

Fong-Chien Construction Company Limited  
Parent Company Only Financial Statements for  
the years ended December 31, 2022 and 2021  
with Independent Auditors' Report  
(Stock Symbol 5523)

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Fong-Chien Construction Company Limited  
Parent Company Only Financial Statements for the years ended December 31, 2022 and  
2021 with Independent Auditors' Report  
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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
(2023) Ministry of Finance approved No. 22002277  
Fong Chien Construction Company Limited

### Opinion

We have audited accompanying parent company only financial statements of Fong Chien Construction Company Limited, which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. 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.

Key audit matter for the Company's parent company only financial statements for the year ended December 31, 2022 is as follows:

### **Valuation of Inventory**

#### Matters description

Refer to Note IV(X) to the parent company only financial statements for accounting policies regarding inventory; Refer to Note V for critical accounting estimates and assumptions regarding inventory valuation. Refer to Note VI(IV) for the explanation of allowance to reduce inventory to market. The inventory balance and allowance to reduce inventory to market of Fong Chien Construction Company Limited are the amount of NT 5,447,672 thousand and 5,892 thousand on December 31, 2022, respectively.

Inventories of Fong Chien Construction Company Limited are houses and lands, due to the effect of government policies and boom in real estate in recent years, the fluctuation of real estate prices is wider, The inventory valuation measurement of Fong Chien Construction Company Limited is in accordance with the lower of cost and net realizable value, its net realizable value is often affected by market prices fluctuation and involved with the subjective judgment of management, therefore, we list inventory valuation as one of the most significance in our audit this year.

#### Responsive audit procedures

Relating to the certain aspects of critical matters stated above, responsive procedures we exercise aggregates and lists as follows:

1. Comprehend business operation and industrial features, and interview with management, evaluate the rationality of method and procedure inventory net realizable value the method and procedure adopts.
2. Obtain the end day of during reporting period of inventory assessment net realizable value statements, review appropriateness of using determined base of the inventory net realizable value, include acquisition of the closing price of recent sale cases or recent dealing information of nearby areas with similar assets in market, in turn assess the rationality of the amount of inventory net realizable value.

### **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 the Regulations Governing the Preparation of Financial Reports by securities issuers, and for such internal control as management determines is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to the 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 members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 the Standards on Auditing of 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the 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 entities or business activities within the Company to express an opinion on the parent

company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Mei Lan Liu and Shu Hua Hong.

Financial Supervisory Commission  
Approved-certified No.: Jin-Guan-Certificate  
No.1070323061  
Former Securities Commission, Ministry of  
Finance  
Approved-certified No.: (85)Tai-Cai-Certificate(6)  
No.68701

PwC  
Taipei, Taiwan  
Republic of China  
March 15, 2023

Fong Chien Construction Company Limited  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current Assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 63,613	1	\$ 499,416	10
1136	Financial assets at amortized cost	6(2)	-	-	150,000	3
1150	Notes receivable, net	6(3)	225	-	1,426	-
1170	Accounts receivable, net	6(3)	9,075	-	19,004	-
1200	Other receivables	6(4)and 9(1)	45,579	1	23,776	1
1220	Current tax assets	6(22)	266	-	251	-
130X	Inventories	6(4)and8	5,441,780	88	3,431,346	72
1470	Other current assets	6(5)	202,291	3	135,473	3
11XX	<b>Total current assets</b>		<u>5,762,829</u>	<u>93</u>	<u>4,260,692</u>	<u>89</u>
<b>Noncurrent assets</b>						
1550	Investments accounted for using equity method	6(6)	258,543	4	413,858	9
1600	Property, plant and equipment	6(7)	42,887	1	522	-
1760	Investment property, net	6(9)and8	109,499	2	110,032	2
1900	Other noncurrent assets		389	-	389	-
15XX	<b>Total noncurrent assets</b>		<u>411,318</u>	<u>7</u>	<u>524,801</u>	<u>11</u>
1XXX	<b>Total assets</b>		<u>\$ 6,174,147</u>	<u>100</u>	<u>\$ 4,785,493</u>	<u>100</u>

(Continued on next page)



