694,272)</u>	<u>\$60,067</u>	<u>(\$ 1,023)</u>	<u>(\$62,316)</u>	<u>(\$ 7,801)</u>	<u>(\$3,931)</u>	<u>(\$ 1,106,979)</u>

4. Expiration dates of loss carryforward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2019

<u>Year of occurrence</u>	<u>Declared/Verified</u>	<u>Amount not deducted</u>	<u>Unrecognized deferred tax asset amounts</u>	<u>The final year in which the tax deduction is applied</u>
2010	\$ 12,060	\$ 12,060	\$ 12,060	2020
2011	10,409	10,409	10,409	2021
2012	10,625	10,378	9,950	2022
2013	8,802	8,802	8,802	2023
2014	10,798	10,798	10,798	2024
2015	7,859	7,859	7,480	2025
2016	55,665	53,258	32,847	2026
2017	59,525	57,849	44,380	2027
2018	127,832	127,832	115,981	2028
2019	526,509	526,509	42,005	2029
	<u>\$ 830,084</u>	<u>\$ 825,754</u>	<u>\$ 294,712</u>	

December 31, 2018

<u>Year of occurrence</u>	<u>Declared/Verified</u>	<u>Amount not deducted</u>	<u>Unrecognized deferred tax asset amounts</u>	<u>The final year in which the tax deduction is applied</u>
2009	\$ 5,372	\$ 5,372	\$ 5,372	2019
2010	12,060	12,060	12,060	2020
2011	10,409	10,409	10,409	2021
2012	10,625	10,378	9,950	2022
2013	8,802	8,802	8,802	2023
2014	10,798	10,798	10,798	2024
2015	7,859	7,859	7,480	2025
2016	58,062	58,062	32,847	2026
2017	59,525	59,525	44,380	2027
2018	145,667	145,667	115,950	2028
	<u>\$ 329,179</u>	<u>\$ 328,932</u>	<u>\$ 258,048</u>	

5. Accumulated deductible temporary difference of unrecognized deferred tax assets (liabilities):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Deductible temporary differences	<u>\$ 486,841</u>	<u>\$ 301,578</u>
Deductible temporary differences	<u>(\$ 800)</u>	<u>\$ -</u>

6. The Company's income tax returns through 2017 have been assessed as approved by the Tax Authority.

7. Since the amendment of the Income Tax Act became effective on February 7, 2018, the tax rate of the profit-seeking enterprise income tax was increased from 17% to 20%, and such amendment had been applied since 2018. The Group has assessed the impact of tax rate change on the income tax.

(XXXII) Non-controlling interest

	<u>2019</u>	<u>2018</u>
January 1	\$ 4,382,681	\$ 4,171,898
Effect of retrospective application and retrospective restatement	-	26,313
Cash Capitalization	219,000	33,239
Increase of non-controlling Interest (Note 1)	1,228,979	-
Transfer-out of liquidation of subsidiary (Note 2)	(1,330,454)	(45,087)
Decrease in the acquired cash dividends	(405,806)	(314,479)
Net income of current period	518,167	515,086
Change in ownership interests in subsidiaries	4,281	-
Differences on translation of foreign operations	(4,097)	12,264
Changes in unrealized valuation profit or loss	(141,950)	(34,478)
Re-measurements of defined benefit plan	(3,779)	7,485
Tax amount:		
- Differences on translation of foreign operations	717	(1,269)
- Changes in unrealized valuation profit or loss	30,807	12,789
- Remeasurements of defined benefit obligation	917	(1,080)
December 31	<u>\$ 4,499,463</u>	<u>\$ 4,382,681</u>

Note 1: for the non-controlling interests, the Company acquired 21,048,641 common shares of Ruentex Engineering & Construction at the price of NT\$ 58.6 on October 28, 2019, for total amount of NT\$1,233,450, service charge of NT\$771 and transaction tax of NT\$3,700. Please refer Note IV(3) 2 and Note VII for details.

Note 2: Resource Integration completed the distribution of the residual properties and settlement on November 4, 2019. NT\$1,330,454 was distributed for the non-controlling interests; please refer Note IV (3) 2 and Note III for details.

(XXXIII)Earnings Per Share

	2019		
	<u>After-tax amount</u>	<u>Outstanding at the end of period Number of shares (thousand shares)</u>	<u>Earnings Per Share (NTD)</u>
<u>Basic earnings per share</u>			
Net income attributable to ordinary shareholders of the parent	<u>\$ 9,067,952</u>	<u>969,841</u>	<u>\$ 9.35</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders of the parent	\$ 9,067,952	969,841	
Impact of potential diluted common shares Remuneration to employee	<u>-</u>	<u>724</u>	
Net income attributable to ordinary shareholders of the parent plus the effects on the common shares	<u>\$ 9,067,952</u>	<u>970,565</u>	<u>\$ 9.34</u>
	2018		
	<u>After-tax amount</u>	<u>Outstanding at the end of period Number of shares (thousand shares)</u>	<u>Earnings Per Share (NTD)</u>
<u>Basic earnings per share</u>			
Net income attributable to ordinary shareholders of the parent	<u>\$ 9,932,094</u>	<u>1,374,811</u>	<u>\$ 7.22</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders of the parent	\$ 9,932,094	1,374,811	
Impact of potential diluted common shares Remuneration to employee	<u>-</u>	<u>1,133</u>	
Net income attributable to ordinary shareholders of the parent plus the effects on the common shares	<u>\$ 9,932,094</u>	<u>1,375,944</u>	<u>\$ 7.22</u>

(XXXIV)Operating lease

Adoption in Year 2018

Lessor

The Group leases the Songshan Railway Station building and Nangang Railway Station building to others in the form of operating lease, and the lease periods are from 2015 to 2035. 2. For the year 2018, lease incomes of NT\$1,175,251 were recognized based on the operating lease contracts; the aforementioned lease income, in addition to lease income specified in the contract, includes the long-term lease receivable, arising from the amortization of total lease amount using straight-line method over the lease period, recognized as income of the period, amounting (NT\$35,052).

As of December 31, 2018, the long-term lease receivable recognized as amortization for the total lease income using the straight-line method over the lease period is as follows:

	<u>December 31, 2018</u>
Long-term notes and accounts receivable	\$ 544,740
Less: Due within one year (listed as other accounts receivable - net)	(29,097)
	<u>\$ 515,643</u>

The future minimum lease receivable for the irrevocable contract above is as follows:

	<u>December 31, 2018</u>
Less than one years	\$ 1,202,396
More than one year but less than five years	4,419,104
More than five years	<u>5,875,375</u>
	<u>\$ 11,496,875</u>

Lessee

Except described in Note VI(14), the Group leases the land for operation, operating offices, Zhonglun Building office, and minefields from others in the form of operating lease, and the lease periods are from 2012 to 2027. For 2018, the rental expense of NT\$185,673 was recognized as the Current profit or loss. The future minimum rent payments for the irrevocable contract above is as follows:

	<u>December 31, 2018</u>
Less than one years	\$ 207,151
More than one year but less than five years	296,503
More than five years	<u>191,224</u>
	<u>\$ 694,878</u>

(XXXV) Cash flow supplementary information

1. Investing activities paid partially by cash:

	2019	2018
Purchase of Investment real estate	\$ 102,941	\$ 21,945
Add: Other payables at the beginning of the period	-	4,822
Cash payments for current period	<u>\$ 102,941</u>	<u>\$ 26,767</u>

	2019	2018
Purchase of intangible assets	\$ 30,187	\$ 15,478
Add: Other payables at the beginning of the period	588	6,069
Less: Other payables at the end of the period	(33)	(588)
Cash payments for current period	<u>\$ 30,742</u>	<u>\$ 20,959</u>

2. Investing activities not affecting cash flow:

	2019	2018
Real estate, plant and equipment transferred to investment properties	<u>\$ 14,041</u>	<u>\$ -</u>
Real estate, plant and equipment reclassified to investment properties	<u>\$ 124,797</u>	<u>\$ -</u>
Real estate, plant and equipment transferred to expenses	<u>\$ 11</u>	<u>\$ -</u>
Right-of-use assets reclassified to investment properties	<u>\$ 9,252,782</u>	<u>\$ -</u>
Investment properties transferred to real estate, plant and equipment	<u>\$ -</u>	<u>\$ 145,290</u>
Investment properties transferred to prepayments	<u>\$ -</u>	<u>\$ 4,290</u>
Investment properties reclassified to real estate, plant and equipment	<u>\$ 247,665</u>	<u>\$ -</u>
Expenses of intangible asset transfer	<u>\$ 1,229</u>	<u>\$ -</u>
Prepayments reclassified to intangible assets	<u>\$ 793</u>	<u>\$ 7,866</u>
Prepayments of equipment reclassified to intangible assets	<u>\$ -</u>	<u>\$ 352</u>
Prepayments for business facilities reclassified to real estate, plant and equipment	<u>\$ 2,294</u>	<u>\$ 2,664</u>
Inventories reclassified to Investment real estate	<u>\$ -</u>	<u>\$ 1,083,449</u>
Other non-current assets transferred to investment accounted for under the equity method	<u>\$ 4,995,758</u>	<u>\$ -</u>

(XXXVI) Liabilities from financing activities

2019						
	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Guarantee deposits received</u>	<u>Long-term borrowings (Including due within one year and due within the operating cycles)</u>	<u>Lease liabilities (Including due within one year)</u>	<u>Total amount of liabilities from financing activities</u>
January 1 (the effects applied for the first adoption included)	\$ 880,000	\$ 699,795	\$ 1,277,760	\$ 40,946,119	\$ 10,639,783	\$ 54,443,457
Changes of the financing cash flows	2,443,000	2,340,000	29,482	(1,458,412)	(132,622)	3,221,448
Other non-cash changes	-	(1,669)	-	13,839	(67,735)	(55,565)
December 31	<u>\$ 3,323,000</u>	<u>\$ 3,038,126</u>	<u>\$ 1,307,242</u>	<u>\$ 39,501,546</u>	<u>\$ 10,439,426</u>	<u>\$ 57,609,340</u>
2018						
	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Guarantee deposits received</u>	<u>Long-term borrowings (Including due within one year and due within the operating cycles)</u>	<u>Lease liabilities (Including due within one year)</u>	<u>Total amount of liabilities from financing activities</u>
January 1	\$ 12,930,000	\$ 5,835,748	\$ 1,271,031	\$ 24,073,222	\$ -	\$ 44,110,001
Changes of the financing cash flows	(12,050,000)	(5,139,000)	6,729	16,874,713	-	(307,558)
Other non-cash changes	-	3,047	-	(1,816)	-	1,231
December 31	<u>\$ 880,000</u>	<u>\$ 699,795</u>	<u>\$ 1,277,760</u>	<u>\$ 40,946,119</u>	<u>\$ -</u>	<u>\$ 43,803,674</u>

VII. Transaction with Related Parties

(I) Names of related parties and relationship

<u>Name of the related party</u>	<u>Relationship with the Group</u>
Ruentex Industries Ltd.	Associate (the investment company which accounts for the Company using the equity method)
Shing Yen Construction & Development Co., Ltd.	Associate (the investee company accounted for under the equity method by the Company)
Beijing Ruentex Environmental Technology Corp.	Associate (the third-tier subsidiary of the investee company accounted for under the equity method by the Company)
Ruen Chen Investment Holdings Ltd.	Associate (the investee company accounted for under the equity method by the Company)
Nan Shan Life Insurance Co., Ltd. (Nan Shan Life Insurance)	Associate (the investee company accounted for under the equity method by the Company)
RT-Mart International Co., Ltd. (RT-Mart)	Other related party (the Company is a juridical person supervisor of the company)
TaiMed Biologics, Inc.	Other related party (the Company is a juridical person director of the company)
OBI Pharma, Inc.	Other related party (one of the supervisors of the Company's subsidiaries and associates is the representative of the juridical person director of the company)
Shu-Tien Urology and Ophthalmology Clinic	Other related party (juridical person director of the Company's associates)
Amaran Biotechnology Inc.	Other related party (one of the juridical person director of the Company's associates is a controlled company of the company)
Ruentex Construction Co., Ltd. (Ruentex Construction)	Other related party (the Group's management is the representative of the juridical person director of the company)
Ruentex Dyeing and Textile Co., Ltd.	Other related party (the Group's management is the representative of the juridical person director of the company)
Yi Tai Investment Co., Ltd.	Other related party (the Group's management is the representative of the juridical person director of the company)
Amaran Biotechnology Inc.	Other related parties (the subsidiaries of the Group's other related parties)
Huihong Investment Co., Ltd.	Other related party (the Company's management personnel is the representative of the juridical person director of the company)
Ren Ying Industrial Co., Ltd.	Other related party (the chairperson is the spouse of the representative of the juridical person director of the Company)
Samuel Yen-Liang Yin	Other related party (spouse of the representative of the juridical person director of the Company)
Yung-Fang Chen	Other related party (spouse of the Company's key management personnel)
Chieh-An Jean	Other related party (immediate family of the Company's key management personnel)
Xiu-Yan Chang	Other related party (supervisor of the Company's subsidiary)
Tsang-Jiunn Jean	The Company's key management personnel
Chih-Hung Lee	The Company's key management personnel
Po-yu Chen	The Company's key management personnel

Shi-shun Lai

The Group's key management personnel

Jin-Qian Hsu

The Group's key management personnel

Wei-han Mo

The Group's key management personnel

Hui-sheng Chiu

The Group's key management personnel

(II) Significant related party transactions and balances

1. revenues

	<u>2019</u>	<u>2018</u>
Sales revenue:		
- Other related parties	\$ 103,917	\$ 27,833
- Key management personnel	-	43,411
Contract of construction:		
- Other related parties	81,444	431,041
Sales of Services:		
- Associates	4,869	2,690
- Other related parties	7,656	5,236
Rental income:		
- Other related parties	12,481	12,481
- Associates	1,205	-
Other operating revenue:		
- Associates	1,774	2,171
	<u>\$ 213,346</u>	<u>\$ 524,863</u>

- (1) The Company sold houses and lands to related parties, and the transaction prices were determined based on the negotiation between both parties. In addition, payments were collected according to the contract schedule signed by both parties. The transaction terms had no major difference from general non-related parties. The aforementioned transactions had been completed and the ownership of houses had been transferred. In addition, payments were collected according to the contract schedule signed by both parties.
- (2) The Group sells products to related parties based on price negotiated between two parties and collects payments according to the payment term specified in the contract.
- (3) The Group's subsidiaries sub-contract projects with related parties based on price negotiated between two parties and collects payments according to the progress of construction and the payment term specified in the contract.
- (4) The Group enters into a service contract with related parties based on price negotiated between two parties and collects the payment according to the schedule agreed in the contract.
- (5) The Group leases the Nangang Railway Station Building in form of operating lease, and the lease price was negotiated by both parties and collected based on schedule agreed in the contract. The lease period is from 2015 to 2025. The future minimum lease receivable for the irrevocable contract above is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Less than one years	\$ 12,821	\$ 11,270
More than one year but less than five years	58,840	55,517
More than five years	12,108	28,252
	<u>\$ 83,769</u>	<u>\$ 95,039</u>

- (6) The Company pre-sells premises to related parties, and the total sales and advance sale receipt (recognized in contract liabilities-current) are as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Total contract amount</u>	<u>Advance real estate receipts</u>	<u>Total contract amount</u>	<u>Advance real estate receipts</u>
Key management personnel	\$ 48,090	\$ 6,270	\$ -	\$ -
Other related parties	-	-	89,250	12,150
	<u>\$ 48,090</u>	<u>\$ 6,270</u>	<u>\$ 89,250</u>	<u>\$ 12,150</u>

2. Purchases

	<u>2019</u>	<u>2018</u>
Procurement of goods:		
- Other related parties	\$ 219,180	\$ 84,396
Contract of construction:		
- Other related parties	-	1,731
	<u>\$ 219,180</u>	<u>\$ 86,127</u>

- (1) The Group pays its related parties with the promissory notes due within 1~2 months.
- (2) The Group and its related parties enter into the commissioned procurement contract, and the cost of goods are based on the price that related parties paid for such goods. The payment is made 1~2 months after related parties received the payment notice from their suppliers.
- (3) The Group commissions its related parties for construction projects at the price negotiated between both parties.
- (4) The construction contracts entered into by the Group and its related parties, uncompleted construction-in-progress contracts, and payment amounts are as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Total contract amount</u>		<u>Total contract amount</u>	
	<u>(Tax excluded)</u>	<u>Amount paid</u>	<u>(Tax excluded)</u>	<u>Amount paid</u>
Other related parties	<u>\$ 18,114</u>	<u>\$ 3,351</u>	<u>\$ 18,114</u>	<u>\$ 3,351</u>

3. Construction contracting and advance Construction Receipts

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Total contract amount</u>	<u>Based on the progress of works</u>	<u>Total contract amount</u>	<u>Based on the progress of works</u>
	<u>(Tax excluded)</u>	<u>Amount of claim</u>	<u>(Tax excluded)</u>	<u>Amount of claim</u>
Other related parties	<u>\$ 219,375</u>	<u>\$ 33,756</u>	<u>\$ 455,396</u>	<u>\$ 437,187</u>

4. Non-operating income and expenses - other income

	<u>2019</u>	<u>2018</u>
Other related parties (Note)	\$ 2,100	\$ 2,100
Associates	31	-
	<u>\$ 2,131</u>	<u>\$ 2,100</u>

Note: the interest incomes from the financial assets measured at amortized costs.

5. Receivables from related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable:		
Other related parties	\$ 9,020	\$ 822
Associates	-	119
	<u>\$ 9,020</u>	<u>\$ 941</u>
Accounts receivable:		
Associates	\$ 1,147	\$ 453
Other related parties	681	23,253
	<u>\$ 1,828</u>	<u>\$ 23,706</u>
Other receivables (Note 1):		
Nan Shan Life Insurance	\$ 10,131	\$ 10,131
RT-Mart	2,396	2,987
Ruentex Industries	102	3
Other related parties	54	479
	<u>\$ 12,683</u>	<u>\$ 13,600</u>
Contract assets (Note 2):		
Other related parties	<u>\$ 832</u>	<u>\$ 147</u>

Note 1: mainly the vouchers receivable and interests receivable.

Note 2: mainly the retention money related to construction contracts.

6. Payables to related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes payable:		
RT-Mart	\$ 15,961	\$ 2,610
Associates (Note)	510	34
Other related parties	105	26
	<u>\$ 16,576</u>	<u>\$ 2,670</u>
Accounts payable:		
RT-Mart	\$ 16,132	\$ 2,130
Associates (Note)	1,518	2,760
	<u>\$ 17,650</u>	<u>\$ 4,890</u>

Note: mainly computer maintenance fees payable and the retail counter sales payable (net of commission) to related parties by the subsidiary.

7. Property transactions

Acquisition of financial Assets

Please refer to Note VI (6) 6, VI (8) 12, and VI (8) 16

8. Authorized operation contracts of Hypermarket Business Department

- (1) The Company and other related party signed an authorized operation contract and an entrusted management and purchase agreement for the Zhonglun Hypermarket in August 2004 in order to allow other related party to provide relevant services for the establishment, operation and maintenance of the hypermarket, and the contract contents are summarized in the following:
- A. Term of contract: Original contract was from August 2004 to December 2009, and both parties had agreed to extend for 10 years.
 - B. Purchase and management service remuneration: According to the following calculation method, for the retail store earnings of the sales location remuneration (excluding the financial income amount and the remuneration payable), the earnings remuneration payable was calculated:
 - a. If the sales location operating result generates a profit, then 50% of the earnings of the store and the food court shall be paid to the other party as earnings remuneration respectively. However, if the sales location operating result indicates a loss, the other party is not obligated to bear any loss.
 - b. In addition, a fixed service fee of NT\$ 500 is paid annually.
 - C. Restrictive provisions:

During the term of the contract, where the Company plans to sell, lease or dispose the asset or operation of the hypermarket in other method, it shall be sold, leased or transferred to the other party in written proposal according to the price agreed in priority. If the other party fails to inform the Company its willingness to accept the offer within 60 days after the receipt of the proposal, then the Company may then lease, sell or dispose the asset or operation of the store in other methods to a third party.
- (2) Both parties have agreed to extend for ten years; and the agreement was entered in December 2019 for extension up to December 2024.
- (3) The royalty expenses (including the earning compensation), for the year ended December 31, 2018 and 2017 were both NT\$500. As of December 31, 2018 and 2017, the royalties payable (including the earning compensation), recognized under other payables, were both NT\$42.

9. Lease transactions - lessees/rent expenses

Adoption in Year 2019

- (1) Ruentex Engineering & Construction, the subsidiary of the Company, has leased lands and storages from a related party, and the lease contract is from 2017 to 2022. The lease contracts are negotiated individually, with different terms and conditions. The leased assets are neither to be used as collaterals for loans, nor the rights to be transferred to others in the form of business transfer or merge, among other forms.
- (2) As IFRS 16 is applicable, Ruentex Engineering & Construction adjusted upward the right-of-use assets for NT\$108,173 on January 1, 2019.
- (3) Rent expenses of short-term lease contracts

	<u>2019</u>
Other related parties	<u>\$ 3,964</u>

(4) Lease liabilities

A. Balance at the end of the period

	<u>December 31, 2019</u>
Total amount of lease liabilities	\$ 77,651
Less: parts due within one year (listed as "Lease liabilities - Current")	(29,241)
	<u>\$ 48,410</u>

B. Interest Costs:

	<u>2019</u>
Other related parties	<u>\$ 1,057</u>

Adoption in Year 2018

(1) The Company's subsidiary, Ruentex Engineering & Construction Co., Ltd., rent the land, warehouse, and office from related parties for operational purpose, and the lease period is from 2017 to 2022. For 2018, the rental expense of NT\$35,299 was recognized.

(2) The future total lease payments for the irrevocable contract is as follows:

	<u>December 31, 2018</u>
Less than one years	\$ 32,731
More than one year but less than five years	<u>82,696</u>
	<u>\$ 115,427</u>

10. Endorsements or Guarantees made by related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Key management personnel	<u>\$ 61,489,942</u>	<u>\$ 58,015,841</u>

11. Others

Portion of the Company's third-tier-subsiary's land is the agricultural land. Due to legal restrictions, the third-tier subsidiary is not entitled to the property right of aforementioned land. Therefore, the property rights of the agricultural land obtained in 2009, 2010, 2015 and 2018 were registered to the chief management and pledged as collateral to the third-tier subsidiary. As of December 31, 2019, the carrying amount of the agricultural land of NT\$107,416 was recognized under the "Property, plant and equipment."

(III) Key management compensation information

	<u>2019</u>	<u>2018</u>
Wages and salaries and other short-term employee benefits	\$ 291,863	\$ 262,281
Post-employment benefits	4,994	4,661
Termination benefits	-	886
Total	<u>\$ 296,857</u>	<u>\$ 267,828</u>

VIII. Pledged Assets

The Group's assets pledged as collateral are as follows:

Asset items	Carrying amount		For guarantee purpose
	December 31, 2019	December 31, 2018	
Inventories	\$ 21,152,520	\$ 19,646,964	Long-term/short-term borrowings and Issuance of Commercial Paper
Current other financial assets (listed as other current assets)	726,099	428,758	Joint construction guarantee deposits and real estate trust receipts in advance
Financial Assets measured at fair value through other comprehensive income - non-current	446,576	414,656	Short-term borrowings and Issuance of Commercial Paper
Investment accounted for under the equity method	7,755,023	3,239,894	Long-term/short-term borrowings and Issuance of Commercial Paper and investment guarantee for invested company (Note)
Right-of-use assets - Right-of-use of lands (listed as right-of-use assets)	668,821	-	Long-term/short-term borrowings
Long-term prepaid rent - Superficies right (listed as other non-current assets)	-	1,566,563	Long-term/short-term borrowings
Non-current other financial assets (listed as other non-current assets)	118,386	5,063,173	Money Lodged at Courts, performance bond and Investment guarantee for invested company (Note)
Real estate, plant and equipment	1,997,754	1,779,940	Long-term/short-term borrowings Guarantee for long-term borrowings and
Investment Real Estate	11,692,573	10,904,141	Advance rent receipts
	<u>\$ 44,557,752</u>	<u>\$ 43,044,089</u>	

Note: details for the Company's security investment trust set up for Ruen Chen Investment Holding Co., Ltd.'s investment in Nan Shan Life Insurance Co., Ltd. are provided in Note VI(8).

IX. Significant contingent liabilities and unrecognized contractual commitments

(I) Contingencies

Other than specified in Note VI(5) 7, other material contingencies are as the following:

Jing-Guan Construction Co., Ltd, (“Jing-Guan”) entered the agreement for transferring rights of joint-construction with the Company on December 6, 1996, to transfer the joint construction at 63 pieces of lands at the Sub-section 2 of Muja Section, Wenshan District, Taipei City. Under the agreement, when certain conditions were met, the Company should pay the transfer premium one by one, for total NT\$31,000. In addition, on the same day, the Company signed a real estate sales contract with Jing-Guan and its legal representative, to buy several properties under the legal representative, and under the agreement, when certain conditions were met, the Company should pay the considerations one by one. Jing-Guan Construction Co., Ltd. believed that the Company had the actions to make the agreed payment conditions of the agreement for transferring rights of joint-construction and the real estate sales contract fail to be met, and thus sued the Company to claim the unpaid transfer premiums and the interests from the delay. The legal representative of Jing-Guan also sued the Company to claim the unpaid considerations and the interests from the delay. The Company claimed that Jing-Guan Construction Co., Ltd. and its legal representative both firstly breached the obligations to be performed in the agreement for transferring rights of joint-construction and the real estate sales contract, and the payment conditions were not met. The right of claim was eliminated due to time. Pursuant to the contracts, the Company has not obliged to pay transfer premiums and considerations. For the above mentioned suit, the Taipei District Court, Taiwan has rejected the allegation of Jing-Guan Construction Co., Ltd. on April 24, 2019. Jing-Guan disagreed with the judgement, and has appealed to Taiwan High Court before the due date. Up to the date of the report, there was no further information.

(II) Commitments

Except those described in Note VI(8), (10), (11),(34) and VII, other material commitments are as follows:

1. As of December 31, 2019 and 2018, the total amount of significant construction contracts entered into but were incomplete by subsidiaries were NT\$18,778,572 and NT\$13,320,215, respectively. Amounts of NT\$11,854,357 and NT\$9,099,021 have been paid, respectively, and the remainder will be paid based on the stage of completion.
2. As of December 31, 2019 and 2018, the guarantee bond for the joint development contracts, including the Banqiao Jiangcui project, Ruentex Awesom, and Sanchong Wuwaggu Section project, signed by the Group with landlords, amounted NT\$518,939 and NT\$414,070.
3. The Company signed the MRT Wenhua Line Neihu station “Jiao 11” joint development contract with Taipei City Government to build the building complex with shopping mall and residential, that will consist of 15 stories above and 3 stories below, totaling 274 households in September, 2008; the Company also entered into the MRT Xinzhuang Line Sanchong Station Jia 6 office building joint development contract with Taipei City Government in December 2008. Total performance bond amounted \$220,179 was paid with the guarantee bond certificate issued by the domestic bank that is registered with the Ministry of Finance. For the Neihu Station Jiao 11 Joint Development Project, the Company has signed the equity distribution agreement with the Taipei City Government in September 2017, Presently, parts of the public facilities have not been inspected and delivered.
4. As of December 31, 2019 and 2018, subsidiaries’ letter of credit facilities that are issued but unused for procurement amounted USD 3,808 thousands, and EUR1,075 thousand (equivalent to NT\$150,273 thousand in total) and EUR 999 thousand (equivalent to NT\$35,165 thousand).

5. Subsidiary and Taoyuan city government entered into the turnkey construction contract for the public rental housing at Taoyuan City Zhongli District Base 1 in July, 2018. In September, 2018, the subsidiary applied for the special project guarantee facility amounting NT\$1,383,000 with the domestic bank that is registered with the Ministry of Finance, and as of December 31, 2019, the facility drawn was NT\$483,000 in the form of guarantee bond certificate issued by the domestic bank.
6. For the contracting and guarantee for performing constructions, the subsidiaries in May 2019 have applied guarantee facilities in the domestic banks registered with MOF, and have total NT\$400,000 of guarantee notes issued.

X. Significant Disaster Loss

None.

XI. Significant Subsequent Events

Except described in Note VI(22) and (30), other subsequent events are as follows:

1. Earning distribution plan for Year 2019 of Ruentex Engineer & Construction, a subsidiary of the Company, approved by the board of Ruentex Engineering & Construction board meeting on March 26, 2020 is as follows:

	2019	
	<u>Amount</u>	<u>Dividend per share</u> <u>(NTD)</u>
Legal reserve	\$ 67,484	
Cash dividends	<u>607,500</u>	\$ 4.50
Total	<u>\$ 674,984</u>	

2. Earning distribution plan for Year 2019 of Ruentex Material, a third-tier subsidiary of the Company, approved by the board of directors' meeting on March 26, 2020 is as follows:

	2019	
	<u>Amount</u>	<u>Dividend per share</u> <u>(NTD)</u>
Legal reserve	\$ 8,743	
Special reserve	5,788	
Cash dividends	<u>73,500</u>	\$ 0.49
Total	<u>\$ 88,031</u>	

3. Earning distribution plan for Year 2019 of Xuzhan, a subsidiary of the Company, approved by the board of directors' meeting on March 27, 2020 is as follows:

	2019	
	<u>Amount</u>	<u>Dividend per share</u> <u>(NTD)</u>
Legal reserve	\$ 30,373	
Cash dividends	<u>274,000</u>	\$ 1.37
Total	<u>\$ 304,373</u>	

4. Earning distribution plan for Year 2019 of Baiyi a subsidiary of the Company, approved by the board of directors' meeting on March 27, 2020 is as follows:

	2019	
	<u>Amount</u>	<u>Dividend per share</u> <u>(NTD)</u>
Legal reserve	\$ 14,621	
Cash dividends	<u>132,600</u>	\$ 0.68
Total	<u>\$ 147,221</u>	

XII. Others

(I) Presentation of Financial Statements

Some items of the 2018 financial statements were reclassified in order to be comparative to the notes of the 2019 financial statements.

(II) Capital management

The Group's capital management is to ensure its going concern and maintain the best capital structure to reduce capital cost, so as to provide returns to its shareholders. In order to maintain or adjust capital structure, the Group may adjust dividend distribution, return capital to shareholders, issue new shares or dispose assets to optimize the capital structure. The Group manages its capital through liabilities-to-capital ratio that is the ratio of net liabilities over total capital. The net liabilities is equal to total borrowings (including "current and non-current borrowings" on the consolidated financial statements) deducting cash and cash equivalents. Total capital is the "equity" stated on the consolidated balance sheet plus net liabilities.

The Group's strategy for year 2019 is consistent with that of year 2018. The Group's liabilities to capital ratios as of December 31, 2019 and 2018 were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total borrowings	\$ 45,862,672	\$ 42,525,914
Less: Cash and cash equivalents	<u>(7,147,701)</u>	<u>(3,994,104)</u>
Net debt	38,714,971	38,531,810
Total equity	<u>85,392,280</u>	<u>35,279,014</u>
Total capital	<u>\$ 124,107,251</u>	<u>\$ 73,810,824</u>
Debt-to-total-capital ratio	31.19%	52.20%

(III) Financial instruments

1. Type of financial instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss - current	\$ 39,210	\$ 64,879
Financial assets measured at fair value through profit or loss - non-current	3,825,675	4,694,131
Cash and cash equivalents	7,147,701	3,994,104
Notes receivable (including related parties)	266,893	141,307
Accounts receivable (including related parties)	1,073,618	1,092,071
Other receivables (including related parties)	34,121	23,142
Financial assets measured at amortized cost - current and non-current	585,760	582,372
Long-term notes and accounts receivable	460,954	515,643
Other financial assets (listed as other current assets and other non-current assets)	921,970	6,030,830
	<u>\$ 14,355,902</u>	<u>\$ 17,138,479</u>
<u>Financial liability</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets measured at amortized cost		
Short-term borrowings	\$ 3,323,000	\$ 880,000
Short-term notes and bills payable	3,038,126	699,795
Notes payable (including related parties)	697,611	363,589
Accounts payable (including related parties)	1,960,271	1,492,797
Other Payables (including expenses payable)	985,610	907,833
Long-term borrowings (including due within one year or a business cycle)	39,501,546	40,946,119
Long-term notes and accounts payable	-	623,258
Guarantee deposits received (listed as other non-current liabilities)	1,307,242	1,277,760
	<u>\$ 50,813,406</u>	<u>\$ 47,191,151</u>
Lease liabilities - current and non-current	<u>\$ 10,439,426</u>	<u>\$ -</u>

2. Risk management policies

- (1) The Group 's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (2) Risk management is carried out by the Group's Finance Department under policies approved by the Board of Directors. Finance Department identified, evaluates and

hedges financial risks in close cooperation with the Group's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

A. The Group holds multiple investments in foreign operations, and net assets of such investments are exposed to foreign exchange risk. Also, the Group's business involves multiple non-functional currencies that may be impacted by changes to foreign exchange rate. Information for foreign-currency-denominated assets and liabilities that may be impacted by foreign exchange risk is as follows:

December 31, 2019						
	<u>Foreign currency</u> <u>(in thousands of</u> <u>NTD)</u>	<u>Exchange</u> <u>rate</u>	<u>Carrying amount</u> <u>(NT\$)</u>	<u>Sensitivity analysis</u>		
				<u>Changes</u> <u>scope</u>	<u>Effects Income</u> <u>(Loss)</u>	<u>Effects other</u> <u>comprehensive</u> <u>Income</u>
<u>Financial assets</u>						
<u>Monetary item</u>						
USD:NTD	\$ 79,054	29.98	\$ 2,370,039	1%	\$ 23,700	\$ -
USD:RMB	211	6.9830	6,326	1%	63	-
<u>Non-monetary</u> <u>Items</u>						
USD:NTD	231,305	29.98	6,934,534	1%	\$ -	\$ 69,345
<u>Financial liability</u>						
<u>Monetary item</u>						
USD:NTD	\$ 2,296	29.98	\$ 68,834	1%	\$ 688	\$ -
JPY:NTD	1,420	0.2760	392	1%	4	-
December 31, 2018						
	<u>Foreign currency</u> <u>(in thousands of</u> <u>NTD)</u>	<u>Exchange</u> <u>rate</u>	<u>Carrying amount</u> <u>(NT\$)</u>	<u>Sensitivity analysis</u>		
				<u>Changes</u> <u>scope</u>	<u>Effects Income</u> <u>(Loss)</u>	<u>Effects other</u> <u>comprehensive</u> <u>Income</u>
<u>Financial assets</u>						
<u>Monetary item</u>						
USD:NTD	\$ 77,318	30.72	\$ 2,375,209	1%	\$ 23,752	\$ -
USD:RMB	210	6.8658	6,451	1%	65	-
<u>Non-monetary Items</u>						
USD:NTD	213,958	30.72	6,572,797	1%	\$ -	\$ 65,728
<u>Financial liability</u>						
<u>Monetary item</u>						
USD:NTD	\$ 43	30.72	\$ 1,321	1%	\$ 13	\$ -

- B. Foreign exchange risk has significant impact on the Group, and the foreign exchange gains or losses (including realized and unrealized) on monetary items recognized were losses of NT\$59,418 and gains of NT\$315,409 and , for the years ended December 31, 2019 and 2018, respectively.

