

HIGHWEALTH CONSTRUCTION CORP.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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

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Independent Auditors’ Report

To the Board of Directors of Highwealth Construction Corp.:

Opinion

We have audited the accompanying parent company only financial statements of Highwealth Construction Corp. (“the Company”), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, the parent company only statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to note 4(o) and 6(w) of the parent company only financial statements for the account policies on revenue recognition and the details of revenue.

Description of key audit matter

The real estate industry, in which the Company is into, has a higher tendency of revenue fluctuation, therefore the management has set up relevant internal control procedures. The Company's sales revenue was \$18,074,191 thousand in 2020, whether revenue is presented fairly has a significant impact on financial statement. Therefore, the recognition of sales revenue is one of the most important evaluation in performing our audit procedures.

Auditing procedures proformed

Our principal audit procedures included testing the effectiveness of the design and implementing the internal control system of sales revenue. Inspection of sales contracts, bank account transaction record and real estate ownership transfer document, etc. Testing the samples of sales transaction before and after the end of the year to ensure the correctness of sales revenue.

2.Inventory valuation

Please refer to note 4(g) and 6(e) of the parent company only financial statements for the accounting policies on measuring inventory, assumption used and uncertainties considered in determining the net realizable value and the details of inventory.

Description of key audit matter

As of December 31, 2020, inventory of the Company valued \$97,465,526 thousand, constituting 72% of the total assets, which was presented with lower of cost or net realizable value method. The judgment of net realizable value of inventory relies on management since the Company focuses on real estate industry, which is not only deeply affected by politics, economics, and revolution of housing and land taxation, but also an industry involving a large portion of capital infusion and long-term payback. Thus, the valuation of inventory is one of the most important valuation in performing our audit procedures.

Auditing procedures proformed

Our principal audit procedures included understanding the Company's operating and accounting procedures for inventory valuation. Obtain the Company management's data of inventory valuation, inspecting and recalculating the net realizable value of inventory whether adequate. The net realizable value can be assessed in both ways: through reviewing the recent selling price of the premises, or by inquiring the selling price of premises nearby from the "Actual Selling Price of Real Estate" website.

Responsibilities of Management and Those Charged with Governance for the Parent Company only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers. And for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)

March 19, 2021

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

		<u>December 31, 2020</u>		<u>December 31, 2019</u>				<u>December 31, 2020</u>		<u>December 31, 2019</u>	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 6,543,049	5	7,581,341	7	2100	Short-term borrowings (Note 6(m))	\$ 58,184,725	43	43,277,303	39
1110	Current financial assets at fair value through profit or loss (Notes 6(b) and 8)	270,366	-	287,726	-	2110	Short-term notes and bills payable (Note 6(n))	4,976,720	4	2,963,851	3
1150	Notes receivable, net (Note 6(d))	1,290,121	1	1,271,200	1	2130	Current contract liabilities (Notes 6(w), 7 and 9(a))	7,948,977	6	4,424,056	4
1170	Accounts receivable, net (Notes 6(d) and 7)	107,195	-	103,176	-	2150	Notes payable	3,633	-	7,535	-
130X	Inventories (Notes 6(e), 7 and 8)	97,465,526	72	75,215,692	69	2170	Accounts payable	394,350	-	601,524	1
1410	Prepayments	217,737	-	332,607	-	2180	Accounts payable to related parties (Note 7)	1,313,731	1	1,303,836	1
1460	Non-current assets classified as held for sale, net (Note 6(f))	733,106	1	-	-	2200	Other payables (Note 7)	1,717,064	2	2,887,678	3
1476	Other current financial assets (Notes 6(l), (z), 7,8 and 9(b))	9,186,064	7	4,177,236	4	2230	Current tax liabilities	187,862	-	37,435	-
1479	Other current assets, others	13,178	-	20,988	-	2280	Lease liabilities (Note 6(q))	1,442	-	10,200	-
1480	Current assets recognized as incremental costs to obtain contract with customers (Note 6(l))	1,954,525	1	1,307,988	1	2305	Other current financial liabilities (Note 7)	176,268	-	231,712	-
		<u>117,780,867</u>	<u>87</u>	<u>90,297,954</u>	<u>82</u>	2321	Bonds payable, current portion (Note 6(p))	6,981,477	5	-	-
						2322	Long-term borrowings, current portion (Note 6(o))	941,422	1	107,373	-
						2399	Other current liabilities, others	592,068	-	73,623	-
								<u>83,419,739</u>	<u>62</u>	<u>55,926,126</u>	<u>51</u>
Non-current assets:						Non-Current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	553,139	-	550,364	1	2530	Bonds payable (Note 6(p))	17,548,006	13	19,738,699	18
1550	Investments accounted for using equity method, net (Notes 6(g), (h), and 8)	5,295,101	4	5,923,202	5	2540	Long-term borrowings (Note 6(o))	3,049,178	2	3,478,065	3
1600	Property, plant and equipment (Notes 6(i) and 8)	437,576	-	899,210	1	2570	Deferred tax liabilities (Note 6(t))	340	-	340	-
1755	Right-of-use assets (Notes 6(j))	1,427	-	10,093	-	2640	Net defined benefit liability, non-current (Note 6(s))	37,287	-	35,352	-
1760	Investment property, net(Notes 6(k) and 8)	3,876,811	3	4,017,978	4			<u>20,634,811</u>	<u>15</u>	<u>23,252,456</u>	<u>21</u>
1780	Intangible assets	2,757	-	3,190	-			<u>104,054,550</u>	<u>77</u>	<u>79,178,582</u>	<u>72</u>
1840	Deferred tax assets (Notes 6(t))	14,544	-	14,544	-		Total liabilities				
1980	Other non-current financial assets (Notes 6(l) and 8)	8,214,252	6	7,858,341	7		Stockholders' Equity:				
		<u>18,395,607</u>	<u>13</u>	<u>19,276,922</u>	<u>18</u>	3100	Common stock (Note 6(u))	12,902,969	9	11,666,288	11
						3200	Capital surplus (Note 6(u))	680,821	1	424,474	-
							Retained earnings (Note 6(u)):				
						3310	Legal reserve	7,295,747	5	7,227,303	7
						3350	Unappropriated retained earnings	10,793,502	8	10,629,412	10
						3400	Other equity interest (Note 6(u))	535,453	-	532,627	-
						3500	Treasury stock (Note 6(u))	(86,568)	-	(83,810)	-
							Total equity	<u>32,121,924</u>	<u>23</u>	<u>30,396,294</u>	<u>28</u>
Total assets		\$ 136,176,474	100	109,574,876	100	Total liabilities and equity		\$ 136,176,474	100	109,574,876	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(w))	\$ 18,157,516	100	20,373,762	100
5000	Operating costs (Note 6(e))	12,521,372	69	14,683,003	72
	Gross profit from operations	5,636,144	31	5,690,759	28
5910	Less: Unrealized profit (loss) from sales	-	-	184	-
5920	Add: Realized profit (loss) on from sales(note)	1,236	-	-	-
	Gross profit from operations	5,637,380	31	5,690,575	28
	Operating expenses:				
6100	Selling expenses (Note 7)	923,931	5	1,175,942	6
6200	Administrative expenses	724,738	4	886,483	4
		1,648,669	9	2,062,425	10
	Net operating income	3,988,711	22	3,628,150	18
	Non-operating income and expenses:				
7100	Total interest income (Note 6(y))	8,424	-	14,482	-
7010	Other income (Notes 6(y) and 7)	50,385	-	121,861	1
7020	Other gains and losses, net (Note 6(y))	136,188	1	14,199	-
7050	Share of profit of associates and joint ventures accounted for using equity method, net (Note 6(y))	(713,351)	(4)	(682,798)	(3)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note 6(g))	(477,590)	(3)	224,993	1
	Total non-operating income and expenses	(995,944)	(6)	(307,263)	(1)
	Profit from continuing operations before tax	2,992,767	16	3,320,887	17
7950	Less: Income tax expenses(Note 6(t))	346,966	2	291,098	1
	Profit	2,645,801	14	3,029,789	16
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains on remeasurements of defined benefit plans(Note 6(s))	(1,469)	-	167	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	2,775	-	22,474	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	1,256	-	(489)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	2,562	-	22,152	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	51	-	(149)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	51	-	(149)	-
8300	Other comprehensive income	2,613	-	22,003	-
	Total comprehensive income	<u>\$ 2,648,414</u>	<u>14</u>	<u>3,051,792</u>	<u>16</u>
	Earnings per share (Note 6(v))				
	Basic earnings per share	\$ 2.11		2.42	
	Diluted earnings per share	\$ 1.80		2.10	

See accompanying notes to parent company only financial statements.