Fong Chien Construction Company Limited  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTE	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term loans	6(10)and 8	\$ 1,240,550	20	\$ 945,700	20
2130	Contract liabilities-current	6(16)	724,201	12	427,036	9
2150	Notes payable		545	-	495	-
2170	Accounts payable		315,697	5	86,924	2
2200	Other accounts payable	7(2)	33,296	1	52,439	1
2230	Current tax liabilities	6(22)	26,039	-	-	-
2320	Long-term liabilities-current	6(11)				
	portion		4,076	-	270,941	5
2399	Other current					
	liabilities-others		30,009	-	7,492	-
21XX	<b>Total current liabilities</b>		<u>2,374,413</u>	<u>38</u>	<u>1,791,027</u>	<u>37</u>
<b>Noncurrent liabilities</b>						
2540	Long-term debt payable	6(11)and 8	978,885	16	364,358	8
2600	Other noncurrent liabilities		1,312	-	1,204	-
25XX	<b>Total noncurrent</b>					
	<b>liabilities</b>		<u>980,197</u>	<u>16</u>	<u>365,562</u>	<u>8</u>
2XXX	<b>Total liabilities</b>		<u>3,354,610</u>	<u>54</u>	<u>2,156,589</u>	<u>45</u>
<b>Equity attributable to shareholders of the parent</b>						
	Capital stock	6(13)				
3110	Capital common stock		1,550,015	25	1,550,015	33
	Capital surplus	6(14)				
3200	Capital surplus		5,226	-	5,226	-
	Retained earnings	6(15)				
3310	Appropriated as legal capital					
	reserve		200,649	4	109,005	2
3350	Unappropriated earnings		1,063,647	17	964,658	20
3XXX	<b>Total equity</b>		<u>2,819,537</u>	<u>46</u>	<u>2,628,904</u>	<u>55</u>
	Significant contingent	9				
	liabilities and not recognized					
	contract commitment					
3X2X	<b>Total liabilities and equity</b>		<u>\$ 6,174,147</u>	<u>100</u>	<u>\$ 4,785,493</u>	<u>100</u>

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

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong Pei Zhen

Fong Chien Construction Company Limited  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)  
(Except earnings per share)

ITEM	NOTE	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6(16)and 7 (2)	\$ 217,455	100	\$ 3,063,802	100
5000 Operating cost	6(4)(21)	( 151,710)	( 70)	( 2,186,975)	( 71)
5900 Gross profit		<u>65,745</u>	<u>30</u>	<u>876,827</u>	<u>29</u>
Operating expenses	6(21)and 7 (2)				
6100 Selling expenses		( 17,225)	( 8)	( 135,397)	( 5)
6200 General and administrative		( 29,134)	( 13)	( 38,376)	( 1)
6000 Total operating expenses		( 46,359)	( 21)	( 173,773)	( 6)
6900 Operating income non-operating income and expenses		<u>19,386</u>	<u>9</u>	<u>703,054</u>	<u>23</u>
7100 Interest income	6(17)	4,972	2	14,722	-
7010 Other income	6(4)(18) and 7(2)	19,501	9	13,528	-
7020 Other gains and losses	6(19)	-	-	( 4,745)	-
7050 Finance costs	6(20)	( 18)	-	( 5,663)	-
7070 Share of profits of subsidiaries and associates	6(6)	<u>452,113</u>	<u>208</u>	<u>238,084</u>	<u>8</u>
7000 Total non-operating income and expense		<u>476,568</u>	<u>219</u>	<u>255,926</u>	<u>8</u>
7900 <b>Income before income tax</b>		<u>495,954</u>	<u>228</u>	<u>958,980</u>	<u>31</u>
7950 Income tax expenses	6(22)	( 26,318)	( 12)	( 42,540)	( 1)
8200 <b>Net income</b>		<u>\$ 469,636</u>	<u>216</u>	<u>\$ 916,440</u>	<u>30</u>
8500 <b>Total comprehensive income</b>		<u>\$ 469,636</u>	<u>216</u>	<u>\$ 916,440</u>	<u>30</u>
Earnings per share	6(23)				
9750 Basis earnings per share		<u>\$</u>	<u>3.03</u>	<u>\$</u>	<u>5.91</u>
Diluted earnings per share	6(23)				
9850 Diluted earnings per share		<u>\$</u>	<u>3.03</u>	<u>\$</u>	<u>5.91</u>