Price risk

- A. The Group's equity instruments exposed to price risk were the financial assets at fair value through other comprehensive income. In order to manage its equity instruments investment against price risk, the Group diversified its investment portfolio based on the limits set by the Group.
- B. The Group has mostly invested in equity instruments issued by domestic companies, and the prices of such equity instruments would change due to the change of the future value of investee companies. If the prices of these equity instruments had increased/decreased by 1% with all other variables held constant, gains or losses on equity instruments at fair value through other comprehensive income and available-for-sale financial assets for the years ended December 31, 2019 and 2018 would have increased/decreased by NT\$27,809 and NT\$36,001.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk arises from total borrowings with floating interest rates that expose the Group to cash flow interest rate risk. For the years ended December 31, 2019 and 2018, the Group's borrowings issued at variable rates were mostly denominated in the New Taiwan Dollar.
- B. The Group's borrowings were measured at amortized cost, and the interest rate is reset every year as specified in the contracts. Therefore, the Group is expose to interest rate risk from any future market interest rate change.
- C. If interest rates on borrowings had been 0.125% higher or lower with all other variables held constant, profit after income tax for the years ended December 31, 2019 and 2018 would have increased/decreased NT\$45,863 and NT\$42,526, respectively, due to change of interest expenses of borrowings at variable interest rate.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. Credit risk arises from outstanding accounts receivable that counterparties fail to deliver in accordance with the payment terms, and the contract cash flows classified as measured at amortized cost.
- B. The Group manages its credit risk based on a Group-oriented system. For corresponding banks and financial institutions, the Company set up to only accept transaction counterparties receiving the credit rating of at least Class "A". Following the internal credit policies, before setting the terms and conditions for payments and delivery with a new customer, each entity of the Group should assess new customer's credit risk and conduct credit risk management. The internal risk control considers the financial position, past experience and other factors in order to assess the credit quality of customers. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilization of credit limits is regularly monitored.

- C. The Group uses the presumptions provided by IFRS 9 that a loan that is 90 days past due is credit-impaired.
- D. The Group uses IFRS to provide the following assumptions, to determine if the credit risks of the financial instrument significantly increased since the initial recognition.
When the contractual payments overdue from the payment terms for more than 30 days, it is deemed the credit risks of the financial instrument significantly increased since the initial recognition.
- E. The indicators for determine the impairment of the debt instrument investment used by the Group is as the following:
- (A) The possibilities that an issuer has a significant financial difficulty, or will become bankrupt or financial reorganized;
 - (B) Due to the financial difficulty of the issuer, such that the active market of the financial asset vanishes;
 - (C) An issuer delay or fail to repay the interests or principals;
 - (D) The unfavorable changes to the national or regional economic conditions leading to the default of an issuer.
- F. Receivables are grouped based on customer's types, and the Group applies the simplified approach using loss rate methodology to estimate the expected credit loss.
- G. After the collection procedures, the financial assets amount that cannot be reasonably estimated will be written-off. However, the Group will continue to continue to pursue the legal right of recourse to protect the claims.
- H. The Group used the forecastability of Taiwan Institute of Economic Research report to adjust historical and timely information to assess the default possibility and estimate impairment provisions for accounts receivable (including related parties) and contract assets. As of December 31, 2019 and 2018, the loss rate methodology is as follows:

	Each	Group A	Group B	Total
<u>December 31, 2019</u>				
Expected loss	50%~100%	0.00%~0.03%	0.45%~100%	
Total carrying amount(including related parties)	\$ 4,646	\$ 2,348,518	\$ 4,745	\$ 2,357,909
Allowance for losses	4,577	64	3,926	8,567
	Each	Group A	Group B	Total
<u>December 31, 2018</u>				
Expected loss	50%~100%	0.00%~0.03%	1.62%~100%	
Total carrying amount(including related parties)	\$ 12,557	\$ 1,805,608	\$ 6,485	\$ 1,824,650
Allowance for losses	12,330	104	5,354	17,788
Group A: Customers who do not have overdue payments				
Group B: Customers who do not have overdue payments				

I. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2019	2018
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
January 1	\$ 17,788	\$ 14,366
Provision of impairment loss	4,093	5,503
Reversal of impairment loss	(2,119)	(1,896)
Write-offs of the period	(10,824)	-
Effects of exchange rate changes	(371)	(185)
December 31	<u>\$ 8,567</u>	<u>\$ 17,788</u>

(3) Liquidity risk

- A. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Finance Department. Finance Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Please refer to Note VI (17) for details of undrawn committed borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- B. The Group invests surplus cash from all operating units in interest bearing current accounts, time deposits, and repurchasable bonds, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2019 and 2018, the Group's position held in money market were NT\$7,042,179 and NT\$3,860,163.
- C. The table below analyses the Group's non-derivative financial liabilities and into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the following table are the contractual undiscounted cash flows:

Non-derivative financial liabilities:

December 31, 2019

	<u>Within 1 year</u>	<u>Within 2-5</u> <u>years</u>	<u>More than 5</u> <u>years</u>
Short-term borrowings (Note 1)	\$ 3,359,885	\$ -	\$ -
Short-term notes and bills payable (Note 1)	3,040,000	-	-
Notes payable (including related parties)	697,611	-	-
Accounts payable (including related parties)	1,662,352	256,243	41,676
Other payables	983,316	2,154	140
Lease liabilities (Note 1)	399,906	1,415,626	16,257,920
Long-term borrowings (including loans due within a year or a business cycle)	2,781,285	36,112,029	4,984,146
Other financial liabilities (Note 2)	-	1,031,966	275,276

Non-derivative financial liabilities:

December 31, 2018

	<u>Within 1 year</u>	<u>Within 2-5</u> <u>years</u>	<u>More than 5</u> <u>years</u>
Short-term borrowings (Note 1)	\$ 889,768	\$ -	\$ -
Short-term notes and bills payable (Note 1)	700,000	-	-
Notes payable (including related parties)	363,589	-	-
Accounts payable (including related parties)	1,166,546	290,913	35,338
Other payables	905,178	2,573	82
Long-term notes and accounts payable	-	-	623,258
Long-term borrowings (including loans due within a year or a business cycle)	1,189,235	37,198,859	4,795,634
Other financial liabilities (Note 2)	-	1,011,722	266,038

Note 1: The amount includes the expected interest to be paid in the future.

Note 2: Refers to the bond deposited, and other non-Current liabilities is listed.

D. The Group did not expect the occurrence timing of cash flow of expiry date analysis would be significantly earlier, or the actual amount would significantly differ.

(IV) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical Assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in private placement of listed stocks and investment in equity instruments without active market is included.

2. Information for the fair value of the Group's investment property measured at cost is provided in Note VI (12).
3. The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets recognized in other current assets and other non-current assets, long-term notes and accounts receivable, short-term borrowings, short-term notes payable, notes payable, accounts payable, other payables, long-term borrowings, long-term notes accounts payable and other financial liabilities recognized in other non-current liabilities, are approximate to their fair values.
4. Classification of financial instruments and non-financial instruments at fair value based on the natures, characteristic and risk, and fair value level is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets measured at fair value through profit or loss - current				
Structured wealth management products	\$ -	\$ -	\$ 39,210	\$ 39,210
Financial Assets measured at fair value at fair value through other comprehensive profit or loss- non-current				
Equity securities	<u>2,780,857</u>	<u>-</u>	<u>1,044,818</u>	<u>3,825,675</u>
Total	<u>\$ 2,780,857</u>	<u>\$ -</u>	<u>\$ 1,084,028</u>	<u>\$ 3,864,885</u>

December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets measured at fair value through profit or loss - current				
Structured wealth management products	\$ -	\$ -	\$ 64,879	\$ 64,879
Financial Assets measured at fair value at fair value through other comprehensive profit or loss- non-current				
Equity securities	<u>3,600,074</u>	<u>-</u>	<u>1,094,057</u>	<u>4,694,131</u>
Total	<u>\$ 3,600,074</u>	<u>\$ -</u>	<u>\$ 1,158,936</u>	<u>\$ 4,759,010</u>

5. The methods and assumptions the Group used to measure fair value are as follows:

- (1) The Group used market quoted prices as fair values (that is, Level 1) of investment in listed stocks, and the quoted prices are the closing price.
- (2) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- (3) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (4) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. Such type of valuation model is normally applied to derivative financial instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note XII(4)10.
- (5) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on Current market conditions.

6. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

7. The following table shows the change of Level 3 for the years ended December 31, 2019 and 2018.

	2019	2018
	<u>Equity securities and wealth management products</u>	<u>Equity securities and wealth management products</u>
January 1	\$ 1,158,936	\$ 443,468
Transferring into the Level 3 (Note)	-	887,591
Income recognized in income and lossNon-operating Income and Expenses listed in book	2,207	30
Losses recognized as other comprehensive income Equity instruments measured at fair value through other	(49,239)	(237,002)
comprehensive income or loss Changes in unrealized valuation profit or loss		
Purchase for current period	85,866	64,849
Sales for current period	(111,026)	-
Effects of exchange rate changes	(2,716)	-
December 31	<u>\$ 1,084,028</u>	<u>\$ 1,158,936</u>

Note: Applicable to adjustments with the application of IFRS 9 classification requirements.

8. Accounting Department is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

9. The significant non-observable input value quantified information and significant non-observable input value change sensitivity analysis for the valuation model used in relation to the Level 3 fair value measurements are as follows:

	<u>December 31, 2019</u>	<u>Valuation</u>	<u>Significant</u>		<u>Inputs and</u>
	<u>Fair value</u>	<u>techniques</u>	<u>unobservable Inputs</u>	<u>Discount rate</u>	<u>Fair value relationship</u>
Non-derivative Equity Instrument:					
Privately offered shares (TWSE listed companies)	\$ 68,113	Binomial options pricing model	Discount for lack of marketability	13.60%	The higher the marketability discount, the lower the fair value.
Privately offered shares (TPEX listed companies)	377,093	Binomial options pricing model	Discount for lack of marketability	13.18%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPE x listed companies	494,434	Comparable TWSE/TPEX listed companies	Discount for lack of marketability	25.67%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPE x listed companies	55,900	Comparable TWSE/TPEX listed companies	Discount for lack of marketability	20.22%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPE x listed companies	48,378	Comparable TWSE/TPEX listed companies	Discount for lack of marketability	18.65%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPE x listed companies	900	Net assets value method	N/A	N/A	N/A
Structured wealth management products	39,210	Calculated based on the contract	Rate of return on product	3.55%~3.70%	The higher the rate of return on product, the higher the fair value.
	<u>December 31, 2018</u>	<u>Valuation</u>	<u>Significant</u>		<u>Inputs and</u>
	<u>Fair value</u>	<u>techniques</u>	<u>unobservable Inputs</u>	<u>Discount rate</u>	<u>Fair value relationship</u>
Non-derivative Equity Instrument:					
Privately offered shares (TWSE listed companies)	\$ 49,161	Binomial options pricing model	Discount for lack of marketability	21.53%	The higher the marketability discount, the lower the fair value.
Privately offered shares (TPEX listed companies)	351,147	Binomial options pricing model	Discount for lack of marketability	20.57%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPEX listed companies	459,093	Comparable TWSE/TPEX listed companies	Discount for lack of marketability	25.69%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPE x listed companies	123,755	Comparable TWSE/TPEX listed companies	Discount for lack of marketability	22.70%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPE x listed companies	62,302	Comparable TWSE/TPEX listed companies	Discount for lack of marketability	20.18%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPE x listed companies	47,699	Comparable TWSE/TPEX listed companies	Discount for lack of marketability	18.48%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPEX listed companies	900	Net assets value method	N/A	N/A	N/A
Structured wealth management products	64,879	Calculated based on the contract	Rate of return on product	3.7%~4.1%	The higher the rate of return on product, the higher the fair value.

10. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurements. For financial Assets classified as Level 3, if there is change in the valuation parameters, then the impact on other comprehensive income is as follows:

			<u>December 31, 2019</u>	
			<u>Recognized as other comprehensive income</u>	
	<u>Inputs</u>	<u>Changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>
Financial assets				
Equity Instrument	Lack of marketability			
	Marketability discount	±1%	<u>\$ 10,448</u>	<u>(\$ 10,448)</u>

			<u>December 31, 2018</u>	
			<u>Recognized as other comprehensive income</u>	
	<u>Inputs</u>	<u>Changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>
Financial assets				
Equity Instrument	Lack of marketability			
	Marketability discount	±1%	<u>\$ 10,941</u>	<u>(\$ 10,941)</u>

XIII. Additional Disclosure

(I) Significant transaction information

- Loans to others: None.
- Provision of endorsements and guarantees to others: Please refer to Table 1.
- Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 2.
- Acquisition or sale of the same security with the accumulated cost exceeding NT\$ 300 million or 20% of the Company's paid-in capital: Please refer to Table 3.
- Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- Purchases or sales of goods from or to related parties reaching NT\$ 100 million or 20% of paid-in capital or more: Please refer to Table 4.
- Receivables from related parties reaching NT\$ 100 million or 20% of paid-in capital or more: Please refer to Table 5.

9. Engagement in derivatives trading: Please refer to Note VI(2).

10. Significant transactions between the parent to subsidiary and between subsidiary during the reporting periods: Please refer to Table 6.

(II) Information on Investees

Names, locations and other information of investees (not including investees in Mainland China): Please refer to Table 7.

(III) Information on Investments in Mainland China

1. Basic information: Please refer to Table 8.

2. Significant transactions, either directly or indirectly through a third area, with investees in the Mainland Area: None.

XIV. Information on Departments

(I) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Chief Operating Decision-Maker considers the business and evaluate segment performance from an industry perspective; the Group currently focuses on the businesses in construction, commercial real estate, building materials and wholesale, and the operating outcomes of the remaining businesses are summarized in “Other operating segment”.

(II) Measurement of segment information

1. The accounting policies of the reportable operating segments is in a manner consistent with the significant accounting policies provided in Note IV.
2. The Group evaluates the performance based on segment revenue and segment net operating profit (loss), instead of the segment assets.

(III) Information on Departments

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	2019					
	<u>Construction Division</u>	<u>Commercial Real Estate</u>	<u>Building Materials Division</u>	<u>Wholesale Business Division</u>	<u>Other operating departments</u>	<u>Total</u>
Revenue from external customers	\$ 11,622,753	\$ 1,842,183	\$ 2,236,055	\$ 1,212,879	\$ 344,060	\$ 17,257,930
Internal revenue	<u>2,349,600</u>	<u>3,673</u>	<u>78,473</u>	<u>-</u>	<u>170,089</u>	<u>2,601,835</u>
Departmental revenue	<u>\$ 13,972,353</u>	<u>\$ 1,845,856</u>	<u>\$ 2,314,528</u>	<u>\$ 1,212,879</u>	<u>\$ 514,149</u>	<u>\$ 19,859,765</u>
Operating net income (loss) from the department to be reported	<u>\$ 894,544</u>	<u>\$ 949,186</u>	<u>\$ 28,662</u>	<u>(\$ 18,463)</u>	<u>(\$ 1,613)</u>	<u>\$ 1,852,316</u>

	2018					
	<u>Construction Division</u>	<u>Commercial Real Estate</u>	<u>Building Materials Division</u>	<u>Wholesale Business Division</u>	<u>Other operating departments</u>	<u>Total</u>
Revenue from external customers	\$ 9,350,576	\$ 1,771,570	\$ 2,037,775	\$ 1,374,734	\$ 324,775	\$ 14,859,430
Internal revenue	<u>1,916,828</u>	<u>2,888</u>	<u>66,530</u>	<u>-</u>	<u>149,492</u>	<u>2,135,738</u>
Departmental revenue	<u>\$ 11,267,404</u>	<u>\$ 1,774,458</u>	<u>\$ 2,104,305</u>	<u>\$ 1,374,734</u>	<u>\$ 474,267</u>	<u>\$ 16,995,168</u>
Operating net income (loss) from the department to be reported	<u>\$ 1,215,705</u>	<u>\$ 716,438</u>	<u>\$ 50,125</u>	<u>(\$ 16,037)</u>	<u>(\$ 47,564)</u>	<u>\$ 1,918,667</u>

The effects resulted from the Group's application of IFRS 16, "Leases" to the division information are the following:

	<u>Construction Division</u>	<u>Commercial Real Estate</u>	<u>Building Materials Division</u>	<u>Wholesale Business Division</u>	<u>Other operating departments</u>	<u>Total</u>
Depreciation expenses for right-of-use assets increased	\$ 90,417	\$ 145,341	\$ 4,903	\$ -	\$ 2,284	\$ 242,945
Depreciation expenses for investment properties increased	\$ -	\$ 99,258	\$ -	\$ -	\$ -	\$ 99,258

(IV) Reconciliation for segment income (loss)

1. The sales and leases made the Group's construction business segment and commercial real estate segment are negotiated by the participating parties; sales made by the building material business segment and wholesale segment are handled as regular sales. The revenue from external parties reported to the Chief Operating Decision-Maker are measured in a manner consistent with the revenue in the statements of comprehensive income.

2. Reconciliation for segment income (loss) and profit before income tax from continuing operations for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Income/loss from the department to be reported	\$ 1,852,316	\$ 1,918,667
Adjustments and written-off	46,927	51,432
Total	1,899,243	1,970,099
Interest income	101,812	194,522
Foreign exchange net (loss) gain	(59,418)	315,409
Finance costs	(611,057)	(356,944)
Share of profit of associates accounted for using equity method	8,593,623	10,097,636
Gains on disposals of real estate, plant and equipment	426	116
Gains on reversal of financial assets impairment loss	295	4,185
Dividend income	127,440	173,658
Gains on write-off of accounts payable past due	-	2,248
Loss on liquidation	-	(22,100)
Impairment loss on long-term prepaid rent	-	(200,000)
Impairment loss on use-of-right assets	(88,809)	-
Impairment loss on properties of investment	(94,871)	-
Others	141,784	107,356
Income before tax from continuing operations	\$ 10,010,468	\$ 12,286,185

(V) Information on products and services

The Group primarily engaged in construction of residential buildings through entrusting professional construction enterprises, lease and sales of commercial buildings, trading of construction materials, sales of related merchandise and operation of supermarkets and shopping malls. The segment revenue above only presents the operating revenue and other income from external customers. The segment revenue does not include the gains from equity investment accounted under equity method and general revenue irrelevant to segments, and please refer to Note VI (24) for detail.

(VI) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	2019		2018	
	Income	Non-Current Assets	Income	Non-Current Assets
Taiwan	\$ 17,182,354	\$ 28,031,366	\$ 14,772,141	\$ 18,515,678
China	75,576	80,520	87,289	87,460
Others	-	28,000	-	14,145
Total	<u>\$ 17,257,930</u>	<u>\$ 28,139,886</u>	<u>\$ 14,859,430</u>	<u>\$ 18,617,283</u>

The Group's geographical revenue was calculated based on regions in which the payments were received. Non-current assets included property, plant and equipment, right-of-use assets, investment property, intangible assets and other assets, and excluded financial instruments and deferred tax assets.

(VII) Major customer information

External customers representing at least 10% of revenue for the year ended December 31, 2019 and 2018: None.

Ruentex Development Co., Ltd.
Endorsements and Guarantees for Others
January 1, 2019 to December 31, 2019

Attached Table I Unit: New Taiwan Dollars in Thousands
(Unless Stated Otherwise)

No. (Note.1)	Endorsement guarantor Company name	Entity for which the endorsement/guarantee is made Company name	Relationship (Note 2)	To single entity Limit of the endorsement guarantee	Maximum of the period Balance of the endorsement guarantee	Balance of the endorsement guarantee at the end of period	Actual drawn amount Amount	Amount of endorsement guarantee Amount	Cumulative amount of endorsements/guarantees as a percentage of the net worth as stated in the latest financial statement	Maximum limit of endorsement guarantee	Belong to	Belong to	Belong to	Remark
											provided by the parent company to subsidiary	endorsement guarantee provided by a subsidiary to subsidiary	endorsement guarantee to Mainland China	
0	Ruentex Development Co., Ltd.	Ruentex Development Co., Ltd.	2	\$ 72,803,535	\$ 4,080,000	\$ 4,080,000	\$ 2,680,000	\$ -	5.04	\$ 80,892,817	Y	N	N	Note 3
1	Ruentex Engineering & Construction Co., Ltd.	Ruentex Materials Co., Ltd.	1	675,000	31,254	31,254	31,254	-	0.81	1,350,000	Y	N	N	Note 4

Note 1: The column of No. is described as follows:

- (1). Please fill in 0 for the issuers.
- (2). Please fill in the Arabic numeral sequentially numbered starting from 1 for the invested companies according to the company type.

Note 2: There are seven types of the relationship between the company making an endorsement/guarantee and the entity for which the endorsement/guarantee as follows. Please indicate the type only:

- (1). A company with which the Company does business.
- (2). A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3). A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- (4). A company in which the Company holds, directly or indirectly, 90%, or more of the voting shares.
- (5). A company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6). A company in which all capital contributing shareholders make endorsements/guarantees for their jointly invested in proportion to their shareholding percentages.
- (7). Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The maximum amount of endorsements/guarantees made by the Company shall not exceed 100% or more of the net worth of the Company and the amount of endorsements/guarantees made by the Company for any single entity shall not exceed 90% or more of the net worth of the Company.

Note 4: The maximum amount of endorsements/guarantees made by the subsidiary shall not exceed 100% or more of the paid-in capital of the Company and the amount of endorsements/guarantees made by the subsidiary for any single entity shall not exceed 50% or more of the paid-in capital of the Company.

Ruentex Development Co., Ltd.

Securities held at the end of the period (not including investments in subsidiaries, associates and jointly controlled entities)

December 31, 2019

Attached Table II

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

Company holding the securities	Type and name of the securities (Note 1)	Relationship with the issuer of securities (Note 2)	Account recognized	End of the period				Remark
				Number of shares	Carrying amount (Note 3)	Shareholding percentage	Fair value (Note 4)	
Ruentex Development Co., Ltd.	Shares of Orient Semiconductor Electronics	-	Financial Assets at fair value through other comprehensive income - non-Current	5,308,868	\$ 68,113	0.96	\$ 68,113	
	Shares of TaiMed Biologics	The Company is a juridical person director of the company.	"	10,357,408	1,026,419	4.11	1,026,419	
	Shares of OBI Pharma, Inc.	Supervisors of the subsidiaries and associates of the Company is a juridical person director of the company.	"	1,343,630	177,359	0.71	177,359	
	Shares of Brogent Technologies Inc.	Supervisors of the subsidiaries and associates of the Company is a juridical person director of the company.	"	2,489,060	377,093	4.46	377,093	Note 6
	Shares of RT-Mart International Co., Ltd.	The Company is a juridical person supervisor of the company	"	16,828,936	494,434	10.80	494,434	Note 5
	Shares of Pacific Resources Corporation	-	"	1,078,437	-	1.05	-	
	Shares of Asia Pacific Federation of Industry and Commerce	-	"	21,090	900	0.03	900	
	Shares of Evergreen Steel Corp.	-	"	1,884,613	48,378	0.47	48,378	Note 7
	Subordinated debts of Nan Shan Life Insurance	One of the Company's affiliates is a controlled company of the company.	Amortized cost financial Assets - non-Current	-	60,000	-	-	

(Continued)

Ruentex Construction International Co., Ltd. (Previously named City-Link Development Co., Ltd.)	IP Cathay Fund	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	Note 8
Ruentex Engineering & Construction Co., Ltd.	Shares of Ruentex Development Co., Ltd.	The company	Financial Assets at fair value through other comprehensive income - non-Current	3,426,264	154,867	0.34	154,867	
	Shares of Ruentex Industries Ltd.	The investment company which accounts for the Company using the equity method	”	20,151,803	1,481,158	3.57	1,481,158	
	Shares of OBI Pharma, Inc.	Supervisors of the subsidiaries and associates of the Company is a juridical person director of the company.	”	234,295	30,928	0.13	30,928	
	Shares of Save & Safe Corporation	-	”	4,267,233	55,900	2.51	55,900	
	Shares of Powertec Electrical Chemicals Corp. (Shares of previous Powertec Energy Corp.	-	”	19,737,629	-	1.50	-	Note 9
	Subordinated debts of Nan Shan Life Insurance	One of the Company’s affiliates is a controlled company of the company.	Amortized cost financial Assets - non-Current	-	500,000	-	-	
Ruentex Materials Co., Ltd.	Shares of Ruentex Industries Ltd.	The investment company which accounts for the Company using the equity method	Financial Assets at fair value through other comprehensive income - non-Current	37,874	2,783	-	2,783	
	Shares of OBI Pharma, Inc.	Supervisors of the subsidiaries and associates of the Company is a juridical person director of the company.	”	105,433	13,917	0.06	13,917	
Ruentex Interior Design Inc.	Shares of Ruentex Industries Ltd.	The investment company which accounts for the Company using the equity method	”	657,045	48,293	0.12	48,293	

Note 1: Securities indicated in the Table refer to shares, bonds, beneficiary certificates and securities derived from the items mentioned above within the scope of IFRS No.9.

Note 2: Not required to be filled in for the issuers of securities that are not related parties.

Note 3: Please fill in the value carried at adjusted fair value less accumulated impairment losses for those measured at fair value and the value varied at acquisition cost or amortized cost less accumulated impairment losses for those not measured at fair value.

Note 4: The securities listed that are limited to their use due to the provision of security, pledge loans or others in accordance with the contract shall indicate the number of shares provided for guarantee or pledge, the amount of guarantee or pledge and the limits on the use in the in the column of “Remarks”.

Note 5: The provision of 15,200 thousand shares, a total of NT\$446,576 thousand was pledged to financial institutions for financing loans.

Note 6: the base date of capital increase of Brogent Technologies Inc. was July 26, 2019

Note 7: Evergreen Steel Corp. wrote-off the treasury stocks, and thus the shareholding percentage of the Company increase from 0.46% to 0.47%.

Note 8: Ruentex Construction was previously named City-Link Development Co., Ltd., and was approved by Department of Commerce, MOEA on August 16, 2019.

Note 9: Powertec Electrical Chemicals Corp was previously named Powertec Energy Corp., and was approved by Department of Commerce, MOEA on August 14, 2019.

Ruentex Development Co., Ltd.
Accumulated buying and selling securities under re-purchase/re-sale conditions amounting to NTD 300 million or more than 20% of the paid-in capital
January 1, 2019 to December 31, 2019

Attached Table III

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

Buying/selling company	Type of the securities and Name (Note 1)	Account recognized	Counterparty (Note 2)	Relationship (Note 2)	Beginning of the period		Buying (Note 3)		Selling (Note 4)				End of the period	
					Shares	Amount	Shares	Amount	Shares	Price	Book cost	Gain on disposal	Shares	Amount
Ruentex Development Co., Ltd.	Ruentex Development Co., Ltd.	Investment accounted for using the equity method	Cash Capitalization	Subsidiary	147,700,000	\$ 1,445,822	51,100,000	\$ 511,000	-	\$ -	(\$ 39,811)	\$ -	198,800,000	\$ 1,917,011
Ruentex Resources Integration Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Investment accounted for using the equity method	Note 5	Subsidiary	72,881,000	1,459,882	(214,529)	(72,881,000)	(4,255,345)	(1,245,353)	3,009,992	-	-	-
								(註 4)				(註 6)		
Ruentex Development Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Investment accounted for using the equity method	Note 5	Subsidiary	1,012,500	19,757	51,832,359	3,039,274	-	-	(2,157,824)	-	52,844,859	901,207
											(註 7)			
Ruentex Development Co., Ltd.	Ruen Chen Investment Holding Co., Ltd.	Investment accounted for using the equity method	Cash Capitalization	Associates	3,701,250,000	10,578,234	713,500,000	5,100,000	-	-	46,410,960	-	4,414,750,000	62,089,194
								(註 8)						
Ruentex Development Co., Ltd.	Nan Shan Life Insurance Co., Ltd.	Investment accounted for using the equity method	Cash Capitalization	Associates	-	29,670,000	474,720	-	-	320,751	-	-	29,670,000	795,471

Note 1: Securities indicated in the Table refer to shares, bonds, beneficiary certificates and securities derived from the items mentioned above.

Note 2: The two columns must be filled in for the investors who account for securities using the equity method. (not required if not applicable)

Note 3: The accumulated amount of buying and selling should be calculated separately at market prices to determine whether they are up to NTD 300 million or more than 20% of the paid-in capital.

Note 4: The income/loss of investments, and the equity changes are recognized based on the shareholding percentage.

Note 5: Ruentex Resources Integration Co., Ltd. sold its shares of Ruentex Engineering & Construction Co., Ltd. to each shareholders by shareholding proportion in the TWSE market in the form of continuous trading with significant amount

Note 6: A reorganization; the difference between the sales price and the book cost was used to adjusted the capital reserve of Ruentex Resources Integration Co., Ltd.

Note 7: A reorganization; the difference between the sales price and the book cost was used to adjusted the capital reserve of Ruentex Development Co., Ltd.

Note 8: Including Stock dividends 203,500,000 shares.

Ruentex Development Co., Ltd.

Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital

January 1, 2019 to December 31, 2019

Attached Table IV

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

<u>The company making the purchase (sale) of goods</u>	<u>Name of counterparty</u>	<u>Relationship</u>	<u>Transaction conditions</u>		<u>As a percentage of total purchases (sales) of goods</u>	<u>Credit period</u>	<u>Difference between the terms and conditions of transaction and the general type of transaction and the reason for any such difference (Note 1)</u>		<u>Notes receivable/payable and accounts receivable/payable</u>		<u>Remark (Note 2)</u>
			<u>Purchase (sale) of goods</u>	<u>Amount</u>			<u>Unit price</u>	<u>Credit period</u>	<u>Balance</u>	<u>As a percentage of notes receivable/payable and accounts receivable/payable</u>	
Ruentex Development Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Subsidiary	Purchase of goods	\$ 1,159,465	42.30	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	(\$ 161,280)	23.81	
Ruentex Development Co., Ltd.	Ruentex Interior Design Inc.	Third-tier subsidiary	Purchase of goods	319,014	11.64	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	(54,897)	8.10	
Ruentex Development Co., Ltd.	RT-MART International Co., Ltd.	The Company is a juridical person supervisor of the company	Purchase of goods	219,180	8.00	Amount paid according to the prescribed period of the procurement contract.	-	Amount paid according to the prescribed period of the procurement contract.	(32,093)	4.74	
Ruentex Development Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Subsidiary	Purchase of goods	182,715	55.04	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	(36,925)	49.38	

(Continued)

Ruentex Engineering & Construction Co., Ltd.	Ruentex Development Co., Ltd.	The Company	Sale of goods	1,249,878	14.25	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	161,280	16.90
Ruentex Engineering & Construction Co., Ltd.	Ruentex Development Co., Ltd.	Subsidiary	Sale of goods	399,337	4.55	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	36,925	3.87
Ruentex Engineering & Construction Co., Ltd.	Ruentex Materials Co., Ltd.	Subsidiary	Sale of goods	240,494	2.74	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	1,819	0.19
Ruentex Interior Design Inc.	Ruentex Development Co., Ltd.	The company	Sale of goods	293,041	37.97	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	54,897	53.01

Note 1: If the terms and conditions of transaction with the related parties are different from the general terms and conditions of transaction, the difference and the reason for any such difference shall be specified in the column of unit price and the credit period.

Note 2: In the case of prepayments in advance (or advance receipts), the reasons, the terms and conditions of the contract, the amount and the difference between the general type of transactions shall be specified in the column of Remarks.

Note 3: Paid-in capital refers to the paid-in capital of the parent. In the case of an issuer whose shares have no par value or have a par value other than NT\$10, the monetary amount of the transaction of 20% of the paid-in capital shall be calculated at 10% of equity attributable to the owners of the parent as stated in the Balance Sheet.

Note 4: Calculate from the perspective of the entity of the company making the purchase (sale) of goods

Ruentex Development Co., Ltd.

Accounts receivable due from related parties amounting to at least \$100 million or 20% of the paid-in capital

December 31, 2019

Attached Table V

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

<u>The company recognized as</u> <u>receivables</u>	<u>Name of counterparty</u>	<u>Relationship</u>	<u>Balance of accounts</u> <u>receivable due from related</u>		<u>Turnover</u>	<u>Overdue accounts receivable due from</u> <u>related parties</u>		<u>Recovered amount in subsequent</u> <u>periods for accounts receivable due</u> <u>from related parties</u>	<u>Provision for allowance for</u> <u>bad debts</u>
			<u>parties</u>			<u>Amount</u>	<u>Approach to handling</u>		
Ruentex Engineering & Construction Co., Ltd.	Ruentex Development Co., Ltd.	The company	\$ 161,280		8.06	\$ -	-	\$ 161,231	\$ -

Note 1: Please fill in the value separately according the accounts receivable, notes receivable and other receivables.

Note 2: Paid-in capital refers to the paid-in capital of the parent. In the case of an issuer whose shares have no par value or have a par value other than NT\$10, the monetary amount of the transaction of 20% of the paid-in capital shall be calculated at 10% of equity attributable to the owners of the parent as stated in the Balance Sheet.

Ruentex Development Co., Ltd.

Business relationships and significant intercompany transactions and amount between a parent and its subsidiary company, or between its subsidiaries

January 1, 2019 to December 31, 2019

Attached Table VI

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

No. (Note 1)	Name of the transaction party	Transaction counterparty	Relationship with the transaction party (Note 2)	Transaction information			As a percentage of the consolidated total operating revenue or total assets (Note 3)
				Account	Amount	Terms and conditions of transaction	
0	Ruentex Development Co., Ltd.	Ruentex Development Co., Ltd.	1	Construction income	22,048	Note 5	0.13
		Ruentex Construction International Co., Ltd. (Previous named City-Link Development Co., Ltd.) (Note 8)	1	Rent income	18,316		0.11
1	Ruentex Interior Design Inc.	Ruentex Development Co., Ltd.	2	Construction income	293,041	Note 4	1.70
		”	2	Receivable	54,897		0.04
		”	2	Contract asset	16,505		0.01
		Ruentex Construction International Co., Ltd. (Previous named City-Link Development Co., Ltd.) (Note 8)	3	Construction income	55,372		0.32
2	Ruentex Engineering & Construction Co., Ltd.	Ruentex Development Co., Ltd.	2	Construction income	1,249,878	”	7.24
		”	2	Receivable	161,280	”	0.11
		”	2	Contract asset	134,642	”	0.09
		Ruentex Development Co., Ltd.	3	Construction income	399,337	”	2.31
		”	3	Receivable	36,925	”	0.02
		”	3	Contract asset	23,675	”	0.02
		Ruentex Materials Co., Ltd.	1	Construction income	230,534	”	1.34
		”	1	Contract asset	52,138	”	0.03
3	Ruentex Materials Co., Ltd.	Ruentex Precast Engineering and Technology (Shanghai) Ltd.	1	Service revenue	14,717	Note 5	0.09
		Ruentex Engineering & Construction Co., Ltd.	2	Sales revenue	52,785	Note 5	0.31
		”	2	Construction income	21,795	Note 4	0.13
(Continued)							
4	Ruentex Property Management & Maintenance Co., Ltd.	Ruentex Hsu Chan Co. Ltd.	3	Service revenue	47,903	Note 5	0.28

		Ruentex Pai Yi Co., Ltd.	3	Service revenue	40,555	”	0.23
		Ruentex Development Co., Ltd.	2	Service revenue	15,667	”	0.09
		Ruentex Construction International Co., Ltd. (Previous named City-Link Development Co., Ltd.) (Note 8)	3	Service revenue	10,027	”	0.06
5	Ruentex Security Co., Ltd.	Ruentex Hsu Chan Co. Ltd.	3	Service revenue	14,758	”	0.09
		Ruentex Pai Yi Co., Ltd.	3	Service revenue	12,407	”	0.07
		Ruentex Development Co., Ltd.	2	Service revenue	15,290	”	0.09
6	Ruentex Construction Co., Ltd.	Ruentex Development Co., Ltd.	2	Construction income	27,861	Note 4	0.16
7	Ruentex Construction International Co., Ltd.	Ruentex Hsu Chan Co. Ltd.	3	Receivable	10,167	Note 5	0.01

Note 1: The information about business transactions between the parent and the subsidiary shall be indicated in the column of No. respectively. Details on how to filled in No. are as follows:

(1). Please fill in “0” for the parent.

(2). Please fill in the Arabic numeral sequentially numbered starting from 1 for the subsidiaries according to the company type.