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

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

	Share capital		Retained earnings			Total other equity interest				
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Treasury stock	Total equity
Balance on January 1, 2019	\$ 11,666,266	304,459	6,307,154	15,458,602	21,765,756	344	510,083	510,427	(66,761)	34,180,147
Effects of retrospective application	-	-	-	(14,959)	(14,959)	-	-	-	-	(14,959)
Equity at beginning of period after adjustments	11,666,266	304,459	6,307,154	15,443,643	21,750,797	344	510,083	510,427	(66,761)	34,165,188
Profit (loss)	-	-	-	3,029,789	3,029,789	-	-	-	-	3,029,789
Other comprehensive income	-	-	-	(322)	(322)	(149)	22,474	22,325	-	22,003
Total comprehensive income	-	-	-	3,029,467	3,029,467	(149)	22,474	22,325	-	3,051,792
Appropriation and distribution of retained earnings in 2018:										
Legal reserve appropriated	-	-	685,614	(685,614)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(4,083,194)	(4,083,194)	-	-	-	-	(4,083,194)
Appropriation and distribution of retained earnings for the period from January 1, 2019 to September 30, 2019										
Legal reserve appropriated	-	-	234,535	(234,535)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(2,333,257)	(2,333,257)	-	-	-	-	(2,333,257)
Conversion of convertible bonds	22	81	-	-	-	-	-	-	-	103
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	119,934	-	-	-	-	-	-	-	119,934
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	(507,223)	(507,223)	-	-	-	-	(507,223)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	(17,049)	(17,049)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	125	125	-	(125)	(125)	-	-
Balance on December 31, 2019	11,666,288	424,474	7,227,303	10,629,412	17,856,715	195	532,432	532,627	(83,810)	30,396,294
Profit (loss)	-	-	-	2,645,801	2,645,801	-	-	-	-	2,645,801
Other comprehensive income	-	-	-	(213)	(213)	51	2,775	2,826	-	2,613
Total comprehensive income	-	-	-	2,645,588	2,645,588	51	2,775	2,826	-	2,648,414
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	68,444	(68,444)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,166,629)	(1,166,629)	-	-	-	-	(1,166,629)
Stock dividends of ordinary share	1,166,628	-	-	(1,166,628)	(1,166,628)	-	-	-	-	-
Conversion of convertible bonds	70,053	203,150	-	-	-	-	-	-	-	273,203
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	53,304	-	-	-	-	-	-	-	53,304
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	(79,797)	(79,797)	-	-	-	-	(79,797)
Changes in ownership interests in subsidiaries	-	5	-	-	-	-	-	-	(2,758)	(2,753)
Changes in other additional paid in capital	-	(112)	-	-	-	-	-	-	-	(112)
Balance at December 31, 2020	\$ 12,902,969	680,821	7,295,747	10,793,502	18,089,249	246	535,207	535,453	(86,568)	32,121,924

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

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

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

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

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

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

(1) Company history

HIGHWEALTH CONSTRUCTION CORP. (the “Company”) was incorporated in January 1980 as a company limited by shares under the company Act of the Republic of China. Originally known as Yufu Construction Co., Ltd., after several times of rename. It changed its name to Hongju Construction Co., Ltd. after the acquisition of Hongju Construction Co., Ltd. in May 1989. Hongju Construction acquired Highwealth in 2000 and changed its name to Highwealth Construciton Corp. in May 2003. The Company registered address is 10F, No.267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) The Company primarily engages in the business of construction, sales, and leasing of residual and commercial buildings. Please refer to the financial statements for the Company’s main business activities.

(2) Approval date and procedures of the financial statements:

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

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

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

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

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

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

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: ● the incremental costs – e.g. direct labor and materials; and ● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.	January 1, 2022

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

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of preparation

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

- 1) Financial asset measured at fair value through profit or loss are measured at fair value;
- 2) Financial instruments measured at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liability (asset) is recognized as the fair value of the plan asset less the present value of defined benefit obligation and the upper limit impact mentioned in note 4(p).

(ii) Functional and presentation currency

The functional currency of each Company entities is determined based on the primary economic environment in which the entities operate. The Company’ s parent company only financial statements are presented in New Taiwan Dollar, which is the Company’ s functional currency. All the financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Currencies transaction

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

- 1) Fair value through other comprehensive income equity investment;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated at the average exchange rate. Translation differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

(d) Current and non-current distinction

An asset is classified as current when

- (i) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) The Company holds the asset primarily for the purpose of trading;
- (iii) The Company expects to realize the asset within twelve months after the reporting period;
- (iv) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when

- (i) The Company expects to settle the liability in its normal operating cycle;
- (ii) The Company holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period;

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand, demand deposits, cash equivalents are highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. They are reported as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) – equity investment, or fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

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

2) Fair value through other comprehensive income (FVOCI)

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established., which in the case of quoted securities is normally company the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which consider any dividend and interest income, are recognized in profit or loss.

4) Business model assessment

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, accounts receivable measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

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

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

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

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. An evidence that a financial asset is credit-impaired includes the following observable data.

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

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

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedure for recovery of amounts due.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets, or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity instruments

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

2) Equity instruments

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

6) Derecognition of financial liabilities

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

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

7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

(i) Construction industry

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition, and capitalization of interest.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The net realizable value is estimated as follows:

1) Construction site

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

2) Construction in progress

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

3) Real estate for sales

Net realizable value is the estimated selling price (refer to the market condition estimated by authority) in the ordinary course of business, less the estimated selling cost and expenses need to sell the real estate.

(h) Non-current assets held for sale

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

(i) Investing subsidiaries

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

The Company's changes in equity interests in subsidiaries that did not lead to loss of control, deemed as equity transactions between owners.

(j) Investment property

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

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

(Continued)

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

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings	3~50 years
2) Transportation equipment	5 years
3) Office equipment	3~5 years
4) Other equipment	3 years

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

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

(l) Lease

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- 2) The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) The Company has the right to direct the use of the asset throughout the period of use only if either:
 - The customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - The relevant decisions about how and for what purpose the asset is used are predetermined and:
 - The customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - The customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful lives of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

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

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

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

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

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

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

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and lease of low-value assets, The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

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

(m) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(Continued)

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

The estimated useful lives for current and comparative periods are as follows:

Computer software	1 ~ 3 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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HIGHWEALTH CONSTRUCTION CORP.
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(o) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Land development and sale of real estate

The Company develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Company due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs-incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

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

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided in the periods during which services are rendered by employees.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income Taxes

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

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HIGHWEALTH CONSTRUCTION CORP.

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Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

- (i) Assets and liabilities that are initially recognized from non-business combination transactions, with no effect on net income or taxable gains (losses).
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) If the entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) Levied by the same taxing authority; or
 - 2) Levied by different taxing authorities, but where each such authority intend to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation; or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for unused tax losses available for carry-forward, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits and deductible temporary differences are also re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized.

(r) Earnings per share

The Company disclose the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as remuneration of employees and employee stock options.

(Continued)

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

(s) Operating segments

Please refer to the consolidated financial report of Highwealth Construcion Corp. for the years ended December 31, 2020 and 2019 for operating segments information.

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

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

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

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

(a) Valuation of inventories

Inventories are measured at the lower of cost and net realizable value. The Company' s evaluate the selling price in the market is below the cost, and write off the cost of inventory to net realizable value. The estimation of net realizable value is based on current market conditions. Please refer note 6(e) for inventory valuation.

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

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

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

The transfers policy between levels of the fair value hierarchy

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

(a) Note 6(k) Investment property.

(b) Note 6(z) Financial instruments.

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

Please refer Note 6(z) for the disclosure of the Company's financial assets and liabilities interest risk and sensitivity analysis.

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

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

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

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

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

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

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

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

(i) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity investment at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes and not hold for sale.

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HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

As of December 31, 2019, the Company has sold its shares at a fair value of \$491 thousand, and the Company realized a gain of \$125 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.

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

(iii) As of December 31, 2020, and 2019, the financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral for long-term borrowings.

(d) Note and account receivables

	December 31, 2020	December 31, 2019
Note receivables	\$ 1,295,101	1,273,200
Trade receivables	109,887	104,168
Less: loss allowance	<u>7,672</u>	<u>2,992</u>
	<u>\$ 1,397,316</u>	<u>1,374,376</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The expected credit losses of the note receivables and trade receivables were as followed:

	December 31, 2020		
	Gross carrying amount	Weighted-aver age loss rate	Loss allowance Provision
Current	\$ 1,397,316	-	-
More than 365 days past due	<u>7,672</u>	100%	<u>7,672</u>
	<u>\$ 1,404,988</u>		<u>7,672</u>

	December 31, 2019		
	Gross carrying amount	Weighted-aver age loss rate	Loss allowance Provision
Current	\$ 1,374,376	-	-
More than 365 days past due	<u>2,992</u>	100%	<u>2,992</u>
	<u>\$ 1,377,368</u>		<u>2,992</u>

(Continued)

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

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

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

(e) Inventories

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

For the years ended December 31, 2020 and 2019, the cost of goods sold recognized in parent company only comprehensive income amounted to \$12,480,646 thousand and \$14,644,621 thousand, respectively. For the years ended December 31, 2020 and 2019, because parts of properties and land held for sale had been sold, the factor led to net realizable value below cost has been gone, the increase in net realizable value write-off the amount of cost of goods sold \$7,886 thousand and \$44,951 thousand, respectively.

For the years ended December 31, 2020 and 2019, the Company has changed the usage of partial asset, and reclassified properties and land held for sale to property, plant and equipment and investment property according to definition, please refer to note 6(i) and (j).

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

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

(f) Non-current assets held for sale

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

(Continued)

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

(g) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 5,295,101	5,923,202
(i) Subsidiaries		

Please refer to consolidated financial statement of 2020.