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

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong Pei Zhen

Fong Chien Construction Company Limited  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	NOTE	CAPITAL COMMON STOCK	CAPITAL SURPLUS	RETAINED EARNINGS			TOTAL EQUITY
				LEGAL CAPITAL RESERVE	LEGAL CAPITAL RESERVE	UNAPPROPRIATED EARNINGS	
<u>2021</u>							
Balance, January 1, 2021		\$ 1,550,015	\$ 3,954	\$ 103,949	\$ 3,723	\$ 144,668	\$ 1,806,309
Net income		-	-	-	-	916,440	916,440
Total comprehensive income		-	-	-	-	916,440	916,440
Restricted and appropriated earnings, 2020	6(15)						
Legal capital reserve		-	-	5,056	-	( 5,056 )	-
Cash dividends to shareholders		-	-	-	-	( 77,501 )	( 77,501 )
Reversal special capital reserve	6(15)	-	-	-	( 3,723 )	3,723	-
From difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal	6(6)(15)	-	-	-	-	( 17,616 )	( 17,616 )
From share of changes in equities of subsidiaries	6(14)	-	1,272	-	-	-	1,272
Balance, December 31, 2021		\$ 1,550,015	\$ 5,226	\$ 109,005	\$ -	\$ 964,658	\$ 2,628,904
<u>2022</u>							
Balance, January 1, 2022		\$ 1,550,015	\$ 5,226	\$ 109,005	\$ -	\$ 964,658	\$ 2,628,904
Net income		-	-	-	-	469,636	469,636
Total comprehensive income		-	-	-	-	469,636	469,636
Restricted and appropriated earnings, 2021	6(15)						
Legal capital reserve		-	-	91,644	-	( 91,644 )	-
Cash dividends to shareholders		-	-	-	-	( 279,003 )	( 279,003 )
Balance, December 12, 2022		\$ 1,550,015	\$ 5,226	\$ 200,649	\$ -	\$ 1,063,647	\$ 2,819,537

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

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong Pei  
Zhen

Fong Chien Construction Company Limited  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	NOTE	2022	2021
<u>Cash flows from operating activities</u>			
Income before income tax		\$ 495,954	\$ 958,980
Adjustments for			
Adjustments for reconcile profit (loss)			
Depreciation expense	6(7)(9) (21)	917	1,164
Financial instruments at fair value through profit or loss evaluating loss	6(19)	-	4,545
Interest expense	6(20)	18	5,663
Interest income	6(17)	( 4,972 )	( 14,722 )
Share of profits of subsidiaries	6(6)	( 452,113 )	( 238,084 )
Accrued expenses transfer other income	6(18)	( 595 )	-
Other loss	6(19)	-	200
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		1,201	574
Accounts receivable		9,929	( 13,361 )
Other receivables		( 17,896 )	( 12 )
Inventories		( 1,972,444 )	1,338,132
Other current assets		( 66,756 )	72,319
Changes in operating liabilities			
Contract liabilities-current		297,165	( 210,038 )
Notes payable		50	( 497 )
Accounts payable		229,368	( 291,738 )
Accounts payable-related parties		-	( 78,719 )
Other accounts payable		( 20,460 )	27,560
Other accounts payable-related parties		72	-
Other current liabilities		22,517	( 2,040 )
Cash generated from (used in) operations		( 1,478,045 )	1,559,926
Interest received		1,065	3,293
Interest paid		( 36,763 )	( 34,021 )
Income taxes paid		( 294 )	( 42,791 )
Net cash generated by (used in) operating activities		( 1,514,037 )	1,486,407

(Continued on the next page)