Note 2: There are three types of the relationship with the transaction party as follows. Please indicate the type only (In the case of the same transaction between the parent or subsidiaries, or between its subsidiaries, duplicate disclosure is not required. For example, in the case of the transaction between the parent or its subsidiary, if the parent has disclosed the information, the subsidiary does not require making a duplicate disclosure;

In the case of the transaction between the subsidiaries, if one of the subsidiaries has disclosed the information, the other subsidiary does not require making a duplicate disclosure.):

(1). parent and its subsidiary

(2). Subsidiary and its parent

(3). Subsidiary and the other subsidiary

Note 3: The transaction amount as a percentage of the consolidated total operating revenue or total assets shall be calculated at the balance at the end of period as a percentage of the consolidated total assets for assets or liabilities items, and the interim cumulative amount as a percentage of the consolidated total operating revenue for profits or losses items.

Note 4: The price shall be set according to negotiations between the two parties, and the amount shall be collected according to the prescribed period of the construction contract.

Note 5: The price shall be set according to negotiations between the two parties.

Note 6: Dividends receivable.

Note 7: Transactions amounting to NTD 10,000 shall be disclosed. The information shall be also disclosed from the asset side and revenue side.

Note 8: Ruentex Construction was previously named City-Link Development Co., Ltd., and was approved by Department of Commerce, MOEA on August 16, 2019.

Ruentex Development Co., Ltd.

The name of the invested company, the location and other relevant information (excluding the invested companies in mainland China)

January 1, 2019 to December 31, 2019

Attached Table VII

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

Name of the investing company	Name of the investee company	Location	Major Operating Items	Original investment amount		Holding at the end of period			Current profit and loss of the investee company	Gains and losses on investment recognized for the current period	Remark
				End of the current period	End of last year	Shares	Ratio	Carrying amount			
Ruentex Development Co., Ltd.	Ruentex Construction International (B.V.I.) Ltd.	British Virgin Islands (BVI)	General Investment	\$ 635,403	\$ 635,403	25,000,000	100.00	\$ 2,076,616	\$ 53,774	\$ 53,774	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Property Management & Maintenance Co., Ltd.	Taiwan	Mansions Management Services	15,998	15,998	2,828,650	100.00	36,931	6,212	6,212	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruen Fu Newlife Corp.	Taiwan	Retirement Home and General Property Management and Maintenance Services	9,000	9,000	900,000	60.00	2,633	(3,776)	(2,266)	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Security Co., Ltd.	Taiwan	Ruentex Security Co., Ltd.	49,000	49,000	6,900,000	100.00	65,693	(163)	(163)	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Construction International Co., Ltd. (Previous named City-Link Development Co., Ltd.) (Note 3)	Taiwan	Mall Operations, Proprietary Booths, Commercial Property Leasing, Housing and Building Development, Leasing and Sales, and Business Management Consulting	1,097,665	1,097,665	109,874,391	100.00	636,204	(233,406)	(233,406)	Subsidiary of the Company (Note 3)
Ruentex Development Co., Ltd.	Ruentex Resources Integration Co., Ltd.	Taiwan	Installation of cables, elevators and fire safety equipment	-	9,934	-	-	-	285,185	206,804	Note 4

				<u>Original investment amount</u>		<u>Holding at the end of period</u>			<u>Current profit and loss of the investee company</u>	<u>Gains and losses on investment recognized for the current period</u>	<u>Remark</u>
<u>Name of the investing company</u>	<u>Name of the investee company</u>	<u>Location</u>	<u>Major Operating Items</u>	<u>End of the current period</u>	<u>End of last year</u>	<u>Shares</u>	<u>Ratio</u>	<u>Carrying amount</u>			
Ruentex Development Co., Ltd.	Ruentex Xuzhan Co. Ltd.	Taiwan	Mall Operations and Commercial Property Leasing	1,600,000	1,600,000	160,000,000	80.00	1,964,730	303,778	243,022	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Baiyi Co., Ltd.	Taiwan	Mall Operations and Commercial Property Leasing	1,950,000	1,950,000	195,000,000	100.00	2,223,657	146,209	146,209	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Innovative Development Co., Ltd.	Taiwan	Congregate housing and commercial building rental and sale development and investment management consultant	1,988,000	1,477,000	198,800,000	70.00	1,917,011	(41,582)	(19,102)	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Taiwan	Contract of construction and civil engineering	3,052,214	12,940	52,844,859	39.14	901,207	679,710	88,756	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Materials Co., Ltd.	Taiwan	Building materials production and distribution	44,087	44,087	15,740,381	10.49	184,807	87,797	9,741	Sub-subsidiary of the Company
Ruentex Development Co., Ltd.	Jing Hong Investment Co., Ltd.	Taiwan	General Investment	270,000	270,000	27,000,000	30.00	680,697	154,740	46,422	The investee company accounted for using the equity method
Ruentex Development Co., Ltd.	Ruen Chen Investment Holding Co., Ltd.	Taiwan	General Investment	19,037,500	13,937,500	4,414,750,000	25.00	62,089,194	28,832,953	7,208,238	The investee company accounted for using the equity method
Ruentex Development Co., Ltd.	Concord Greater China Ltd.	British Virgin Islands (BVI)	General Investment	\$ 409,489	\$ 409,489	10,593,334	25.46	\$ 4,883,696	\$ 603,283	\$ 153,596	The investee company accounted for using the equity method

Name of the investing company	Name of the investee company	Location	Major Operating Items	Original investment amount		Holding at the end of period			Current profit and loss of the investee company	Gains and losses on investment recognized for the current period	Remark
				End of the current period	End of last year	Shares	Ratio	Carrying amount			
Ruentex Development Co., Ltd.	Shing Yen Construction & Development Co., Ltd.	Taiwan	Congregate housing and commercial building rental and sale and operation of department store business	284,147	479,576	28,414,684	45.45	287,995	1,807	42,713	The investee company accounted for using the equity method
Ruentex Development Co., Ltd.	Sunny Friend Environmental Technology Co., Ltd.	Taiwan	Waste disposal and pollution prevention equipment manufacturing	331,147	331,147	29,677,148	26.62	831,113	992,998	264,336	The investee company accounted for using the equity method (Note 1)
Ruentex Development Co., Ltd.	Global Mobile Corp.	Taiwan	Type I Telecommunications Enterprises and Communication Engineering Industry	269,443	269,443	26,082,039	9.46	-	-	-	The investee company accounted for using the equity method
Ruentex Development Co., Ltd.	Ruentex Industries Ltd.	Taiwan	Spinning, Textiles, and Manufacturing, Processing and Sales of Garments	2,537,808	2,537,808	65,720,683	11.63	7,043,385	6,675,452	776,292	The investment company which accounts for the Company using the equity method (Note 2)
Ruentex Development Co., Ltd.	Nan Shan Life Insurance Co., Ltd.	Taiwan	Personal insurances, including life insurance, health insurance, damage insurance or annuity.	474,720	-	29,670,000	0.23	795,471	32,019,503	27,185	The investee company accounted for using the equity method
Ruentex Construction International BVI Co., Ltd.	Ruentex Construction International Ltd.	Hong Kong	General Investment	32,860	32,860	7,800,000	100.00	22,180	569	569	Sub-subsidiary of the Company
Ruentex Construction International BVI Co., Ltd.	Sinopac Global Investment Ltd.	Cayman Islands	General Investment	640,770	640,770	19,500,000	49.06	2,050,838	108,579	53,266	The investee company accounted for using the equity method

Name of the investing company	Name of the investee company	Location	Major Operating Items	Original investment amount		Holding at the end of period			Current profit and loss of the investee company	Gains and losses on investment recognized for the current period	Remark
				End of the current period	End of last year	Shares	Ratio	Carrying amount			
Ruentex Resources Integration Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Taiwan	Contract of construction and civil engineering	-	893,521	-	-	-	679,710	284,936	Note 4
Ruentex Engineering & Construction Co., Ltd.	Ruentex Materials Co., Ltd.	Taiwan	Building materials production and distribution	695,548	695,548	58,726,917	39.15	877,879	87,797	34,376	Sub-subsidiary of the Company
Ruentex Engineering & Construction Co., Ltd.	Ruentex Construction Co., Ltd.	Taiwan	Civil Engineering Projects	5,408	5,408	600,000	100.00	9,910	472	472	Sub-subsidiary of the Company
Ruentex Materials Co., Ltd.	Ruentex Interior Design Inc.	Taiwan	Design and Construction of Interior Decoration, Gardens, and Greenery	140,571	140,571	3,000,000	100.00	183,724	78,336	78,336	Sub-sub-subsidiary of the Company
Ruentex Construction International Co., Ltd. (Previous named City-Link Development Co., Ltd.) (Note 3)	Ruentex Industries Ltd.	Taiwan	Spinning, Textiles, and Manufacturing, Processing and Sales of Garments	131,158	131,158	1,822,888	0.32	274,056	6,675,452	-	The investment company which accounts for the Company using the equity method
Ruentex Security Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Taiwan	Contract of construction and civil engineering	57,799	57,799	976,000	0.72	54,404	679,710	-	Subsidiary of the Company
Ruentex Property Management & Maintenance Co., Ltd. Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Taiwan	Contract of construction and civil engineering	15,583	15,583	264,000	0.20	14,672	679,710	-	Subsidiary of the Company

Note 1: The provision of 29,677 thousand shares, a total of NTD 831,112 thousand was pledged to financial institutions for financing loans.

Note 2: The provision of 64,607 thousand shares, a total of NTD 6,923,911 thousand was pledged to financial institutions for financing loans.

Note 3: Ruentex Construction was previously named City-Link Development Co., Ltd., and was approved by Department of Commerce, MOEA on August 16, 2019.

Note 4: Resource Integration was proposed for dissolution of the subsidiary Resource Integration was submitted by the board of directors on January 14, 2019, and approved by the extraordinary shareholders' meeting on January 30, 2019. Also on February 13, 2019, the competent authority was filed to and approved the dissolution. The settlement was completed on November 4, 2019.

Ruentex Development Co., Ltd.
Information of investments in mainland China-Basic information
January 1, 2019 to December 31, 2019

Attached Table VIII

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

<u>Name of the invested companies in mainland China</u>	<u>Major Operating Items</u>	<u>Paid-in capital</u>	<u>Investment method</u>	<u>The accumulated amount remitted from Taiwan to invest in mainland China at the beginning of the current period</u>	<u>The investment amount remitted out or back for the current period</u>		<u>The accumulated amount remitted from Taiwan at the end of the current period</u>	<u>Current profit and loss of the investee company</u>	<u>Shareholding percentage of direct or indirect investment by the Company</u>	<u>Gains and losses on investment recognized for the current period</u>	<u>Carrying amount of investments at the end for the period</u>	<u>Investment income remitted back by the end of the current period</u>	<u>Remark</u>
Runzhu Architecture and Engineering (Shanghai) Co., Ltd.	Technical Consulting and service of construction engineering	\$ 155,896	Note 1	\$ 155,896	\$ -	\$ -	\$ 155,896	\$ 2,808	40.07	\$ 1,125	\$ 55,947	\$ -	Note 2 (II) 2 Note 3

Note 1: The investment method is the sub-subsidiary directly entering into mainland China to make an investment.

Note 2: The figures related to the Table shall be expressed in New Taiwan dollars.

(I) In the case of preparation where no gain or loss on investment has occurred, please specify.

(II) The basis for recognition of gains and losses on investment is divided into the following three categories, which should be specified.

1. The financial reports audited and certified by an international accounting firm having a business cooperation relationship with an ROC accounting firm.
2. The financial reports audited and certified by a certified public accountant of the parent in Taiwan.
3. Others.

Note 3: The consolidated shareholding percentage of the Company and its subsidiaries.

Note 4: If any foreign currency is involved in the figures related to the Table, it shall be converted to New Taiwan dollars at the exchange rate on the financial reporting date.

(Continued)

<u>Company name</u>	<u>The accumulated amount remitted from Taiwan to invest in mainland China at the end of the current period</u>	<u>The approved amount by the Investment Commission, MOEA</u>	<u>The investment limit approved by the Investment Board, Ministry of Economic Affairs</u>
Ruentex Engineering & Construction Co., Ltd.	\$ 155,896	\$ 155,896	\$ 3,168,239

Note 1: The total amount of the original currency remitted from Taiwan to invest in mainland China at the end of the current period is as follows:

Ruentex Engineering & Construction Co., Ltd.: USD 5,200 thousand

Note 2: The investment amount approved by the Investment Board, Ministry of Economic Affairs is as follows:

Ruentex Engineering & Construction Co., Ltd.: USD 5,200 thousand

Note 3: According to the limits set out in the "Principles for the review of investment or technical cooperation in the mainland China" of the Investment Board, Ministry of Economic Affairs, the current limit is 60% of the net worth of the company.

Note 4: If any foreign currency is involved in the figures related to the Table, it shall be converted to New Taiwan dollars at the exchange rate on the financial reporting date.

Ruentex Development Co., Ltd.
Unconsolidated Financial Statements for the
Years Ended December 31, 2018 and 2019 and
Independent Auditor's Report
(Stock Code: 9945)

Company Address: 11F.-1, No. 308, Sec. 2, Bade Rd.,
Taipei City
Telephone: (02)8161-9888

Ruentex Development Co., Ltd.

Unconsolidated Financial Statements for the Years Ended December 31, 2018 and 2019
and Independent Auditor's Report
Table of Contents

<u>Item</u>	<u>Page</u>
1. Cover page	1
2. Table of Contents	2 ~ 3
3. Independent Auditors' Report	4 ~ 11
4. Unconsolidated Balance Sheets	12 ~ 13
5. Unconsolidated Statements of Comprehensive Income	14
6. Unconsolidated Statements of Changes in Equity	15
7. Unconsolidated Statements of Cash Flows	16 ~ 17
8. Notes to Unconsolidated Financial Statements	18 ~ 96
I. Company History	18
II. Date and Procedure for Approval of Financial Statements	18
III. Application of New, Amended and Revised Standards and Interpretations	18 ~ 20
IV. Summary of Significant Accounting Policies	20 ~ 32
V. Significant Accounting Judgments, Estimations, Assumptions, and Key Sources of Assumption Uncertainty	32
VI. Details of Significant Accounts	33 ~ 74
VII. Transaction with Related Parties	75 ~ 80
VIII. Pledged Assets	81

Item	Page
IX. Significant Contingent Liabilities and Unrecognized Contractual	
Commitments	81~83
X. Significant Disaster Loss	83
XI. Significant Subsequent Events	83
XII. Others	83 ~ 95
XIII. Separately Disclosed Items	96
XIV. Information on Departments	96
9. Details of Important Accounts	97 ~ 117

Independent Auditors' Report

(2020)PWCR 19004489

The Board of Directors and Shareholders Ruentex Development Co., Ltd.

Audit opinion

We have audited the accompanying financial statements of Ruentex Development Co., Ltd. (the Company), which comprise the unconsolidated balance sheets as of December 31, 2019 and 2018 and the unconsolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions 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 Unconsolidated Financial Statements section of our report. We are independent of the Company 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. In view of the audit result concluded by our representatives and the audits concluded by other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

Key audit matters for the Company's unconsolidated financial statements for the year ended December 31, 2019 are stated as follows:

Accuracy of Investment Balance Accounted for using equity method

Description of Key Audit Matters

The investment balance under equity method of the Company as of December 31, 2019 was NT\$86,617,850 thousand, representing 73.07% of total Assets. For the accounting policy related to investments under equity method, please refer to Unconsolidated Financial Statements Note IV(13). For the explanation on the accounts, please refer to Financial Statements Note VI(7).

Since the investments accounted for using equity method involves domestic and overseas investments at various levels with cross-holdings, it is considered to be a relatively complicated calculation. In addition, since the amount is significant and requires greater manpower to perform the audit, we are of the opinion that the accuracy of the investment balance under equity method shall be listed as one of the most important matters for the audit of the present year.

Corresponding Audit Procedures

We summarize the audit procedures executed for the aforementioned key audit matters as follows:

1. We assessed the consistency of the internal control and the accounting process adopted by the management on the investments under equity method.
2. We obtained the investment profit/loss and equity account calculation form and the annual financial statements of investees audited by independent auditors from the management re-calculated the investment profit/loss and equity account amounts, and entered into account appropriately.

Assessment on Investment Balance Under Equity Method

For the accounting policy related to investments under equity method, please refer to Unconsolidated Financial Statements Note IV (13). For the explanation on the accounts, please refer to Unconsolidated Financial Statements Note VI(7).

On December 31, 2019, the Company adopted the equity method to assess its subsidiary, Ruentex Engineering & Construction Co., Ltd. (hereinafter referred to as “Ruentex Engineering & Construction”). Under the consideration of comprehensive shareholding, since the investment balance under equity for Ruentex Engineering & Construction and the investment gain Ruentex Engineering & Construction in 2019 have significant impacts on the

financial statements of the Company, we listed the key audit matters of Ruentex Engineering & Construction - assessment on Ruentex Engineering & Construction of construction income - construction completion progress and accuracy of time for Ruentex Engineering & Construction of construction cost as the key audit matters. The key audit matters of REC are respectively described in the following:

Accuracy of Time for Recognition of Construction Cost

Description of Key Audit Matters

The construction cost of each construction project of Ruentex Engineering & Construction already incurred at the end of financial report period was estimated and Ruentex Engineering & Construction according to the construction progress and the acceptance result. Such process of construction cost Ruentex Engineering & Construction often involves whether each project construction personnel performs the acceptance and pricing operation according to the actual construction result, and difference in the time for Ruentex Engineering & Construction the construction cost due to failure to perform such works properly can have significant impact on the presentation of financial statements. Consequently, during the Ruentex Engineering & Construction of construction cost, we considered and listed the accuracy of time for Ruentex Engineering & Construction of construction cost as one of the key audit matters.

Corresponding Audit Procedures

We summarize the audit procedures executed for the aforementioned key audit matters as follows:

1. We conducted understanding and tested on the process adopted by the management in the recognition of construction cost to verify that it had been performed according to the internal control operation of the Company, including that the construction personnel had performed acceptance according to the construction result and had submitted to the accounting department to perform account entry after the confirmation of the responsible supervisors.
2. We performed the cut-off test on the construction cost incurred for a certain period before and after the end of the financial report period, including the verifying the acceptance record, verifying the accuracy of the calculation of construction pricing, confirming that the construction cost incurred had been recorded at the appropriate period.

Accuracy of the Recognition of Construction Incomes

Description of Key Audit Matters

The Ruentex Engineering & Construction of construction income of Ruentex Engineering & Construction was calculated based on the percentage of completion method and according to the completion progress during the construction contract period. The construction progress was calculated based on the percentage of the cost incurred for each construction contract up to the end of the financial report period over the expected total cost for such construction contract. The aforementioned estimation of the expected total cost was provided by Ruentex Engineering & Construction based on its estimation on various construction costs required for contracting works and material/labor expenses etc. according to the quantitative units of building structural drawings etc. of owners along with the fluctuation of the Current market price at that time.

Since the estimation of construction total cost can affect the recognition of construction completion progress and the construction income, and since the construction total cost items are complicated and often involving high degree of estimation, such that it can cause major uncertainty. Consequently, we've considered the accuracy of the recognition of construction income as one of the key matters in this year's audit.

Corresponding Audit Procedures

For the abovementioned key audit matters, except for the accuracy of the recognition of construction cost, other preformed audit procedures are summarized as the following:

1. Based on our understanding of the business operation and nature of industry of Ruentex Engineering & Construction, we assessed the internal operation procedures used in the estimation of construction total cost, including the quantitative unit of building structural drawings of owners in order to determine the procedures for each construction cost (contracting works and material/labor expense) and the consistency of the estimation method.
2. We assessed and tested the internal control procedures adopted by the management to recognize the construction income according to the construction completion progress, including verifying the evidence documents for the additional/reduction of construction works and major pricing constructions in the Current period.
3. Re-check the percentage of the completion of each construction, and review the accuracy of the recognition of the related construction incomes and if they have been accounted for.

4. We performed relevant verification procedures on the construction Income statement at the end of period, including inspecting the number of cost occurrences in the Current period, audited on the evidence documents of additional/reduction constructions, and re-calculated the construction income according to the recognition of construction completion progress, and recorded account appropriately.

Other matter - Reference to audits of other independent accountants

For the investee listed in the aforementioned unconsolidated financial statements under equity method, its financial statements was not audited by our representatives, but was audited by other independent auditors. Accordingly, regarding our opinion on the aforementioned unconsolidated financial statements, relevant amount listed in financial statements of such company was based on the audit report by other independent auditors. As of December 31, 2019 and 2018, the investment balances under equity method for the aforementioned companies were NT\$12,610,411 thousand and NT\$ 7,620,785 thousand respectively, representing 10.64% and 11.62% of the total Assets respectively. For the period of 2019 and January 1 to December 31, 2018 the share of profit of associates under equity method and other comprehensive income of the aforementioned companies were NT\$ 5,556,550 thousand and NT\$ 2,363,845 thousand respectively, representing 10.75% and 8.83% of the compressive income respectively.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may be caused by fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated 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 risk of material misstatement of the unconsolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidences in order to be used as the basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made at the management level.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our audit 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidences for the financial information of individual entity of the Company and provide opinions on its respective unconsolidated financial statements. We handle the guidance, supervision and execution of the audit on the Company and are responsible for preparing the audit opinion for the Company.

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 the governance units with statements that we have complied with relevant matters that may reasonably be thought to bear on our independence, and we have also communicated with the governance units on all relationships and other matters, including relevant protective measure, that may be considered to affect the independence of auditors.

From the matters communicated with those charged with governance, we determine those matters that were of the most significance in the audit of the unconsolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude 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.

PwC Taiwan

Chao-Ming Wang

CPA

Ming-Chuan Hsu

Former Securities Commission of the Ministry of Finance
Approval Certificate No.:(1996) Tai-Cai-Zheng (VI) No.
65945

Financial Supervisory Commission
Approval Certificate No.: Jin-Guan-Zheng-Shen-Zi No.
1050029449

March 30, 2020

Ruentex Development Co., Ltd.
Unconsolidated Balance Sheet
For the Years Ended December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

Assets		Notes	December 31, 2019		December 31, 2018	
			Amount	%	Amount	%
Current Assets						
1100	Cash and cash equivalents	VI (1)	\$ 4,778,248	4	\$ 2,581,300	4
1150	Net Notes Receivable	VI (2)	3,589	-	2,053	-
1170	Net Accounts Receivable	VI (2)	5,510	-	20,331	
1180	Accounts receivable - related parties	VII	1,135	-	-	-
1200	Other receivables		3,225	-	6,592	-
1210	Other Receivables - related party	VII	3,513	-	4,707	-
1220	Current income tax assets		12,579	-	-	-
130X	Inventories	VI (3) and VIII	22,040,418	19	23,332,148	36
1410	Prepayments		96,365	-	74,571	-
1470	Other Current Assets	VI (4) and VIII	419,208	-	262,700	-
11XX	Total Current Assets		27,363,790	23	26,284,402	40
Non-Current Assets						
1517	Financial Assets at fair value through other comprehensive income - non-Current	VI (5) and VIII	2,192,696	2	2,819,599	4
1535	Amortized cost financial Assets - non-Current	VI (6)	60,000	-	60,000	-
1550	Investment accounted for using the equity method	VI (7), VII and VIII	86,617,850	73	29,133,278	45
1600	Real estate, plant and equipment	VI (8)	45,924	-	33,656	-
1755	Right-of-use assets	VI (9)	21,349	-	-	-
1760	Net Value of Investment Real Estate	VI (10) and VIII	1,981,227	2	1,960,861	3
1840	Deferred tax Assets	VI (27)	106,430	-	213,379	-
1900	Other non-Current Assets	VI (11) and VIII	156,631	-	5,104,119	8
15XX	Total Non-Current Assets		91,182,107	77	39,324,892	60
1XXX	Total Assets		\$ 118,545,897	100	\$ 65,609,294	100

(Continued)

Ruentex Development Co., Ltd.
Unconsolidated Balance Sheet
For the Years Ended December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			Amount	%	Amount	%
Current Liabilities						
2100	Short-term borrowings	VI (12) and VIII	\$ 2,790,000	2	\$ 710,000	1
2110	Short-term notes and bills payable	VI (13) and VIII	2,228,457	2	179,958	-
2130	Contract liabilities - Current	VI (20) and VII	483,953	1	384,280	1
2150	Notes payable		53,591	-	42,645	-
2160	Notes payable - related party	VII	211,658	-	6,178	-
2170	Accounts payable		132,518	-	192,192	-
2180	Accounts payable - related party	VII	279,639	-	342,501	1
2200	Other payables	VII	316,320	-	325,108	1
2230	Income tax liabilities of current period		-	-	649,077	1
2280	Lease liabilities - Current	VI (9)	16,233	-	-	-
2300	Other Current liabilities	VI (14) and VIII	7,829,981	7	6,834,955	10
21XX	Total Current Liabilities		14,342,350	12	9,666,894	15
Non-current liabilities						
2540	Long-term borrowings	VI (14) and VIII	20,689,330	18	22,660,565	34
2570	Deferred income tax liabilities	VI (27)	1,558,069	1	1,341,451	2
2580	Lease liabilities - Non-current	VI (9)	5,247	-	-	-
2600	Other non-Current liabilities	VI (15)	1,058,084	1	1,044,051	2
25XX	Total Non-Current Liabilities		23,310,730	20	25,046,067	38
2XXX	Total Liabilities		37,653,080	32	34,712,961	53
Equity						
Capital		VI (16)				
3110	Share capital		10,032,540	8	10,032,540	15
Capital surplus		VI (17)				
3200	Capital surplus		18,136,402	16	18,013,510	27
Retained earnings		VI (18)				
3310	Legal reserve		3,816,407	3	4,829,705	7
3320	Special reserve		29,523,666	25	17,450,088	27
3350	Unappropriated earnings		6,561,429	5	13,066,788	20
Other equity		VI (19)				
3400	Other equity		12,907,012	11	(32,411,659)	(49)
3500	Treasury Stock	VI (7) (16)	(84,639)	-	(84,639)	-
3XXX	Total Equity		80,892,817	68	30,896,333	47
Significant contingent liabilities and unrecognized contractual commitments		IX				
Significant Subsequent Events		XI				
3X2X	Total Liabilities and Equity		\$ 118,545,897	100	\$ 65,609,294	100

The accompanying notes are an integral part of the unconsolidated financial statements. Please review altogether.

Chairman: Tsang-Jiunn Jean

Manager: Chih-Hung Lee

Accounting Manager: Chin-Szu Lin

Ruentex Development Co., Ltd.
Unconsolidated Statements of Comprehensive Income
December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands
(Except Earnings Per Share in New Taiwan Dollars)

	Item	Notes	Year 2019		Year 2018	
			Amount	%	Amount	%
4000	Operating Revenue	VI(20) and VII	\$ 5,507,432	100	\$ 5,834,768	100
5000	Operating Costs	VI(3)(21)(25)(26) and VII	(4,246,396)	(77)	(4,333,022)	(75)
5900	Gross profit		1,261,036	23	1,501,746	25
5910	Unrealized incomes from sales		(2,842)	-	-	-
5950	Gross Profit		1,258,194	23	1,501,746	25
	Operating Expenses	VI (15)(25)(26) and VII				
6100	Selling and marketing expenses		(588,590)	(11)	(602,532)	(10)
6200	Administrative expense		(242,107)	(4)	(225,738)	(4)
6450	Expected credit impairment incomes (losses)	VI(25)	114	-	(262)	-
6000	Total Operating Expenses		(830,583)	(15)	(828,532)	(14)
6900	Operating Profit		427,611	8	673,214	11
	Non-operating Income and Expenses					
7010	Other income	VI (6) (22) and VII	98,658	2	199,430	3
7020	Other gains and losses	VI (23)	(95,962)	(2)	258,179	4
7050	Finance costs	VI (9) (24)	(213,079)	(4)	(196,068)	(3)
7070	Share of other comprehensive gains and losses of subsidiaries, affiliates and joint ventures recognized using the Equity method	VI (7)				
			9,018,363	164	10,536,970	181
7000	Total Non-operating Income and Expenses		8,807,980	160	10,798,511	185
7900	Net income before tax		9,235,591	168	11,471,725	196
7950	Income tax expense	VI (27)	(167,639)	(3)	(1,539,631)	(26)
8000	Net profit for the period of the continued business unit		9,067,952	165	9,932,094	170
8200	Net income of current period		\$ 9,067,952	165	\$ 9,932,094	170
	Other Comprehensive Income (Loss)					
	Items may not be reclassified subsequently to profit or loss:					
8311	Remeasurements of defined benefit plans	VI (15)	\$ 6,244	-	\$ 3,845	-
8316	Unrealized equity instrument profit or loss measured at fair value through other comprehensive income	VI (5)	(637,971)	(12)	(337,490)	(6)
8330	Share of other comprehensive income of subsidiaries, associates & joint ventures accounted for using equity method - items not to be reclassified into profit or loss	VI (18)				
			(49,542)	(1)	(89,813)	(1)
8349	Income tax related to items not to be reclassified into profit or loss	VI (27)	37,457	1	17,702	-
8310	Total of items not to be reclassified into profit or loss		(643,812)	(12)	(405,756)	(7)
	Items may be reclassified subsequently to profit or loss					
8361	Exchange differences on translating foreign operations		(165,159)	(3)	218,071	4
8380	Share of other comprehensive income of subsidiaries, associates & joint ventures accounted for using equity method - items likely to be reclassified into profit or loss	VI(19)				
			43,756,726	795	(36,544,381)	(626)
8399	Income tax related to items may be reclassified into profit or loss	VI(19)(27)	(309,682)	(6)	28,596	-
8360	Total of items may be reclassified subsequently to profit or loss		43,281,885	786	(36,297,714)	(622)
8300	Other Comprehensive Income (net)		\$ 42,638,073	774	\$ 36,703,470	(629)
8500	Total Comprehensive Income of current period		\$ 51,706,025	939	\$ 26,771,376	(459)
	Earnings Per Share	VI(28)				
9750	Basic earnings per share		\$ 9.35		\$ 7.22	
9850	Diluted earnings per share		\$ 9.34		\$ 7.22	

The accompanying notes are an integral part of the unconsolidated financial statements. Please review altogether.

Chairman: Tsang-Jiunn Jean

Manager: Chih-Hung Lee

Accounting Manager: Chin-Szu Lin

Ruentex Development Co., Ltd.
Unconsolidated Statement of Changes in Equity
December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

				Retained earnings					
	Notes	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Other equity	Treasury Stock	Total Equity
Year 2018									
Balance on January 1, 2018		\$ 16,720,900	\$ 17,986,504	\$ 3,719,263	\$ 17,447,134	\$ 11,104,418	(\$ 18,396,258)	(\$ 105,200)	\$ 48,476,761
Effect of retrospective application and retrospective restatement		-	-	-	-	(193,654)	19,369,575	-	19,175,921
January 1, 2018 Restated balance		<u>16,720,900</u>	<u>17,986,504</u>	<u>3,719,263</u>	<u>17,447,134</u>	<u>10,910,764</u>	<u>973,317</u>	<u>(105,200)</u>	<u>67,652,682</u>
Net income of current period	VI (18)	-	-	-	-	9,932,094	-	-	9,932,094
Other Comprehensive Income	VI (18) (19)	-	-	-	-	(80,498)	(36,622,972)	-	(36,703,470)
Total Comprehensive Income of current period		-	-	-	-	9,851,596	(36,622,972)	-	(26,771,376)
Cash Reduction	VI (16)	(6,688,360)	-	-	-	-	-	8,552	(6,679,808)
2017 Appropriation and distribution of retained earnings:	VI (18)								
Legal reserve		-	-	1,110,442	-	(1,110,442)	-	-	-
Special reserve		-	-	-	2,954	(2,954)	-	-	-
Cash dividends		-	-	-	-	(3,344,180)	-	-	(3,344,180)
Dividends unclaimed by shareholders with claim period elapsed	VI (17)	-	9,205	-	-	-	-	-	9,205
Changes in associates & joint ventures accounted for using equity method	VI (17)	-	17,801	-	-	-	-	12,009	29,810
Equity instruments valuation profit or loss measured at fair value through disposal of other comprehensive income	VI (18) (19)	-	-	-	-	(3,237,996)	3,237,996	-	-
Balance, December 31, 2018		<u>\$ 10,032,540</u>	<u>\$ 18,013,510</u>	<u>\$ 4,829,705</u>	<u>\$ 17,450,088</u>	<u>\$ 13,066,788</u>	<u>(\$ 32,411,659)</u>	<u>(\$ 84,639)</u>	<u>\$ 30,896,333</u>
Year 2019									
Balance on January 1, 2019		\$ 10,032,540	\$ 18,013,510	\$ 4,829,705	\$ 17,450,088	\$ 13,066,788	(\$ 32,411,659)	(\$ 84,639)	\$ 30,896,333
Current Net Profit (Net Loss)	VI (18)	-	-	-	-	9,067,952	-	-	9,067,952
Other Comprehensive Income	VI (18) (19)	-	-	-	-	(44,119)	42,682,192	-	42,638,073
Total Comprehensive Income of current period		-	-	-	-	9,023,833	42,682,192	-	51,706,025
2018 Appropriation and distribution of retained earnings:	VI (18)								
Legal reserve		-	-	993,210	-	(993,210)	-	-	-
Special reserve		-	-	-	12,073,578	(12,073,578)	-	-	-
Cash dividends from the legal reserve	VI (18)	-	-	(2,006,508)	-	-	-	-	(2,006,508)
Dividends unclaimed by shareholders with claim period elapsed	VI (17)	-	3,409	-	-	-	-	-	3,409
Changes in associates & joint ventures accounted for using equity method	VI (17) (18) (19)	-	122,482	-	-	184,120	(10,045)	-	296,557
Change in ownership interests in subsidiaries	VI (17)	-	9,910	-	-	-	-	-	9,910
Equity instruments valuation profit or loss measured at fair value through disposal of other comprehensive income	VI (5)(18)(19)	-	-	-	-	(2,646,524)	2,646,524	-	-
Changes in the Reorganization	VI (17)	-	(12,909)	-	-	-	-	-	(12,909)
Balance on December 31, 2019		<u>\$ 10,032,540</u>	<u>\$ 18,136,402</u>	<u>\$ 3,816,407</u>	<u>\$ 29,523,666</u>	<u>\$ 6,561,429</u>	<u>\$ 12,907,012</u>	<u>(\$ 84,639)</u>	<u>\$ 80,892,817</u>

The accompanying notes are an integral part of the unconsolidated financial statements. Please review altogether.