Due to the organizational structure adjustment of the Company, the Board of Directors made a resolution on June 25, 2019 to acquire 100% of the common stock of Bo Yuan Construction Co., Ltd., which was previously entirely owned by Qi Yu Construction Co., Ltd., by cash \$930,000 thousand. On August 8, 2019, the Company acquired direct control over Bo Yuan Construction Co., Ltd.

(ii) Guarantees

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

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

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

The effects of the changes in shareholdings were as follows:

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

(i) Property, plant and equipment

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

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP.
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	<u>Land</u>	<u>Buildings and construction</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1, 2019	\$ 476,705	414,423	42,079	-	933,207
Transfer from inventories	12,636	15,951	-	-	28,587
Additions	-	5,635	24,129	6,687	36,451
Disposals	-	-	(1,191)	-	(1,191)
Transfer in (out)	-	6,687	-	(6,687)	-
Reclassification to investment property	(1,878)	(1,742)	-	-	(3,620)
Balance on December 31, 2019	<u>\$ 487,463</u>	<u>440,954</u>	<u>65,017</u>	<u>-</u>	<u>993,434</u>
Depreciation and impairments loss:					
Balance on January 1, 2020	\$ -	67,565	26,659	-	94,224
Depreciation	-	12,174	11,740	-	23,914
Reclassification to properties held for sale	-	(21,860)	-	-	(21,860)
Disposals	-	-	(14,902)	-	(14,902)
Balance on December 31, 2020	<u>\$ -</u>	<u>57,879</u>	<u>23,497</u>	<u>-</u>	<u>81,376</u>
Balance on January 1, 2019	\$ -	57,602	15,889	-	73,491
Depreciation	-	10,094	11,961	-	22,055
Reclassification to investment property	-	(131)	-	-	(131)
Disposals	-	-	(1,191)	-	(1,191)
Balance on December 31, 2019	<u>\$ -</u>	<u>67,565</u>	<u>26,659</u>	<u>-</u>	<u>94,224</u>
Carrying amounts:					
Balance on December 31, 2020	<u>\$ 247,050</u>	<u>160,103</u>	<u>30,423</u>	<u>-</u>	<u>437,576</u>
Balance on December 31, 2019	<u>\$ 487,463</u>	<u>373,389</u>	<u>38,358</u>	<u>-</u>	<u>899,210</u>
Balance on January 1, 2019	<u>\$ 476,705</u>	<u>356,821</u>	<u>26,190</u>	<u>-</u>	<u>859,716</u>

(i) In order to manage activating strategies of assets and obtain the maximum effectiveness, the information of 2020 and 2019 for the reclassification of non-current assets held for sale and investment properties please refer to note 6 (f) and note 6 (k).

(ii) As of December 31, 2020, and 2019, the property, plant and equipment of the Company had been pledged as collateral for bank borrowings, please refer to note 8.

(j) Right-of-use assets

The Company leases assets including land and transportation equipment. Information about leases for which the Company as a lessee was presented below:

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

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

(k) Investment Property

	Land and improvement	Buildings and construction	Total
Cost or deemed cost:			
Balance on January 1, 2020	\$ 2,178,471	2,074,199	4,252,670
Reclassification from inventories	120,736	112,339	233,075
Disposals	(22,087)	(20,485)	(42,572)
Reclassification to properties held for sale	(155,284)	(144,019)	(299,303)
Balance on December 31, 2020	<u>\$ 2,121,836</u>	<u>2,022,034</u>	<u>4,143,870</u>
Balance on January 1, 2019	\$ 2,070,966	1,924,053	3,995,019
Reclassification from inventories	105,627	148,404	254,031
Reclassification from Property, plant and equipment	1,878	1,742	3,620
Balance on December 31, 2019	<u>\$ 2,178,471</u>	<u>2,074,199</u>	<u>4,252,670</u>
Depreciation and impairments loss:			
Balance on January 1, 2020	\$ 40,818	193,874	234,692
Depreciation	-	40,625	40,625
Disposals	-	(536)	(536)
Reclassification properties held for sale	-	(7,722)	(7,722)
Balance on December 31, 2020	<u>\$ 40,818</u>	<u>226,241</u>	<u>267,059</u>

(Continued)

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

	Land and improvement	Buildings and construction	Total
Balance on January 1, 2019	\$ 40,818	155,509	196,327
Depreciation	-	38,234	38,234
Reclassification from Property, plant and equipment	-	131	131
Balance on December 31, 2019	<u>\$ 40,818</u>	<u>193,874</u>	<u>234,692</u>
Carrying amounts:			
Balance on December 31, 2020	<u>\$ 2,081,018</u>	<u>1,795,793</u>	<u>3,876,811</u>
Balance on December 31, 2019	<u>\$ 2,137,653</u>	<u>1,880,325</u>	<u>4,017,978</u>
Balance on January 1, 2019	<u>\$ 2,030,148</u>	<u>1,768,544</u>	<u>3,798,692</u>
Fair value:			
Balance on December 31, 2020			<u>\$ 6,048,670</u>
Balance on December 31, 2019			<u>\$ 6,717,162</u>

The investment property is real estate property owned by the Company and leased to third parties. Please refer to note 6 (q) and 6(v) for more information.

The fair value measurement of investment property is based on the website of Department of Land Administration and estate agency' s website or the close deal in similar district. The fair value measurement for investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

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

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

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

(i) Other financial asset

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

(ii) Incremental costs of obtaining a contract-current

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

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

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

(m) Short-term borrowings

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

(i) The issue of bank loan and repayment

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

(ii) Collateral for Bank Loans

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

(n) Short-term notes and bills payable

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

December 31, 2019			
	Trust or acceptance institute	Range of interest rate	Amount
Commercial paper payable	Financial institute	1.65%~1.838%	\$ 2,974,200
Less: Discount on short-term notes and bills payable			(10,349)
Total			<u>\$ 2,963,851</u>

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

(Continued)

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

(o) Long-term borrowings

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

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

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

(i) The issue of bank loan and repayment

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

(ii) Collateral for Bank Loans

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

(p) Bonds payable/ current portion of bonds payable

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

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

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

(Continued)

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

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

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

In June 2017, the Company issued a secured 5-year convertible bond with zero interest for \$10,577,820 thousand with the following conditions:

- 1) The conversion price was \$57.1 per share, when it comes to adjusting conversion price of subsidiary's common share, it should adhere to the Company's conversion rules. The conversion price change with formula within issuance details. The secured convertible bond does not have reset feature.
 - 2) At any time within three months after the issuance date till 40 days before maturity date, the subsidiary would repurchase the bond at the face value if the close of the subsidiary's ordinary share price exceeded 30% of the bond's conversion price for successive 30 days, or the outstanding value of the bond was lower than 10% of the total issuance value.
 - 3) The bondholders can execute put options after three years from the issuance date, the redemption value is 103.7971% of the bonds value (the real yield is 1.25%).
 - 4) Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bond will be redeemed by the Company on the maturity date at 106.4082% of the principal amount of the bond (the real yield is 1.25%).
- (iii) Please refer to the note 6(y) for the interest expense for the years ended December 31, 2020 and 2019. For the details of collateral of secured convertible bonds and bonds payable, please refer to note 8.

(q) Lease liabilities

The carrying amount of lease liabilities were as follows :

	December 31, 2020	December 31, 2019
Current	<u>\$ 1,442</u>	<u>10,200</u>

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

(Continued)

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

The amounts recognized in profit or loss were as follows :

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

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

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

(i) Real estate leases

As of December 31, 2020, the Company leases land for its reception center. The leases of reception center typically run for a period of 2-3 years.

(ii) Other leases

The Company leases transportation equipment, with lease terms of three years.

The Company also leases office equipment, short-term reception center, and outdoor advertising. These leases are short-term and leases of low-value items. The Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(r) Operating lease

(i) Leases as lessor

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(k) for investment property.

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

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

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

(Continued)

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

(s) Employee benefits

(i) Defined benefit plans

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

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$29,347 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

3) Change of fair value of plan asset

The amounts included in the parent company only balance sheets in respect of the Company's fair value of plan asset for the years ended December 31, 2020 and 2019 were as follows:

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

4) Expenses recognized in profit or loss

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

	For the years ended December 31	
	2020	2019
Current service cost	\$ 576	570
Net interest of net liabilities for defined benefit obligations	338	379
	\$ 914	949
Administration expense	\$ 914	949

5) Actuarial valuations

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

	2020.12.31	2019.12.31
Discount rate	0.625%	1.000%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$628 thousand.

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

(Continued)

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

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

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

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

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

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance for the years ended December 31, 2020 and 2019 amounted to \$9,871 thousand and \$9,224 thousand, respectively.

(t) Income tax

(i) Income tax expenses

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

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

(Continued)

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

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

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

(ii) Deferred tax asset and liability recognized

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

Deferred tax assets:

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP.
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Deferred tax liabilities:

	Others
Balance on January 1, 2020	\$ <u>340</u>
Balance on December 31, 2020	\$ <u>340</u>
Balance on January 1, 2019	\$ <u>340</u>
Balance on December 31, 2019	\$ <u>340</u>

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

(u) Capital and other equity

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

(i) Ordinary shares

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

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

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

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

(Continued)

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

(ii) Capital surplus

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

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

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

(iii) Retained earnings

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

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

In addition, the articles of incorporation for the Company were amended before the general meeting of shareholders on June 10, 2020, the Company distributes the surplus earning and offset losses after the end of each quarter. If there are earnings during the quarter, the Company shall distribute the earnings in accordance with the above-mentioned procedures.