Fong Chien Construction Company Limited  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	NOTE	2022	2021
<u>Cash flows from investing activities</u>			
Financial assets from amortized cost decrease (increase)	6(2)	\$ 150,000	(\$ 150,000)
Financing receivable decrease	7(2)	-	2,000
Property, plant and equipment	6(7)&7(2)	( 42,749 )	-
Refundable deposits paid		( 35,062 )	-
Refundable deposits refunded		35,000	4,224
Subsidiaries capital reduction for capital stock refund	6(6)	224,715	-
Subsidiaries expense cash dividends	6(6)	382,713	-
Net cash generated by(used in) investing activities		<u>714,617</u>	<u>( 143,776 )</u>
<u>Cash flows from financing activities</u>			
Increase in short-term loans	6(25)	294,850	193,750
Decrease in short-term loans	6(25)	-	( 1,042,000 )
Proceeds from long-term loans	6(25)	635,300	305,000
Repayment in long-term loans	6(25)	( 287,638 )	( 401,405 )
Guarantee deposits increase	6(25)	108	-
Repayment of the principal portion of lease liabilities	6(25)	-	( 234 )
Expense cash dividends	6(15) (25)	<u>( 279,003 )</u>	<u>( 77,501 )</u>
Net cash generated by(used in) financing activities		<u>363,617</u>	<u>( 1,022,390 )</u>
Increase (decrease) in cash and cash equivalents		( 435,803 )	320,241
Cash and cash equivalents, beginning of year		499,416	179,175
Cash and cash equivalents, end of year		<u>\$ 63,613</u>	<u>\$ 499,416</u>

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

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong Pei Zhen

Fong-Chien Construction Co.,LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS  
ENDED DECEMBER 31, 2022 AND 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Specified otherwise)

(1) Company history and business scope

Fong-Chien Construction Co.,LTD. (the “Company”) was named Hong Dou Construction Company Limited originally. The company was changed to Fong-Chien Construction Co.,LTD. by the resolution of shareholders meeting in June 2014. The Company is primarily engaged in mandating construction enterprises to build public housing, leases and sales of commercial buildings, trading, import and export of building materials. The stocks of Company were traded in Taipei Exchange since December 27, 1999. Additionally, the subsidiary, Hung Yeu Construction Co., Ltd., is primarily engage in comprehensive construction, trading of properties, developments and leases of residences and buildings etc. The subsidiary, Hungtu Alishan International Development Co., Ltd., is primarily engaging in operation of hotel and restaurant business.

(2) Approval date and procedures of the parent company only financial statements.

The parent company only financial statements for the years ended December 31, 2022 and 2021 of the Company and subsidiaries (the “Company”) were authorized for issue by the Board of Directors on March 15, 2023.

(3) New standards, amendments and interpretations adopted

1) The standards or interpretations issued by International Accounting Standards Board and endorsed by the Financial Supervisory Commission (the “FSC”) which have been adopted by the Company as of the date of authorization for issue

The following summarizes new, revised, and amended standards and interpretations, which have been endorsed by the FSC, effective for annual period beginning on January 1, 2022:

<u>New, Revised, or Amended Standards or Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

The Company assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

- 2) The standards or interpretations issued by International Accounting Standards Board and endorsed by the FSC which have not yet been adopted by the Company as of the date of authorization for issue

The following summarizes new, revised, and amended standards and interpretations, which have been endorsed by the FSC, effective for annual period beginning on January 1, 2023:

<u>New, Revised, or Amended Standards or Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

The Company assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

- 3) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

The following summarizes the IFRSs issued by IASB but not yet endorsed by the FSC:

<u>New, Revised, or Amended Standards or Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

The Company assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

- (4) Summary of significant accounting policies

The primary accounting policies adopted by the parent company only financial statements are explained below. Except as otherwise explained, the policies are consistently applicable in all reporting periods.

- 1) Statement of compliance

The accompanying parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (the “IFRSs”) endorsed and issued into effect by the FSC.

- 2) Basis of preparation

1. The accompanying parent company only financial statements have been prepared on the historical cost basis.
2. Preparing the parent company only financial statements in accordance with IFRSs endorsed by the FSC takes some significant accounting estimates. And in the process of applying the Company’s

accounting policies involves the managements' judgments. Please refer to Note 5 for the items involving high judgment or complexity or items involving significant assumptions and estimates in the parent company only financial statements.

3) Classification of non-current and current assets and liabilities

1. An asset is classified as current under one of the conditions below:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) The Company holds the asset primarily for the purpose of trading;
- (c) The Company expects to realize the asset within twelve months after reporting period;
- (d) 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.

Except the circumstances of 5)3., for those assets that are not current are classified as non-current.