Chairman: Tsang-Jiunn Jean

Manager: Chih-Hung Lee

Accounting Manager: Chin-Szu Lin

Ruentex Development Co., Ltd.
Unconsolidated Statements of Cash Flows
December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

	Notes	January 1 to December 31, 2019	January 1 to December 31, 2018
<u>Cash Flows from Operating Activities</u>			
Income before income tax of current period		\$ 9,235,591	\$ 11,471,725
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Income and expense items			
Unrealized incomes among affiliates		20,709	-
Depreciation expense	VI(25)	57,837	36,023
Expected credit impairment (incomes) losses	VI(25)	(114)	262
Interest Cost	VI (24)	213,079	196,068
Interest income	VI (22)	(71,281)	(159,087)
Dividend income	VI (22)	(13,252)	(11,671)
Share of profit of associates accounted for using equity method	VI (7)	(9,018,363)	(10,536,970)
Gains on disposals of real estate, plant and equipment	VI (23)	(9)	(11)
Change in operating assets/liabilities			
Net change in operating assets			
Notes receivable		(1,536)	91,410
Accounts receivable		14,935	(7,799)
Accounts receivable - related party		(1,135)	-
Other receivables		3,512	63,339
Other receivables - related Party		1,194	6,764
Inventories		1,491,167	449,601
Prepayments		(21,794)	170,873
Other Current Assets		(3,747)	57,121
Net change in operating liabilities			
Contractual Liabilities - Current		99,673	118,811
Notes payable		10,946	4,479
Notes payable - related party		205,480	(68,943)
Accounts payable		(59,674)	(57,254)
Accounts payable - related party		(62,862)	18,430
Other payables		8,595	8,696
Other Current liabilities		(4,974)	(5,572)
Other non-Current liabilities		(1,260)	(605)
Cash flow in from operating		2,102,717	1,845,690
Interest received		71,147	159,087
Interest payment		(418,463)	(367,784)
Dividends received		1,040,924	1,134,719
Income tax paid		(806,814)	(2,128,237)
Cash inflow from operating activities		1,989,511	643,475

(Continued)

Ruentex Development Co., Ltd.
Unconsolidated Statements of Cash Flows
December 31, 2019 and 2018

Unit: New Taiwan Dollars in Thousands

	Notes	January 1 to December 31, 2019	January 1 to December 31, 2018
<u>Cash flow from investing activities</u>			
Refunded settled share capital from subsidiaries	VI (7)	\$ 3,276,244	\$ -
Investment accounted for under the equity method	VI (7)	(578,962)	(87,500)
Proceeds from capital reduction of investments under equity method	VI (7)	195,429	811,412
Investment in real estate properties, plants, and equipment	VI (8)	(24,574)	(4,169)
Proceeds from disposal of real estate, plant and equipment	VI (8)	9	137
Investment real estate acquired	VI(10)	(49,905)	(4,490)
Decrease (increase) in refundable deposits		(200,649)	105,318
Acquisition of financial Assets at fair value through other comprehensive income acquired - non-Current		(11,068)	-
Increase in other non-Current Assets		(382)	(254)
Net cash flow in from investing activities		<u>2,606,142</u>	<u>820,454</u>
<u>Cash Flows from Financing Activities</u>	VI(31)		
Net increase (decrease) in short-term borrowings		2,080,000	(11,930,000)
Net increase (decrease) in short-term notes and bills payable		2,050,000	(5,299,000)
Proceeds from long-term borrowings		20,234,993	26,333,475
Repayments of long-term borrowings		(21,212,581)	(9,113,673)
Increase in guarantee deposits		21,537	20,546
Repayments to the lease principal	VI (9)	(15,872)	-
Issuance of cash dividends	VI (18)	(2,006,508)	(3,344,180)
Subsidiary equity acquired	VI (7)	(3,550,274)	(329,000)
Cash Reduction	VI (16)	<u>-</u>	<u>(6,688,360)</u>
Cash used in financing activities		(2,398,705)	(10,350,192)
Net increase (decrease) in cash and cash equivalents		2,196,948	(8,886,263)
Cash and cash equivalents at beginning of period	VI (1)	<u>2,581,300</u>	<u>11,467,563</u>
Cash and cash equivalents at end of period	VI (1)	<u>\$ 4,778,248</u>	<u>\$ 2,581,300</u>

The accompanying notes are an integral part of the unconsolidated financial statements. Please review altogether.

Chairman: Tsang-Jiunn Jean

Manager: Chih-Hung Lee

Accounting Manager: Chin-Szu Lin

Ruentex Development Co., Ltd.
Notes to Financial Statements
Year 2019 and 2018

Unit: New Taiwan Dollars in Thousands
(Unless Stated Otherwise)

I. Company History

Ruentex Development Co., Ltd. (hereinafter referred to as the “Company”), was incorporated in September 1977 under the laws of Republic of China (ROC) and formerly known as “Ruentex Construction Co., Ltd.”. The Company was authorized to trade its stocks on the Taiwan Stock Exchange since April 30, 1992. On July 2, 2002, the Company changed its name to “Ruentex Development Co., Ltd.” under the approval of the competent authority. The Company primarily operates the businesses of contracted construction of congregate housings and lease/sale of commercial buildings, purchase and sale of building materials as well as department store business and super market business.

II. Date and Procedure for Approval of Financial Statements

The unconsolidated financial statements were authorized for issuance by the Company’s board of directors on March 30, 2020.

III. Application of New, Amended and Revised Standards and Interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

<u>New and revised standards, amendments to standards, and interpretations</u>	<u>Effective date published by the International Accounting Standards Board(IASB)</u>
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
IFRS 16, “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
2015-2017 annual improvements cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and operating result based on the Company’s assessment:

IFRS 16, “Leases”

1. IFRS 16, “Leases,” replaces IAS 17, “Leases” and related interpretations and SICs. The standard requires lessees to recognize a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value Assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

2. When applying the 2019 version of IFRSs recognized by FSC, the Company recognized the leases in which it is a lessee in accordance with the IFRS 16, without restating the financial statements of the prior reporting period (the “modified retrospective approach”), and thus the right-of-use assets and lease liabilities were added from January 1, 2019 for NT\$37,297.
3. The Company took the following practical expedients at initial adoption of IFRS 16.
 - (1) Without re-assessing whether the contracts are, or contain leases, the contracts identified as leases pursuant to the applied IFRS 17 or IFRIC 4 are treated with IFRS 16.
 - (2) A single discount rate is applied to the lease mix with reasonably similar characteristics.
 - (3) The leases terminated before December 31, 2019 due to expiry, are treated as short-term leases; these contracts are recognized lease expenses of NT\$ 88,073 for Year 2019.
 - (4) The original direct costs are not accounted for the evaluation of right-of-use assets.
 - (5) When assessing execution of option to extend leases or non-execution of option to terminate leases, the determinations are based on hindsight.
4. When calculating the current value of the lease liabilities, the incremental lending rate, whose average weighted Interest rate range is 1.22%.
5. The amount of operating lease commitment disclosed pursuant to IFRS 17, the reconciliations between the current value at the incremental lending rate at the initial adoption day and the recognized lease liabilities on January 1, 2019 are as the following:

The operating lease commitment disclosed pursuant to IFRS 17 on December 31, 2019	\$	129,018
Less: exemptions under short-term leases.	(	91,207)
The total amount of lease contract to be recognized as lease liabilities pursuant to IFRS on January 1, 2019	\$	<u>37,811</u>
The Group’s incremental lending rate range at the initial adoption day		1.22%
The total amount of lease contract recognized as lease liabilities on January 1, 2019	\$	37,297

(II) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by FSC

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

<u>New and revised standards, amendments to standards and interpretations</u>	<u>Effective date published by the International Accounting Standards Board(IASB)</u>
Amendments to IAS 1 and IAS 8 “Disclosure Initiative - Definition of Material”	January 1, 2020
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7 on “Interest Rate Benchmark Reform”	January 1, 2020

The above standards and interpretations have no significant impact to the Company’s financial condition and operating result based on the Company’s assessment.

(III) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

	<u>Effective date published by the International Accounting Standards Board (IASB)</u>
<u>New and revised standards, amendments to standards and interpretations</u>	<u>Standards Board (IASB)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by the International Accounting Standards Board (IASB)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Except for the following whose related impacted amounts will be disclosed upon the completion of evaluation, the above standards and interpretations have no significant impact on the Company’s financial position and financial performance based on the Company’s assessment.

IFRS 17 “Insurance Contracts”

IFRS 17 “Insurance Contracts” replace IFRS 4, and establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. The standard applies to the insurance contracts, including reinsurance contracts, issued by an entity, reinsurance contracts it holds, and investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts. Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts. At the original recognition, an entity shall divide a portfolio of insurance contracts issued to three groups: a group of contracts that are onerous at initial recognition, a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, and a group of the remaining contracts in the portfolio. IFRS 17 requires present value measurement model, and remeasurement to such estimates at each reporting period. The measurement is based on the cash flow, risk-adjustment, and the element representing the unearned profit (contractual service margins) after discounting and probability-weighting the contracts. An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. Recognizes the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately. An entity shall recognize and report the insurance revenue, insurance service expenses, and insurance finance income or expenses separately, and disclose the amount, judgement, and risk related information from the insurance contracts.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance statement

The unconsolidated financial statements were prepared in accordance with the ‘Regulations Governing the Preparation of Financial Reports by Securities Issuers’.

(II) Basis of preparation

1. Except for the following items, these unconsolidated financial statements have been prepared under the historical cost convention:
 - (1) Financial assets at fair value through other comprehensive income.
 - (2) Defined benefit liabilities recognized based on the net amount of pension fund Assets less present value of defined benefit obligation.
2. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unconsolidated financial statements are disclosed in Note V.

(III) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The unconsolidated financial statements are presented in “NT dollars”, which is the Company’s functional currency.

1. Foreign currency translation and balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary Assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary Assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary Assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date. Their translation differences are recognized in other comprehensive income. However, non-monetary Assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (4) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

2. Translation of foreign operations

- (1) The operating results and financial position of all the subsidiaries and associates that

have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - C. All resulting exchange differences are recognized in other comprehensive income.
- (2) When the foreign operation partially disposed of or sold is an associate cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred into part of the gain or loss on the sale or disposal thereof. In addition, even when the Company still retains partial interest in the former associate after losing its major influence on the former foreign operation associate such transactions should be accounted for as disposal of all interest in the foreign operation.
- (3) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(IV) Classification of Current and non-Current items

1. Assets that meet one of the following criteria are classified as Current Assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) Assets held mainly for trading purposes;
- (3) Assets that are expected to be realized within 12 months from the balance sheet date;
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.

Assets that do not meet the above criteria are classified as non-Current Assets.

2. Liabilities that meet one of the following criteria are classified as Current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle;
- (2) Assets held mainly for trading purposes;
- (3) Liabilities that are to be settled within 12 months from the balance sheet date;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities that do not meet the above criteria are classified as non-Current liabilities.

3. Since the operating cycle of building and housing sale is longer than one year, the Assets and liabilities related to construction and long-term construction contracts are classified into current and non-current according to the standard of the operating cycle.

(V) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(VI) Financial Assets at fair value through other comprehensive income acquired

1. It refers to an irrevocable choice made during the initial recognition, and the fair value change of the equity tool investment not held for trading is listed in the other comprehensive income.
2. On a regular way purchase or sale basis, financial Assets at fair value through comprehensive income are recognized and derecognized using settlement date accounting.
3. The Company initially recognized the financial Assets at fair value through profit or loss are initially recognized at fair value, and subsequently, they were measured and stated at fair value:

The fair value change of equity tool is recognized under the other comprehensive income, and during the derecognition, the cumulative profit or loss previously recognized under the other comprehensive income should not be re-categorized into income, but should be listed under the retained earnings. When the right for dividend receipts is confirmed, the economic benefit related to the dividend may be received as income, and when the dividend amount can be reliably measured, the Company then recognizes it as dividend income.

(VII) Financial Assets at amortized cost

1. Refer to financial Assets satisfying the following criteria at the same time:
 - (1) Financial Assets held under the operating model for the purpose of receiving contractual cash flows.
 - (2) Where contract terms of such financial Assets generated cash flow of specific date, and it is completely for the payment of the interest of principle and external circulating principle amount.
2. On a regular way purchase or sale basis, the Company recognizes or derecognizes financial Assets at amortized cost by using settlement date accounting.
3. During the initial recognition the Company calculated the transaction cost measurement at fair value, and subsequently adopted the effective interest rate method to recognize the interest income according to the amortization procedure during the circulation period, and to recognize the impairment loss. In addition, during the derecognition, the gain or loss was recognized in the income or loss.

(VIII) Notes and accounts receivable

1. Refer to accounts and notes to be received due to transfer of commodities or labors already performed unconditionally in exchange for the right for consideration amount according to the contract terms.
2. However, short-term notes and accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(IX) Impairment of financial Assets

The Company assesses the financial Assets at amortized cost at each balance sheet date, and after considering all reasonable and evidentiary information (including prospective information), measure the loss allowance according to the 12-month expected credit loss for

the financial Assets without significant increase of credit risk after the initial recognition. For the financial Assets with credit risk already increased significantly after the initial recognition, loss allowance is measured according to the expected credit loss amount during the existence period. For the accounts receivable or contract Assets without material financial composition, the loss allowance is measured according to the expected credit loss during the existence period.

(X) Derecognition of financial Assets

The Company derecognizes a financial asset when one of the following conditions is met:

1. The contractual rights to receive the cash flows from the financial asset expire.
2. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
3. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(XI) Lease transactions of lessor - rent payments receivable /operating lease

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(XII) Inventories

The perpetual inventory system is adopted. The acquisition cost is used as the basis for account entry, and relevant interest during the construction period (at construction site) is capitalized, and the carry down of cost is calculated by using the weighted average method. The ending inventories are stated at the lower of cost and net realizable value. In addition, the item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(XIII) Investments accounted for using equity method / subsidiaries, associates and joint ventures

1. Subsidiaries are all entities (including structural entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
4. Changes in the Company's ownership interest in a subsidiary that do not result in the Company's losing control (and non-controlling equity transaction) of the subsidiary are equity transactions, and it is also considered as a transaction between owners. The Company recognizes directly in equity any difference between the adjusted amount of non-controlling equity and the fair value of the consideration paid or received.
5. When the Company loses its control on a subsidiary, the remaining investment on the former subsidiary is remeasured at fair value and is used as the fair value for the initial recognition of financial Assets or the cost for initial recognition of investment in an associate. The difference between the fair value and the carrying amount is recognized as the profit or loss of the Current period. For all of the amounts related to the subsidiary previously recognized in other comprehensive income, if its accounting handling basis is identical to the disposal of relevant Assets or liabilities directly, i.e. such as the profit or loss recognized in the other comprehensive income it is re-classified as profit or loss during the disposal of relevant Assets or liabilities, then when the Company loses its control on the subsidiary, such profit or loss shall be re-classified as profit or loss from equity.
6. An associate is an entity over which the Company has significant influence but without control power, and it generally refers to an entity that the Company directly or indirectly holds more than 20% of shares of voting rights. The Company uses the equity method to account for its investments in associates, and costs are recognized during the acquisition thereof.
7. The Company's share of its associate's post-acquisition profits or losses are recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any other unsecured accounts receivable), the Company discontinues recognizing its share of further losses; unless that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

8. When the an associate is subject to equity change not for profit or loss or other comprehensive income and when the shareholding percentage on the associate is not affected, the Company then recognizes the equity change under the share of the associate for the Company as the “capital reserve” according to the shareholding percentage.
9. The unrealized profit or loss generated from the transactions between the Company and an associate has been eliminated according to the equity ratio of the associate. Unless there is evidence indicating that the asset transferred in such transaction has impairment, the unrealized loss is also eliminated. The accounting policies of the associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
10. When an associate issues new shares, if the Company does not subscribe or acquire according to such ratio such that there is a change in the investment ratio and still causing significant impact, then “capital reserve” and “investment accounted for using equity method” are adjusted for the increase/decrease of the change of net value of the equity. If it causes the investment ratio to decrease, in addition to the aforementioned adjustment, for the profit or loss related to the decrease of the ownership equity and previously recognized in the other comprehensive income, and such profit or loss requires to be reclassified into profit or loss during the disposal of relevant Assets or liabilities, it is reclassified into profit or loss according to the ratio of decrease.
11. When the Company loses its significant influence on an associate, the remaining investment on the former associate is remeasured at fair value, and the difference between the fair value and the carrying amount is recognized as the profit or loss of the Current period.
12. When the Company disposes an associate, if the Company loses its significant influence on the associate, then for all of the amounts related to the associate previously recognized in other comprehensive income, if its accounting handling basis is identical to the disposal of relevant Assets or liabilities directly, i.e. such as the profit or loss recognized in the other comprehensive income, it is re-classified as profit or loss during the disposal of relevant Assets or liabilities, then when the Company loses its significant influence on the associate, such profit or loss shall be re-classified as profit or loss from equity. If the Company still has significant influence on the associate, then the amount previously recognized in the other comprehensive income is transferred out proportionally according to the aforementioned method.
13. When the Company disposes an associate, if it loses its significant influence on the associate, the capital reserve related to the associate is recognized as profit or loss. If it shall have significant influence on the associate, then it is recognized as profit or loss according to the disposal ratio.
14. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, profit (loss) of the Current period and other comprehensive income in the unconsolidated financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the unconsolidated financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statement.

(XIV) Real estate, plant and equipment

1. Real estate, plant and equipment are initially recorded at cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other real estate, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of real estate, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the Assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the Assets' future economic benefits embodied in the Assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	2 years ~ 11 years
Warehouse equipment	3 years ~ 8 years
Transportation equipment	2 years ~ 6 years
Office equipment	2 years ~ 6 years
Other equipment	2 years ~ 11 years

(XV) Lessees' lease transactions - right-of-use assets/lease liabilities

Adoption in Year 2019

1. The lease assets are recognized as the right-of-use assets and lease liabilities on the date availed to the Company. If the lease contracts are short-term lease or low-value underlying asset lease, the lease payments are recognized as expenses during the lease terms with the straight line method.
2. From the starting date of lease, the lease liabilities are recognized at the current values of the unpaid lease payments discounted with the Company's incremental lending rate; the lease payments include the fixed payments deducting the receivable lease incentives, and the variable lease payments depending on certain index or rate. Subsequently, they are measured at the amortized costs based on the interest method, and recognized as the interest expenses during the lease terms. Shall the lease terms or lease payments change due to the non-contractual modifications, the lease liabilities will be measured again, and the re-measurements will be used to adjust the right-of-use assets.
3. The right-of-use assets are recognized as the costs on the starting date of leases. The costs include the original measured amount of the lease liabilities, and the lease payment on or before the starting date, if any. Subsequently, they are measured at the costs; the depreciation expenses are recognized at the end of useful lives, or the expiry of the lease terms, whichever is earlier. Shall the lease liabilities be reassessed, the right-of-use assets will adjust any re-measurement of the lease liabilities.

(XVI) Investment Real Estate

An investment real estate is stated initially at its cost and measured subsequently using the cost model. Except for land, investment real estate is depreciated on a straight-line basis over its estimated useful life of 3~60 years.

(XVII) Impairment of non-financial Assets

The Company assesses at each balance sheet date the recoverable amounts of those Assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(XVIII) Loans

Refer to long-term, short-term borrowings from banks and other long-term, short-term loans. During the initial recognition, the Company measures according to the fair value with deduction of transaction cost. Subsequently, for any difference between the amount after the deduction of transaction cost and the redemption value, the effective interest method is adopted to recognize the interest expense in the profit or loss according to amortized procedure during the circulation period.

(XIX) Notes and accounts payable

1. Notes and accounts payable refer to debts occurred due to goods or services that have

been acquired in the course of business and occurred due to non-operating activities.

2. For short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(XX) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged, canceled or expired.

(XXI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2. Pensions

(1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plans

A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in Current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan Assets, together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

B. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Past service costs are recognized immediately in profit or loss.

3. Employees' compensation, directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXII) Income tax

1. The income tax expense for the period comprises Current and deferred tax. Income tax is

recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The Current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. The management assesses the status of income tax declaration according to relevant applicable income tax laws, and shall pay the income tax liability estimated to the taxation agency according to the expectation under applicable status. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings in a shareholders' meeting of the following year.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of Assets and liabilities and their carrying amounts in the parent only balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination (excluding corporate individual entity) that at the time of the transaction affects neither accounting nor taxable profit (loss). Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates or laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax Assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax Assets are reassessed.
5. Current income tax Assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax Assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset Current tax Assets against Current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
6. Since the part without the income tax credit carried forward generated due to the equity investment may be very likely to be within the scope without the use of income tax credit when it is taxed in the future, consequently, it is recognized as the deferred income tax asset.

(XXIII) Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(XXIV) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(XXV) Income

1. Land development and sale

- (1) The Company operates the business of land development and sales of housing, and income is recognized when the control of real estate is transferred to customers. For the housing sales contract already signed, based on the restriction of contract terms, such real estate serves no other purposes to the Company; however, when the statutory ownership of the real estate is transfer to customer, the Company then has the executable right on the contract terms. Consequently, income is recognized at the time when the statutory ownership is transferred to the customer.
- (2) Income is measured based on the contract negotiated amount, and the contract price is paid when the statutory ownership of the real estate is transferred. Under extremely rare cases, the Company and customers engaged in negotiation for the deferred time of payment; however, the deferred repayment periods were all less than 12 months. Therefore, it is determined that there is no major financial composition in the contract, such that the consideration amount is not adjusted.

2. Sale of goods

- (1) The Company operates the business related to department store purchase and sale, as well as the business of super market. The income from sale of goods is recognized when the control of goods is transferred to customers, i.e. when the goods are delivered to customer. In addition, the Company has no unfulfilled obligations that may affect customer from accepting the goods. When goods are transported to the designated location, the obsolete and impairment risks have been transferred to the customer, and customer also accepts goods according to the sales contract, or when there is objective evidence proofing that all acceptable standards have been satisfied, which occurs when the goods is delivered to the customer.
- (2) The Company operates the customer premium plan for retail customers, and provides the customer reward points during the transactions. When customers exchange for the reward points, they have the right to obtain additional goods at discounted price or exchange for free of payment. The reward point is an important right that cannot be obtained if a customer has not made any initial transaction; therefore, the reward point provided to customers is a single contract performance obligation. The transaction price is appropriated to the goods and reward point based on the relative independent sales price. The independent sales price of reward point is estimated according to the discount obtained by the customer and the possibility of exchange of points based on the past experience.
- (3) Accounts receivable is recognized when goods are delivered to customers since starting from such time of delivery, the Company has the unconditional right on the contract price, and the Company can receive the consideration from the customer after time has passed.
- (4) Financial component
Since the period from the time when contracts are signed between the Company and customers, the goods or services are promised to be transferred to customers to the time when the payments are made by customers have not exceeded one year,

consequently, the Company has not adjusted the transaction price to reflect the currency time value.

3. Income from lease

Income is recognized in profit or loss on a straight-line basis over the lease term.

4. Costs to obtain clients' contracts

For the incremental costs incurred to obtain clients' contracts (mainly sales commission), the expected recoverable parts are recognized as asset when incur (listed as other current assets), and amortized based on the systematic basis consistent to the transfer of the products or services related to the concern assets. Subsequently, if the expected receivable consideration becomes lower than the carrying amount recognized in the Assets after deducting the costs not recognized as expenses, the excessive amount to the carrying amount in the Assets is recognized as the impairment loss.

V. Significant Accounting Judgments, Estimations, Assumptions, and Key Sources of Assumption Uncertainty

The preparation of these unconsolidated financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The critical accounting judgments, estimates and key sources of assumption uncertainty is addressed as follows:

(I) Significant Accounting judgments in applying the Company accounting policies

Investment Real Estate

When the purpose of the real estate held by the Company is to gain rent or capital increase, such real estate are classified under the investment Assets.

(II) Significant accounting estimates and assumptions

Financial assets at fair value through other comprehensive income - the shares of unlisted companies measured at fair value.

The Company's investments in securities of other unlisted companies at fair value through other comprehensive income, the fair values are measured with reference to the valuation of comparable companies, company technology development, market condition and other economic indicators. Any change of determination and estimation can affect the measurement at fair value. For explanation of financial tool at fair value, please refer to Note XII(3).

At December 31, 2019, the carrying amount of the Company's investments in securities of other unlisted companies at fair value through other comprehensive income was NT\$543,712.

VI. Details of Significant Accounts

(I) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 4,982	\$ 9,068
Checking deposits and demand deposits	60,233	103,552
Time deposits	2,369,098	2,373,667
Cash equivalents - Bonds under repurchase agreements	<u>2,343,935</u>	<u>95,013</u>
	<u>\$ 4,778,248</u>	<u>\$ 2,581,300</u>

1. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. The Company has no cash and cash equivalents pledged to others.

(II) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	<u>\$ 3,589</u>	<u>\$ 2,053</u>
Accounts receivable	\$ 5,680	\$ 20,615
Less: Allowance for loss	<u>(170)</u>	<u>(284)</u>
	<u>\$ 5,510</u>	<u>\$ 20,331</u>

1. The aging of notes and accounts receivables was as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not overdue	\$ 5,441	\$ 3,589	\$ 20,104	\$ 2,053
Overdue				
91 days and more	<u>239</u>	<u>-</u>	<u>511</u>	<u>-</u>
	<u>\$ 5,680</u>	<u>\$ 3,589</u>	<u>\$ 20,615</u>	<u>\$ 2,053</u>

The aging analysis was based on past due date.

2. The balances of the receivables and notes receivable as of December 31, 2019 and 2018 were incurred by the clients' contracts; also as of January 1, 2018, the balances of the notes receivable and receivables were NT\$93,463 and NT\$12,816, respectively.
3. The Company's maximum exposure to credit risk, before consideration of associated collateral held and other credit enhancements, were NT\$3,589 and NT\$2,053 for notes receivable, as of December 31, 2019 and 2018, respectively; the accounts receivable were NT\$5,510 and \$20,331 as of December 31, 2019 and 2018, respectively.
4. The Company does not hold any collateral as security.
5. For credit risk information related to accounts receivable and notes receivable, please refer to Note XII(2).

(III) Inventories

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Construction business department:		
Real property for sale (including parking space)	\$ 3,342,404	\$ 6,560,418
Property under construction	15,571,198	12,500,229
Construction land	2,341,003	2,354,557
Prepayment for land purchases	1,090,435	2,227,682
Less: Allowance for valuation losses	(420,247)	(420,247)
Subtotal	<u>21,924,793</u>	<u>23,222,639</u>
Hypermarket Business Department:		
Merchandise inventory	118,413	111,435
Less: allowance for obsolescence loss	(2,788)	(1,926)
Subtotal	<u>115,625</u>	<u>109,509</u>
Total	<u>\$ 22,040,418</u>	<u>\$ 23,332,148</u>

1. The cost of inventories recognized as expense for the Current period is as follows:

	<u>2019</u>	<u>2018</u>
Cost of inventories sold	\$ 4,204,051	\$ 4,299,558
loss on physical inventory	11,763	10,457
(Gain from price recovery) Loss from price reduction	862	(1,419)
	<u>\$ 4,216,676</u>	<u>\$ 4,308,596</u>

The net realizable value of the Hypermarket Business Department's inventory of 2019 and 2018 increased and decreased, respectively, and thus the inventories had both loss from price reduction and gain from price recovery.

2. Inventory capitalization amount and interest range:

	<u>2019</u>	<u>2018</u>
Amount of capitalization	<u>\$ 199,437</u>	<u>\$ 185,252</u>
Interest rate collars of capitalization	1.00% ~ 1.11%	0.94% ~ 1.71%

3. The aforementioned construction lands include the payment amount of the Company for the purchase of the agricultural lands. Since they are still agricultural lands, and the land category has not been changed completely, the ownership of the lands is still registered under the name of third party, and pledge has been set on such agricultural lands.
4. For the collateral status for the inventory of the aforementioned Construction Business Department, please refer to Note VIII.

(IV) Other Current Assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Joint construction guarantee deposits	\$ 393,983	\$ 239,760
Restricted bank deposits	15,295	14,688
Guarantee deposits paid	6,791	8,252
Incremental costs of obtaining contracts	3,139	-
	<u>\$ 419,208</u>	<u>\$ 262,700</u>

For the collateral status for other financial Assets of the Company, please refer to Note VIII.

(V) Financial Assets at fair value through other comprehensive income acquired - non-Current

<u>Item</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity Instrument		
Shares of the TPEX listed companies	\$ 180,934	\$ 169,866
Privately offered shares of TWSE/TPEX listed companies	503,208	503,208
Shares of non-TWSE/TPEX listed companies	<u>400,394</u>	<u>473,984</u>
	1,084,536	1,147,058
Adjustments for valuation		
- Shares of the TPEX listed companies	1,022,844	1,741,733
- Privately offered shares of TWSE/TPEX listed companies	(58,002)	(102,900)
- Shares of non-TWSE/TPEX listed companies	<u>143,318</u>	<u>33,708</u>
	<u>1,108,160</u>	<u>1,672,541</u>
Total	<u>\$ 2,192,696</u>	<u>\$ 2,819,599</u>

1. The Company elected to classify the strategic investments in unlisted securities as financial assets at fair value through other comprehensive income, amounting NT\$543,712 and NT\$507,692 as of December 31, 2019 and 2018, respectively.
2. The Company's maximum exposure to credit risk for financial assets at fair value through other comprehensive income, before consideration of associated collateral held and other credit enhancements, was NT\$2,192,696 and NT\$2,819,599 as of December 31, 2019 and 2018, respectively.
3. TPEX-listed company, OBI Pharma, Inc. had increased its capital in cash in June 2019, and the Company subscribed for NT\$11,068.
4. An unlisted company, Gloria Solar International Holding Inc., was approved by the government of Cayman Islands to be dissolved, and the certificate issued by the oversea embassy status-quo was obtained on September 3, 2019. The Company wrote off the recognized investment costs, and cumulatively recognized unrealized adjustment for valuation; both losses were NT\$73,590.

5. Detail of the financial Assets at fair value through other comprehensive income recognized under the comprehensive income is as follows:

<u>Item</u>	<u>2019</u>	<u>2018</u>
Changes in fair value recognized as other comprehensive income	(\$ <u>637,971</u>)	(\$ <u>337,490</u>)
Dividend incomes recognized in profit and loss	\$ <u>13,252</u>	\$ <u>11,671</u>
Accumulating losses due to derecognizing and transferring retained earnings	\$ <u>73,590</u>	\$ <u>-</u>

6. For the status of the Company using the financial Assets at fair value through other comprehensive income as collateral for security, please refer to Note VIII.

(VI) Financial Assets at amortized cost- non-Current

<u>Item</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subordinated corporate bonds	\$ <u>60,000</u>	\$ <u>60,000</u>

1. Detail of the financial Assets at amortized cost recognized under the profit or loss is as follows:

	<u>2019</u>	<u>2018</u>
Interest income	\$ <u>2,100</u>	\$ <u>2,100</u>

2. Under the condition where the increase of collaterals or other credits held was not considered, for the most representing financial Assets at amortized cost held by the Company, the maximum exposure amount of credit risk on December 31, 2019 and 2018 was both NT\$ 60,000.
3. For the financial Assets at amortized cost held by the Company, there was no collateral provided as security.
4. For relevant credit risk information, please refer to Note XII(2).

(VII) Investment accounted for using the equity method

1. Details are as follows:

<u>The investee company</u>	<u>Carried Value</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Subsidiary</u>		
Ruentex Construction International (B.V.I.) Ltd. (Ruentex)	\$ 2,076,616	\$ 2,069,368
Ruentex Resource Integration Co., Ltd. (Resource Integration)	-	890,684
Ruentex Construction International Co., Ltd. (Ruentex Construction) (Previous named City-Link Development Co., Ltd.)	636,204	752,581
Ruentex Baiyi Co., Ltd. (Ruentex Baiyi)	2,223,657	2,258,798
Ruentex Xuzhan Co., Ltd. (Ruentex Xuzhan)	1,964,730	1,984,108
Ruentex Material Co., Ltd. (Ruentex Material)	184,807	186,730
Ruentex Security Co., Ltd. (Ruentex Security)	65,693	66,304
Ruentex Property Management and Maintenance Co., Ltd.(Ruentex Property)	36,931	34,988
Ruen Fu Newlife Corp. (Ruen Fu)	2,633	4,806
Ruentex Engineering & Construction Co., Ltd. (Ruentex Engineering)	901,207	19,757
Ruentex Innovative Development Co., Ltd. (Ruentex Development)	1,917,011	1,445,822
Less: Treasury stock	(3,190)	(3,190)
Subtotal	<u>10,006,299</u>	<u>9,710,756</u>

<u>The investee company</u>	<u>Carried Value</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Associates</u>		
Shing Yen Construction & Development Co., Ltd. (Shing Yen)	\$ 287,995	\$ 450,901
Ruentex Industries Ltd. (Ruentex Industries)	7,043,385	2,409,311
Gin-Hong Investment Co., Ltd. (Gin-Hong)	680,697	677,343
Concord Greater China Ltd.(Concord)	4,883,696	4,529,325
Sunny Friend Environmental Technology Co., Ltd. (Sunny Friend)	831,113	777,408
Ruen Chen Investment Holdings Ltd. (Ruen Chen)	62,089,194	10,578,234
Nan Shan Life Insurance Co., Ltd. (Nan Shan Life Insurance)	795,471	-
Global Mobile Corp. (Global Mobile)	-	-
Subtotal	<u>76,611,551</u>	<u>19,422,522</u>
Total	<u>\$ 86,617,850</u>	<u>\$ 29,133,278</u>

2. The investment shareholder percentage is as follows:

<u>The investee company</u>	<u>Proportion of Shareholding</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Subsidiary</u>		
Ruentex	100.00%	100.00%
Resource Integration	-	71.12%
Ruentex Construction (Previous named City-Link))	100.00%	100.00%
Ruentex Baiyi	100.00%	100.00%
Ruentex Xuzhan	80.00%	80.00%
Ruentex Material	10.49%	10.49%
Ruentex Security	100.00%	100.00%
Ruentex Property	100.00%	100.00%
Ruen Fu	60.00%	60.00%
Ruentex Engineering & Construction Co., Ltd.	39.14%	0.75%
Ruentex Development	70.00%	70.00%
<u>Associates</u>		
Shing Yen	45.45%	45.45%
Ruentex Industries	11.63%	11.63%
Gin-Hong	30.00%	30.00%
Concord	25.46%	25.46%
Sunny Friend	26.62%	26.62%
Ruen Chen	25.00%	25.00%
Nan Shan Life Insurance	0.23%	-
Global Mobile	9.46%	9.46%

3. As of December 31, 2019 and 2018, the stocks of the Company held by the subsidiaries of the Company were treated as treasury stocks, and its detail is as follows:

<u>Name of Company</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Ruentex Engineering & Construction Co., Ltd.	<u>\$ 3,190</u>	<u>\$ 3,190</u>

4. Share of the subsidiaries and associates accounted for under equity method is as follows:

<u>The investee company</u>	<u>2019</u>	<u>2018</u>
<u>Subsidiary</u>		
Ruentex	\$ 53,774	\$ 736,489
Resource Integration	206,804	253,399
Ruentex Construction (Previous named City-Link.)	(233,406)	(297,825)
Ruentex Baiyi	146,209	202,190
Ruentex Xuzhan	243,022	290,687
Ruentex Material	9,741	19,865
Ruentex Security	(163)	3,783
Ruentex Property	6,212	3,940
Ruen Fu	(2,266)	(923)
Ruentex Engineering & Construction Co., Ltd.	88,756	5,328
Ruentex Development	(19,102)	(16,096)
Subtotal	<u>499,581</u>	<u>1,200,837</u>
<u>Associates</u>		
Shing Yen	42,713	102,990
Ruentex Industries	776,292	892,154
Gin-Hong	46,422	56,279
Concord	153,596	2,451,162
Sunny Friend	264,336	219,179
Ruen Chen	7,208,238	5,614,369
Nan Shan Life Insurance	27,185	-
Global Mobile	-	-
Subtotal	<u>8,518,782</u>	<u>9,336,133</u>
Total	<u>\$ 9,018,363</u>	<u>\$ 10,536,970</u>

5. Among the investments accounted for under equity method as of December 31, 2019 and 2018, the Ruentex Industries, Gin Hong, Concord and Ruen Fu were obtained according to the assessment on the financial reports audited by other independent auditors.

6. Subsidiaries

- (1) Please refer to Note IV(3) in the consolidated financial statements for the year ended December 31, 2019 for more information on the Company's subsidiaries.
- (2) Resource integration was to reduce the idle capital, and Shing Yen executed capital reduction in December 2018, and the share capital was returned to shareholders. The capital reduction percentage was 69.21% and the returned cash amount was NT\$265,274.