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

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

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

Earnings distribution for the second and third quarters of 2019 was decided based on the resolution approved during the general meetings of the shareholders held on August 13, 2019 and November 13, 2019, respectively, the amount of dividend distributions was 1,166,628 thousand and 1,166,629 thousand, respectively.

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

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

(iv) Treasury shares

- 1) In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of December 31, 2020, the Company had not repurchased any share.
- 2) Prior to Company ACT amendment in 2001, Subsidiaries of the Company, Ju Feng Hotel Management Consultant., Co., Ltd., Highwealth Real Estate Co., Ltd., and Chyi Yuh Construction Co., Ltd. held part of the Company's shares for investment purpose. Run Long Construction Co., Ltd., a subsidiary the Company has control over, acquired 11,950 thousand of the Company's shares for investment purpose in the public market in 2015 and received stock dividend from retained earnings of 1,195 thousand shares on 2020. As of December 31, 2020, and 2019, the market price per share were \$45.85 and \$46.3, respectively.

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

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

(v) Other equity items

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

(Continued)

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2019	\$ 344	510,083	510,427
Exchange differences on foreign operations	(149)	-	(149)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	22,474	22,474
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(125)	(125)
Balance on December 31, 2019	<u>\$ 195</u>	<u>532,432</u>	<u>532,627</u>

(v) Earnings per share

(i) Basic earnings per share

The Company's basic earnings per share is calculated by profit attributable to ordinary shareholders of the Company for 2020 and 2019 were \$2,645,801 thousand and \$3,029,789 thousand, respectively, and both the weighted average number of ordinary shares outstanding for 2020 and 2019 were 1,254,564 thousand and 1,253,975 thousand shares, respectively, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

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

2) Weighted-average number of ordinary shares

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

(ii) Diluted earnings per share

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

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

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

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

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

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

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

(Continued)

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

(ii) Contract balances

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

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

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

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

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

In accordance with the articles of incorporation the Company should contribute no less than 0.1% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$36,000 thousand, and directors' and supervisors' remuneration amounting to \$7,500 thousand and \$8,400 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2020 and 2019.

(y) Non-operating income and expense

(i) Interest income

The details of interest income were as follows:

(Continued)

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

(ii) Other income

The details of other income were as follows:

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

(iii) Other gains and losses

The details of other gains and losses were as follows:

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

(iv) Finance costs

The details of finance costs were as follows:

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

(Continued)

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

(z) Financial instruments

(i) Credit risk

1) Credit risk exposure

The financial instrument' s biggest credit risk exposure is the same as the carrying amount of the financial assets.

2) Concentration of credit risk

The Company has a vast client base that is not connected; thus, the ability to concentrate the credit risk is limited.

3) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(d).

Other financial assets at amortized cost are other receivables (classified as other current financial assets). All these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

The loss allowance provisions were determined as follows:

	Other receivables
Balance on December 31, 2020(as opening balance)	<u><u>\$ 8,235</u></u>
Balance on December 31, 2019(as opening balance)	<u><u>\$ 8,235</u></u>

(ii) Liquidity risk

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

	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
December 31, 2020				
Non derivative financial liabilities:				
Secured loans	\$ 59,030,247	4,576,634	39,463,881	14,989,732
Unsecured loans	4,707,850	4,190,738	517,112	-
Short-term investment payables	4,981,300	4,981,300	-	-
Other financial liabilities-current	176,268	-	176,268	-
Convertible bond	10,362,835	-	10,362,835	-
Ordinary corporate bonds (current)	14,720,874	7,083,280	7,637,594	-
Notes payable, accounts payable and other payables	3,428,778	3,389,643	39,107	28
Lease liability	1,450	1,450	-	-
	<u><u>\$ 97,409,602</u></u>	<u><u>24,223,045</u></u>	<u><u>58,196,797</u></u>	<u><u>14,989,760</u></u>

(Continued)

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

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
December 31, 2019				
Non derivative financial liabilities:				
Secured loans	\$ 41,607,416	8,690,022	30,046,658	2,870,736
Unsecured loans	8,102,799	4,048,716	4,054,083	-
Short-term investment payables	2,974,200	2,974,200	-	-
Other financial liabilities-current	231,712	-	231,712	-
Convertible bond	10,640,714	-	10,640,714	-
Ordinary corporate bond	9,688,502	100,000	9,588,502	-
Notes payable, accounts payable and other payables	4,800,573	4,742,009	57,694	870
Lease liability	10,308	10,308	-	-
	<u>\$ 78,056,224</u>	<u>20,565,255</u>	<u>54,619,363</u>	<u>2,871,606</u>

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

(iii) Market risk

- 1) Currency risk exposure: None
- 2) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5% basis points, the Company's interest expenses would have increased / decreased by \$335,760 thousand and \$249,133 thousand for the years ended December 31, 2020 and 2019, with another variable factors remaining constant. Considering that capitalized interest of profit may decrease or increase by \$157,779 thousand and \$131,387 thousand. This is mainly due to the Company's borrowing at variable rates.

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HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

3) Other market price risk

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

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

(iv) Information of fair value

1) Valuation techniques for financial instruments measured at fair value

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

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 6,816	-	6,816	-	6,816
Derivative financial assets mandatorily measured at fair value through profit or loss	263,550	263,550	-	-	263,550
Subtotal	\$ 270,366	263,550	6,816	-	270,366
Financial assets at fair value through other comprehensive income					
Stocks in unlisted company	\$ 553,139	-	553,139	-	555,139
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 6,543,049	-	-	-	-
Notes and accounts receivable	1,397,316	-	-	-	-
Other financial assets - current	9,186,064	-	-	-	-
Other financial assets - non-current	8,214,252	-	-	-	-
Subtotal	\$ 25,340,681	-	-	-	-

(Continued)

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

		December 31, 2020			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term loans	\$ 58,184,725	-	-	-	-
Short-term investment payables	4,976,720	-	-	-	-
Notes payable, accounts payable and other payables	3,428,778	-	-	-	-
Lease liabilities	1,442	-	-	-	-
Other financial liabilities- current	176,268	-	-	-	-
Corporate bonds payable (Current portions)	24,529,483	-	-	-	-
Long-term loans (Current portions)	3,990,600	-	-	-	-
Subtotal	\$ 95,288,016	-	-	-	-
		December 31, 2019			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets mandatorily measured at fair value through profit or loss	\$ 287,726	287,726	-	-	287,726
Financial assets at fair value through other comprehensive income					
Stocks in unlisted company	\$ 550,364	-	550,364	-	550,364
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 7,581,341	-	-	-	-
Notes and accounts receivable	1,374,376	-	-	-	-
Other financial assets- current	4,177,236	-	-	-	-
Other financial assets- non-current	7,858,341	-	-	-	-
Subtotal	\$ 20,991,294	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term loans	\$ 43,277,303	-	-	-	-
Short-term investment payables	2,963,851	-	-	-	-
Notes payable, accounts payable and other payables	4,800,573	-	-	-	-
Lease liabilities	10,200	-	-	-	-
Other financial liabilities- current	231,712	-	-	-	-
Corporate bonds payable	19,738,699	-	-	-	-
Long-term loans (Current portions)	3,585,438	-	-	-	-
Subtotal	\$ 74,607,776	-	-	-	-

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

- a) Financial assets measured at amortized cost (debt investment that has no active markets) and financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

- a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

- b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

4) Transfers between Level 1 and Level 2

Stock held by the Company quoted in an active market is sorted to Level 1. There is no difference regarding valuation techniques between 2020 and 2019. There is no transfer between first and second level measured at fair value in 2020 and 2019.

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

(aa) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company' s exposure information, objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

The Company' s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company' s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company' s receivables from customers and investments in debt securities.

1) Account receivable and other receivable

The Company' s credit risk is affected by its clients. Accounts receivable generated by selling real estate has a lower credit risk since the payment is completed by the masses with transferring, check, or loans from the bank.