2. A liability is classified as current under one of the conditions below:

- (a) The Company expects to settle the liability in normal operating cycle;
- (b) The Company holds the liability primarily for the purpose of trading;
- (c) The liability is due to be settled within twelve months after the reporting period;
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Except the circumstances of 5)3., for those liabilities that are not current are classified as non-current.

3. As the operating cycles of construction and sales of housing are usually longer than 1 year, the assets and liabilities related to construction and long-term construction contracts shall be classified as current or non-current based on operating cycles (usually 3 years). Other assets and liabilities shall be classified by the criteria of 1 year.

4) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks of changes in value. If time deposits and bonds with repurchase agreement conform to the conditions as mentioned above, and the Company holds them for the purpose of short-term cash commitment in operation, they are classified as cash equivalents.

5) Financial assets at amortized cost

1. A financial asset is measured at amortized cost if both of the following conditions are met:

- (a) The objective of the business model for managing the asset is to hold assets in order to collect contractual cash flows.
- (b) The asset's contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

2. A regular way purchase or sale of financial assets at amortized cost Is recognized using trade date accounting.

3. The amount at which the financial assets is measured at initial recognition is the fair value plus transaction costs, and shall be subsequently measured by effective interest method to amortize any difference between that initial amount and the maturity amount as interest revenue, and impairment losses shall be recognized. At derecognition, the profit or loss is recognized in profit or loss.

4. As the holding periods of the time deposits held by the Company that do not conform to the conditions of cash equivalents are short, the effect of discounting is immaterial. They shall be measured by the investment amounts

6) Accounts and notes receivables

1. Accounts and notes receivables are the accounts and notes with the unconditional right to receive the consideration for the goods transferred or services rendered according to the contracts.

2. As the effect of discounting of short-term accounts and notes receivables without bearing interests is immaterial, they shall be measured by the original invoice amount.

7) Impairment of financial assets



At each balance sheet date, the Company shall assess whether the credit risk on financial assets at amortized cost has increased significantly since initial recognition. The Company shall consider all the reasonable and provable information, including foreseeing information. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company shall measure the loss allowance for that instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the Company shall measure the loss allowance for that instrument at an amount equal to lifetime expected credit losses. For those accounts receivables or contract assets not containing significant financing component, the Company shall measure the loss allowance at an amount equal to lifetime expected credit losses.

8) Derecognition of financial assets

The Company shall derecognize the financial assets when the contractual rights to the cash flows from the financial assets expire

9) Lease of lessor – operating lease

The Company shall recognize the lease income associated with those leases less any incentives offered to the lessees as profit or loss on a straight-line basis over the lease term.

10) Inventories

Inventories are initially recognized by acquisition cost. Costs are carried over by construction site, and allocated by the ratio of floor space if the inventory is a building, by land ownership portion if the inventory is a land for construction. Inventories in the end of the period are measured at the lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

11) Investments accounted for using equity method/subsidiaries

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized profit or losses on transactions with subsidiaries have been eliminated. Appropriate adjustments of accounting policies of the subsidiaries have been made to be uniform with the accounting policies of the Company.
3. Share of profit or loss of subsidiaries is recognized in profit or loss, and share of other comprehensive income of subsidiaries is recognized in other comprehensive income. If the Company's share of losses of a subsidiary equals or exceeds its interest in the subsidiary, the Company continues recognizing its share of further losses.
4. When there are changes in equity of subsidiaries which are not related to profit or loss and other comprehensive income, and the percentage of ownership to the subsidiaries remains the same, the Company shall recognize the share of changes in equity of subsidiaries in proportion of percentage of ownership as capital surplus.
5. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a parent company only basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a parent company only basis.

12) Property, plant and equipment

1. Property, plant and equipment are initially recognized by acquisition cost. The relevant borrowing cost during the period of construction shall be capitalized.

2. Subsequent costs shall be recognized in the carrying value of the assets or as an individual asset, only if it's probable that future economic benefits associated with the item are expected to flow to the Company, and the costs can be measured reliably. The carrying value of the replaced items shall be derecognized. Other fix and maintenance cost are recognized in profit or loss.
3. Property, plant and equipment are subsequently measured by cost model. Aside from land, which shall not be depreciated, straight-line method is used to allocate the depreciable amount of an asset over its useful life. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
4. The residual value and the useful life of an asset shall be reviewed at each financial year-end, and if expectations differ from previous estimate, or there's significant change in the consuming way of future economic benefits associated with the asset, the changes shall be accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" since the date of the changes. The useful lives of each asset are listed below: Buildings and structures 20~55 years, auxiliary equipment 10 years, and other equipment 3~5 years.