- (3): In the reorganization to simplify the Group's organization, a proposal for dissolution of the subsidiary Resource Integration was submitted by the board of directors on January 14, 2019, and approved by the extraordinary shareholders' meeting on January 30, 2019. Also on February 13, 2019, the competent authority was filed to and approved the dissolution. Resource Integration completed the distribution of the residual properties and settlement on November 4, 2019. NT\$3,276,244 was distributed to the Company in cash, including the cash and cash equivalents in Resource Integration's book for NT\$249,879, and 51,832,359 shares of Ruentex Engineering & Construction sold by Resource Integration to the Company on October 28, 2019 at the price per share of NT\$58.6, for total NT\$3,037,376; also the taxes and fees paid by Resource Integration were recognized for NT\$11,011 (accounted for issuance premium of capital reserves).
- (4) Pursuant to resolution of the interim shareholder meeting on October 23, 2019, Resource Integration sold all the shares of Ruentex Engineering & Construction Co., Ltd. proportionally with the stake held by its shareholders. The Company acquired 51,832,359 shares of Ruentex Engineering & Construction at the price per share of NT\$58.6, for total NT\$3,037,376; also the additional taxes and fees paid for NT\$1,898 (accounted for issuance premium of capital reserves). Therefore, the Company's shareholding in Ruentex Engineering & Construction increased to 39.15%.
- (5) To improve financial structure and to satisfy operating capital, Ruentex Development executed capital increase by cash in June 2019 and May 2018, respectively, and the numbers of new shares issued were 73,000,000 shares and 47,000,000 shares respectively. The subscription amounts of the Company according to the shareholding percentage were NT\$511,000 and NT\$329,000.
- (6) Ruentex Construction was previously named City-Link Development Co., Ltd., and was approved by Department of Commerce, MOEA on August 16, 2019.

7. Associates

(1) The basic information of primary associates of the Company is as follows:

<u>Company name</u>	<u>Principal Place of Business</u>	<u>Shareholding percentage</u>		<u>Nature of relationship</u>	<u>Measurement method</u>
		<u>December 31, 2019</u>	<u>December 31, 2018</u>		
Ruen Chen	Taiwan	25.00%	25.00%	Diversification	Equity method
Ruentex Industries	Taiwan	11.63%	Note 1	Diversification	Equity method
Concord	British Virgin Islands (BVI)	Note 2	25.46%	Diversification	Equity method

Note 1: As of December 31, 2018, the balance of investment in Ruentex Industries was not material.

Note 2: As of December 31, 2019, the balance of investment in Concord was not material.

(2) The summary on the consolidated financial information of primary associates of the Company is as follows:

Balance Sheet

	<u>Ruen Chen</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total assets	\$ 4,846,936,411	\$ 4,363,406,671
Total liabilities	(4,562,716,753)	(4,310,146,058)
Total net assets (Note)	<u>\$ 284,219,658</u>	<u>\$ 53,260,613</u>
Portion of the net assets of associates	<u>\$ 62,089,194</u>	<u>\$ 10,578,234</u>

Note: including the non-controlling interests consolidated in Ruen Chen Investment Holding's financial statements for NT\$35,862,882.

	<u>Concord</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total assets	\$ -	\$ 18,031,630
Total liabilities	-	(245,031)
Total net assets	<u>\$ -</u>	<u>\$ 17,786,599</u>
Portion of the net assets of associates (Note)	<u>\$ -</u>	<u>\$ 4,528,468</u>

Note: the difference from the carrying amount arises from the net difference between the initial investment costs and the fair value of acquired net identifiable value.

	<u>Ruentex Industries</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total assets	\$ 118,615,621	\$ -
Total liabilities	(34,290,005)	-
Total net assets (Note)	<u>\$ 84,325,616</u>	<u>\$ -</u>
Portion of the net assets of associates	<u>\$ 7,043,385</u>	<u>\$ -</u>

Note: including the non-controlling interests consolidated in Ruentex Industries financial statements.

Statements of Comprehensive Income

	<u>Ruen Chen</u>	
	<u>2019</u>	<u>2018</u>
Income	\$ 622,318,319	\$ 636,836,934
Current Net Profit (Note)	\$ 32,004,408	\$ 24,301,356
Other comprehensive income (Net after tax)	<u>173,096,475</u>	<u>(150,286,690)</u>
Total Comprehensive Income Current Period (Note)	<u>\$ 205,100,883</u>	<u>(\$ 125,985,334)</u>

Note: Included the net profit and the total comprehensive Income attributed non-controlling interests consolidated in Ruen Chen Investment Holdings of the current period, for NT\$3,171,535 and NT\$16,616,067, respectively.

	Concord	
	2019	2018
Income	\$ -	\$ 9,639,125
Net income of current period	\$ -	\$ 9,627,501
Other comprehensive income (Net after tax)	-	565,477
Total Comprehensive Income of current period	<u>\$ -</u>	<u>\$ 10,192,978</u>

	Ruentex Industries	
	2019	2018
Income	\$ 3,486,392	\$ -
Net income of current period	\$ 9,186,640	\$ -
Other comprehensive income (Net after tax)	45,887,322	-
Total Comprehensive Income of current period	<u>\$ 55,073,962</u>	<u>\$ -</u>

- (3) The summary on the share of individual insignificant associate's carrying amount and operating result of the Company is as follows:

As of December 31, 2019 and 2018, the total of the carrying amount of individual insignificant associate of the Company were NT\$7,478,972 and NT\$4,314,963 respectively.

	2019	2018
Net income of current period	\$ 33,772,330	\$ 8,821,240
Other comprehensive income (Net after tax)	170,027,654	(11,491,263)
Total Comprehensive Income of current period	<u>\$ 203,799,984</u>	<u>(\$ 2,670,023)</u>

- (4) For the investments accounted for under equity method of the Company with public market price, their fair values are as follows:

	December 31, 2019	December 31, 2018
Ruentex Industries	\$ 4,830,470	\$ 5,165,646
Sunny Friend	6,944,453	6,024,461
	<u>\$ 11,774,923</u>	<u>\$ 11,190,107</u>

- (5) Through the resolution of the board of directors' meeting on November 20, 2017, Concord performed the equity exchange and disposal for its re-invested corporate entities (A-RT Retail Holdings Ltd. and Sun Art Retail Group Ltd.), and Concord performed settlement on December 7, 2017 and January 30, 2018. The aforementioned investment benefits recognized by the Company according to the shareholding percentage on the associates in the fourth quarter of 2017 and the first half of 2018 were NT\$ 8,042,511 and NT\$ 3,000,618 respectively.

- (6) In order to adjust its capital structure and improve return on equity ratio, Ruentex Industries conducted a capital reduction in August 2018 and returned cash capital to its shareholders with a capital reduction ratio of 40%. The total cash refund received by the Company was NT\$438,138.
- (7) In order to improve utilization of funds, Jing-Hong conducted capital reductions in December 2018 with capital reduction ratio of 28.57%. The cash refunds were NT\$108,000.
- (8) Ruen Chen Investment Holding conducted cash capital increase in June and July, 2019, and April, 2017; the Company subscribed the new issued shares in proportion to its shareholding amounting NT\$100,000, NT\$5,000,000, and NT\$87,500, respectively.
- (9) In order to adjust its capital structure and improve return on equity ratio, Shing Yen conducted a capital reduction in July, 2019 and returned cash capital to its shareholders with a capital reduction ratio of 40.75%. The total cash refund received by the Company was NT\$195,429.
- (10) Global Mobile was an investee of the Company with valuation under equity method - Ruentex Industries' investment under equity method. After the assessment of the Company, the Company had significant influence on Global Mobile; therefore, the investment under equity method was adopted to recognize such company. Global Mobile received a letter in March 2015 stating that its application for the extension of wireless broadband reception business was rejected by the competent authority. Global Mobile had filed appeal for its application according to the law, and subsequently, in November 2015, it received a letter informing that its appeal had been rejected by the competent authority such that its service was terminated in December of the same year. Global Mobile had filed appeal and subsequent litigation according to laws. However, based on the conservative and stable business principle of the Company, it had recognized an impairment loss in 2015 as NT\$ 5,247.
- (11) To cope with the reinvestment planning and diverse operational needs, the Company invested in Nan Shan Life Insurance Co., Ltd. (referred to as "Nan Shan Life Insurance") in 2010 through Ruen Chen Investment Holdings. Ruen Chen Investment Holdings executed capital increase by cash during the period from 2010 to 2011 respectively, and the total subscription amount of the Company according to the shareholding percentage was NT\$ 11,250,000. Regarding the aforementioned reinvestment of Ruen Chen Investment Holdings in Nan Shan Life Insurance, in accordance with the request of the competent authority, the Company delivered the Ruen Chen Investment Holdings stocks held to trust. The main provisions of such trust are as follows:
 - A. Purpose of trust: After Ruen Chen Investment Holdings acquired the management right of Nan Shan Life Insurance, to satisfy the commitment in long-term operation and the promise for the vision of stable operation, the total of 612,500 thousand shares held by Ruen Chen Investment Holdings were transferred to the Trust Department of First Commercial Bank Co., Ltd. on September 5 and September 9, 2011 respectively, and trust registration was performed.
 - B. Term of trust: The term of trust was ten years starting from the signing date of the trust contracts on September 5 and September 9, 2011 respectively.
 - C. Management, use method and limitation to trust property:
 - (a) The management and use method for the trust property under this contract is for specific independent management and use. The trustee has no right to determine the use of the trust property. Unless otherwise specified in this

- contract, the trust property shall be managed properly according to the operating scope or method instructed by the trustor.
- (b) The change of this contract shall be performed only after the joint negotiation of the trustor and trustee, followed by reporting to FSC for written approval.
 - (c) This contract shall become effective upon the signing of both parties. Unless otherwise specified in the laws or both parties agree otherwise, this contract is terminated due to the following matters along with the written consent of the competent authority:
 - (i) In case of the occurrence of breach of contract by any one party, the breaching party shall correct within 15 days from the date of notice by the other party. Any failure to correct beyond such period, the other party may terminate this contract and may claim damage indemnification.
 - (ii) Where there is an actual difficulty in the continuous management of the trust matter, it may be terminated based on the written consents of both parties.
 - (iii) Where the trustee is subject to dissolution, restructure, bankruptcy, revocation of establishment registration or being informed by the exchange office to be a rejected account, it shall inform the other party. Any one party may terminate this contract by informing the other party in writing.
 - (iv) When a creditor of the trustor files petition to the court to revoke the trust under this contract due to harms to its rights and such petition is confirmed.
 - (d) Once this contract is terminated, the trustor shall repay the trust management fee and all necessary fees as well as taxes to the trustee, and the trustee may deduct such fees from the trust property.
- (12) According to the instruction of FSC on June 13, 2016, the Company planned to invest in Nan Shan General Insurance Co., Ltd. (referred to as Nan Shan General Insurance”, original name as AIG Insurance), the Company issued an undertaking, and the commitments were as follows:
- A. The Company undertakes to request Nan Shan Life Insurance to ensure its long-term operation in handling the investment in Nan Shan General Insurance according to the laws and FSC's commitment.
 - B. The Company undertakes that after Nan Shan Life Insurance acquires 200,000,000 ordinary shares of Nan Shan General Insurance, i.e. 100% issued shares with voting rights, when Nan Shan General Insurance has the needs for capital increase at any time, the Company will request Nan Shan Life Insurance to handle the capital increase for Nan Shan General Insurance according to the laws and the request of the competent authority.
 - C. To fulfill the commitment of the Company and Ruen Chen Investment Holdings other shareholders on the long-term operation of Nan Shan General Insurance, in case where there is a need for capital increase for the Nan Shan General Insurance according to the laws or the request of competent authority such that new shares are to be issued for the capital increase, the Company and Ruen Chen Investment Holdings other shareholders undertake to request Nan Shan Life Insurance to hold at least a percentage of 51% on the number of outstanding ordinary shares.
- (13) According to the instruction of FSC on November 15, 2017, regarding to the capital increase undertaking signed by Nan Shan Life Insurance, the Company undertakes to deliver cash at an amount of NT\$ 5,000,000 to Trust Department of Mega International Commercial Bank for custody, such that in the future, when Nan Shan Life Insurance needs to perform capital increase but Ruen Chen Investment Holdings cannot handle the capital increase, the Company agrees to deliver the aforementioned

trust cash under custody in order to perform the capital increase by cash for Nan Shan Life Insurance through Ruen Chen Investment Holdings or via other methods agreed by the competent authority. In addition, it shall be sufficient to cover the capital increase amount required by Nan Shan Life Insurance. In case where there is any deficiency in the amount provided by other upper shareholders, the Company agrees to cover such deficiency. In addition, for the capital increase in cash to Nan Shan Life Insurance in June 2019 through Ruen Chen Investment Holdings, the payment was made by deposited cash in the amounts of NT\$4,995,758 and NT\$4,242.

- (14) To meet the demands of reinvestment plan and diversified operations, in June 2019 the Company subscribed 29,670,000 shares of Nan Shan Life Insurance for NT\$474,720, for holding 0.23% of the total shares. As Nan Shan Life Insurance is the investee company accounted for under the equity method of Ruen Chen Investment Holding, the Company is considered has a material influence to Nan Shan Life Insurance, and thus Nan Shan Life Insurance was recognized as the investment accounted with the equity method
8. For the status of collaterals provided for investments under equity method of the Company, please refer to Note VIII.

(VIII) Real estate, plant and equipment

	2019					
	<u>Machinery and equipment</u>	<u>Warehouse equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
January 1						
Cost	\$ 81,950	\$ 32,270	\$ 25,379	\$ 31,160	\$ 177,621	\$ 348,380
Accumulated depreciation	(66,197)	(30,105)	(19,432)	(29,571)	(169,419)	(314,724)
	<u>\$ 15,753</u>	<u>\$ 2,165</u>	<u>\$ 5,947</u>	<u>\$ 1,589</u>	<u>\$ 8,202</u>	<u>\$ 33,656</u>
January 1	\$ 15,753	\$ 2,165	\$ 5,947	\$ 1,589	\$ 8,202	\$ 33,656
Addition	12,707	47	2,733	621	8,466	24,574
Transferred to expenses	-	-	-	(11)	-	(11)
Costs of disposal of assets	(2,701)	-	-	(1,462)	(2,209)	(6,372)
Accumulated depreciation on disposal date	2,701	-	-	1,462	2,209	6,372
Depreciation expense	(4,913)	(504)	(2,398)	(885)	(3,595)	(12,295)
December 31	<u>\$ 23,547</u>	<u>\$ 1,708</u>	<u>\$ 6,282</u>	<u>\$ 1,314</u>	<u>\$ 13,073</u>	<u>\$ 45,924</u>
December 31						
Cost	\$ 91,956	\$ 32,317	\$ 28,112	\$ 30,302	\$ 183,878	\$ 366,565
Accumulated depreciation	(68,409)	(30,609)	(21,830)	(28,988)	(170,805)	(320,641)
	<u>\$ 23,547</u>	<u>\$ 1,708</u>	<u>\$ 6,282</u>	<u>\$ 1,314</u>	<u>\$ 13,073</u>	<u>\$ 45,924</u>

	2018					
	<u>Machinery and equipment</u>	<u>Warehouse equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
January 1						
Cost	\$ 82,964	\$ 32,082	\$ 25,945	\$ 30,122	\$ 176,014	\$ 347,127
Accumulated depreciation	(64,346)	(29,629)	(16,763)	(28,707)	(166,298)	(305,743)
	<u>\$ 18,618</u>	<u>\$ 2,453</u>	<u>\$ 9,182</u>	<u>\$ 1,415</u>	<u>\$ 9,716</u>	<u>\$ 41,384</u>
January 1	\$ 18,618	\$ 2,453	\$ 9,182	\$ 1,415	\$ 9,716	\$ 41,384
Addition	1,001	188	-	1,181	1,799	4,169
Costs of disposal of assets	(2,015)	-	(566)	(143)	(192)	(2,916)
Accumulated depreciation on disposal date	2,015	-	566	143	66	2,790
Depreciation expense	(3,866)	(476)	(3,235)	(1,007)	(3,187)	(11,771)
December 31	<u>\$ 15,753</u>	<u>\$ 2,165</u>	<u>\$ 5,947</u>	<u>\$ 1,589</u>	<u>\$ 8,202</u>	<u>\$ 33,656</u>
December 31						
Cost	\$ 81,950	\$ 32,270	\$ 25,379	\$ 31,160	\$ 177,621	\$ 348,380
Accumulated depreciation	(66,197)	(30,105)	(19,432)	(29,571)	(169,419)	(314,724)
	<u>\$ 15,753</u>	<u>\$ 2,165</u>	<u>\$ 5,947</u>	<u>\$ 1,589</u>	<u>\$ 8,202</u>	<u>\$ 33,656</u>

(IX) Lease transactions - lessees

Adoption in Year 2019

1. The underlying asset leased by the Company are the land for hypermarket business and the Zhonglun office building and the term of lease is between 2016 and 2021. The lease contracts are negotiated individually, with different terms and conditions. The leased assets are neither to be used as collaterals for loans, nor the rights to be transferred to others in the form of business transfer or merge, among other forms.

2. The information of the right-of-use assets are as the following:

	<u>2019</u>
	<u>Buildings – rent</u>
January 1	\$ -
The effects applied for the first adoption	<u>37,297</u>
January 1, Restated balance	37,297
Newly added lease contracts	55
Depreciation expense	(16,003)
December 31	<u>\$ 21,349</u>
December 31	
Cost	\$ 37,352
Accumulated depreciation	(16,003)
	<u>\$ 21,349</u>

3. Lease liabilities related to lease contracts are as the following:

	<u>December 31, 2019</u>
Total amount of lease liabilities	\$ 21,480
Less: Due within one year (listed as lease liabilities - current)	(16,233)
	<u>\$ 5,247</u>

4. Information of income items related to lease contracts are as the following:

	<u>2019</u>
<u>Items affects the income of the current period</u>	
Interest expenses of lease liabilities	<u>\$ 351</u>
Expenses of short-term lease contracts	<u>89,871</u>
	<u>\$ 90,222</u>

5. The Company's total cash out flows of lease between January 1 to December 31, 2019 was NT\$106,094, including the expenses of short-term lease contracts for NT\$89,871, interest expenses of lease liabilities for NT\$351 and repayments to lease principals for NT\$15,872.

(X) Investment Real Estate

	2019		
	Land	Buildings	Total
January 1			
Cost	\$ 1,008,724	\$ 1,315,773	\$ 2,324,497
Accumulated depreciation	-	(363,636)	(363,636)
	<u>\$ 1,008,724</u>	<u>\$ 952,137</u>	<u>\$ 1,960,861</u>
January 1	\$ 1,008,724	\$ 952,137	\$ 1,960,861
Addition	-	49,905	49,905
Depreciation expense	-	(29,539)	(29,539)
December 31	<u>\$ 1,008,724</u>	<u>\$ 972,503</u>	<u>\$ 1,981,227</u>
December 31			
Cost	\$ 1,008,724	\$ 1,365,678	\$ 2,374,402
Accumulated depreciation	-	(393,175)	(393,175)
	<u>\$ 1,008,724</u>	<u>\$ 972,503</u>	<u>\$ 1,981,227</u>
	2018		
	Land	Buildings	Total
January 1			
Cost	\$ 388,673	\$ 847,885	\$ 1,236,558
Accumulated depreciation	-	(339,384)	(339,384)
	<u>\$ 388,673</u>	<u>\$ 508,501</u>	<u>\$ 897,174</u>
January 1	\$ 388,673	\$ 508,501	\$ 897,174
Addition	-	4,490	4,490
Transfer (Note)	620,051	463,398	1,083,449
Depreciation expense	-	(24,252)	(24,252)
December 31	<u>\$ 1,008,724</u>	<u>\$ 952,137</u>	<u>\$ 1,960,861</u>
December 31			
Cost	\$ 1,008,724	\$ 1,315,773	\$ 2,324,497
Accumulated depreciation	-	(363,636)	(363,636)
	<u>\$ 1,008,724</u>	<u>\$ 952,137</u>	<u>\$ 1,960,861</u>

Note: Recognized from inventories.

1. Rent income from the lease of the investment real estate and direct operating expenses:

	<u>2019</u>	<u>2018</u>
Rental income from investment real estate	\$ <u>36,781</u>	\$ <u>35,012</u>
The direct operating expenses of the investment real estate not incurred during the current period	\$ <u>29,720</u>	\$ <u>24,426</u>

2. The fair value of the investment real estate held by the Company as at December 31, 2019 and 2018 was NT\$ 2,803,391 and NT\$2,846,171 respectively, which was categorized within Level 3 in the fair value hierarchy. The aforementioned fair value was obtained according to the assessment on market transaction price of relevant similar real estate in the neighboring areas.

3. For the status of the collaterals provided for investment real estate held by the Company, please refer to Note VIII.

(XI) Other non-Current Assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other financial assets	\$ 150,672	\$ 5,098,542
Others	<u>5,959</u>	<u>5,577</u>
	\$ <u>156,631</u>	\$ <u>5,104,119</u>

Other financial asset was the a letter of undertaking for the increase of investment in Nan Shan Life Insurance and agreed to transfer cash of NT\$5,000,000 for trust in Mega International Commercial Bank Trust Department; also the capital increase in cash to Nan Shan Life Insurance was made in June 2019 through Ruen Chen Investment Holdings, the payment was made in the aforementioned deposited cash NT\$4,995,758. Please find Note VI(7) 7(13) for details.

(XII) Short-term borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Credit bank loan	\$ 1,990,000	\$ 710,000
Secured bank loan	<u>800,000</u>	<u>-</u>
	\$ <u>2,790,000</u>	\$ <u>710,000</u>
Interest rate collars	1.00% ~ 1.22%	1.00% ~ 1.22%

In addition to the collateral provided for the short-term borrowings as described in Note VIII, the Company also issued the guarantee notes of the amount as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Guarantee notes	\$ <u>7,135,000</u>	\$ <u>8,260,800</u>

(XIII) Short-term notes and bills payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commercial papers payable	\$ 2,230,000	\$ 180,000
Less: Unamortized discount	(1,543)	(42)
	<u>\$ 2,228,457</u>	<u>\$ 179,958</u>
Interest rate collars	0.48% ~ 1.03%	0.50% ~ 0.75%

In addition to the collateral provided for the short-term bills as described in Note VIII, the Company also issued the guarantee notes of the amount as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Guarantee notes	<u>\$ 6,420,000</u>	<u>\$ 5,019,000</u>

(XIV) Long-term borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured bank loan	\$ 10,576,000	\$ 9,460,090
Credit bank loan	<u>16,262,000</u>	<u>18,600,000</u>
	26,838,000	28,060,090
Less: Arrangement fees for leading banks of syndicated loan	(2,647)	(9,000)
	26,835,353	28,051,090
Face value of long term commercial paper	1,670,000	1,425,000
Less: Unamortized discount	(2,023)	(1,525)
	28,503,330	29,474,565
Less: Due within one year (listed as other current liabilities)	(1,838,000)	(838,000)
Due within one operating cycle (listed as other current liabilities)	(5,976,000)	(5,976,000)
	<u>\$ 20,689,330</u>	<u>\$ 22,660,565</u>
Interest rate collars	0.55% ~ 2.22%	0.50% ~ 2.22%

1. The Company signed a syndicated loan agreement with a bank group including Land Bank of Taiwan in July 2010 to provide the financing for the construction of the Company. The term of loan was from July 2014 to July 2021, the total loan amount was NT\$ 4,600,000. Up to the date of December 31, 2019, the Company has drawn the credit amount of the contract performance guarantee letter at an amount of NT\$ 194,036. The main commitments of the Company are as follows:

(1) The Company shall use the loan amount obtained under this agreement in the

purpose of credit extension for payment specified in this agreement, and shall prepare accounting books and records as well as certificates for recordation.

- (2) The Company shall provide the consolidated financial report audited by independent director as well as audited consolidated and unconsolidated financial reports within 60 days and 120 days after the first half and the end of each fiscal year respectively.
 - (3) Before obtaining the prior consents of all members of the syndicated loan banks, the Company shall not merger with others or demerger the Company according to the Company Act. However, where the Company is a survival company (after merger) and the merger result has no adverse impacts on its ability to perform obligations under this agreement, then such restriction shall not be applied.
2. The Company signed a long-term loan agreement with Chang Hwa Commercial Bank in November 2012 to provide the financing for the construction of the Company. The term of the loan was from November 2012 to March 2021, the total loan amount was NT\$ 7,576,000. Up to the date of December 31, 2019, the Company has drawn down the credit amount of NT\$ 5,976,000.
 3. The Company signed a long-term loan agreement with Mega Holdings in April 2018 to provide the operational financing necessary for the Company. The term of the loan was from April 2018 to May 2020, the total loan amount was NT\$ 7,500,000. Up to the date of December 31, 2019, the Company has drawn down the credit amount of NT\$ 7,500,000.
 4. The Company signed a syndicated loan agreement with the financial institution group including Mega Bills in December 2018 to provide the operational financing necessary for the Company. The term of the loan was from December 2018 to December 2021, the total loan amount was NT\$ 2,450,000. Up to the date of December 31, 2019, the Company has drawn down the credit amount of NT\$ 1,470,000. The main commitments of the Company are as follows:
 - (1) The Company shall use the loan amount obtained under this agreement in the purpose of credit extension for payment specified in this agreement, and shall prepare accounting books and records as well as certificates for recordation.
 - (2) The Company shall provide consolidated and unconsolidated financial reports audited by independent auditor within 120 days after the end of each fiscal year.
 - (3) The Company shall maintain the interest protection multiples above 3 times and the tangible net worth above NT\$ 18,000,000. The aforementioned ratio and standard shall be based on the annual consolidated financial report audited by independent auditor. If the Company fails to comply with the aforementioned financial ratio or restrictive terms, starting from the date of violation, the Company shall pay compensation fee calculated at 0.1% of the outstanding balance for each loan bank

until the date when the Company has been examined to completely improve the financial commitments such that the compensation fee is then stopped without further calculation.

5. Except for the loans mentioned above, the term of the remaining loan of the Company was from January 2016 to February 2022.
6. In addition to the collateral provided for the long-term loan as described in Note VIII, the Company also issued the guarantee notes of the amount as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Guarantee notes	\$ 29,715,600	\$ 31,093,700

7. Detail of the long-term loan credit not yet drawn down by the Company is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Due within one year	\$ 200,000	\$ 700,000
Due longer than one year	9,592,505	8,275,000
	<u>\$ 9,792,505</u>	<u>\$ 8,975,000</u>

(XV)Pensions

- 1.(1) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. In addition, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(2) The amounts recognized in the balance sheet are determined as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligation	(\$ 123,507)	(\$ 128,157)
Fair value of plan assets	<u>65,798</u>	<u>62,943</u>
Defined benefit liability (listed as other non-current liabilities)	<u>(\$ 57,709)</u>	<u>(\$ 65,214)</u>

(3) Movements in net defined benefit liabilities are as follows:

	<u>2019</u>		
	<u>Defined benefit obligation</u>	<u>plan assets</u>	<u>Net affirmed</u>
	<u>current value</u>	<u>Fair value</u>	<u>Benefit liabilities</u>
Balance, January 1	(\$ 128,157)	\$ 62,943	(\$ 65,214)
Current service cost	(677)	-	(677)
Interest (expense) revenue	(922)	440	(482)
	<u>(129,756)</u>	<u>63,383</u>	<u>(66,373)</u>
Re-measurements:			
Returns on plan assets (the amounts included in the interest incomes or expenses are excluded)	-	2,456	2,456
Effects of changes in demographic assumptions	(200)	-	(200)
Effects of changes in economic assumptions	(541)	-	(541)
Experience adjustments	<u>4,529</u>	<u>-</u>	<u>4,529</u>
	<u>3,788</u>	<u>2,456</u>	<u>6,244</u>
Contribution to pension fund	-	2,420	2,420
Payment of pension benefits	<u>2,461</u>	<u>(2,461)</u>	<u>-</u>
Balance, December 31	<u>(\$ 123,507)</u>	<u>\$ 65,798</u>	<u>(\$ 57,709)</u>

	2018		
	<u>Defined benefit</u>		
	<u>obligation</u>	<u>plan assets</u>	<u>Net affirmed</u>
	<u>current value</u>	<u>Fair value</u>	<u>Benefit liabilities</u>
Balance, January 1	(\$ 130,649)	\$ 60,985	(\$ 69,664)
Current service cost	(946)	-	(946)
Interest (expense) revenue	(1,255)	568	(687)
	<u>(132,850)</u>	<u>61,553</u>	<u>(71,297)</u>
Re-measurements:			
Returns on plan assets (the amounts included in the interest incomes or expenses are excluded)	-	1,941	1,941
Effects of changes in demographic assumptions	(518)	-	(518)
Effects of changes in economic assumptions	(2,882)	-	(2,882)
Experience adjustments	<u>5,304</u>	<u>-</u>	<u>5,304</u>
	<u>1,904</u>	<u>1,941</u>	<u>3,845</u>
Contribution to pension fund	-	2,238	2,238
Payment of pension benefits	<u>2,789</u>	<u>(2,789)</u>	<u>-</u>
Balance, December 31	<u>(\$ 128,157)</u>	<u>\$ 62,943</u>	<u>(\$ 65,214)</u>

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 Paragraph 142. The composition of fair value of plan Assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) The principal actuarial assumptions used were as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	0.70%	0.75%
Future salary increase in percent	2.00%	2.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increase in percent</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2019				
The impact on the present value of defined benefit obligations	(\$ 2,678)	\$ 2,768	\$ 2,726	(\$ 2,651)
December 31, 2018				
The impact on the present value of defined benefit obligations	(\$ 2,901)	\$ 3,004	\$ 2,960	(\$ 2,873)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis the current period are the same as the ones of the previous period.

(6) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2019 amounts to \$1,835.

(7) As of December 31, 2019, the weighted average duration of that retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Less than 1 year	\$ 3,267
1-2 years	4,186
2-5 years	32,614
More than 5 years	<u>90,300</u>
	<u>\$ 130,367</u>

2.(1) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes

- monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (2) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were NT\$8,795 and NT\$8,555 respectively.

(XVI) Capital

1. As of December 31, 2019, the Company's authorized capital was NT\$ 20,000,000, and the paid-in capital was NT\$ 10,032,540 (including share capital of convertible corporate bonds of NT\$ 384,539) with a par value of NT\$ 10 per share, all issued as ordinary shares. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding (in thousand shares) are as follows:

	2019	2018
January 1	\$ 1,003,254	\$ 1,672,090
Cash Reduction	-	(668,836)
December 31	<u>\$ 1,003,254</u>	<u>1,003,254</u>

2. To adjust the capital structure and to increase the shareholders' return on equity, through the resolution of the shareholders' meeting on June 14, 2018, the Company executed the cash capital reduction with the return of share capital to shareholders, and the capital reduction percentage was 40%, the number of shares canceled was 668,836 thousand shares, and the paid-in capital after capital reduction was NT\$ 10,032,540. The date of August 17, 2018 was the target date for capital reduction, and the shares alternation registration had been completed on August 28, 2018, and the share capital had been returned to shareholders on October 12, 2018.
3. To adjust the capital structure and to increase the shareholders' return on equity, the associate of the Company, Ruentex Industries executed capital reduction in August 2018, and the Company recognized the treasury stock changes for Ruentex Industries according to the shareholding percentage.
4. The treasury shares Ruentex Engineering & Construction accounted for by the Company refer to the subsidiary of the Company - Ruentex Engineering & Construction holding 3,426 thousand shares of the Company for the purpose of protecting the interests of the shareholders and the treasury shares for the associate of the Company - Ruentex Industries. The information on their respective amounts is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Ruentex Engineering & Construction Co., Ltd.	\$ 19,984	\$ 19,984
Amount accounted for using equity method	<u>64,655</u>	<u>64,655</u>
	<u>\$ 84,639</u>	<u>\$ 84,639</u>

(XVII) Capital surplus

1. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
2. According to the regulation specified in Jing-Shang-Zi No.10202420460 Letter of MOEA dated July 15, 2013, under the financial statements prepared by corporates according to IFRSs, when the change of ownership equity of the parent on the subsidiary causes it to lose the control power, for the capital surplus generated due to the difference between the equity price and carrying value, the regulation of Paragraph 1 of Article 241 of the Company Act specifying the income derived from the issuance of new shares at a premium may be applicable. In addition, according to Jing-Shang-Zi No. 10300532520 of MOEA dated March 31, 2014, for the capital surplus actually acquired as recorded or the difference between the disposal of subsidiary's equity and carrying value, Article 241 of the Company Act may be applicable in order to use it for issuance of new shares or cash.
3. Change of capital surplus is as follows:

2019							
	<u>Issued at premium</u>	<u>Treasury Stock Transaction</u>	<u>Overdue shareholders Unclaimed Dividends</u>	<u>Associates net worth of equity Changes</u>	<u>Actually acquisition or Disposal of subsidiaries Price of equity and Difference of carrying amounts</u>	<u>Recognition of ownership of subsidiaries Changes of equity</u>	<u>Total</u>
January 1	\$ 17,296,568	\$ 136,626	\$ 9,205	\$ 420,294	\$ 1,535	\$ 149,282	\$ 18,013,510
Others	-	-	3,409	147,544	-	10,543	161,496
Income tax effect	-	-	-	(25,062)	-	(633)	(25,695)
Reorganization	(12,909)	-	-	-	-	-	(12,909)
December 31	<u>\$ 17,283,659</u>	<u>\$ 136,626</u>	<u>\$ 12,614</u>	<u>\$ 542,776</u>	<u>\$ 1,535</u>	<u>\$ 159,192</u>	<u>\$ 18,136,402</u>

	Issued at premium	Treasury Stock Transaction	Overdue shareholders Unclaimed Dividends	Associates net worth of equity Changes	Actually acquisition or Disposal of subsidiaries Price of equity and Difference of carrying amounts	Recognition of ownership of subsidiaries Changes of equity	Total
January 1	\$ 17,296,568	\$ 136,626	\$ -	\$ 402,493	\$ 1,535	\$ 149,282	\$ 17,986,504
Others	-	-	9,205	17,048	-	-	26,253
Income tax effect	-	-	-	(1,023)	-	-	(1,023)
Effects of the change in tax rates	-	-	-	1,776	-	-	1,776
December 31	<u>\$ 17,296,568</u>	<u>\$ 136,626</u>	<u>\$ 9,205</u>	<u>\$ 420,294</u>	<u>\$ 1,535</u>	<u>\$ 149,282</u>	<u>\$ 18,013,510</u>

(XVIII) Retained earnings

1. According to the Company's Articles of Incorporation, the Current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve, following which special reserve shall be set aside or reversed according to the laws. If there are still remaining earnings, the remainder shall be combined with the prior year's accumulated retained earnings, and the board of directors shall establish earnings distribution proposal for submission to the shareholders' meeting for resolution on the retention or distribution thereof. The Company's dividend policy adopts the remaining dividend policy. According to the future capital budget planning, the future capital demand of the Company is measured, and after the necessary capital is retained for financing purpose, the remaining earnings can then be distributed in the method of cash dividend.
2. Except for covering accumulated deficit or issuing new stocks or cash to shareholder in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- 3.(1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- (2) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi No. 1010012865 Letter dated April 6, 2012, shall be reversed proportionately when the relevant Assets are used, disposed of or reclassified subsequently.
4. (1) The Company's earning distribution plans for the year ended December 31, 2018 and 2017, approved by the shareholders' meeting on June 5, 2019 and June 14, 2018, respectively, are as follows:

	2019		2018	
	<u>Amount</u>	<u>Dividend per share (NTD)</u>	<u>Amount</u>	<u>Dividend per share (NTD)</u>
Provision of statutory reserves	\$ 993,210		\$ 1,110,442	
Provision of special reserves	12,073,578		2,954	
Cash dividends	-	\$ -	3,344,180	\$ 2.00
Total	<u>\$ 13,066,788</u>		<u>\$ 4,457,576</u>	

- (2) Approved by the shareholders' meeting on June 5, 2019, the Company would distributed \$2 per share in cash using its legal reserve, totaling \$2,006,508.
- (3) The appropriation of earnings for 2019 had been proposed by Company's board of directors on March 30, 2020 as follows:

	2019	
	<u>Amount</u>	<u>Dividend per share (NTD)</u>
Provision of statutory reserves	\$ 656,143	
Reversal of special reserve	(29,015,899)	
Cash dividends	1,003,254	\$ 1.00
Stock dividends	5,016,270	5.00
Total	<u>(\$ 22,340,232)</u>	