The Company discloses the estimation of accounts receivables' and other receivables' loss with allowance for bad debt account. Allowance for bad debt account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

2) Investments

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

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HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

3) Guarantees

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

(iv) Liquidity risk

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

(v) Market risk

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

(ab) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of 2020, the Company's capital management strategy is consistent with the prior year as of 2019. The gearing ratio is maintained so as to ensure an "A" credit rating and ensure financing at reasonable cost. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2020, were as follows:

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

(Continued)

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

(7) Related-party transactions:

(a) Names and relationship with related parties

The following are entities that have had transactions with related parties and the Company's subsidiaries during the periods covered in the parent company only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Qi Yu Construction Co., Ltd.	Subsidiary company
Ju Feng Hotel Management Co., Ltd.	Subsidiary company
Highwealth Property Management Co., Ltd.	Subsidiary company
Jin Jyun Construction Co., Ltd.	Subsidiary company
Bo Yuan Construction Co., Ltd.	Subsidiary company
Guang Yang Investment Co., Ltd.	Subsidiary company
Yuan Sheng International Co., Ltd.	Subsidiary company
Quan Xiang Trading (Shanghai) Co., Ltd.	Subsidiary company
Xingfuyu Trading (Xiamen) Co., Ltd.	Subsidiary company
Run Long Construction Co., Ltd.	Subsidiary company
Yi Chi Enterprise Co., Ltd.	Subsidiary company
Bi Chiang Enterprise Co., Ltd.	Subsidiary company
Highwealth Construction Corp.	Subsidiary company
Taichung Highwealth Culture and Art Foundation	Same president with the Company
Tsai ○○	Key management personnel of the subsidiary
Fan ○○	Director of the Company
Chen ○○	Key management personnel of the Company
Lin ○○	Key management personnel of the subsidiary
Huang ○○	Family of the key management personnel of the Company

(Continued)

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

(b) Significant transactions with related parties

(i) Operating revenue

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

	Recognized revenue in current period		Advanced payment	
	For the years ended December 31		December 31,	December 31,
	2020	2019	2020	2019
Chen ○○	\$ -	-	514	-
Fan ○○	-	-	952	-
Lin ○○	-	-	143	-
	<u>\$ -</u>	<u>-</u>	<u>1,609</u>	<u>-</u>

(ii) Purchase

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

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

There were no significant difference of the price and conditions for related parties and ordinary contract mentioned above.

(iii) Receivables from related parties

The details of receivables from related parties were as follows:

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

(Continued)

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

(iv) Payables to related parties

The payables to related parties were as follows:

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

(v) Contract liabilities

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

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

(vi) Guarantees

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

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

(vii) Others

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

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

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

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

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

	For the years ended December 31	
	2020	2019
Subsidiaries	\$ 3,356	9,513

- 4) Paying consulting and service fee to related parties for selling real estate on consignment:

	For the years ended December 31	
	2020	2019
Subsidiary company—Ju Feng Hotel Management Co., Ltd.	\$ 84,428	80,795
Subsidiaries	-	1,122
	\$ 84,428	81,917

- 5) Paying administration expense to related parties for administrating constructing site:

	For the years ended December 31	
	2020	2019
Subsidiaries	\$ -	6,175

- 6) The related expense about selling activities with related parties as follows:

	For the years ended December 31	
	2020	2019
Subsidiaries	\$ 66,564	2,467

- 7) As of December 31, 2020, and 2019, cooperation cases with related parties were as follows:

Case Name	Categories	Type	Security
December 31, 2020			
Buo Shao Section	Landowner-subsidiary company-Yeh Kee Enterprise Co., Ltd.	Cooperation cases	Refundable deposit \$240,000
Buo Shao Section	Landowner-subsidiary company-Bijiang Enterprise Co., Ltd.	Cooperation cases	Refundable deposit 127,500
Guo Mao Section	Builder-subsidiary company-Run Long Construction Co., Ltd.	Cooperation cases	Guarantee deposit 50,000
Hui An Fourth	Builder-subsidiary company-Run Long Construction Co., Ltd.	Cooperation cases	Guarantee deposit 100,000
//	//	//	Guarantee deposit 200,000

(Continued)

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

<u>Case Name</u> <u>December</u> <u>31, 2019</u>	<u>Categories</u>	<u>Type</u>	<u>Security</u>
Buo Shao Section	Landowner-subsiary company-Yeh Kee Enterprise Co., Ltd.	Cooperation cases	Refundable deposit \$160,000
Buo Shao Section	Landowner-subsiary company-Bijiang Enterprise Co., Ltd	Cooperation cases	Refundable deposit 125,000
Guo Mao Section	Builder-subsiary company-Run Long Construction Co., Ltd.	Cooperation cases	Guarantee deposit 100,000
Hui An Fourth	Builder-subsiary company-Run Long Construction Co., Ltd.	Cooperation cases	Guarantee deposit 100,000

The project of Guo Mao case had been completed and exchanged land for building with the subsidiary during 2020. As of December 31, 2020, the procedure is processed in accordance with the joint construction.

- 8) Performance bond received from related parties for contract work:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Subsidiaries	<u>\$ 79,259</u>	<u>114,199</u>

- 9) In September, 2008, the Company sold a portion of land to Mr. Tsai, ○○ with a land developing plan at 5 million dollars, recognized as other payables. The Company would repurchase the land without any interest if the plan was not completed within three years. Both parties agreed lengthening the expiry date unconditionally indefinitely. As of December 31, 2020, and 2019, other payables are both 5 million dollars.
- 10) The Company sold its premises to other related parties at the amount of \$19,667 thousand in 2019.
- 11) The Company acquired 73,700 thousand shares of common stocks of Bo Yuan Construction Co., Ltd. from its subsidiary, Qi Yu Construction Co., Ltd., for \$930,000 thousand. As of December 31, 2020, transactions were entirely completed.
- 12) In 2020 and 2019, the Company bought gift certificates from Bo Yuan Construction Co., Ltd., for \$4,344 thousand and \$3,345 thousand respectively.
- 13) In 2019, the Company donated \$5,000 thousand to Taichung Highwealth Culture and Art Foundation for its promotion and development.

- (c) Key management personnel transactions

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	<u>\$ 59,726</u>	<u>67,660</u>

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

(8) Pledged assets:

Pledged assets	Object	December 31, 2020	December 31, 2019
Financial assets at FVTPL	Mortgage	\$ 180,000	171,900
Inventories (construction)	Mortgage, issuing commercial paper and bonds payable	75,293,967	57,501,802
Other financial assets- current and non-current	Mortgage, issuing commercial paper, performance bond, real estate trust account, and bonds payable	16,645,841	11,348,263
Investment accounted for using equity method	Mortgage	1,006,139	1,298,617
Property, plant and equipment	Mortgage and bonds payable	378,931	832,318
Investment property at net value	Mortgage, issuing commercial paper, and bonds payable	3,830,506	3,974,571
		722,922	-
		\$ 98,058,306	75,127,471

As of December 31, 2020, and 2019, the book value of pledged assets providing undrawn guaranteed loan are \$3,394,004 thousand and \$6,417,486 thousand, respectively.

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

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

	December 31, 2020	December 31, 2019
Amount of signed contracts	\$ 74,518,819	49,108,132
Received amount from contracts	\$ 7,944,933	4,415,748
Outstanding checks received from presale cases	\$ 3,929,998	2,551,904

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

	December 31, 2020	December 31, 2019
Acquisition of inventory (construction)	\$ -	4,543,329

(iii) As of December 31, 2020, the Company had not recognized the transaction of sale-and-leaseback, and the total amount expects to pay in the future is \$163,512 thousand, and the expected rent term is January 1, 2021 to July 2026.

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

(b) Others

As of December 31, 2020, and 2019 the refundable deposit paid for cooperation cases are \$454,149 thousand and \$424,642 thousand, respectively.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

On March 19, 2021, the board of directors approved the donation of 712,500 thousand shares, and amounting \$548,139 thousand of Lee Shuo Investment Co., Ltd. held by the company to other related parties – Taichung Highwealth and Art Foundation.

(12) Other:

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

By function By item	For the year ended December 31					
	2020			2019		
	Operating cost	Operating Expense	Total	Operating cost	Operating Expense	Total
Employee benefits						
Salary	\$ -	327,880	327,880	-	330,028	330,028
Labor and health insurance	-	21,846	21,846	-	21,994	21,994
Pension	-	10,785	10,785	-	10,173	10,173
Remuneration of directors	-	16,513	16,513	-	16,783	16,783
Others	-	-	-	-	-	-
Depreciation	40,625	35,568	76,193	38,234	31,418	69,652
Depletion	-	-	-	-	-	-
Amortization	-	4,859	4,859	-	3,929	3,929

For the years ended December 31, 2020 and 2019, the information on the number of employees and employee benefit expense of the Company is as follows :

	2020	2019
Number of employees	<u>313</u>	<u>322</u>
Number of directors who were not employees	<u>4</u>	<u>4</u>
The average employee benefit	<u>\$ 1,167</u>	<u>1,139</u>
The average salaries and wages	<u>\$ 1,061</u>	<u>1,038</u>
Percentage of average employee salary expense	<u>2.22%</u>	
Remuneration to supervisors	<u>\$ -</u>	<u>-</u>

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

The items of the Company's salary and remuneration of directors, independent director, managers, and employees are as follows:

- (a) Independent directors
 - (i) Regardless of the Company's profit or loss, independent directors' salary and remuneration need to be paid on monthly basis (or quarterly, half yearly) and be adjusted according to the value of his/her participation in the contribution to Company's operation.
 - (ii) The independent directors cannot participate in the distribution of director's compensation and other bonus distribution.
 - (iii) According to the needs of the actual execution of the business, the Company has to pay for the traffic allowance.
- (b) Other directors
 - (i) The Company pays other directors' remuneration, according to the value of his/her participation in the contribution to Company's operation and refer to peer remuneration levels.
 - (ii) Other directors' remuneration is allocated at a rate specified in the Company's articles of incorporation.
 - (iii) According to the needs of the actual execution of the business, the Company has to pay for the traffic allowance.
- (c) Managerial officer
 - (i) The monthly fixed salary is determined by salary level of each rank.
 - (ii) According to the result of the operation performance assessment, the Company distributes the performance bonus.
 - (iii) Year-end bonuses will be paid based on the results of employee performance appraisal.
 - (iv) Employees' remuneration is allocated at a rate specified in the Company's articles of incorporation.
 - (v) Traffic allowance and supervisor allowance are paid in accordance to duties and standards.
- (d) Other employees
 - (i) The salary of the Company's employees is handled in accordance with the regulations of the "post ranks table" and "post salary benchmark table". The employee salary is divided into recurring and non-recurring salaries.
 - (ii) Recurring salaries include basic salaries, duties allowance, construction site allowance, professional allowance, meal allowance and other allowances.
 - (iii) Non-recurring salaries include overtime pay, Dragon Boat Festival bonus, Mid-Autumn Festival bonus and year-end bonus.