13) Investment properties

An investment property is measured initially at cost, and subsequently measured by cost model. Except for land, other investment properties shall be depreciated by straight-line method over their useful life of 50~55 years.

14) Impairment of non-financial assets

The Company shall assess at the balance sheet date whether there is any indication that an asset may be impaired. If any indication is present, the Company shall assess the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, impairment loss shall be recognized. Recoverable amount is the higher of the cash-generating unit's net fair value and its value in use. If the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

15) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowing using the effective interest method.

16) Accounts and notes payables

1. Accounts and notes payables are liabilities to pay for goods or services that have been received from the supplier in operations or not in operations.
2. As the effect of discounting of short-term accounts and notes payables without bearing interests is immaterial, they shall be measured by the original invoice amount.

17) Derecognition of financial liabilities

The Company shall derecognize a financial liability from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

18) Employee benefits

1. Short-term employee benefits  
Short-term employee benefits are measured by the undiscounted amount expected to be paid, and recognized as an expense when the employees have rendered service entitling them to the contribution.
2. Pension  
For defined contribution plans, the contributions shall be recognized as pension expenses when

they are due on the accrual basis. Prepaid contributions shall be recognized that excess as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

3. Employees' and directors' remuneration

Employees' and supervisors' remuneration are recognized as expenses and liabilities provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If the employee's remuneration is paid by stock, the basis for calculating the number of shares is the closing price before the date of board of directors' resolution.

19) Income tax

1. The income tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to the items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the entities operate and generate taxable income. Management shall periodically evaluate the tax declaration condition, and estimate the income tax liabilities based on the tax expected to be paid to the taxation authority when applicable. An additional tax on unappropriated earnings is recognized as income tax expenses on unappropriated earnings in the year the shareholders' meeting approves the distribution of earnings based on the actual distribution.
3. Deferred income tax shall be recognized for the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except to the extent that the deferred tax liabilities arise from the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). The Company shall not recognize the deferred tax liabilities for temporary differences associated with investments in subsidiaries, if the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
4. Deferred tax assets shall be reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

20) Share capital

Ordinary shares are classified in equity. The incremental costs directly attributable to issuance of new stock or stock options are recognized as the debit elements of the capital in equity.

21) Dividend distribution

The cash dividends to be paid to shareholders shall be recognized as liabilities in the financial statements when the board of directors makes the resolution. The stock dividends shall be recognized as stock dividends to be distributed in the financial statements when the shareholders' meeting makes the resolution, and shall be transferred to ordinary shares at the base date of the new shares.

22) Revenue recognition

1. Sales of properties

- (a) The Company is primarily engaging in the construction and sales of properties. The Company shall recognize revenue when the customer obtains control of that asset. For the contracts of selling houses signed, based on the restriction of the terms of the contracts, the properties cannot be used for other purposes to the Company. And the Company does not have the enforceable rights, until the legal ownership of the properties has transferred to customers. Therefore, revenue is recognized when the legal ownership has transferred to the customers and the Company has acquired the housing confirmation letter at the time the properties are conveyed.

- (b) The contracts of pre-sale houses include the terms of down payments, and the periods from receiving the down payments and the transfers of the control of goods are longer than 1 year. If the Company assesses that individual pre-sale house contract contains significant financial component, the committed consideration shall be adjusted and interest expenses shall be recognized. In addition, the Company shall consider the materiality of the financial component by the contract level, not consider whether the financing is material by the portfolio level. The contract liabilities shall be recognized as revenue when the properties are completed and the control has transferred to customers.
2. Development and resale of land  
Revenue is measured by the amount agreed by contracts. The customers shall pay for the contract consideration when the legal ownership of the properties transferred. Under rare circumstances, the Company negotiates with customers to delay the payment, but the delays do not exceed 12 month. As the Company determines that the contracts are without significant financial components, the amounts of considerations are not adjusted.
3. Costs of obtaining contracts with customers  
The incremental costs of obtaining a contract (primarily sales commission) shall be recognized as an asset (recognized as other current assets) when incurred if the Company expects to recover those costs, and shall be amortized systematically by the same basis as the goods or services provided related to the assets. If the consideration expected to be received less the costs not recognized as expenses is lower than the carrying amount of the asset subsequently, the difference shall be recognized as impairment loss.
4. Rental income  
Rentals are recognized as revenue and amortized by straight-line method over the lease period.