5. Change of retained earnings is as follows:

	<u>2019</u>
January 1 to December 31,	\$ 13,066,788
Appropriation and distribution of retained earnings of 2018:	
- Legal reserve	(993,210)
- Special reserve	(12,073,578)
Accumulating losses due to derecognizing and transferring retained earnings	(73,590)
Equity instruments valuation profit or loss measured at fair value through disposal of other comprehensive income	(2,572,934)
Changes in associates & joint ventures accounted for using equity method	184,120
Net income of current period	9,067,952
Remeasurements of defined benefit plans with actuarial valuation	6,244
Portion of other comprehensive income from the associates and joint ventures accounted for using equity method	(49,542)
Income tax relating to items that will not be reclassified:	
- Tax related to the group	(1,194)
- Tax related to the associates	373
December 31, 2019	<u>\$ 6,561,429</u>
	<u>2018</u>
January 1, 2018	\$ 11,104,418
Effects of retrospective application and retrospective restatement	(193,654)
Balance at 1 January, as restated	10,910,764
Appropriation and distribution of retained earnings of 2017:	
- Legal reserve	(1,110,442)
- Special reserve	(2,954)
- Cash dividend	(3,344,180)
Equity instruments valuation profit or loss measured at fair value through disposal of other comprehensive income	(3,237,996)
Net income of current period	9,932,094
Remeasurements of defined benefit plans with actuarial valuation	3,845
Portion of other comprehensive income from the associates and joint ventures accounted for using equity method	(89,813)
Income tax relating to items that will not be reclassified:	
- Tax related to the group	6,725
- Tax related to the associates	(2,248)
- Effects of changes in tax rates	993
December 31, 2018	<u>\$ 13,066,788</u>

(XIX) Other equity items

	<u>Unrealized</u> <u>valuation income</u> <u>and loss</u>	<u>Foreign currency</u> <u>translation</u>	<u>Hedging</u> <u>reserve</u>	<u>By the overlay</u> <u>approach</u> <u>Reclassification</u>	<u>Total</u>
January 1 to December 31,	(\$ 13,789,819)	(\$ 6,625)	\$ 404	(\$ 18,615,619)	(\$ 32,411,659)
Unrealized valuation profit or loss of financial assets:					
- The Company	(637,971)	-	-	-	(637,971)
- Tax related to the Company	38,278	-	-	-	38,278
- Subsidiaries and associates (Note 1)	24,486,182	-	-	-	24,486,182
- Subsidiaries and associates	(222,750)	-	-	-	(222,750)
- Accumulating losses due to derecognizing and transferring (Note 2)	73,590	-	-	-	73,590
- Changes of disposing associates (Note 1)	2,572,934	-	-	-	2,572,934
- Associates not Shareholding percentage Reclassification	(10,045)	-	-	-	(10,045)
Foreign currency traslation differences:					
- The Company	- (165,159)	-	-	-	(165,159)
- Tax related to the Company	- 33,033	-	-	-	33,033
- Subsidiaries and associates	- (44,104)	-	-	-	(44,104)
- Tax related to Subsidiaries and associates	- 2,612	-	-	-	2,612
Cash flow hedge:					
- Associate	-	- (329)	-	-	(329)
Reclassification by the overlay approach:					
- Associates (Note 1)	-	-	-	19,314,977	19,314,977
- Tax related to the associates	-	-	-	(122,577)	(122,577)
December 31, 2019	<u>\$ 12,510,399</u>	<u>(\$ 180,243)</u>	<u>\$ 75</u>	<u>\$ 576,781</u>	<u>\$ 12,907,012</u>

	<u>Unrealized</u> <u>valuation income</u> <u>and loss</u>	<u>Foreign currency</u> <u>translation</u>	<u>Hedging</u> <u>reserve</u>	<u>By the overlay</u> <u>approach</u> <u>Reclassification</u>	<u>Total</u>
January 1, 2018	(\$ 18,182,620)	(\$ 214,253)	\$ 615	\$ -	(\$ 18,396,258)
Impacts on retrospective application and retrospective restatement	20,072,870	-	-	(703,295)	19,369,575
Balance at 1 January, as restated	1,890,250	(214,253)	615	(703,295)	973,317
Effects of changes in tax rates	11,185	(9,483)	-	-	1,702
Unrealized valuation profit or loss of financial assets:					
- The Company	(337,490)	-	-	-	(337,490)
- Tax related to the Company	12,232	-	-	-	12,232
- Subsidiaries and associates (Note 1)	(18,566,472)	-	-	-	(18,566,472)
- Subsidiaries and associates	(37,520)	-	-	-	(37,520)
- Changes of disposing associates (Note 1)	3,237,996				3,237,996
Foreign currency translation differences:					
- The Company	-	218,071	-	-	218,071
- Tax related to the Company	-	(43,614)	-	-	(43,614)
- Subsidiaries and associates	-	45,921	-	-	45,921
- Tax related to Subsidiaries and associates	-	(3,267)	-	-	(3,267)
Cash flow hedge:					
- Associate	-	-	(211)	-	(211)
Reclassification by the overlay approach:					
- Associates (Note 1)	-	-	-	(18,023,619)	(18,023,619)
- Tax related to the associates	-	-	-	111,295	111,295
December 31, 2018	<u>(\$ 13,789,819)</u>	<u>(\$ 6,625)</u>	<u>\$ 404</u>	<u>(\$ 18,615,619)</u>	<u>(\$ 32,411,659)</u>

Note1: the changes in unrealized gains or losses from valuation and reclassification using overlay method were due to the Ruen Chen Investment Holding's recognition of Nan Shan Life Insurance's effect of changes in the fair value of financial assets through profit or loss or through other comprehensive income/available for-sale financial assets or disposal of such financial assets.

Note 2: Please refer to Note VI (5) for details.

(XX) Operating Revenue

	2019	2018
Revenue from contracts with customers:		
Revenue from sales of real estate	\$ 4,257,772	\$ 4,425,022
Revenue from sales of goods	1,212,879	1,374,734
Rent income	36,781	35,012
	<u>\$ 5,507,432</u>	<u>\$ 5,834,768</u>

1. Detail of customer contract income

The income of the Company comes from the real estate and goods transferred at a certain time point, and the income detail can be classified into the following main product lines and geographical area:

	<u>Taiwan</u>		
2019	<u>Construction business</u>	<u>Hypermarket business</u>	<u>Total</u>
Departmental revenue	\$ 4,257,772	\$ 1,212,879	\$ 5,470,651
Timing of revenue recognition			
Revenue recognized at a point in time	\$ 4,257,772	\$ 1,212,879	\$ 5,470,651
	<u>Taiwan</u>		
2018	<u>Construction business</u>	<u>Hypermarket business</u>	<u>Total</u>
Departmental revenue	\$ 4,425,022	\$ 1,374,734	\$ 5,799,756
Timing of revenue recognition			
Revenue recognized at a point in time	\$ 4,425,022	\$ 1,374,734	\$ 5,799,756

2. Contract liabilities

Contract liabilities related to customer contract income recognized by the Company are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Contract liability:		
Contract liability - Sales contract for real estate	\$ 482,424	\$ 382,727
Contract liability - Sales contract for goods	1,529	1,553
Total	<u>\$ 483,953</u>	<u>\$ 384,280</u>

(XXI) Operating Costs

	2019	2018
Cost of sales of real estate	\$ 3,279,548	\$ 3,222,911
Cost of sales of goods	937,128	1,085,685
Rental cost	29,720	24,426
	<u>\$ 4,246,396</u>	<u>\$ 4,333,022</u>

(XXII) Other income

	2019	2018
Interest income	\$ 71,281	\$ 159,087
Dividend income	13,252	11,671
Other income	14,125	28,672
	<u>\$ 98,658</u>	<u>\$ 199,430</u>

(XXIII) Other gains and losses

	2019	2018
Gains on disposals of real estate, plant and equipment	\$ 9	\$ 11
Foreign exchange net (loss) gain	(58,889)	312,352
Others	(37,082)	(54,184)
	<u>(\$ 95,962)</u>	<u>\$ 258,179</u>

(XXIV) Finance costs

	2019	2018
Interest expense:		
Bank loan and short-term notes and bills	\$ 412,165	\$ 381,320
Lease liabilities	351	-
	<u>412,516</u>	<u>381,320</u>
Less: Assets eligible for capitalization	<u>(199,437)</u>	<u>(185,252)</u>
Finance costs	<u>\$ 213,079</u>	<u>\$ 196,068</u>

(XXV) Additional information of expenses by nature

	2019	2018
Changes in merchandise inventory	\$ 4,216,676	\$ 4,308,596
Employee benefit expense	355,026	331,316
Depreciation expenses for real estate properties, plants, equipment	12,295	11,771
Depreciation expenses for investment properties	29,539	24,252
Depreciation expenses for right-of-use assets	16,003	-
Rent expense	89,871	110,863
Tax expense	60,364	89,824
Advertisement expense	131,512	121,509
Expected credit impairment (incomes) losses	(114)	262
Other expense	165,807	163,161
Operating costs and expenses	<u>\$ 5,076,979</u>	<u>\$ 5,161,554</u>

(XXVI) Employee benefit expense

	2019	2018
Wages and salaries	\$ 271,181	\$ 251,128
Labor and Health Insurance costs	19,913	18,906
Pension expense	9,954	10,188
Directors' Remuneration	44,943	41,676
Other employment fees	9,035	9,418
	<u>\$ 355,026</u>	<u>\$ 331,316</u>

1. In accordance with the Articles of Incorporation of the Company, when the Company has a profit in a fiscal year, 0.3% to 5% of such profit shall be distributed as the employees' compensation; however, when the Company still has accumulated losses, amount still be reserved in advance to make up the losses. The employees' compensation described in the preceding paragraph shall be in shares or cash, and the subjects for receiving the shares or cash may include employees of affiliates satisfying certain criteria.
2. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at NT\$20,248 and NT\$34,519, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation was estimated and accrued based on 0.3% of distributable profit of Current year for the year ended December 31, 2019. The employees' compensation resolved by the board of directors was NT\$20,248, which will be distributed in the form of cash.

Employees' compensation of 2018 as resolved by the board of directors was in agreement with the amount of NT\$34,519 recognized in the 2018 financial statements. The aforementioned employees' compensation was distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the board of directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(XXVII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2019	2018
Current income tax:		
Income tax occurred in the current period	\$ -	\$ 13,097
Land value increment tax	144,480	148,822
Income tax imposed on undistributed earnings	-	649,131
Overestimation on income tax for prior years	(2,488)	(14,288)
Total income tax for current period	141,992	796,762
Deferred income tax:		
Origination and reversal of temporary differences	25,647	652,329
Investment tax credits	-	15,554
Effects of the change in tax rates	-	74,986
Total deferred income tax	25,647	742,869
Income tax expense	\$ 167,639	\$ 1,539,631

(2) The income tax direct (debit) credit relating to components of other comprehensive income is as follows:

	2019	2018
Changes in unrealized valuation profit or loss	\$ 38,278	\$ 12,232
Differences on translation of foreign operations	33,033	(43,614)
Portion of other comprehensive income from the subsidiaries and associates	(342,715)	70,508
Remeasurements of defined benefit obligation	(821)	4,477
Effects of the change in tax rates	-	2,695
	(\$ 272,225)	\$ 46,298

(3) The income tax direct (debit) credit equity is as follows:

	2019	2018
Capital surplus	(\$ 25,695)	(\$ 1,023)
Effects of the change in tax rates	-	1,776
	<u>(\$ 25,695)</u>	<u>\$ 753</u>

2. Reconciliation between income tax expense and accounting profit

	2019	2018
Imputed income taxes on pretax income at statutory tax rate	\$ 1,847,118	\$ 2,294,345
Expenses to be excluded as stipulated in the tax law	14,246	22,720
Income with exemption from tax as stipulated in the tax law	(1,915,496)	(1,641,654)
Tax loss on unrealizable deferred income tax assets	91,770	-
Temporary differences on unrealized deferred income tax assets (liabilities)	(160)	119
Realizability evaluation on deferred income tax assets	(11,831)	(10,104)
Income tax imposed on undistributed earnings	-	649,131
Income tax effects of investment tax credits	-	15,554
Land value increment tax	144,480	148,822
Overestimation on income tax for prior years	(2,488)	(14,288)
Income tax effects of amendments to the tax law	-	74,986
Income tax expense	<u>\$ 167,639</u>	<u>\$ 1,539,631</u>

3. Amounts of deferred tax Assets or liabilities as a result of temporary difference are as follows:

	2019				
	<u>January 1</u>	<u>Recognition in Income (Loss)</u>	<u>Recognized in other comprehensive income</u>	<u>Recognition in Equity</u>	<u>December 31</u>
Temporary differences:					
- Deferred income tax assets:					
Loss for market price decline and obsolete and slow-moving inventories	\$ 10,210	\$ 225	\$ -	\$ -	\$ 10,435
Pension exceeding the limits	10,089	(251)	-	-	9,838
Deferred promotion expenses	19,633	(8,348)	-	-	11,285
Valuation loss	315	-	-	-	315
Domestic investment loss	54,330	8,794	-	-	63,124
Unrealized incomes among affiliates	-	569	-	-	569
IFRS 16 book-tax difference	-	26	-	-	26
Differences on translation of foreign operations	-	-	7,476	-	7,476
Portion of other comprehensive income from the subsidiaries and the associates	114,619	-	(114,619)	-	-
Remeasurements of defined benefit obligation	4,183	-	(821)	-	3,362
Subtotal	<u>213,379</u>	<u>1,015</u>	<u>(107,964)</u>	<u>-</u>	<u>106,430</u>
- Deferred income tax liabilities:					
Foreign investment gain	(1,187,598)	(41,374)	-	-	(1,228,972)
Unrealized foreign exchange gains	(14,839)	14,712	-	-	(127)
Allowance for bad debt exceeding the limits	(10)	-	-	-	(10)
Changes in unrealized valuation profit or loss	(100,353)	-	38,278	-	(62,075)
Differences on translation of foreign operations	(25,557)	-	25,557	-	-
Portion of other comprehensive income from the subsidiaries from the associates	-	-	(228,096)	-	(228,096)
Capital surplus	(13,094)	-	-	(25,695)	(38,789)
Subtotal	<u>(1,341,451)</u>	<u>(26,662)</u>	<u>(164,261)</u>	<u>(25,695)</u>	<u>(1,558,069)</u>
Total	<u>(\$ 1,128,072)</u>	<u>(\$ 25,647)</u>	<u>(\$ 272,225)</u>	<u>(\$ 25,695)</u>	<u>(\$ 1,451,639)</u>

2018								
	<u>January 1</u>	<u>Recognition in</u>	<u>Recognized in</u>	<u>Recognition in</u>	<u>Effects of</u>	<u>IFRS 9</u>	<u>December 31</u>	
		<u>Income (Loss)</u>	<u>other comprehensive income</u>	<u>Equity</u>	<u>changes in tax rates</u>	<u>adjustment</u>		
Temporary differences:								
- Deferred income tax assets:								
Loss for market price decline and obsolete and slow-moving inventories	\$ 8,920	(\$ 283)	\$ -	\$ -	\$ 1,573	\$ -	\$	10,210
Pension exceeding the limits	8,679	(122)	-	-	1,532	-		10,089
Deferred promotion expenses	11,134	6,534	-	-	1,965	-		19,633
Allowance for bad debt exceeding the limits	5	(6)	-	-	1	-		-
Valuation loss	5,237	-	-	-	-	(4,922)		315
Domestic investment loss	44,053	10,277	-	-	-	-		54,330
Unrealized foreign exchange losses	13,234	(15,570)	-	-	2,336	-		-
Differences on translation of foreign operations	15,349	-	(18,057)	-	2,708	-		-
Portion of other comprehensive income from the subsidiaries and associates	45,117	-	70,508	-	(1,006)	-		114,619
Re-measurements of defined benefit obligation	-	-	4,183	-	-	-		4,183
Investment tax credits	15,554	(15,554)	-	-	-	-		-
Subtotal	167,282	(14,724)	56,634	-	9,109	(4,922)		213,379
- Deferred income tax liabilities:								
Foreign investment gain	(466,895)	(638,310)	-	-	(82,393)	-	(	1,187,598)
Unrealized foreign exchange gains	-	(14,839)	-	-	-	-	(	14,839)
Allowance for bad debt exceeding the limits	-	(10)	-	-	-	-	(	10)
Changes in unrealized valuation profit or loss	(109,706)	-	12,232	-	-	(2,879)	(	100,353)
Differences on translation of foreign operations	-	-	(25,557)	-	-	-	(	25,557)
Re-measurements of defined benefit obligation	(1,287)	-	294	-	993	-		-
Capital surplus	(13,847)	-	-	(1,023)	1,776	-	(	13,094)
Subtotal	(591,735)	(653,159)	(13,031)	(1,023)	(79,624)	(2,879)	(	1,341,451)
Total	<u>(\$ 424,453)</u>	<u>(\$ 667,883)</u>	<u>\$ 43,603</u>	<u>(\$ 1,023)</u>	<u>(\$ 70,515)</u>	<u>(\$ 7,801)</u>	<u>(\$</u>	<u>1,128,072)</u>

4. Expiration dates of loss carryforward unused by the Company and amounts of unrecognized deferred tax assets are as follows:

December 31, 2019				
<u>Year of occurrence</u>	<u>Reports</u>	<u>Amount not deducted</u>	<u>Unrecognized deferred tax asset amounts</u>	<u>The final year in which the tax deduction is applied</u>
2019	<u>\$ 458,849</u>	<u>\$ 458,849</u>	<u>\$ -</u>	2029

5. Accumulated deductible temporary difference of unrecognized deferred tax assets (liabilities):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Deductible temporary differences	<u>(\$ 800)</u>	<u>\$ 598</u>

6. The Company's income tax returns through 2017 have been assessed as approved by the Tax Authority.
7. Since the amendment of the Income Tax Act became effective on February 7, 2018, the tax rate of the profit-seeking enterprise income tax was increased from 17% to 20%, and such amendment had been applied since 2018. The Company has assessed relevant income tax impacts of such change of tax rate.

(XXVIII) Earnings Per Share

	2019		
		<u>Weighted average outstanding Number of shares (thousand shares)</u>	<u>Earnings Per Share (NTD)</u>
<u>Basic earnings per share</u>	<u>After-tax amount</u>		
Net income attributable to ordinary shareholders	<u>\$ 9,067,952</u>	<u>969,841</u>	<u>\$ 9.35</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders	\$ 9,067,952	969,841	
Impact of potential diluted common shares			
Remuneration to employee	<u>-</u>	<u>724</u>	
Net income attributable to ordinary shareholders plus the effects on the common shares	<u>\$ 9,067,952</u>	<u>970,565</u>	<u>\$ 9.34</u>

	2018		
		<u>Weighted average outstanding Number of shares (thousand shares)</u>	<u>Earnings Per Share (NTD)</u>
<u>Basic earnings per share</u>	<u>After-tax amount</u>		
Net income attributable to ordinary shareholders	<u>\$ 9,932,094</u>	<u>1,374,811</u>	<u>\$ 7.22</u>
<u>Diluted earnings per share</u>			
Net income attributable to ordinary shareholders	\$ 9,932,094	1,374,811	
Impact of potential diluted common shares			
Remuneration to employee	-	1,133	
Net income attributable to ordinary shareholders plus the effects on the common shares	<u>\$ 9,932,094</u>	<u>1,375,944</u>	<u>\$ 7.22</u>
<u>(XXIX) Operating lease</u>			
<u>Lessee</u>			

Adoption in Year 2018

The Company has leased the land for hypermarket business and the Zhonglun office building under operating lease, and the term of lease is between 2012 and 2021. For 2018, the rental expense of NT\$105,314 was recognized as the Current profit or loss. The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	<u>December 31, 2018</u>
Less than one years	\$ 112,783
More than one year but less than five years	<u>22,687</u>
	<u>\$ 135,470</u>

(XXX) Cash flow supplementary information

Investing activities not affecting cash flow:

	<u>2019</u>	<u>2018</u>
Inventories reclassified to Investment real estate	<u>\$ -</u>	<u>\$ 1,083,449</u>
Real estate, plant and equipment transferred to expenses	<u>\$ 11</u>	<u>\$ -</u>
Other non-current assets transferred to investment accounted for under the equity method	<u>\$ 4,995,758</u>	<u>\$ -</u>

(XXXI) Changes of liabilities from financing activities

2019						
	<u>Short-term borrowings</u>	<u>Short-term notes payable</u>	<u>Guarantee deposits received</u>	<u>Long-term borrowings (Including due within one year and due within the operating cycles)</u>	<u>Lease liabilities (Including due within one year)</u>	<u>Total amount of liabilities from financing activities</u>
January 1 (the effects applied for the first adoption included)	\$ 710,000	\$ 179,958	\$ 978,837	\$ 29,474,565	\$ 37,297	\$ 31,380,657
Changes of the financing cash flows	2,080,000	2,050,000	21,537	(977,588)	(15,872)	3,158,077
Other non-cash changes	-	(1,501)	-	6,353	55	4,907
December 31	<u>\$ 2,790,000</u>	<u>\$ 2,228,457</u>	<u>\$ 1,000,374</u>	<u>\$ 28,503,330</u>	<u>\$ 21,480</u>	<u>\$ 34,543,641</u>
2018						
	<u>Short-term borrowings</u>	<u>Short-term notes payable</u>	<u>Guarantee deposits received</u>	<u>Long-term borrowings (Including due within one year and due within the operating cycles)</u>	<u>Lease liabilities (Including due within one year)</u>	<u>Total amount of liabilities from financing activities</u>
January 1	\$ 12,640,000	\$ 5,475,975	\$ 958,291	\$ 12,258,338	\$ -	\$ 31,332,604
Changes of the financing cash flows	(11,930,000)	(5,299,000)	20,546	17,219,802	-	11,348
Other non-cash changes	-	2,983	-	(3,575)	-	(592)
December 31	<u>\$ 710,000</u>	<u>\$ 179,958</u>	<u>\$ 978,837</u>	<u>\$ 29,474,565</u>	<u>\$ -</u>	<u>\$ 31,343,360</u>

VII.Transaction with Related Parties

(I)Names of related parties and relationship

<u>Name of the related party</u>	<u>Relationship with the Company</u>
Ruentex Baiyi Co., Ltd.	Subsidiary of the Company
Ruentex Xuzhan Co., Ltd.	Subsidiary of the Company
Ruentex Construction International Co., Ltd. (Previous named City-Link Development Co., Ltd.)	Subsidiary of the Company
Ruen Fu Newlife Corp.	Subsidiary of the Company
Ruentex Development Company (Ruentex Development)	Subsidiary of the Company
Ruentex Property Management and Maintenance Co., Ltd.	Subsidiary of the Company
Ruentex Security Co., Ltd.	Subsidiary of the Company
Ruentex Engineering & Construction Co., Ltd. (Ruentex Engineering)	Subsidiary of the Company
Ruenyang Construction & Engineering Co., Ltd.	Sub-subsidiary of the Company
Ruentex Interior Design Inc. (Ruentex Design)	Sub-sub-subsidiary of the Company
Ruentex Industries Ltd.	Associate (the investment company which accounts for the Company using the equity method)
Shing Yen Construction & Development Co., Ltd.	Associate (the investee company accounted for using the equity method method)
Nan Shan Life Insurance Co., Ltd. (Nan Shan Life Insurance)	Associate (the investee company accounted for using the equity method method)
OBI Pharma, Inc.	Other related party (supervisor of the Company's subsidiary is a juridical person director of the company)
RT-Mart International Co., Ltd. (RT-Mart)	Other related party (the Company is a juridical person supervisor of the company)
Shu-Tien Urology and Ophthalmology Clinic	Other related party (juridical person director of the Company's associates)
Ruentex Construction Co., Ltd.	Other related party (the Company's key management personnel is the director of that concerned company)
Huihong Investment Co., Ltd.	Other related party (the Company's key management personnel is the juridical person director of the concerned company)
Samuel Yen-Liang Yin	Other related party (spouse of the representative of the juridical person director of the Company)
Yung-Fang Chen	Other related party (spouse of the Company's key management personnel)
Chieh-An Jean	Other related party (immediate family of the Company's key management personnel)

Xiu-Yan Chang

Tsang-Jiunn Jean

Chih-Hung Lee

Hui-Sheng Chiu

Other related party (supervisor of the
Company's subsidiary)

The Company's key management personnel

The Company's key management personnel

Key management personnel of the
sub-subsidiary of the Company

(II) Significant related party transactions and balances

1. Operating revenue

	2019	2018
Other related parties	\$ 102,522	\$ 25,390
Subsidiary	54,194	41,160
Key management personnel	-	43,411
	<u>\$ 156,716</u>	<u>\$ 109,961</u>

- (1) The Company sold houses and lands to related parties, and the transaction prices were determined based on the negotiation between both parties. In addition, payments were collected according to the contract schedule signed by both parties. The transaction terms had no major difference from general non-related parties. The aforementioned transactions had been completed and the ownership of houses had been transferred. In addition, payments were collected according to the contract schedule signed by both parties.
- (2) The Company signed consultation service agreements with related parties, and the transaction prices were determined based on the negotiation between both parties. In addition, payments were collected according to the contract schedule signed by both parties.
- (3) The Company pre-sells premises to related parties, and the total sales and advance sale receipt (recognized in contract liabilities-current) are as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Total contract amount</u>	<u>Advance real estate receipts</u>	<u>Total contract amount</u>	<u>Advance real estate receipts</u>
Other related parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,250</u>	<u>\$ 12,150</u>

2. Purchases

	2019	2018
Ruentex Engineering & Construction Co., Ltd.	\$ 1,159,465	\$ 1,266,474
Subsidiary	350,824	114,062
Other related parties	219,180	84,396
	<u>\$ 1,729,469</u>	<u>\$ 1,464,932</u>

- (1) The Company had issued checks matured within 1~2 months for payments to related parties.
- (2) The construction price for the project contracted out by the Company to related parties were determined based on the price negotiation between both parties.
- (3) For the decoration works contracted out by the Company to related parties, contracts were established according to additional percentages on top of the costs, and the costs were determined after considering the decoration area and the materials used.

- (4) Regarding the construction and decoration project contracts accumulated and already signed by the Company and related parties, the unfinished construction contracts in progress and the payment amounts were as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	Total contract amount (Tax excluded)	Amount paid	Total contract amount (Tax excluded)	Amount paid
Ruentex Engineering & Construction Co., Ltd.	\$ 3,410,330	\$ 2,157,349	\$ 3,305,332	\$ 2,126,249
Subsidiary	498,274	359,799	452,136	38,086
Other related parties	18,114	3,351	18,114	3,351
	<u>\$ 3,926,718</u>	<u>\$ 2,520,499</u>	<u>\$ 3,775,582</u>	<u>\$ 2,167,686</u>

- (5) Regarding the entrusted purchase agreement signed by the Company and related parties, the purchase prices were calculated based on the purchase prices of related parties, and such purchase amounts were paid to the related parties based on monthly billing within 1~2 months after the payment notices were serviced to the related parties.

3. Non-operating income and expenses - other income

	<u>2019</u>	<u>2018</u>
Subsidiary (Note 1)	\$ -	\$ 17,867
Associates (Note 2)	2,100	2,100
	<u>\$ 2,100</u>	<u>\$ 19,967</u>

Note 1: When a subsidiary requests the Company to act as the joint guarantor for a long-term syndicated loan, the guarantee handling charge is 0.7% of the annuity, and it is collected according to the drawdown amount of such syndicated loan and according to the number of actual days of guarantee occurred.

Note 2: the interest incomes from the financial assets measured at amortized costs.

4. Receivables from related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable:		
Subsidiary	<u>\$ 1,135</u>	<u>\$ -</u>
Other receivables (Note):		
RT-Mart	\$ 2,396	\$ 2,987
Associates	1,097	1,096
Subsidiary	20	624
	<u>\$ 3,513</u>	<u>\$ 4,707</u>

Note: mainly refer to certificates receivable and interest receivable.

5. Payables to related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes payable:		
Ruentex Engineering & Construction Co., Ltd.	\$ 137,987	\$ 53
Subsidiary	57,294	3,485
Other related parties	16,006	2,636
Associates	355	4
Key management personnel	16	-
	<u>\$ 211,658</u>	<u>\$ 6,178</u>
Accounts payable:		
Ruentex Engineering & Construction Co., Ltd.	\$ 237,718	\$ 309,095
Ruentex Interior Design Inc.	16,525	28,081
Other related parties	16,132	2,130
Subsidiary	9,153	3,078
Associates (Note)	111	117
	<u>\$ 279,639</u>	<u>\$ 342,501</u>

Note: mainly refer to computer maintenance fee payable.

6. Property transactions

Acquisition of financial Assets

Please refer to the description of Note VI(5)3 and Note VI (7) 7.

7. Authorized operation contracts of Hypermarket Business Department

(1) The Company and other related party signed an authorized operation contract and an entrusted management and purchase agreement for the Zhonglun Hypermarket in August 2004 in order to allow other related party to provide relevant services for the establishment, operation and maintenance of the hypermarket, and the contract contents are summarized in the following:

A. Term of contract: Original contract was from August 2004 to December 2009, and both parties had agreed to extend for 10 years.

B. Purchase and management service remuneration: According to the following calculation method, for the retail store earnings of the sales location remuneration (excluding the financial income amount and the remuneration payable), the earnings remuneration payable was calculated:

a. If the sales location operating result generates a profit, then 50% of the earnings of the store and the food court shall be paid to the other party as earnings remuneration respectively. However, if the sales location operating result indicates a loss, the other party is not obligated to bear any loss.

b. In addition, a fixed service fee of NT\$ 500 is paid annually.

C. Restrictive clauses:

During the term of the contract, where the Company plans to sell, lease or dispose the asset or operation of the hypermarket in other method, it shall be sold, leased or transferred to the other party in written proposal according to the price agreed in

priority. If the other party fails to inform the Company its willingness to accept the offer within 60 days after the receipt of the proposal, then the Company may then lease, sell or dispose the asset or operation of the store in other methods to a third party.

- (2) Both parties have agreed to extend for ten years; and the agreement was entered in December 2019 for extension up to December 2024.
- (3) The premium expenses (including the earning compensation), for the year ended December 31, 2018 and 2017 were both NT\$500. As of December 31, 2018 and 2017, the royalties payable (including the earning compensation), recognized under other payables, were both NT\$42.

8. Status of endorsements and guarantees provided by the Company to related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiary	<u>\$ 4,080,000</u>	<u>\$ 4,080,000</u>

9. Endorsements or Guarantees made by related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Key management personnel	<u>\$ 43,314,292</u>	<u>\$ 39,339,523</u>

(III) Key management compensation information

	<u>2019</u>	<u>2018</u>
Wages and salaries and other short-term employee benefits	<u>\$ 101,678</u>	<u>\$ 93,123</u>
Post-employment benefits	<u>1,318</u>	<u>1,343</u>
Total	<u>\$ 102,996</u>	<u>\$ 94,466</u>

VIII. Pledged Assets

The Company's Assets pledged as collateral are as follows:

Asset items	Carrying amount		For guarantee purpose
	December 31, 2019	December 31, 2018	
Inventories	\$ 17,155,836	\$ 15,709,773	Long-term/short-term borrowings and Issuance of Commercial Paper
Current other financial assets (listed as other current assets)	409,278	254,448	Joint construction guarantee deposits and real estate trust receipts in advance
Financial Assets measured at fair value through other comprehensive income - non-current	446,576	414,656	Short-term borrowings and Issuance of Commercial Paper
Investment accounted for under the equity method	7,755,023	3,239,894	Long-term/short-term borrowings and Issuance of Commercial Paper and investment guarantee for invested company (Note)
Non-current other financial assets (listed as other non-current assets)	116,782	5,061,569	Money Lodged at Courts, performance bond and Investment guarantee for invested company (Note)
Investment Real Estate	157,890	161,029	Guarantee for advance rent receipts
	<u>\$ 26,041,385</u>	<u>\$ 24,841,369</u>	

Note: For the stock investment trust submitted by the Company for Ruen Chen Investment Holdings's investment in Nan Shan Life Insurance Co., Ltd., please refer to Note VI(7) for details.

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

Jing-Guan Construction Co., Ltd, ("Jing-Guan") entered the agreement for transferring rights of joint-construction with the Company on December 6, 1996, to transfer the joint construction at 63 pieces of lands at the Sub-section 2 of Muja Section, Wenshan District, Taipei City. Under the agreement, when certain conditions were met, the Company should pay the transfer premium one by one, for total NT\$31,000. In addition, on the same day, the Company signed a real estate sales contract with Jing-Guan and its legal representative, to buy several properties under the legal representative, and under the agreement, when certain conditions were met, the Company should pay the considerations one by one. Jing-Guan Construction Co., Ltd. believed that the Company had the actions to make the agreed payment conditions of the agreement for transferring rights of joint-construction and the real estate

sales contract fail to be met, and thus sued the Company to claim the unpaid transfer premiums and the interests from the delay. The legal representative of Jing-Guan also sued the Company to claim the unpaid considerations and the interests from the delay. The Company claimed that Jing-Guan Construction Co., Ltd. and its legal representative both firstly breached the obligations to be performed in the agreement for transferring rights of joint-construction and the real estate sales contract, and the payment conditions were not met. The right of claim was eliminated due to time. Pursuant to the contracts, the Company has not obliged to pay transfer premiums and considerations. For the above mentioned suit, the Taipei District Court, Taiwan has rejected the allegation of Jing-Guan Construction Co., Ltd. on April 24, 2019. Jing-Guan disagreed with the judgement, and has appealed to Taiwan High Court before the due date. Up to the date of the report, there was no further information.

(II) Commitments

As of December 31, 2019 and 2018, in addition to the content described in Note VI(7), (14), (29) and VII, other significant commitments are as follows:

1. As of December 31, 2019 and 2018, the joint construction contracts signed by the Company and land owners included the construction projects of Banqiao Jiangcui etc., and the joint construction guarantee bonds provided were NT\$ \$393,983 and \$239,760, respectively.
2. The Company signed the MRT system Neihu Line Neihu Station Joint Jiao 11 Development Construction Shopping Center, a building with 15 storages and 3 basement floors for a total of 274 household units, residential complex building and Xinzhuang Sanchong Station Jia 6 Commercial Building Site Joint Development Project with the Taipei City Government in September and December 2008. The performance bond of NT\$ 220,179 was paid with the performance bond guarantee issued by R.O.C. bank registered with the Ministry of Finance. For the Neihu Station Jiao 11 Joint Development Project, the Company has signed the equity distribution agreement with the Taipei City Government in September 2017, Presently, parts of the public facilities have not been inspected and delivered.

X. Significant Disaster Loss

None.

XI. Significant Subsequent Events

Please refer to the description of Note VI(18) and (26).

XII. Others

(I) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return share capital to shareholders, issue new shares or sell Assets in order to adjust to reach the most suitable capital structure. The Company uses the debt-to-capital ratio to monitor its capital, and such ratio is calculated by dividing the net debt by the total capital. The calculation of the net debt refers to total borrowings (including the "Current and non-Current borrowings" listed in the unconsolidated balance sheet) with the deduction of cash and cash equivalents. The calculation of the total capital refers to the addition of the "equity" listed on the unconsolidated balance sheet with the net debt.