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The company	Qi Yu Construction Co., Ltd	2	\$ 32,121,924	7,846,000	7,546,000	4,113,000	-	23.49%	64,243,848	Y	N	N
0	The company	Bo Yuan Construction Co., Ltd	2	32,121,924	1,086,788	965,917	465,917	-	3.01%	64,243,848	Y	N	N
0	The company	Yuan Sheng Intern. Co., Ltd	2	32,121,924	200,000	200,000	100,000	-	0.62%	64,243,848	Y	N	N
1	Yi Chi Enterprise Co., Ltd	The company	3	32,121,924	1,907,700	1,907,700	1,907,700	1,907,700	5.94%	64,243,848	N	Y	N
2	Run Long Construction Co., Ltd.	Jin Jyun Construction Co., Ltd.	2	1,014,187	200,000	-	-	-	- %	2,535,468	Y	N	N
3	Qi Yu Construction Co., Ltd	Goyu Building Materials Co., Ltd	6	32,121,924	42,000	42,000	3,500	-	0.13%	64,243,848	N	N	N
3	Qi Yu Construction Co., Ltd	Yuan Sheng Intern. Co., Ltd	2	32,121,924	100,000	100,000	39,992	-	0.31%	64,243,848	Y	N	N

Note 1: The numbering is as follows:

1. “0” represents the parent company.
2. Subsidiaries are sequentially numbered from 1 by company.

Note 2: The relationship between the guarantee and the guarantor are as follows:

1. Transactions between the companies.
2. The Company directly or indirectly holds more than 50% voting right.
3. When other companies directly or indirectly hold more than 50% voting rights of the Company.
4. The Company directly or indirectly holds more than 90% voting right.
5. A company that is mutually protected under contractual requirements based on the needs of the contractor.
6. A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
7. Under the Consumer Protection Act, performance guarantees for pre-sale contracts for companies in the same industry.

Note 3: The Company, Yi Chi Enterprise Co., Ltd. and Qi Yu Construction Co., Ltd. endorsed the operation method for the total amount of guarantees and the limit for endorsement of a single enterprise:

1. The total amount of guarantee for external endorsement shall not exceed 200% of the net value of the company.
2. The guarantee amount for a single enterprise endorsement shall not exceed 100% of the current net value of the company.

Note 4: Run Long Construction Co., Ltd. endorsed the operation method for the total amount of guarantee s and the limit for endorsement of a single enterprise;

1. The total amount of guarantee for external endorsement shall not exceed 50% of the net value of Run Long Construction Co., Ltd.
2. The guarantee amount for a single enterprise endorsement shall not exceed 20% of the current net value of Run Long Construction Co., Ltd.

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock-Li Shuo Investment Co., Ltd.	-	Total non-current financial assets at fair value through other comprehensive income	712,500	\$ 548,139	19.00%	548,139	
"	Stock-Shin Kong Real Estate Management Co., Ltd.	-	Total non-current financial assets at fair value through other comprehensive income	500,000	5,000	1.67%	5,000	
"	Stock- Da-Li Development Co., Ltd.	-	Financial assets at fair value through profit or loss-current	8,785,010	263,550	2.31%	263,550	
Ju Feng Hotel Management Co., Ltd	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	4,578,348	209,917	0.36%	209,917	
Highwealth Real Estate Co., Ltd.	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	8,849,291	405,740	0.69%	405,740	
Qi Yu Construction Co., Ltd	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	2,744,601	125,840	0.21%	125,840	
"	Corporate bond- China Rebar Co., Ltd.	-	Financial assets at amortized cost-current	3	-	- %	-	Note
Run Long Construction Co., Ltd.	Stock-Highwealth Construction Corp.	Ultimate Parent Company	Financial assets at fair value through other comprehensive income-current	13,145,000	602,698	1.02%	602,698	

Note: Recognized as impairment loss.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition
							Owner	Relationship with the Company	Date of transfer	Amount		
The Company	Hui Guo Section	Febryart 26, 2020	8,375,890	8,375,890	Da ○ Co., Ltd.	not related parties	-	-	-	-	Open tender	Construction
"	Shizheng Huimin Second	March 3, 2020	4,356,155	4,356,155	Mr. Yang, other 7 people, and Jiu ○ Construction, Co., Ltd.	"	-	-	-	-	Appraisal	"
"	Hui Guo Section	August 5, 2020	3,220,262	3,220,262	Mr. Chang and other 2 people	"	-	-	-	-	"	"
"	Zhong road fifth	September 8, 2020	2,490,499	2,490,499	Mr. Huang, other 13 people and Kao ○ trading Co., Ltd.	"	-	-	-	-	"	"
Run Long Construction Co., Ltd.	Guang Wu Section, Hsinchu	March 3, 2020	1,981,707	65,000	Kao ○ trading Co., Ltd Mr. Chang, and other 3 people	"	-	-	-	-	"	"

Note: The transaction amount includes the right and interests of applying for a license.

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
The Company	Buildings and Land held for sale	January 10, 2020	July 19, 2016	3,412,167	5,235,116		About 1,790 million	Yea ○ Inten. Development Co., Ltd, New ○ Development Co., Ltd and Hi ○ Inter. Development Co., Ltd	Unrelated party	Business purpose	Appraisal	None
The Company	Investment properties, property, plant, and equipment	December 24, 2020	Not applicable	445,739	1,246,370		About 6335 million (Note 2)	Taiwan Life Insurance Co., Ltd.	"	Business purpose	Appraisal	Sold then lease back
Qi Yu Construction Co., Ltd	Property, plant and equipment	December 24, 2020	December 25, 2015	1,186,501	1,220,800		(164,144) (Note 3)	Taiwan Life Insurance Co., Ltd.	"	Earning profit	Appraisal	"
Run Long Construction Co., Ltd.	Buildings and Land held for sale	September 2, 2020	Not applicable	Due to sold of inventories, not applicable	736,380		Due to sold of inventories, not applicable	Trans Globe Life Insurance Co., Ltd.	"		"	None
Run Long Construction Co., Ltd.	Property, plant and equipment	December 24, 2020	December 25, 2015	1,187,386	1,221,710		(165,479) (Note 3)	Taiwan Life Insurance Co., Ltd.	"		"	Sold then lease back

Note 1: The necessary costs and expenses for disposal have been deducted.

Note 2: Include the unrealized gains or losses of \$16.36 million.

Note 3: In 2020, the losses have been recognized and accounted for other gains and losses.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Qi Yu Construction Co., Ltd	Investee accounted for using equity method of the company	Contracting project	\$ 7,266,482	21.27%	Pay by contract terms	-	-	(1,055,035)	(61.64)%	Note 2
The Company	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method of the company	Contracting project	2,055,676	6.02%	Pay by contract terms	-	-	(199,391)	(11.65)%	Note 2
Qi Yu Construction Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(6,478,224)	(72.69)%	Receive by contract terms	-	-	1,055,035	75.50%	Note 1
Qi Yu Construction Co., Ltd	Run Long Construction Co., Ltd	Investee accounted for using equity method of the company	Contracted project	(2,373,024)	(26.63)%	Receive by contract terms	-	-	531,969	33.32%	Note 1
Run Long Construction Co., Ltd	Qi Yu Construction Co., Ltd	Investee accounted for using equity method of the company	Contracting project	2,619,754	30.60%	Pay by contract terms	-	-	(531,969)	(41.33)%	Note 2
Run Long Construction Co., Ltd	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method of the company	Contracting project	1,117,126	13.05%	Pay by contract terms	-	-	(284,628)	(22.11)%	Note 2
Qi Yu Construction Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(2,173,880)	(42.18)%	Receive by contract terms	-	-	199,391	14.27%	Note 1
Jin Jyun Construction Co., Ltd	Run Long Construction Co., Ltd	Investee accounted for using equity method of the company	Contracted project	(1,442,394)	(27.99)%	Receive by contract terms	-	-	284,628	50.84%	Note 1

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Yuan Sheng International Co., Ltd.	The Company	The ultimate parent of the company	Contracted project	(159,656)	(72.02)%	Receive by contract terms	-	-	74,566	57.90%	Note 1

Note 1: The contracted company recognizes its construction revenue through percentage of completion method, and the amount of sales included.