The strategy in 2019 of the Company was maintained the same as the strategy in 2018. As of December 31, 2019 and 2018, the debt to total Assets ratio was as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total borrowings	\$ 33,521,787	\$ 30,364,523
Less: Cash and cash equivalents	(4,778,248)	(2,581,300)
Net debt	28,743,539	27,783,223
Total equity	<u>80,892,817</u>	<u>30,896,333</u>
Total capital	<u>\$ 109,636,356</u>	<u>\$ 58,679,556</u>
Debt-to-total-capital ratio	26.22%	47.35%

(II) Financial instruments

1. Type of financial instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets measured at fair value through other comprehensive income and loss - non-current	\$ 2,192,696	\$ 2,819,599
Financial Assets at amortized cost /loans and receivables		
Cash and cash equivalents	4,778,248	2,581,300
Notes receivable	3,589	2,053
Accounts receivable (including related parties)	6,645	20,331
Other receivables (including related parties)	6,738	11,299
Investments in debt instrument with no active market-		
Non-current financial assets measured at amortized cost	60,000	60,000
Other financial assets (listed as other current and other non-current assets)	<u>566,741</u>	<u>5,361,242</u>
	<u>\$ 7,614,657</u>	<u>\$ 10,855,824</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liability</u>		
Financial liabilities are carried at amortized cost		
Short-term borrowings	\$ 2,790,000	\$ 710,000
Short-term notes and bills payable	2,228,457	179,958
Notes payable (including related parties)	265,249	48,823
Accounts payable (including related parties)	412,157	534,693
Other payables	316,320	325,108
Long-term borrowings (including loans due within a year or a business cycle)	28,503,330	29,474,565
Guarantee deposits received (listed as other non-current liabilities)	1,000,374	978,837
	<u>\$ 35,515,887</u>	<u>\$ 32,251,984</u>
Lease liabilities - current and non-current	<u>\$ 21,480</u>	<u>\$ -</u>

2. Risk management policies

- (1) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (2) The risk management of the Company is executed by the financial department according to the policies approved by the board of directors, and cooperation with all operating units of the Company closely in order to be responsible for the identification, assessment and hedging of financial risks. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

- A. The Company holds several foreign operating institution investments, and its net asset bears the foreign exchange risk. In addition, the Company's businesses involve some non-functional currency operations. The information on Assets and

liabilities denominated in foreign currencies whose values would be affected by the exchange rate fluctuations is as follow:

December 31, 2019							
	<u>Foreign currency</u> <u>(in thousands of</u> <u>NTD)</u>	<u>Exchange</u> <u>rate</u>	<u>Carrying amount</u> <u>(NT\$)</u>	<u>Sensitivity analysis</u>			
				<u>Changes</u> <u>scope</u>	<u>Effects Income</u> <u>(Loss)</u>	<u>Effects other</u> <u>comprehensive</u> <u>Income</u>	
<u>Financial assets</u>							
<u>Monetary item</u>							
USD:NTD	\$ 79,032	29.98	\$ 2,369,379	1%	\$ 23,694	\$ -	
<u>Non-monetary Items</u>							
USD:NTD	232,165	29.98	6,960,312	1%	-	69,603	
December 31, 2018							
	<u>Foreign currency</u> <u>(in thousands of</u> <u>NTD)</u>	<u>Exchange</u> <u>rate</u>	<u>Carrying amount</u> <u>(NT\$)</u>	<u>Sensitivity analysis</u>			
				<u>Changes</u> <u>scope</u>	<u>Effects Income</u> <u>(Loss)</u>	<u>Effects other</u> <u>comprehensive</u> <u>Income</u>	
<u>Financial assets</u>							
<u>Monetary item</u>							
USD:NTD	\$ 77,291	30.72	\$ 2,374,380	1%	\$ 23,744	\$ -	
<u>Non-monetary Items</u>							
USD:NTD	214,801	30.72	6,598,693	1%	-	65,987	

B. Foreign exchange risk has significant impact on the Group, and the foreign exchange gains or losses (including realized and unrealized) on monetary items recognized were losses of NT\$58,889 and income NT\$312,352, for the years ended December 31, 2019 and 2018, respectively.

Price risk

- A. The Company's equity instruments exposed to price risk were the financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- B. The Company mainly invests in domestic or foreign equity instruments. The prices of equity instruments is affected by the uncertainty of the future value of investment subject matters. If the prices of these equity instruments had increased/decreased by 1% with all other variables held constant, gains or losses on equity instruments at fair value through other comprehensive income and available-for-sale financial assets for the years ended December 31, 2019 and 2018 would have increased/decreased by NT\$12,038 and NT\$19,116

Cash flow and fair value interest rate risk

- A. The interest rate risk of the Company comes from total borrowings such that the Company is exposed to cash flow interest rate risk. For 2019 and 2018, the borrowing of the Company at floating interest rate was mainly denominated in NTD.
- B. The borrowing of the Company was measured at amortized cost, and re-pricing was performed according to the annual interest rate specified in the contract. Therefore, the Company is exposed to the risk of future market interest rate change.
- C. If interest rates on borrowings had been 0.125% higher or lower with all other variables held constant, profit after income tax for the years ended December 31, 2019 and 2018 would have increased/decreased NT\$33,522 and NT\$30,365, respectively, due to change of interest expenses of borrowings at variable interest rate.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or transaction counterparties of financial instruments on the contract obligations. Such risk is mainly due to the counterparties cannot repay the accounts payable according to the payment terms, and it is classified as the contract cash flow at amortized cost.
- B. The Company established management of credit risk from the company's perspective. For corresponding banks and financial institutions, the Company set up to only accept transaction counterparties receiving the credit rating of at least Class "A". According to the internally specified credit extension policy, before each operating entity and each new customer of the Company establish the terms for payment and goods delivery, it is necessary to perform management and credit risk analysis. The internal risk control considers the financial position, past experience and other factors in order to assess the credit quality of customers. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilization of credit limits is regularly monitored.
- C. The Company adopts IFRS 9 to provide preliminary assumption, and when the payment specified according to the contract term has exceeded 90 days, breach of contract is deemed to have occurred.
- D. The Company uses IFRS to provide the following assumptions, to determine if the credit risks of the financial instrument significantly increased since the initial recognition.

When the contractual payments overdue from the payment terms for more than 30 days, it is deemed the credit risks of the financial instrument significantly increased since the initial recognition.

- E. The Company classifies the accounts payable of customers according to the characteristics of customer type, and adopts the simplified method to use the loss rate method as the basis for estimating the expected credit loss.
- F. The Company incorporates the future prospective consideration described in the economic forecast of Taiwan Institute of Economics Research for adjusting the loss rate established according to the specific period history and Current information, in order to estimate the allowance loss for accounts receivable. The loss rate method as of December 31, 2019 and 2018 was as follows:

	Each	Group A	Total
<u>December 31, 2019</u>			
Expected loss	50%~100%	0%~0.03%	
Total carrying amount	\$ 239	\$ 5,441	\$ 5,680
Allowance for losses	170	-	170
<u>December 31, 2018</u>			
Expected loss	50%~100%	0%~0.03%	
Total carrying amount	\$ 511	\$ 20,104	\$ 20,615
Allowance for losses	284	-	284

- G. The accounts receivable allowance loss change table under the simplified approach of the Company is as follows:

	2019	2018
	Accounts receivable	Accounts receivable
January 1	\$ 284	\$ 22
Provision of impairment loss	-	262
Reversal of impairment loss	(114)	-
December 31	\$ 170	\$ 284

(3) Liquidity risk

- A. The cash flow forecast of the Company is executed by the operating entity and summarized by the financial department. The financial department monitors rolling forecasts of the Company's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom

on its undrawn committed borrowing facilities at all times, as described in Note VI(14), in order to prevent the Company from breaching relevant borrowing limits or term. Such forecasts also consider the credit financing plan, credit terms compliance and the conformity with the financial ratio target specified in the internal balance sheet.

- B. For the remaining cash held by the operating entity of the Company, when it exceeds the management needs of operating capital, the financial department invests the remaining capital in the saving deposit with interest, time deposit and repurchase agreements etc. The instruments selected have appropriate maturity date or sufficient liquidity in order to cope with the aforementioned forecasts and to provide sufficient movement level. As of December 31, 2019 and 2018, the Company's position held in money market were NT\$4,750,142 and NT\$2,481,320.

C. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the following table are the contractual undiscounted cash flows:

Non-derivative financial liabilities:

December 31, 2019

	<u>Within 1 year</u>	<u>Within 2-5 years</u>	<u>More than 5 years</u>
Short-term borrowings (Note 1)	\$ 2,820,969	\$ -	\$ -
Short-term notes and bills payable (Note 1)	2,230,000	-	-
Notes payable (including related parties)	265,249	-	-
Accounts payable (including related parties)	412,157	-	-
Other payables	316,320	-	-
Lease liabilities (Note 1)	16,233	5,247	-
Long-term borrowings (including loans due within a year or a business cycle)	1,862,997	28,115,923	-
Other financial liabilities (Note 2)	-	1,000,374	-

Non-derivative financial liabilities:

December 31, 2018

	<u>Within 1 year</u>	<u>Within 2-5 years</u>	<u>More than 5 years</u>
Short-term borrowings (Note 1)	\$ 717,881	\$ -	\$ -
Short-term notes and bills payable (Note 1)	180,000	-	-
Notes payable (including related parties)	48,823	-	-
Accounts payable (including related parties)	534,693	-	-
Other payables	325,108	-	-
Long-term borrowings (including loans due within a year or a business cycle)	847,302	30,194,394	-
Other financial liabilities (Note 2)	-	978,837	-

Note 1: The amount includes the expected interest to be paid in the future.

Note 2: Refers to the bond deposited, and other non-Current liabilities is listed.

D. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(III) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical Assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in OTC stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The private equities of TWSE/TPEX companies invested by the Company and investment in equity instruments without active market are included in Level 3.

2. For the fair value information of investment real estate at cost of the Company, please refer to Note VI(10) for details.
3. The carrying amount of financial instruments not at fair value of the Company (including cash and cash equivalents, notes receivable, accounts receivable, other accounts receivable, other financial Assets (listed as other Current Assets and other non-Current Assets), short-term borrowing, short-term bills payable, notes payable, accounts payable, other accounts payable, long-term borrowing and other financial liabilities (listed as other non-Current liabilities)) refers to the reasonably close value of fair value.
4. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the Assets and liabilities is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial Assets				
measured at fair value				
through other				
comprehensive				
income				
Equity securities	<u>\$ 1,203,778</u>	<u>\$ -</u>	<u>\$ 988,918</u>	<u>\$ 2,192,696</u>

December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial Assets				
measured at fair value				
through other				
comprehensive				
income				
Equity securities	<u>\$ 1,911,599</u>	<u>\$ -</u>	<u>\$ 908,000</u>	<u>\$ 2,819,599</u>

5. The methods and assumptions the Company used to measure fair value are as follows:

- (1) For the investments on OTC stocks by the Company used market quoted prices as their fair values (i.e. Level 1), the market quoted prices are the closing prices.
- (2) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to Current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date (such as the reference yield curve of TPEx, Reuters commercial paper interest rate average price).
- (3) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (4) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. Such type of valuation model is normally applied to derivative financial instruments. Certain inputs used in such type of valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions. For the impacts of non-market observable parameters on financial instrument valuation, please refer to Note XII(3)10 for details.
- (5) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value

measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet date. The inputs and pricing information used during valuation are carefully assessed and adjusted based on Current market conditions.

6. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

7. The following table shows the change of Level 3 for the years ended December 31, 2019 and 2018.

	2019
	<u>Non-derivative Equity</u>
	<u>Instrument</u>
January 1	\$ 908,000
Gains recognized as other comprehensive income (Note 2)	80,918
December 31	<u>\$ 988,918</u>
	2018
	<u>Non-derivative Equity</u>
	<u>Instrument</u>
January 1	\$ 443,468
Transferring into the Level 3 (Note 1)	607,623
Losses recognized as other comprehensive income (Note 2)	(143,091)
December 31	<u>\$ 908,000</u>

Note 1: Refers to adjustments with the application of IFRS 9 classification requirements.

Note 2: Unrealized valuation profit or loss accrued.

8. For the valuation process of classifying fair values under Level 3 of the Company, the accounting department is responsible for performing the independent fair value verification of the financial asset. Through independent source information to allow the result to be close to the market status, confirming information source being independent, reliable, and consistent with other sources as well as representing the executable price. In addition, the valuation model is calibrated periodically, retroactive test is performed, the input values and data required for the valuation model is spaded and other necessary fair value adjustments are made, in order to ensure that the valuation result is reasonable.

9. The significant non-observable input value quantified information and significant non-observable input value change sensitivity analysis for the valuation model used in relation to the Level 3 fair value measurements are as follows:

	<u>December 31, 2019</u>	<u>Valuation</u>	<u>Significant unobservable</u>		<u>Inputs and Fair value</u>
	<u>Fair value</u>	<u>techniques</u>	<u>Inputs</u>	<u>Discount rate</u>	<u>relationship</u>
Non-derivative Equity Instrument:					
Privately offered shares (TWSE listed companies)	\$ 68,113	Binomial options pricing model	Discount for lack of marketability	13.60%	The higher the marketability discount, the lower the fair value.
Privately offered shares (TPEX listed companies)	377,093	Binomial options pricing model	Discount for lack of marketability	13.18%	The higher the marketability discount, the lower the fair value.
Shares of on-TWSE/TPEX listed companies	494,434	Comparable TWSE/TPEX listed companies	Discount for lack of marketability	25.67%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPEX listed companies	48,378	Comparable TWSE/TPEX listed companies	Discount for lack of marketability	18.65%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPEX listed companies	900	Net assets value method	N/A	N/A	N/A

	<u>December 31, 2019</u>	<u>Valuation</u>	<u>Significant unobservable</u>		<u>Inputs and Fair value</u>
	<u>Fair value</u>	<u>techniques</u>	<u>Inputs</u>	<u>Discount rate</u>	<u>relationship</u>
Non-derivative Equity Instrument:					
Privately offered shares (TWSE listed companies)	\$ 49,161	Binomial options pricing model	Discount for lack of marketability	21.53%	The higher the marketability discount, the lower the fair value.
Privately offered shares (TPEX listed companies)	351,147	Binomial options pricing model	Discount for lack of marketability	20.57%	The higher the marketability discount, the lower the fair value.
Shares of on-TWSE/TPEX listed companies	459,093	Comparable TWSE/TPEX listed companies	Discount for lack of marketability	25.69%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPEX listed companies	47,699	Comparable TWSE/TPEX listed companies	Discount for lack of marketability	18.48%	The higher the marketability discount, the lower the fair value.
Shares of non-TWSE/TPEX listed companies	900	Net assets value method	N/A	N/A	N/A

10. The Company carefully assesses and selects the valuation model and valuation parameters used; however, when different valuation model or valuation parameters are used, it may lead to different valuation result. For financial Assets classified as Level 3, if there is change in the valuation parameters, then the impact on other comprehensive income is as follows:

		<u>December 31, 2019</u>		
		<u>Recognized as other comprehensive income</u>		
	<u>Inputs</u>	<u>Changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>
Financial assets				
Equity Instrument	Lack of marketability discount	±1%	<u>\$ 9,889</u>	<u>(\$ 9,889)</u>

		<u>December 31, 2018</u>		
		<u>Recognized as other comprehensive income</u>		
	<u>Inputs</u>	<u>Changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>
Financial assets				
Equity Instrument	Lack of marketability discount	±1%	<u>\$ 9,080</u>	<u>(\$ 9,080)</u>

XIII. Separately Disclosed Items

(I) Significant transaction information

1. Loans to others: None.
2. Provision of endorsements and guarantees to others: Please refer to Table 1.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 2.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$ 300 million or 20% of the Company's paid-in capital: Please refer to Table 3.
5. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
7. Purchases or sales of goods from or to related parties reaching NT\$ 100 million or 20% of paid-in capital or more: Please refer to Table 4.
8. Receivables from related parties reaching NT\$ 100 million or 20% of paid-in capital or more: Please refer to Table 5.
9. Trading in derivative instruments undertaken during the reporting periods: None.
10. Significant transactions between the parent to subsidiary and between subsidiary during the reporting periods: Please refer to Table 6.

(II) Information on Investees

Names, locations and other information of investees (not including investees in Mainland China): Please refer to Table 7.

(III) Information on Investments in Mainland China

1. Basic information: Please refer to Table 8.
2. Significant transactions, either directly or indirectly through a third area, with investees in the Mainland Area: None.

XIV. Information on Departments

Not applicable.

Ruentex Development Co., Ltd.
Statement of Inventories
December 31, 2019

Unit: New Taiwan Dollars in Thousands

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand		\$ 2,02
Petty cash		2,680
Bank deposits		
- Checking deposits		23,124
- Demand deposits	Including USD 9 thousand, an exchange rate of 29.98 NTD to USD	37,109
- Time deposits	Including USD 79,023 thousand, an exchange rate of 29.98 NTD to USD Period of December 11, 2019~March 26, 2020	2,369,098
Cash equivalents (Bonds under repurchase agreements)	Interest rate of 0.288-0.342%, period of December 20, 2019~January 17, 2020	2,343,935
		<u>\$ 4,778,248</u>

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Ruentex Development Co., Ltd.
Statement of Inventories
December 31, 2019

Unit: New Taiwan Dollars in Thousands

Item	Summary	Amount		Remark
		Cost	Fair value	
<u>Construction Business</u>				
<u>Department</u>				
Real property for sale (including parking space)		\$3,342,404	\$7,479,785	1. Net realizable value.
Reconstruction land		15,571,198	16,204,559	2. Please refer to the "Notes VIII, Pledged Asset" for more details
Construction land		2,341,003	2,141,985	
Prepayment for land purchases		1,090,435	1,090,435	
Less: Allowance for valuation losses		(420,247)	-	
Subtotal		21,924,793	26,916,764	
<u>Hypermarket</u>				
<u>Business</u>				
<u>Department</u>				
Merchandise inventory		118,413	150,371	
Less: Allowance for obsolescence loss		(2,788)	-	
		115,625	150,371	
Total inventories		\$22,040,418	\$27,067,135	

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Ruentex Development Co., Ltd.
Statement of changes in financial Assets measured at fair value through profit or loss - non-Current
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

Name		Beginning of Period		Increased in the current period (Note 1)		Decreased in the current period (Note 2)		End of Period			Provided as a guarantee or hedge	Remarks
		Number of shares (1,000 Shares)	Amount	Number of shares (1,000 Shares)	Amount	Number of shares (1,000 Shares)	Amount	Number of shares (1,000 Shares)	Shareholding percentage	Amount		
Brogent Technologies Inc.		2,370	\$ 351,147	119	\$ 25,946	-	\$ -	2,489	4.46%	\$ 377,093	No	
OrientSemiconductor Electronics		5,309	49,161	-	18,952	-	-	5,309	0.96%	68,113	”	
OBI Pharma, Inc.		1,262	197,448	82	11,068	-	(31,157)	1,344	0.71%	177,359	”	
TaiMed Biologics, Inc.		10,357	1,714,151	-	-	-	(687,732)	10,357	4.11%	1,026,419	”	
RT-MART International Co., Ltd.		16,829	459,093	-	35,341	-	-	16,829	10.80%	494,434	Please refer to the "Notes VIII, Pledged Asset" for more details	
Gloria Solar International Holding Inc.		669	-	-	-	(669)	-	-	-	-	No	Note 3
Pacific Resources Corporation		1,078	-	-	-	-	-	1,078	1.05%	-	”	
Asia Pacific Federation of Industry and Commerce		21	900	-	-	-	-	21	0.03%	900	”	
Evergreen Steel Corp.		1,885	47,699	-	679	-	-	1,885	0.47%	48,378	”	
			\$ 2,819,599		\$ 91,986		(\$ 718,889)			\$ 2,192,696		

Note 1: Changes in the fair value measurement, stock dividends, and capital increase

Note 2: Changes in the fair value measurement.

Note 3: Gloria solar International Holding Inc., was approved by the government of Cayman Islands to be dissolved, and the certificate issued by the oversea embassy status-quo was obtained on September 3, 2019. Please refer to VI (V) for details.

Ruentex Development Co., Ltd.
Statement of financial Assets at amortized cost - non-Current
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

<u>Name</u>	<u>Beginning of Period</u>		<u>Increased in the current period</u>		<u>Decreased in the current period</u>		<u>End of Period</u>		<u>Provided as a guarantee or hedge</u>	<u>Remarks</u>
	<u>Number of shares</u>	<u>Carrying amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Carrying amount</u>		
Subordinated corporate bonds	60	<u>\$ 60,000</u>	-	<u>\$ -</u>	-	<u>\$ -</u>	60	<u>\$ 60,000</u>	No	

Ruentex Development Co., Ltd.
Statement of changes in investments accounted for using the equity method
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

Name	Balance at the beginning of the period		Increase in the current period		Decrease in the current period		Balance at the end of the period			Market price or net value of equity		Provided as a guarantee or hedge	Remark
	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Shareholding percentage	Amount	Unit price (NTD)	Total amount		
Shing Yen Construction Development Co., Ltd.	47,958	\$ 450,901	-	\$ 42,713	(19,543)	(\$ 205,619)	28,415	45.45%	\$ 287,995	\$ 10.45	\$ 297,031	No	
Ruentex Industries Ltd.	65,720	2,409,311	-	5,253,876	-	(619,802)	65,720	11.63%	7,043,385	73.50	4,830,470	Please refer to the Notes VIII for more details	
Ruentex Construction International (B.V.I.) Ltd.	25,000	2,069,368	-	58,702	-	(51,454)	25,000	100.00%	2,076,616	83.04	2,076,105	No	
Jing Hong Investment Co., Ltd.	27,000	677,343	-	46,422	-	(43,068)	27,000	30.00%	680,697	25.23	681,302	"	
Concord Greater China Ltd.	10,593	4,529,325	-	468,077	-	(113,706)	10,593	25.46%	4,883,696	460.95	4,882,840	"	
Ruentex Resources Integration Co., Ltd.	11,804	890,684	-	2,560,626	(11,804)	(3,451,310)	-	-	-	-	-	"	Note
Ruentex Construction International Co., Ltd.	109,874	752,581	-	124,194	-	(240,571)	109,874	100.00%	636,204	5.78	634,659	"	
Ruentex Baiyi Co., Ltd.	195,000	2,258,798	-	146,209	-	(181,350)	195,000	100.00%	2,223,657	11.40	2,223,657	"	
Ruentex Xuzhan Co. Ltd.	160,000	1,984,108	-	243,022	-	(262,400)	160,000	80.00%	1,964,730	12.28	1,964,611	"	
Sunny Friend Environmental Technology Co., Ltd.	29,677	777,408	-	264,948	-	(211,243)	29,677	26.62%	831,113	234.00	6,944,453	Please refer to the "Notes VIII, Pledged Asset" for more details	
Ruentex Materials Co., Ltd.	15,740	186,730	-	9,741	-	(11,664)	15,740	10.49%	184,807	44.20	695,725	No	
Ruen Chen Investment Holding Co., Ltd.	3,701,250	10,578,234	713,500	53,779,688	-	(2,268,728)	4,414,750	25.00%	62,089,194	14.06	62,089,194	"	
Ruentex Security Co., Ltd.	6,900	66,304	-	885	-	(1,496)	6,900	100.00%	65,693	9.52	65,693	"	

(Countined)

Ruentex Development Co., Ltd.
Statement of changes in investments accounted for using the equity method
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

Ruentex Property Management & Maintenance Co., Ltd.	2,829	34,988	-	6,272	-	(4,329)	2,829	100.00%	36,931	13.05	36,931	”
Ruen Fu Newlife Corp.		4,806	-	93		(2,266)	900	60.00%	2,633	2.93	2,633	”
	900				-							
Ruentex Engineering & Construction Co., Ltd.		19,757	51,832	888,802		(7,352)	52,845	39.14%	901,207	16.74	884,623	”
Global Mobile Corp.	1,013	-	-	-		-	26,082	9.46%	-	-	-	”
	26,082				-							
Ruentex Development Co., Ltd.		1,445,822	51,100	511,000		(39,811)	198,800	70.00%	1,917,011	9.75	1,937,720	”
	147,700				-							
Nan Shan Life Insurance Co., Ltd.		-	29,670	806,510		(11,039)	29,670	0.23%	795,471	26.81	795,471	”
	-				-							
Less: Treasury stock		(3,190)		-		-			(3,190)		-	
Total		<u>\$ 29,133,278</u>		<u>\$65,211,780</u>		<u>(\$ 7,727,208)</u>			<u>\$ 86,617,850</u>		<u>\$91,043,118</u>	

Note: A proposal to dissolve Resources Integration was submitted by the board of directors on January 14, 2019, and approved by the extraordinary shareholders' meeting on January 30, 2019. The dissolution was filed to the competent authorities and approved on February 13, 2019, and the settlement was completed on November 4, 2019.

Ruentex Development Co., Ltd.
Statement of changes in real estate, plant and equipment
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

Item	Balance at the beginning of the period	Increased amount of the current period	Decreased amount of the current period	Transferred amount of the current period	Balance at the end of the period	Status of pledged	Note
Machinery and equipment	\$ 81,950	\$ 12,707	(\$ 2,701)	\$ -	\$ 91,956	No	
Warehouse equipment	32,270	47	-	-	32,317	No	
Transportation equipment	25,379	2,733	-	-	28,112	No	
Office equipment	31,160	621	(1,462)	(17)	30,302	No	
Other equipment	<u>177,621</u>	<u>8,466</u>	<u>(2,209)</u>	<u>-</u>	<u>183,878</u>	No	
	<u>\$ 348,380</u>	<u>\$ 24,574</u>	<u>(\$ 6,372)</u>	<u>(\$ 17)</u>	<u>\$ 366,565</u>		

Explanation: For more details in depreciation method and years of useful life for real estate, plant and equipment please refer to Note IV (14).

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Ruentex Development Co., Ltd.
Statement of changes in accumulated depreciation of real estate, plant and equipment
January 1 to December 31, 2018

Unit: New Taiwan Dollars in Thousands

Item	Balance at the beginning of the period	Increased amount of the current period	Decreased amount of the current period	Transferred amount of the current period	Balance at the end of the period	Status of pledged	Remark
Machinery and equipment	\$ 66,197	\$ 4,913	(\$ 2,701)	\$ -	\$ 68,409	No	
Warehouse equipment	30,105	504	-	-	30,609	No	
Transportation equipment	19,432	2,398	-	-	21,830	No	
Office equipment	29,571	885	(1,462)	(6)	28,988	No	
Other equipment	<u>169,419</u>	<u>3,595</u>	<u>(2,209)</u>	<u>-</u>	<u>170,805</u>	No	
	<u>\$ 314,724</u>	<u>\$ 12,295</u>	<u>(\$ 6,372)</u>	<u>(\$ 6)</u>	<u>\$ 320,641</u>		

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Ruentex Development Co., Ltd.
Detailed changes of right-of-use assets,
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

Item	Balance at the beginning of the period (the effects applied for the first adoption included)	Increased amount of the current period	Decreased amount of the current period	Transferred amount for current period	Balance at the end of the period	Status of pledged	Remark
Cost							
-Buildings	\$ 37,297	\$ 55	\$ -	\$ -	\$ 37,352	No	
Accumulated depreciation							
-Buildings	-	(16,003)	-	-	(16,003)		
Carrying amount	\$ 37,297	(\$ 15,948)	\$ -	\$ -	\$ 21,349		

For the method of deprecation and useful years of right-of-use assets, please refer to Note IV (15).

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Ruentex Development Co., Ltd.
Statement of changes in investment real estate
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

Item	Balance at the beginning of the period	Increased amount of the current period	Decreased amount of the current period	Transferred amount for current period	Balance at the end of the period	Status of pledged	Remark
Cost:							
-Land	\$ 1,008,724	\$ -	\$ -	\$ -	\$ 1,008,724		Please refer to the Notes VIII for more details.
-Buildings	<u>1,315,773</u>	<u>49,905</u>	<u>-</u>	<u>-</u>	<u>2,374,402</u>		
Accumulated depreciation:							
-Buildings	<u>(363,636)</u>	<u>(29,539)</u>	<u>-</u>	<u>-</u>	<u>393,175</u>		
Carrying amount	<u>\$ 1,960,861</u>	<u>(\$ 20,366)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 1,981,227</u>		

Explanation: For the method of deprecation and useful years of the investment real estate, please refer to Note IV (16).

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Ruentex Development Co., Ltd.
Statement of short-term borrowings
December 31, 2019

Unit: New Taiwan Dollars in Thousands

Types of borrowing	Creditor	Balance at the end of the period	Time-limit for contract	Interest rate collars	Loan limit	Mortgage or guarantee	Remark
Secured loan	Bank SinoPac	\$ 500,000	December 18, 2019 to February 18, 2020	1.00%~1.22%	\$ 500,000	Properties for sale and guarantee notes NTD 500,000	
	Bank of Taiwan	<u>300,000</u>	December 16, 2019 to March 10, 2020	"	<u>300,000</u>	Shares and guarantee notes NTD 300,000	
		<u>800,000</u>			<u>800,000</u>		
Credit Loan	Land Bank Of Taiwan	\$230,000	November 19, 2019 to February 17, 2020	1.00%~1.22%	\$300,000	Guarantee notes NTD 300,000	
	Mitsui Sumitomo Bank	400,000	November 5, 2019 to February 5, 2020	"	450,000	Guarantee notes NTD 435,000	
	Bank of Taiwan	300,000	December 27, 2019 to March 26, 2020	"	300,000	Guarantee notes NTD 300,000	
	Taishin Bank	100,000	December 30, 2019 to January 31, 2020	"	200,000	Guarantee notes NTD200,000	
	E-Sun Bank	350,000	December 26, 2019 to March 24, 2020	"	500,000	Guarantee notes NTD 500,000	
	Taiwan Cooperative Bank	10,000	November 13, 2019 to January 13, 2020	"	400,000	Guarantee notes NTD 400,000	
	Shin Kong Bank	100,000	December 4, 2019 to January 3, 2020	"	200,000	Guarantee notes NTD200,000	
	National Agricultural Treasury	<u>500,000</u>	August 30, 2019 to February 26, 2020	"	<u>500,000</u>	Guarantee notes NTD 500,000	
		<u>1,990,000</u>			<u>2,850,000</u>		
		<u>\$2,790,000</u>			<u>\$3,650,000</u>		

Ruentex Development Co., Ltd.
Statement of short-term bills payable
December 31, 2019

Unit: New Taiwan Dollars in Thousands

Amount								
Item	Guarantee or acceptance institution	Time-limit for contract	Interest rate collars	Issuing amount	Unwithdrawn discount	Carrying amount	Mortgage or guarantee	Remark
Commercial papers payable	China Bills Finance	December 16, 2019 to February 20, 2020	0.18%~1.03%	\$860,000	(\$600)	\$859,400	Properties and securities for sale and guarantee notes NTD 1,000,000	
	Mega Bills Finance Corporation	December 4, 2019 to January 7, 2020		240,000	(569)	239,431	Construction lands, securities for sale and guarantee notes NTD 820,000	
	KGI Bank	December 13, 2019 to January 17, 2020		600,000	(115)	599,885	Guarantee notes \$600,000	
	Taiwan Finance Corporation	December 5, 2019 to February 3, 2020		280,000	(200)	279,800	Shares and guarantee notes NTD 300,000	
	International Bills Finance Corporation	December 4, 2019 to January 3, 2020		100,000	(30)	99,970	Shares and guarantee notes NTD 350,000	
	Dah Chung Bills Finance Corporation	December 20, 2019 to January 17, 2020		50,000	(18)	49,982	Guarantee notes NTD 50,000	
	Grand Bills Finance Corporation	December 4, 2019 to January 3, 2020		<u>100,000</u>	(11)	<u>99,989</u>	Shares and guarantee notes NTD 200,000	
				<u>\$2,230,000</u>	<u>(\$1,543)</u>	<u>\$2,228,457</u>		

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Ruentex Development Co., Ltd.
Statement of other Current liabilities
December 31, 2019

Unit: New Taiwan Dollars in Thousands

Item	Summary	Amount	Remark
Long term liabilities due within one year or one operating cycle		\$7,814,000	
Advance rent receipts		<u>15,981</u>	
		<u>\$7,829,981</u>	

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Ruentex Development Co., Ltd.
Statement of long-term borrowings
December 31, 2019

Unit: New Taiwan Dollars in Thousands

Creditor	Summary	Amount borrowed	Time-limit for contract	Interest Rate	Mortgage or guarantee	Remarks
Bank of Taiwan	Secured loan	\$ 100,000	August 1, 2018 to August 1, 2020	0.55%~2.22%	Shares and guarantee notes NTD 300,000	One-off payment upon maturity
Chang Hwa Commercial Bank	"	5,976,000	November 29, 2012 to March 31, 2021	"	Property under construction	One-off payment upon maturity
Mega Financial Holding	"	3,000,000	April 27, 2018 to May 31, 2021	"	Shares and guarantee notes NTD 3,000,000	One-off payment upon maturity
Hua Nan Commercial Bank	"	500,000	July 27, 2018 to August 30, 2021	"	Stock	One-off payment upon maturity
	"					Evenly amortized on a quarterly basis from the third year
Bank SinoPac		<u>1,000,000</u> <u>\$ 10,576,000</u>	August 13, 2018 to August 13, 2021	"	Properties for sale and guarantee notes NTD 1,000,000	
Bank of Taiwan	Credit Loan	2,000,000	August 13, 2018 to September 10, 2022	0.55%~2.22%	Issuing guarantee notes NTD 2,000,000	Evenly amortized on a quarterly basis from the third year
Chang Hwa Commercial Bank	"	1,200,000	May 31, 2018 to May 31, 2021	"	No	Evenly amortized on a semi-annual basis from the second year
Chang Hwa Commercial Bank	"	600,000	May 31, 2019 to May 31, 2022	"	No	Evenly amortized on a semi-annual basis from the second year
KGI Commercial Bank	"	500,000	December 28, 2017 to December 13, 2021	"	Issuing guarantee notes NTD 500,000	One-off payment upon maturity
National Agricultural Treasury	"	200,000	February 22, 2016 to February 22, 2022	"	No	One-off payment upon maturity
Mega Financial Holding	"	4,500,000	April 27, 2018 to May 31, 2021	"	Issuing guarantee notes NTD 4,500,000	One-off payment upon maturity
Taishin Bank	"	1,500,000	October 9, 2018 to October 8, 2021	"	Issuing guarantee notes NTD 1,500,000	One-off payment upon maturity

(Continued)

Ruentex Development Co., Ltd.
Statement of long-term borrowings
December 31, 2019

Unit: New Taiwan Dollars in Thousands

Huatai Bank	"	100,000	January 22, 2016 to July 23, 2020	"	Issuing guarantee notes NTD 100,000	One-off payment upon maturity
DBS Bank	"	430,000	October 31, 2018 to October 31, 2021	"	Issuing guarantee notes NTD 1,000,000	One-off payment upon maturity
Mizuho Bank	"	300,000	December 20, 2018 to December 20, 2021	"	Issuing guarantee notes NTD 300,000	One-off payment upon maturity
Mizuho Bank	"	600,000	January 23, 2018 to January 22, 2021	"	Issuing guarantee notes NTD 600,000	One-off payment upon maturity
Hua Nan Commercial Bank	"	1,000,000	October 9, 2018 to October 8, 2021	"	No	Evenly amortized on a quarterly basis from the third year
Kaohsiung Bank	"	100,000	June 11, 2018 to May 27, 2021	"	Issuing guarantee notes NTD 200,000	One-off payment upon maturity
CTBC Bank	"	462,000	October 9, 2018 to October 8, 2021	"	Issuing guarantee notes NTD 700,000	Evenly amortized on a semi-annual basis from the withdrawal date
Taiwan SME Bank	"	2,000,000	October 9, 2018 to October 8, 2021	"	Issuing guarantee notes NTD 2,000,000	Evenly amortized on a quarterly basis from the third year
O-Bank	"	300,000	March 8, 2017 to February 18, 2021	"	Issuing guarantee notes NTD 300,000	One-off payment upon maturity
First Bank	"	<u>470,000</u> <u>16,262,000</u>	May 15, 2019 to May 15, 2021	"	Issuing guarantee notes NTD 660,000	One-off payment upon maturity
Mega bills syndicated loan	"	1,470,000	December 5, 2018 to December 4, 2021	0.55%~ 2.22%	Issuing guarantee notes NTD 2,450,000	Long-term commercial paper, one-off payment upon maturity
Taishin Bank	"	<u>200,000</u> <u>1,670,000</u>	March 30, 2018 to March 30, 2020	"	Issuing guarantee notes NTD 200,000	Long-term commercial paper, one-off payment upon maturity
		<u>28,508,000</u>	(Continued)			