Note 2: The contracting company records its import price through estimates of amount of purchase through number of trials.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Qi Yu Construction Co., Ltd	The company	The ultimate parent of the company	1,055,035	6.67	-	-	1,054,975	-
"	Run Long Construction Co., Ltd	Investee accounted for using equity method of the company	531,969	5.39	-	-	326,732	-
Jin Jyun Construction Co., Ltd	The company	The ultimate parent of the company	199,391	7.14	-	-	183,014	-
"	Run Long Construction Co., Ltd	Investee accounted for using equity method of the company	284,628	6.83	-	-	284,628	-

(ix) Trading in derivative instruments: None

(b) Information on investees:

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Ju Feng Hotel Management Co., Ltd	Taiwan	Residential and building development, rental and sales	12,000	12,000	1,200,000	100.00%	29,449	4,690	(3,634)	
"	Highwealth Property Management Co., Ltd.	Taiwan	Real estate brokerage, real estate trading	25,000	25,000	2,500,000	100.00%	53,318	15,479	378	
"	Qi Yu Construction Co., Ltd	Taiwan	Construction, housing and building development rental services etc.	1,530,041	1,530,041	205,000,000	100.00%	1,553,351	8,147	5,004	
"	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	861,910	779,424	21,153,600	5.72%	(588,202)	117,248	(12,296)	
"	Yi Chi Enterprise Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	2,423,152	2,423,152	2,200,000	100.00%	2,436,161	(1,131)	(1,131)	
"	Bi Chiang Enterprise Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	1,302,900	1,302,900	7,200	100.00%	1,264,737	(33,880)	(33,880)	
"	Highwealth Construction Corp.	Taiwan	Residential and building development, rental services, etc.	5,000	5,000	500,000	100.00%	1,302	(1,720)	(1,720)	
"	Bo Yuan Construction Co., Ltd	Taiwan	Residential and building development, rental services, etc.	930,000	930,000	73,700,000	100.00%	541,710	(429,713)	(429,713)	
Qi Yu Construction Co., Ltd.	Guang Yang Investment Co., Ltd.	Taiwan	Investment	284,050	284,050	29,900,000	100.00%	327,698	6,630	Exempt from disclosure	
"	Yuan Sheng International Co., Ltd.	Taiwan	Wholesale of Building Materials	78,484	78,484	8,100,000	100.00%	140,110	8,425	"	
"	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	803,226	803,226	18,572,400	5.02%	253,598	117,248	"	
Qi Yu Construction Co., Ltd.	Goyu Building Material Co., Ltd	Taiwan	Wholesale of Building Materials	140,000	98,000	14,000,000	35.00%	128,595	(13,585)	"	
Guang Yang Investment Co., Ltd.	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	428,405	398,063	20,792,415	5.62%	327,634	117,248	"	
Run Long Construction Co., Ltd.	Jin Jyun Construction Co., Ltd.	Taiwan	Construction, housing and building development rental services etc.	518,300	518,300	50,000,000	100.00%	619,822	143,791	"	

(Continued)

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Chuan Xiang Commercial Co.	Construction material, furniture, metal parts	26,555 USD 900,000	(Note 1)	26,555 USD 900,000	-	-	26,555 USD 900,000	(443)	100.00%	(443)	1,704	-
Shin Fu Yu Commercial Co.	Construction material wholesale	27,104 USD 900,000	(Note 1)	27,104 USD 900,000	-	-	27,104 USD 900,000	(155)	100.00%	(155)	1,571	-

(ii) Limitation on investment in Mainland China:

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

Note 1: Three types of investment method are as follows:

1. Directly investing in the mainland area
2. Investing in the mainland through companies in another country (Please note the name of the investing company from the other country)
3. Other methods

Note 2: Profit and loss recognized from investment for the current period:

1. If it is in preparation, and has no investment profit or loss, it should be noted
2. The basis for profit or loss from investment are as follows:
 - A. The international accounting firm which has cooperative relationships with the CPA in the Republic of China verifies its financial statements
 - B. Financial statement of the parent company is verified by the Taiwanese accountant
 - C. Others

(iii) Significant transactions: None

(d) Major shareholders:

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

(14) Segment information:

Please refer to the consolidated financial statements.

Highwealth Construction Corp.
Statement of cash and cash equivalents
December 31, 2020
(Expressed in thousands of New Taiwan Dollar)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash and petty cash		\$ <u>3,862</u>
Bank deposit		
Demand deposit		6,533,058
Checking deposit		456
Foreign currency deposit	USD166,008.35 and HKD16.29	<u>5,673</u>
		<u>6,539,187</u>
		<u><u>\$ 6,543,049</u></u>

Highwealth Construction Corp.
Statement of inventories
December 31, 2020
(Expressed in thousands of New Taiwan Dollar)

Item	Summary	Amount	Note
Land for construction	Hui Guo Section	\$ 11,641,791	
	Fu Xing North	5,072,276	
	Sui Zheng Huimin Second	4,354,137	
	Zhoun road fifth	2,494,600	
	Others	1,030,656	
	Less: Allowance to reduce inventory to market	(23,315)	
		<u>24,570,145</u>	
Construction in progress	Wuri High Speed Rail	6,006,609	
	Tan Hai fifth	5,493,159	
	Ching sheng second	4,271,574	
	Bai Lun Section	4,224,415	
	San Kuai Cuo Section	3,127,347	
	Shan Jie Section	3,105,822	
	Hui Li Section	3,066,279	
	Guang Wu Section	3,002,636	
	Fong Kong section	2,976,222	
	Hui Shun Second	2,757,976	
	Hui An Fourth	2,561,593	
	Yong Tsui section	2,478,439	
	An Kong section	2,382,616	
	Xin zhuang Section	1,977,968	
	Ching Xi Section	1,885,236	
	Hui An Third	1,874,981	
	Xi Tun Section	1,786,296	
	Fu Shan Section	1,333,932	
	Liu He Section	1,293,890	
	Shin Do Section	1,176,244	
	Others	5,840,859	
	Less: Allowance to reduce inventory to market	(493)	
		<u>62,623,600</u>	

Highwealth Construction Corp.
Statement of inventories (CONT'D)
December 31, 2020
(Expressed in thousands of New Taiwan Dollar)

Item	Summary	Amount	Note
Real estate for sale	Yong Tsui Section	1,859,833	
	Long Fu Section	1,332,929	
	Guo Mao Section	1,117,380	
	Long Zhoug Sixth	900,517	
	Jin Tai Ninth	882,281	
	Kangning three section	703,064	
	Hui Shun Section	463,840	
	Henan Hui Min	425,235	
	Hui Shun Section	419,713	
	Jin Hua Section	332,157	
	Dong Shi First	327,789	
	Long Fu Section	223,692	
	Long Zhong Fifth	221,003	
	Others	1,063,348	
	Less: Allowance to reduce inventory to market	(1,000)	
		<u>10,271,781</u>	
Total		<u><u>\$ 97,465,526</u></u>	

Highwealth Construction Corp.

Statement of other receivables

December 31, 2020

(Expressed in thousands of New Taiwan Dollar)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Bank deposit	Bank accounts for real estate value trust services, reserve accounts, certificates of deposit and etc.	\$ 8,433,612	
Refundable deposit for construction	Guarantee deposit for cooperating construction and etc.	619,471	
Others	Interest receivable and other receivables	132,981	
		<u>\$ 9,186,064</u>	

Statement of other non-current financial assets

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Bank deposit	Reserve accounts for corporation bonds	\$ 8,212,229	
Refundable deposit	Guarantee deposit of rental, guarantee deposit of office and etc.	2,023	
		<u>\$ 8,214,252</u>	

Highwealth Construction Corp.

Statement of changes in investments accounted for

using the equity method

December 31, 2020

(Expressed in thousands of New Taiwan Dollar)

Entity	Balance on January 1, 2019		Increase in current period (note 1)		Decrease in current period (note 2)		Balance on December 31, 2019			Market price or total equity amount		Details of collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of voting interest	Amount	Price per share	Total amount		
Ju Feng Hotel Management Consultant Co., Ltd	1,200	\$ 36,686	-	8,324	-	(15,561)	1,200	100.00 %	29,449	199.34	239,203	None	
Highwealth Real Estate Co., Ltd.	2,500	61,930	-	16,467	-	(25,079)	2,500	100.00 %	53,318	183.60	459,004	"	
Chyi Yuh Construction Co., Ltd	205,000	1,694,299	-	11,255	-	(152,203)	205,000	100.00 %	1,553,351	15.47	3,171,734	"	
Run Long Construction Co., Ltd	16,272	(587,920)	4,882	107,952	-	(108,234)	21,154	5.72 %	(588,202)	13.71	290,058	"	
Bo Yuan Construction Co., Ltd	73,700	975,454	-	-	-	(433,744)	73,700	100.00 %	541,710	7.35	541,710	"	
Yeh Kee Enterprise Co., Ltd.	2,200	2,437,292	-	-	-	(1,131)	2,200	100.00 %	2,436,161	53.56	117,833	"	
Bijiang Enterprise Co., Ltd	7	1,298,617	-	-	-	(33,880)	7	100.00 %	1,264,737	(4,948.57)	(34,640)	Borrowings	
Shin Fu Yu Commercial Co.	-	1,701	-	25	-	(155)	-	100.00 %	1,571	-	1,571	None	
Chuan Xiang Commercial Co.	-	2,121	-	26	-	(443)	-	100.00 %	1,704	-	1,704	"	
Highwealth Construcion Co.	500	3,022	-	-	-	(1,720)	500	100.00 %	1,302	2.60	1,302	"	
Total		<u>\$ 5,923,202</u>		<u>144,049</u>		<u>(772,150)</u>			<u>5,295,101</u>		<u>4,789,479</u>		

Note 1: Increase in current period due to investment income recognized under equity method \$5,382 thousands, deferred credits \$1,556 thousands, acquisition cost \$82,485 thousands, and adjusting capital surplus due to distributing cash dividend to subsidiaries \$53,304 thousands, equity change in subsidiaries \$5 thousands, and recognized comprehensive profit or loss for subsidiaries using equity method of \$1,307 thousand.

Note 2: Decrease in current period due to investment loss recognized under equity method \$482,972 thousands, cash dividend received \$206,293 thousands, deferred credits \$330 thousands, adjusting retained earnings with the difference of prices of acquiring subsidiary company and carrying amount \$79,797 thousands and changes of voting interest percentage resulting in regarding subsidiary company purchasing parent company stock as treasury stock \$2,758 thousands.

Highwealth Construction Corp.
Statement of short-term borrowings
December 31, 2020
(Expressed in thousands of New Taiwan Dollar)

Type of borrowings	Ending balance	Contract period	Range of interest rates	Mortgages	Notes
Short-term loan	\$ 1,500,000	2019.09.25~2021.10.28	Note 2	-	
"	1,000,000	2019.10.28~2021.10.28	"	-	
"	1,000,000	2020.10.27~2021.10.26	"	-	
"	200,000	2020.01.16~2021.10.26	"	-	
"	100,000	2020.12.09~2021.12.09	"	-	
"	150,000	2020.01.31~2021.01.31	"	-	
"	500,000	2020.09.11~2023.09.10	"	-	
"	150,000	2020.08.15~2021.08.14	"	-	
"	33,333	2020.07.12~2021.07.12	"	-	
Mortgage	12,459,000	2020.02.25~2026.05.26	"	Land for Construction and Land in Coustruction	
"	1,741,000	2018.08.31~2023.08.31	"	Land in Coustruction	
"	642,655	2017.06.05~2022.06.05	"	Real estate for sale	
"	2,093,000	2019.06.12~2024.06.12	"	Land in Coustruction	
"	600,000	2017.11.24~2022.11.24	"	Land in Coustruction	
"	673,000	2019.01.08~2024.01.08	"	Land in Coustruction	
"	532,000	2017.02.20~2022.02.20	"	Land in Coustruction	
"	1,165,000	2019.10.23~2024.10.23	"	Land in Coustruction	
"	1,471,000	2019.07.15~2024.07.15	"	Land in Coustruction	
"	1,907,700	2018.04.09~2023.04.09	"	Real estate for sale	
"	1,815,500	2016.11.15~2023.03.06	"	Land in Coustruction	
"	450,000	2015.03.03~2022.03.03	"	Land in Coustruction	
"	484,500	2016.07.21~2021.07.21	"	Land in Coustruction	
"	1,437,200	2017.08.10~2022.08.10	"	Land in Coustruction	
"	114,867	2020.07.12~2021.07.12	"	Stock and Real estate for sale	
"	1,984,000	2020.11.27~2025.11.27	"	Land for Construction	
"	1,359,000	2019.08.09~2027.12.01	"	Land in Construction	
"	1,290,000	2019.03.25~2024.03.25	"	Land in Coustruction	
"	440,370	2017.03.01~2022.03.01	"	Land in Construction	
"	1,354,000	2020.12.19~2021.10.19	"	Land in Construction	
"	4,200,000	2019.08.19~2026.08.19	"	Land for Construction	
"	588,361	2013.05.10~2025.05.10	"	Land in Coustruction	
"	1,708,084	2017.03.01~2022.03.01	"	Land in Coustruction	
"	500,000	2019.08.19~2026.08.19	"	Land for Coustruction	
"	531,000	2019.07.01~2026.08.19	"	Real estate for sale	
"	114,100	2019.10.25~2022.10.25	"	Land in Coustruction	
"	700,000	2020.03.24~2025.12.31	"	Land for Coustruction	
"	164,789	2020.04.06~2022.04.06	"	Real estate for sale	
"	1,721,000	2019.10.25~2022.10.25	"	Land in Coustruction	
"	623,990	2020.04.27~2021.04.27	"	Investment property	
"	4,839,362	2020.09.01~2025.09.01	"	Land in Coustruction and Real estate for sale	
"	1,740,000	2020.10.21~2025.10.21	"	Land in Coustruction	
"	146,735	2020.02.26~2021.02.26	"	Real estate for sale	
"	160,179	2020.09.17~2021.09.17	"	Real estate for sale	
"	1,800,000	2019.07.01~2024.07.01	"	Land in Coustruction	
	<u>\$ 58,184,725</u>				

Note 1: All the money is borrowed from the bank.

Note 2: The range of interest rate is 1.245%~2.00%.

Highwealth Construction Corp.

.Statement of bonds payable

December 31, 2020

(Expressed in thousands of New Taiwan Dollar)

Name of bonds	Trustee	Date of issuance	Date of interest paid	Interest rate	Amount					Method for repayment	Details of collateral
					Total amount of issuance	Amount converted	Balance on December 31, 2019	Amount unamortized	Carrying amount		
Corporate bonds first	Land Bank of Taiwan	2016.04.12	Yearly	1.15 %	\$ 3,000,000	-	3,000,000	(11,732)	2,988,268	Paid at maturity	Other financial assets, investment property, and real estate for sale
Corporate bonds second	Land bank of Taiwan	2016.04.12	Yearly	1.15 %	2,000,000	-	2,000,000	(6,419)	1,993,581	Paid at maturity	Other financial assets, property, plant, and equipment, investment property, and real estate for sale
Corporate bonds third	Land bank of Taiwan	2016.11.29	Yearly	1.00 %	2,000,000	-	2,000,000	(372)	1,999,628	Paid at maturity	Other financial assets and real estate for sale
Corporate bonds fourth	Jin Sun International bank	2018.05.28	Yearly	0.90 %	2,500,000	-	2,500,000	(11,455)	2,488,545	Paid at maturity	Other financial assets, investment property, and real estate for sale
Convertible bonds fifth	Land Bank of Taiwan	2017.06.08	-	- %	10,577,820	(277,985)	10,299,835	(185,335)	10,114,500	Paid at maturity at 106.4082%	Other financial assets, investment property, and real estate for sale
Corporate bonds sixth	Land Bank of Taiwan	2020.12.30	Yearly	0.53 %	3,000,000	-	3,000,000	(32,991)	2,967,009	Paid at maturity	Other financial assets, and Land in construction
Corporate bonds seventh	Jin sun International	2020.12.30	Yearly	0.53 %	2,000,000	-	2,000,000	(22,048)	1,977,952	Paid at maturity	Other financial assets, and real estate for sale
Less: Redeemable bonds due within one year				- %	(7,000,000)	-	(7,000,000)	18,523	(6,981,477)	Paid at maturity	
					<u>\$ 18,077,820</u>	<u>(277,985)</u>	<u>17,799,835</u>	<u>(251,829)</u>	<u>17,548,006</u>		

Highwealth Construction Corp.

Statement of prepayments

December 31, 2020

(Expressed in thousands of New Taiwan Dollar)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Advance real estate receipts	Bai Lun Section	\$ 1,336,431	
	Guang Wu Section	983,683	
	Wuri High Speed Rail	817,182	
	Xin Zhuang Section	615,568	
	San Kuai Cuo Section	548,657	
	Shan Jie Section	547,155	
	Hui Li Section	334,706	
	Guo Mao Section	332,466	
	Jin Tai ninth	325,138	
	Fong Gung. section	302,659	
	Yong Tsui section	272,073	
	Bo Xiao Phase II	248,459	
	Hui An Third	199,727	
	Yu Guang 891	182,195	
	Hui An Fourth	158,792	
	Others	<u>740,042</u>	
Subtotal		<u>7,944,933</u>	
Advance receipts- rent		3,091	
Advance receipts, other		<u>953</u>	
		<u><u>\$ 7,948,977</u></u>	

Highwealth Construction Corp.
Statement of operating revenue
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollar)

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Land revenue	\$ 12,817,032	
Building revenue	5,257,159	
Rental revenue	<u>83,325</u>	
Total	<u>\$ 18,157,516</u>	

Statement of operating costs

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Land cost	\$ 7,164,787	
Building cost	5,323,745	
Gain from price recovery of inventory	(7,886)	
Rental cost	<u>40,726</u>	
Total	<u>\$ 12,521,372</u>	

Highwealth Construction Corp.

Statement of selling expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollar)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 99,101	
Commission		232,891	
Rental		90,833	
Advertising		337,478	
Depreciation		11,287	
Other expense		152,341	
		<u>\$ 923,931</u>	

Statement of administrative expenses

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salaries		\$ 245,292	
Pension		10,785	
Rental		10,568	
Business trip expense		3,749	
Repair and maintenance		47,455	
Utilities		4,382	
Insurance		25,358	
Entertainment		5,926	
Donation		7,841	
Tax expense		201,228	
Registration		23,120	
Depreciation		24,281	
Amortization		4,859	
Board expense		5,960	
Employee benefit		20,745	
Charge of service		11,590	
Other expense		71,599	
		<u>\$ 724,738</u>	