Ruentex Development Co., Ltd.
Statement of long-term borrowings
December 31, 2019

Unit: New Taiwan Dollars in Thousands

Less: Arrangement fees for	(	2,647)
leading banks of		
syndicated loan		
Due within one year	(	1,838,000)
Due within one	(	5,976,000)
operating cycle		
Discount on		
commercial papers	(	2,023)
Total	\$	<u>20,689,330</u>

Ruentex Development Co., Ltd.
Statement of operating revenue
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

Item	Summary	Amount		Remarks
		Subtotal	Total	
Revenue from contracts with customers - Revenue from sales of goods				
Chung Lun hypermarket				
-Revenue from hypermarket		\$ 1,206,933		
- Revenue from food street		<u>25,405</u>	\$ 1,232,338	
Rent income			36,781	
Revenue from contracts with customers - Revenue from sales of real property				
Revenue from sales of house, land and parking spaces		4,238,587		
Sales of house agency, consultancy and others		<u>45,396</u>	<u>4,283,983</u>	
Subtotal			5,553,102	
Less: Sales returns			(19,459)	
Sales discounts			<u>(26,211)</u>	
			<u>\$ 5,507,432</u>	

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Ruentex Development Co., Ltd.
Statement of operating costs
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

Item	Amount	
	Subtotal	Total
Cost of sales		
Beginning inventory	\$ 111,435	
Add: Purchases for current period	943,244	
Less: Loss on physical inventory	(11,763)	
Ending inventory	(118,413)	\$ 924,503
Gain from price recovery of inventory		862
loss on physical inventory		11,763
		937,128
Rental cost		
Depreciation expense	29,539	
Other expense	181	29,720
Construction cost		
<u>Prepayment for land purchases</u>		
Beginning prepayments of land	2,227,682	
Add: Purchases for current period	135,370	
Capitalization of interest	7,956	
Transferred from properties for sale	31,206	
Less: Reclassified to construction land	(1,247)	
Transferred to properties under construction	(1,310,532)	
Ending prepayments of land	(1,090,435)	-
<u>Construction land</u>		
Beginning construction land	2,354,557	
Add: Purchases for current period	96	
Capitalization of interest	417	
Reclassified from prepayments of land	1,247	
Less: other (not)	(15,314)	
Construction lands at the end of the period	(2,341,003)	-
<u>Property under construction</u>		
Beginning property under construction	12,500,229	
Add: Purchases for current period	1,569,373	
Capitalization of interest	191,064	
Reclassified from prepayments of land	1,310,532	
Less: construction lands at the end of the period	(15,571,198)	-
<u>Real property for sale (including parking space)</u>		
Beginning house for sale	6,560,418	
Add: Purchases for current period	93,040	
Less: Decrease in progress payments	(300)	
Transferred to prepayments of land	(31,206)	
Ending house for sale	(3,342,404)	3,279,548
Total operating costs		\$ 4,246,396

Ruentex Development Co., Ltd.
Statement of selling expenses
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Wages and salaries		\$ 151,280	
Advertisement expense		131,455	
Rent expense		88,497	
Taxes		60,139	
Cleaning administrative expense		31,916	
Utilities expense		24,849	
Maintenance expenses		14,104	
Insurance expenses		13,630	
Depreciation		8,847	
Pensions		5,322	
Other expense		<u>58,551</u>	
		<u>\$ 588,590</u>	

Ruentex Development Co., Ltd.
Statement of administrative and general affairs expenses
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Wages and salaries		\$ 119,901	
Depreciation		19,451	
Services expenses		14,078	
Insurance expenses		10,287	
Maintenance expenses		6,444	
Pensions		4,632	
Rent expense		1,374	
Other expense		<u>65,940</u>	
		<u>\$ 242,107</u>	

Ruentex Development Co., Ltd.
Summary statement of current period employee benefits and depreciation expenses by function
January 1 to December 31, 2019

Unit: New Taiwan Dollars in Thousands

Nature \ Function	2019			2018		
	Belong to operating costs	Belong to operating expenses	Total	Belong to operating costs	Belong to operating expenses	Total
Employee benefit expense						
Wages and salaries	\$ -	\$ 271,181	\$ 271,181	\$ -	\$ 251,128	\$ 251,128
Labor and Health Insurance costs	-	19,913	19,913	-	18,906	18,906
Pension expense	-	9,954	9,954	-	10,188	10,188
Directors' Remuneration	-	44,943	44,943	-	41,676	41,676
Other employee benefit expense	-	9,035	9,035	-	9,418	9,418
Depreciation expense	29,539	28,298	57,837	24,252	11,771	36,023

Notes:

1. The employees of the current year and the previous year are 344 and 364, respectively, and the directors not concurring employees are six.
2. Shall the shares of the company listed and traded in TWSE or TPEx, the following information shall be disclosed:
 - (1) The averaged employees' benefit expenses of the year was NT\$ 917 (Total of employees' benefit expenses - total remunerations of directors of the year/ number of the employees - numbers of directors no concurring employees of the year).
 The averaged employees' benefit expenses of the previous year was NT\$ 809 (Total of employees' benefit expenses - total remunerations of directors of the previous year/ number of the employees - numbers of directors no concurring employees of the previous year).
 - (2) The averaged employees' salary expenses of the year was NT\$ 802 (Total of salary expenses of the year/ number of the employees - numbers of directors no concurring employees of the year).
 The averaged employees' salary expenses of the previous year was NT\$ 701 (Total of salary expenses of the previous year/ number of the employees - numbers of directors no concurring employees of the previous year).
 - (3) The average adjustment to employees' salary expenses was 14.41 (Average salary expenses of the year - average salary expenses of the previous year/ average salary expenses of the previous year).

Ruentex Development Co., Ltd.
Endorsements and Guarantees for Others
January 1, 2019 to December 31, 2019

Attached Table I

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

No. (Note.1)	Endorsement guarantor Company name	Entity for which the endorsement/guarantee is made			Maximum of the	Balance of the	Actual drawn amount Amount	Cumulative amount of	Maximum limit of endorsement guarantee	Belong to	Belong to	Belong to	Remark	
		Relationship (Note 2)	To single entity Limit of the endorsement guarantee	period Balance of the endorsement guarantee	endorsement guarantee at the end of period	endorsements/guarantees as a percentage of the net worth as stated in the latest financial statement		endorsement provided by the parent company to subsidiary		endorsement guarantee provided by a subsidiary to subsidiary	endorsement guarantee to Mainland China			
0	Ruentex Development Co., Ltd.	Ruentex Development Co., Ltd.	2	\$ 72,803,535	\$ 4,080,000	\$ 4,080,000	\$ 2,680,000	\$ -	5.04	\$ 80,892,817	Y	N	N	Note 3
1	Ruentex Engineering & Construction Co., Ltd.	Ruentex Materials Co., Ltd.	1	675,000	31,254	31,254	31,254	-	0.81	1,350,000	Y	N	N	Note 4

Note 1: The column of No. is described as follows:

- (1). Please fill in 0 for the issuers.
- (2). Please fill in the Arabic numeral sequentially numbered starting from 1 for the invested companies according to the company type.

Note 2: There are seven types of the relationship between the company making an endorsement/guarantee and the entity for which the endorsement/guarantee as follows. Please indicate the type only:

- (1). A company with which the Company does business.
- (2). A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3). A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- (4). A company in which the Company holds, directly or indirectly, 90%, or more of the voting shares.
- (5). A company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6). A company in which all capital contributing shareholders make endorsements/guarantees for their jointly invested in proportion to their shareholding percentages.
- (7). Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The maximum amount of endorsements/guarantees made by the Company shall not exceed 100% or more of the net worth of the Company and the amount of endorsements/guarantees made by the Company for any single entity shall not exceed 90% or more of the net worth of the Company.

Note 4: The maximum amount of endorsements/guarantees made by the subsidiary shall not exceed 100% or more of the paid-in capital of the Company and the amount of endorsements/guarantees made by the subsidiary for any single entity shall not exceed 50% or more of the paid-in capital of the Company.

Ruentex Development Co., Ltd.

Securities held at the end of the period (not including investments in subsidiaries, associates and jointly controlled entities)

December 31, 2019

Attached Table II

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

<u>Company holding the securities</u>	<u>Type and name of the securities</u> (Note 1)	<u>Relationship with the issuer of securities</u> (Note 2)	<u>Account recognized</u>	<u>End of the period</u>			<u>Remark</u>
				<u>Number of shares</u>	<u>Carrying amount</u> (Note 3)	<u>Shareholding percentage</u>	<u>Fair value</u> (Note 4)
Ruentex Development Co., Ltd.	Shares of Orient Semiconductor Electronics	-	Financial Assets at fair value through other comprehensive income - non-Current	5,308,868	\$ 68,113	0.96	\$ 68,113
	Shares of TaiMed Biologics	The Company is a juridical person director of the company.	"	10,357,408	1,026,419	4.11	1,026,419
	Shares of OBI Pharma, Inc.	Supervisors of the subsidiaries and associates of the Company is a juridical person director of the company.	"	1,343,630	177,359	0.71	177,359
	Shares of Brogent Technologies Inc.	Supervisors of the subsidiaries and associates of the Company is a juridical person director of the company.	"	2,489,060	377,093	4.46	377,093
	Shares of RT-Mart International Co., Ltd.	The Company is a juridical person supervisor of the company	"	16,828,936	494,434	10.80	494,434
	Shares of Pacific Resources Corporation	-	"	1,078,437	-	1.05	-
	Shares of Asia Pacific Federation of Industry and Commerce	-	"	21,090	900	0.03	900
	Shares of Evergreen Steel Corp.	-	"	1,884,613	48,378	0.47	48,378
	Subordinated debts of Nan Shan Life Insurance	One of the Company's affiliates is a controlled company of the company.	Amortized cost financial Assets - non-Current	-	60,000	-	-

(Continued)

Ruentex Construction International Co., Ltd. (Previously named City-Link Development Co., Ltd.)	IP Cathay Fund	-	Financial assets at fair value through profit or loss - non-current	-	-	-	Note 8
Ruentex Engineering & Construction Co., Ltd.	Shares of Ruentex Development Co., Ltd.	The company	Financial Assets at fair value through other comprehensive income - non-Current	3,426,264	154,867	0.34	154,867
	Shares of Ruentex Industries Ltd.	The investment company which accounts for the Company using the equity method	”	20,151,803	1,481,158	3.57	1,481,158
	Shares of OBI Pharma, Inc.	Supervisors of the subsidiaries and associates of the Company is a juridical person director of the company.	”	234,295	30,928	0.13	30,928
	Shares of Save & Safe Corporation	-	”	4,267,233	55,900	2.51	55,900
	Shares of Powertec Electrical Chemicals Corp. (Shares of previous Powertec Energy Corp.	-	”	19,737,629	-	1.50	-
	Subordinated debts of Nan Shan Life Insurance	One of the Company’s affiliates is a controlled company of the company.	Amortized cost financial Assets - non-Current	-	500,000	-	-
Ruentex Materials Co., Ltd.	Shares of Ruentex Industries Ltd.	The investment company which accounts for the Company using the equity method	Financial Assets at fair value through other comprehensive income - non-Current	37,874	2,783	-	2,783
	Shares of OBI Pharma, Inc.	Supervisors of the subsidiaries and associates of the Company is a juridical person director of the company.	”	105,433	13,917	0.06	13,917
Ruentex Interior Design Inc.	Shares of Ruentex Industries Ltd.	The investment company which accounts for the Company using the equity method	”	657,045	48,293	0.12	48,293

Note 1: Securities indicated in the Table refer to shares, bonds, beneficiary certificates and securities derived from the items mentioned above within the scope of IFRS No.9.

Note 2: Not required to be filled in for the issuers of securities that are not related parties.

Note 3: Please fill in the value carried at adjusted fair value less accumulated impairment losses for those measured at fair value and the value varied at acquisition cost or amortized cost less accumulated impairment losses for those not measured at fair value.

Note 4: The securities listed that are limited to their use due to the provision of security, pledge loans or others in accordance with the contract shall indicate the number of shares provided for guarantee or pledge, the amount of guarantee or pledge and the limits on the use in the in the column of “Remarks”.

Note 5: The provision of 15,200 thousand shares, a total of NT\$446,576 thousand was pledged to financial institutions for financing loans.

Note 6: the base date of capital increase of Brogent Technologies Inc. was July 26, 2019

Note 7: Evergreen Steel Corp. wrote-off the treasury stocks, and thus the shareholding percentage of the Company increase from 0.46% to 0.47%.

Note 8: Ruentex Construction was previously named City-Link Development Co., Ltd., and was approved by Department of Commerce, MOEA on August 16, 2019.

Note 9: Powertec Electrical Chemicals Corp was previously named Powertec Energy Corp., and was approved by Department of Commerce, MOEA on August 14, 2019.

Ruentex Development Co., Ltd.

Accumulated buying and selling securities under re-purchase/re-sale conditions amounting to NTD 300 million or more than 20% of the paid-in capital

January 1, 2019 to December 31, 2019

Attached Table III

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

Buying/selling	Type of the securities and	Account	Counterparty	Relationship	Beginning of the period		Buying (Note 3)		Selling (Note 4)				End of the period	
company	Name (Note 1)	recognized	(Note 2)	(Note 2)	Shares	Amount	Shares	Amount	Shares	Price	Book cost	Gain on disposal	Shares	Amount
Ruentex Development Co., Ltd.	Ruentex Development Co., Ltd.	Investment accounted for using the equity method	Cash Capitalization	Subsidiary	147,700,000	\$ 1,445,822	51,100,000	\$ 511,000	-	\$ -	(\$ 39,811)	\$ -	198,800,000	\$ 1,917,011
Ruentex Resources Integration Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Investment accounted for using the equity method	Note 5	Subsidiary	72,881,000	1,459,882	(214,529)	(72,881,000)	(4,255,345)	(1,245,353)	3,009,992	-	-	-
							(註 4)					(註 6)		
Ruentex Development Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Investment accounted for using the equity method	Note 5	Subsidiary	1,012,500	19,757	51,832,359	3,039,274	-	-	(2,157,824)	-	52,844,859	901,207
											(註 7)			
Ruentex Development Co., Ltd.	Ruen Chen Investment Holding Co., Ltd.	Investment accounted for using the equity method	Cash Capitalization	Associates	3,701,250,000	10,578,234	713,500,000	5,100,000	-	-	46,410,960	-	4,414,750,000	62,089,194
							(註 8)							
Ruentex Development Co., Ltd.	Nan Shan Life Insurance Co., Ltd.	Investment accounted for using the equity method	Cash Capitalization	Associates	-	29,670,000	474,720	-	-	-	320,751	-	29,670,000	795,471

Note 1: Securities indicated in the Table refer to shares, bonds, beneficiary certificates and securities derived from the items mentioned above.

Note 2: The two columns must be filled in for the investors who account for securities using the equity method. (not required if not applicable)

Note 3: The accumulated amount of buying and selling should be calculated separately at market prices to determine whether they are up to NTD 300 million or more than 20% of the paid-in capital.

Note 4: The income/loss of investments, and the equity changes are recognized based on the shareholding percentage.

Note 5: Ruentex Resources Integration Co., Ltd. sold its shares of Ruentex Engineering & Construction Co., Ltd. to each shareholders by shareholding proportion in the TWSE market in the form of continuous trading with significant amount

Note 6: A reorganization; the difference between the sales price and the book cost was used to adjusted the capital reserve of Ruentex Resources Integration Co., Ltd.

Note 7: A reorganization; the difference between the sales price and the book cost was used to adjusted the capital reserve of Ruentex Development Co., Ltd.

Note 8: Including stock dividends 203,500,000 shares.

Ruentex Development Co., Ltd.

Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital

January 1, 2019 to December 31, 2019

Attached Table IV

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

<u>The company making the purchase (sale) of goods</u>	<u>Name of counterparty</u>	<u>Relationship</u>	<u>Transaction conditions</u>				<u>Difference between the terms and conditions of transaction and the general type of transaction and the reason for any such difference (Note 1)</u>		<u>Notes receivable/payable and accounts receivable/payable</u>		<u>Remark (Note 2)</u>
			<u>Purchase (sale) of goods</u>	<u>Amount</u>	<u>As a percentage of total purchases (sales) of goods</u>	<u>Credit period</u>	<u>Unit price</u>	<u>Credit period</u>	<u>Balance</u>	<u>As a percentage of notes receivable/payable and accounts receivable/payable</u>	
Ruentex Development Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Subsidiary	Purchase of goods	\$ 1,159,465	42.30	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	(\$ 161,280)	23.81	
Ruentex Development Co., Ltd.	Ruentex Interior Design Inc.	Third-tier subsidiary	Purchase of goods	319,014	11.64	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	(54,897)	8.10	
Ruentex Development Co., Ltd.	RT-MART International Co., Ltd.	The Company is a juridical person supervisor of the company	Purchase of goods	219,180	8.00	Amount paid according to the prescribed period of the procurement contract.	-	Amount paid according to the prescribed period of the procurement contract.	(32,093)	4.74	
Ruentex Development Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Subsidiary	Purchase of goods	182,715	55.04	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	(36,925)	49.38	

(Continued)

Ruentex Engineering & Construction Co., Ltd.	Ruentex Development Co., Ltd.	The Company	Sale of goods	1,249,878	14.25	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	161,280	16.90
Ruentex Engineering & Construction Co., Ltd.	Ruentex Development Co., Ltd.	Subsidiary	Sale of goods	399,337	4.55	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	36,925	3.87
Ruentex Engineering & Construction Co., Ltd.	Ruentex Materials Co., Ltd.	Subsidiary	Sale of goods	240,494	2.74	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	1,819	0.19
Ruentex Interior Design Inc.	Ruentex Development Co., Ltd.	The company	Sale of goods	293,041	37.97	Amount paid according to the prescribed period of the construction contract	Negotiated price	Amount paid according to the prescribed period of the construction contract	54,897	53.01

Note 1: If the terms and conditions of transaction with the related parties are different from the general terms and conditions of transaction, the difference and the reason for any such difference shall be specified in the column of unit price and the credit period.

Note 2: In the case of prepayments in advance (or advance receipts), the reasons, the terms and conditions of the contract, the amount and the difference between the general type of transactions shall be specified in the column of Remarks.

Note 3: Paid-in capital refers to the paid-in capital of the parent. In the case of an issuer whose shares have no par value or have a par value other than NT\$10, the monetary amount of the transaction of 20% of the paid-in capital shall be calculated at 10% of equity attributable to the owners of the parent as stated in the Balance Sheet.

Note 4: Calculate from the perspective of the entity of the company making the purchase (sale) of goods

Ruentex Development Co., Ltd.

Accounts receivable due from related parties amounting to at least \$100 million or 20% of the paid-in capital

December 31, 2019

Attached Table V

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

<u>The company recognized as</u>			<u>Balance of accounts</u>		<u>Overdue accounts receivable due from</u>		<u>Recovered amount in subsequent</u>		<u>Provision for allowance for</u>			
<u>receivables</u>	<u>Name of counterparty</u>	<u>Relationship</u>	<u>receivable due from related</u>	<u>parties</u>	<u>Turnover</u>	<u>Amount</u>	<u>Approach to handling</u>	<u>periods for accounts receivable due</u>	<u>from related parties</u>	<u>bad debts</u>		
Ruentex Engineering & Construction Co., Ltd.	Ruentex Development Co., Ltd.	The company	\$	161,280	8.06	\$	-	-	\$	161,231	\$	-

Note 1: Please fill in the value separately according the accounts receivable, notes receivable and other receivables.

Note 2: Paid-in capital refers to the paid-in capital of the parent. In the case of an issuer whose shares have no par value or have a par value other than NT\$10, the monetary amount of the transaction of 20% of the paid-in capital shall be calculated at 10% of equity attributable to the owners of the parent as stated in the Balance Sheet.

Ruentex Development Co., Ltd.

Business relationships and significant intercompany transactions and amount between a parent and its subsidiary company, or between its subsidiaries

January 1, 2019 to December 31, 2019

Attached Table VI

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

			Transaction information				
No. (Note 1)	Name of the transaction party	Transaction counterparty	Relationship with the transaction party (Note 2)	Account	Amount	Terms and conditions of transaction	As a percentage of the consolidated total operating revenue or total assets (Note 3)
0	Ruentex Development Co., Ltd.	Ruentex Development Co., Ltd.	1	Construction income	22,048	Note 5	0.13
		Ruentex Construction International Co., Ltd. (Previous named City-Link Development Co., Ltd.) (Note 8)	1	Rent income	18,316	"	0.11
1	Ruentex Interior Design Inc.	Ruentex Development Co., Ltd.	2	Construction income	293,041	Note 4	1.70
		"	2	Receivable	54,897	"	0.04
		"	2	Contract asset	16,505	"	0.01
		Ruentex Construction International Co., Ltd. (Previous named City-Link Development Co., Ltd.) (Note 8)	3	Construction income	55,372	"	0.32
2	Ruentex Engineering & Construction Co., Ltd.	Ruentex Development Co., Ltd.	2	Construction income	1,249,878	"	7.24
		"	2	Receivable	161,280	"	0.11
		"	2	Contract asset	134,642	"	0.09
		Ruentex Development Co., Ltd.	3	Construction income	399,337	"	2.31
		"	3	Receivable	36,925	"	0.02
		"	3	Contract asset	23,675	"	0.02
		Ruentex Materials Co., Ltd.	1	Construction income	230,534	"	1.34
		"	1	Contract asset	52,138	"	0.03
3	Ruentex Materials Co., Ltd.	Ruentex Precast Engineering and Technology (Shanghai) Ltd.	1	Service revenue	14,717	Note 5	0.09
		Ruentex Engineering & Construction Co., Ltd.	2	Sales revenue	52,785	Note 5	0.31
		"	2	Construction income	21,795	Note 4	0.13

(Continued)

4	Ruentex Property Management & Maintenance Co., Ltd.	Ruentex Hsu Chan Co. Ltd.	3	Service revenue	47,903	Note 5	0.28
		Ruentex Pai Yi Co., Ltd.	3	Service revenue	40,555	"	0.23
		Ruentex Development Co., Ltd.	2	Service revenue	15,667	"	0.09
		Ruentex Construction International Co., Ltd.	3	Service revenue	10,027	"	0.06
		(Previous named City-Link Development Co., Ltd.) (Note 8)					
5	Ruentex Security Co., Ltd.	Ruentex Hsu Chan Co. Ltd.	3	Service revenue	14,758	"	0.09
		Ruentex Pai Yi Co., Ltd.	3	Service revenue	12,407	"	0.07
		Ruentex Development Co., Ltd.	2	Service revenue	15,290	"	0.09
6	Ruentex Construction Co., Ltd.	Ruentex Development Co., Ltd.	2	Construction income	27,861	Note 4	0.16
7	Ruentex Construction International Co., Ltd.	Ruentex Hsu Chan Co. Ltd.	3	Receivable	10,167	Note 5	0.01

Note 1: The information about business transactions between the parent and the subsidiary shall be indicated in the column of No. respectively. Details on how to filled in No. are as follows:

(1). Please fill in "0" for the parent.

(2). Please fill in the Arabic numeral sequentially numbered starting from 1 for the subsidiaries according to the company type.

Note 2: There are three types of the relationship with the transaction party as follows. Please indicate the type only (In the case of the same transaction between the parent or subsidiaries, or between its subsidiaries, duplicate disclosure is not required. For example, in the case of the transaction between the parent or its subsidiary, if the parent has disclosed the information, the subsidiary does not require making a duplicate disclosure;

In the case of the transaction between the subsidiaries, if one of the subsidiaries has disclosed the information, the other subsidiary does not require making a duplicate disclosure.):

(1). parent and its subsidiary

(2). Subsidiary and its parent

(3). Subsidiary and the other subsidiary

Note 3: The transaction amount as a percentage of the consolidated total operating revenue or total assets shall be calculated at the balance at the end of period as a percentage of the consolidated total assets for assets or liabilities items, and the interim cumulative amount as a percentage of the consolidated total operating revenue for profits or losses items.

Note 4: The price shall be set according to negotiations between the two parties, and the amount shall be collected according to the prescribed period of the construction contract.

Note 5: The price shall be set according to negotiations between the two parties.

Note 6: Dividends receivable.

Note 7: Transactions amounting to NTD 10,000 shall be disclosed. The information shall be also disclosed from the asset side and revenue side.

Note 8: Ruentex Construction was previously named City-Link Development Co., Ltd., and was approved by Department of Commerce, MOEA on August 16, 2019.

Ruentex Development Co., Ltd.

The name of the invested company, the location and other relevant information (excluding the invested companies in mainland China)

January 1, 2019 to December 31, 2019

Attached Table VII

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

Name of the investing company	Name of the investee company	Location	Major Operating Items	Original investment amount		Holding at the end of period		Carrying amount	Current profit and loss of the investee company	Gains and losses on investment recognized for the current period	Remark
				End of the current period	End of last year	Shares	Ratio				
Ruentex Development Co., Ltd.	Ruentex Construction International (B.V.I.) Ltd.	British Virgin Islands (BVI)	General Investment	\$ 635,403	\$ 635,403	25,000,000	100.00	\$ 2,076,616	\$ 53,774	\$ 53,774	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Property Management & Maintenance Co., Ltd.	Taiwan	Mansions Management Services	15,998	15,998	2,828,650	100.00	36,931	6,212	6,212	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruen Fu Newlife Corp.	Taiwan	Retirement Home and General Property Management and Maintenance Services	9,000	9,000	900,000	60.00	2,633	(3,776)	(2,266)	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Security Co., Ltd.	Taiwan	Ruentex Security Co., Ltd.	49,000	49,000	6,900,000	100.00	65,693	(163)	(163)	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Construction International Co., Ltd. (Previous named City-Link Development Co., Ltd.) (Note 3)	Taiwan	Mall Operations, Proprietary Booths, Commercial Property Leasing, Housing and Building Development, Leasing and Sales, and Business Management Consulting	1,097,665	1,097,665	109,874,391	100.00	636,204	(233,406)	(233,406)	Subsidiary of the Company (Note 3)
Ruentex Development Co., Ltd.	Ruentex Resources Integration Co., Ltd.	Taiwan	Installation of cables, elevators and fire safety equipment	-	9,934	-	-	-	285,185	206,804	Note 4

			Original investment amount			Holding at the end of period					
<u>Name of the investing company</u>	<u>Name of the investee company</u>	<u>Location</u>	<u>Major Operating Items</u>	<u>End of the current period</u>	<u>End of last year</u>	<u>Shares</u>	<u>Ratio</u>	<u>Carrying amount</u>	<u>Current profit and loss of the investee company</u>	<u>Gains and losses on investment recognized for the current period</u>	<u>Remark</u>
Ruentex Development Co., Ltd.	Ruentex Xuzhan Co. Ltd.	Taiwan	Mall Operations and Commercial Property Leasing	1,600,000	1,600,000	160,000,000	80.00	1,964,730	303,778	243,022	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Baiyi Co., Ltd.	Taiwan	Mall Operations and Commercial Property Leasing	1,950,000	1,950,000	195,000,000	100.00	2,223,657	146,209	146,209	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Innovative Development Co., Ltd.	Taiwan	Congregate housing and commercial building rental and sale development and investment management consultant	1,988,000	1,477,000	198,800,000	70.00	1,917,011	(41,582)	(19,102)	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Taiwan	Contract of construction and civil engineering	3,052,214	12,940	52,844,859	39.14	901,207	679,710	88,756	Subsidiary of the Company
Ruentex Development Co., Ltd.	Ruentex Materials Co., Ltd.	Taiwan	Building materials production and distribution	44,087	44,087	15,740,381	10.49	184,807	87,797	9,741	Sub-subsidiary of the Company
Ruentex Development Co., Ltd.	Jing Hong Investment Co., Ltd.	Taiwan	General Investment	270,000	270,000	27,000,000	30.00	680,697	154,740	46,422	The investee company accounted for using the equity method
Ruentex Development Co., Ltd.	Ruen Chen Investment Holding Co., Ltd.	Taiwan	General Investment	19,037,500	13,937,500	4,414,750,000	25.00	62,089,194	28,832,953	7,208,238	The investee company accounted for using the equity method
Ruentex Development Co., Ltd.	Concord Greater China Ltd.	British Virgin Islands (BVI)	General Investment	\$ 409,489	\$ 409,489	10,593,334	25.46	\$ 4,883,696	\$ 603,283	\$ 153,596	The investee company accounted for using the equity method

Name of the investing company	Name of the investee company	Location	Major Operating Items	Original investment amount		Holding at the end of period			Current profit and loss of the investee company	Gains and losses on investment recognized for the current period	Remark
				End of the current period	End of last year	Shares	Ratio	Carrying amount			
Ruentex Development Co., Ltd.	Shing Yen Construction & Development Co., Ltd.	Taiwan	Congregate housing and commercial building rental and sale and operation of department store business	284,147	479,576	28,414,684	45.45	287,995	1,807	42,713	The investee company accounted for using the equity method
Ruentex Development Co., Ltd.	Sunny Friend Environmental Technology Co., Ltd.	Taiwan	Waste disposal and pollution prevention equipment manufacturing	331,147	331,147	29,677,148	26.62	831,113	992,998	264,336	The investee company accounted for using the equity method (Note 1)
Ruentex Development Co., Ltd.	Global Mobile Corp.	Taiwan	Type I Telecommunications Enterprises and Communication Engineering Industry	269,443	269,443	26,082,039	9.46	-	-	-	The investee company accounted for using the equity method
Ruentex Development Co., Ltd.	Ruentex Industries Ltd.	Taiwan	Spinning, Textiles, and Manufacturing, Processing and Sales of Garments	2,537,808	2,537,808	65,720,683	11.63	7,043,385	6,675,452	776,292	The investment company which accounts for the Company using the equity method (Note 2)
Ruentex Development Co., Ltd.	Nan Shan Life Insurance Co., Ltd.	Taiwan	Personal insurances, including life insurance, health insurance, damage insurance or annuity.	474,720	-	29,670,000	0.23	795,471	32,019,503	27,185	The investee company accounted for using the equity method
Ruentex Construction International BVI Co., Ltd.	Ruentex Construction International Ltd.	Hong Kong	General Investment	32,860	32,860	7,800,000	100.00	22,180	569	569	Sub-subsidiary of the Company
Ruentex Construction International BVI Co., Ltd.	Sinopac Global Investment Ltd.	Cayman Islands	General Investment	640,770	640,770	19,500,000	49.06	2,050,838	108,579	53,266	The investee company accounted for using the equity method

Name of the investing company	Name of the investee company	Location	Major Operating Items	Original investment amount		Holding at the end of period			Current profit and loss of the investee company	Gains and losses on investment recognized for the current period	Remark
				End of the current period	End of last year	Shares	Ratio	Carrying amount			
Ruentex Resources Integration Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Taiwan	Contract of construction and civil engineering	-	893,521	-	-	-	679,710	284,936	Note 4
Ruentex Engineering & Construction Co., Ltd.	Ruentex Materials Co., Ltd.	Taiwan	Building materials production and distribution	695,548	695,548	58,726,917	39.15	877,879	87,797	34,376	Sub-subsidiary of the Company
Ruentex Engineering & Construction Co., Ltd.	Ruentex Construction Co., Ltd.	Taiwan	Civil Engineering Projects	5,408	5,408	600,000	100.00	9,910	472	472	Sub-subsidiary of the Company
Ruentex Materials Co., Ltd.	Ruentex Interior Design Inc.	Taiwan	Design and Construction of Interior Decoration, Gardens, and Greenery	140,571	140,571	3,000,000	100.00	183,724	78,336	78,336	Sub-sub-subsidiary of the Company
Ruentex Construction International Co., Ltd. (Previous named City-Link Development Co., Ltd.) (Note 3)	Ruentex Industries Ltd.	Taiwan	Spinning, Textiles, and Manufacturing, Processing and Sales of Garments	131,158	131,158	1,822,888	0.32	274,056	6,675,452	-	The investment company which accounts for the Company using the equity method
Ruentex Security Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Taiwan	Contract of construction and civil engineering	57,799	57,799	976,000	0.72	54,404	679,710	-	Subsidiary of the Company
Ruentex Property Management & Maintenance Co., Ltd. Co., Ltd.	Ruentex Engineering & Construction Co., Ltd.	Taiwan	Contract of construction and civil engineering	15,583	15,583	264,000	0.20	14,672	679,710	-	Subsidiary of the Company

Note 1: The provision of 29,677 thousand shares, a total of NTD 831,112 thousand was pledged to financial institutions for financing loans.

Note 2: The provision of 64,607 thousand shares, a total of NTD 6,923,911 thousand was pledged to financial institutions for financing loans.

Note 3: Ruentex Construction was previously named City-Link Development Co., Ltd., and was approved by Department of Commerce, MOEA on August 16, 2019.

Note 4: Resource Integration was proposed for dissolution of the subsidiary Resource Integration was submitted by the board of directors on January 14, 2019, and approved by the extraordinary shareholders' meeting on January 30, 2019. Also on February 13, 2019, the competent authority was filed to and approved the dissolution. The settlement was completed on November 4, 2019.

Ruentex Development Co., Ltd.

Information of investments in mainland China-Basic information

January 1, 2019 to December 31, 2019

Attached Table VIII

Unit: New Taiwan Dollars in Thousands

(Unless Stated Otherwise)

<u>Name of the invested companies in mainland China</u>	<u>Major Operating Items</u>	<u>Paid-in capital</u>	<u>Investment method</u>	<u>The accumulated amount remitted from Taiwan to invest in mainland China at the beginning of the current period</u>	<u>The investment amount remitted out or back for the current period</u>		<u>The accumulated amount remitted from Taiwan at the end of the current period</u>	<u>Current profit and loss of the investee company</u>	<u>Shareholding percentage of direct or indirect investment by the Company</u>	<u>Gains and losses on investment recognized for the current period</u>	<u>Carrying amount of investments at the end for the period</u>	<u>Investment income remitted back by the end of the current period</u>	<u>Remark</u>
Runzhu Architecture and Engineering (Shanghai) Co., Ltd.	Technical Consulting and service of construction engineering	\$ 155,896	Note 1	\$ 155,896	\$ -	\$ -	\$ 155,896	\$ 2,808	40.07	\$ 1,125	\$ 55,947	\$ -	Note 2 (II) 2 Note 3

Note 1: The investment method is the sub-subsidiary directly entering into mainland China to make an investment.

Note 2: The figures related to the Table shall be expressed in New Taiwan dollars.

(I) In the case of preparation where no gain or loss on investment has occurred, please specify.

(II) The basis for recognition of gains and losses on investment is divided into the following three categories, which should be specified.

1. The financial reports audited and certified by an international accounting firm having a business cooperation relationship with an ROC accounting firm.
2. The financial reports audited and certified by a certified public accountant of the parent in Taiwan.
3. Others.

Note 3: The consolidated shareholding percentage of the Company and its subsidiaries.

Note 4: If any foreign currency is involved in the figures related to the Table, it shall be converted to New Taiwan dollars at the exchange rate on the financial reporting date.

(Continued)

<u>Company name</u>	<u>The accumulated amount remitted from Taiwan to invest in mainland China at the end of the current period</u>	<u>The approved amount by the Investment Commission, MOEA</u>	<u>The investment limit approved by the Investment Board, Ministry of Economic Affairs</u>
Ruentex Engineering & Construction Co., Ltd.	\$ 155,896	\$ 155,896	\$ 3,168,239

Note 1: The total amount of the original currency remitted from Taiwan to invest in mainland China at the end of the current period is as follows:

Ruentex Engineering & Construction Co., Ltd.: USD 5,200 thousand

Note 2: The investment amount approved by the Investment Board, Ministry of Economic Affairs is as follows:

Ruentex Engineering & Construction Co., Ltd.: USD 5,200 thousand

Note 3: According to the limits set out in the "Principles for the review of investment or technical cooperation in the mainland China" of the Investment Board, Ministry of Economic Affairs, the current limit is 60% of the net worth of the company.

Note 4: If any foreign currency is involved in the figures related to the Table, it shall be converted to New Taiwan dollars at the exchange rate on the financial reporting date.