(5) Major sources of uncertainty arising from significant accounting judgments, estimates, and assumptions

When preparing the Company's parent company only financial statements, the management has made judgments to determine the account policies adopted, and make accounting estimates and assumptions based on the reasonable exceptions for future events based on the condition at the balance sheets date. However, these estimates and assumptions could differ from the actual result; thus they could be assessed and adjusted by taking into account historical experiences and other factors. The estimates and assumptions could result in risks that require a material adjustment to the carrying amount of assets and liabilities in the next fiscal year. The uncertainty of significant accounting judgments, estimates and assumptions is as follows:

Significant accounting estimates and assumptions

Inventory valuation

As inventories are measured by the lower of cost and net realizable value, the Company has to utilize judgment and estimates to determine the net realizable value of inventories at the balance sheet date.

As of December 31, 2022, the carrying amount of inventories amounted to NT\$5,441,780 thousand.

(6) Explanation of significant accounts

1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 30	\$ 20
Checking and demand deposits	63,583	199,396
Time deposits	-	250,000
Bonds with repurchase agreements	-	50,000
	<u>\$ 63,613</u>	<u>\$ 499,416</u>

1. As the correspondent banks are credible and the Company has several correspondent banks to diversify the credit risk, the probability of default is expected to be very low.
2. The Company classified the time deposits with original maturity over 3 months and not for the purpose of short-term cash commitment, and cash and cash equivalents with restricted purposes as "financial assets at amortized cost." As of December 31, 2022 and 2021, the item amounted to NT\$0 thousand and NT\$150,000 thousand, respectively.
3. The cash and cash equivalents were not pledged as collateral.

2) Financial assets at amortized cost

<u>Item</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Time deposits with original maturity over 3 months	<u>\$ -</u>	<u>\$ 150,000</u>
1. The profit or loss arising from financial assets at amortized cost recognized is as follows:		
	<u>2022</u>	<u>2021</u>
Interest revenue		
Dividend revenue of preferred shares (Note)	\$ -	\$ 13,645
Interest revenue from Time deposits with original maturity over 3 months	<u>312</u>	<u>326</u>
	<u>\$ 312</u>	<u>\$ 13,971</u>

Note: The dividend revenue of preferred shares is the interest revenue of preferred shares in registered form issued by Hungtu Alishan International Development Co., Ltd. The aforementioned preferred shares have been converted into ordinary

shares on December 1, 2021 and completed the registration of changes. Please refer to the explanation in Note 6.6 Notes and accounts receivables

2. Without consider the collaterals held and other credit enhancement, as of December 31, 2022 and 2021, the most representative credit risk exposure amounts of financial assets at amortized cost are the disclosed amount of financial assets at amortized cost at each period.
  3. Please refer to Note 12.2 for the credit risk related to financial assets at amortized cost.
- 3) Notes and accounts receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivables	\$ 225	\$ 1,426
Accounts receivables	\$ 9,075	\$ 19,004

1. The aging analysis of notes and accounts receivables is as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivables</u>	<u>Notes receivables</u>	<u>Accounts receivables</u>	<u>Notes receivables</u>
Undue	\$ 9,075	\$ 225	\$ 19,004	\$ 1,426

The aging analysis is based on the days of overdue.

2. As of December 31, 2022 and 2021 the balances of accounts receivables are arising from contracts with customers. And as of January 1, 2021, the balance of accounts receivables amounted to NT\$7,643 thousand.
  3. The notes and accounts receivables were not pledged as collateral.
  4. Without consider the collaterals held and other credit enhancement, as of December 31, 2022 and 2021, the most representative credit risk exposure amounts of financial assets at amortized cost are the disclosed amount of notes and accounts receivables at each period.
  5. Please refer to Note 12.2 for the credit risk related to notes and accounts receivables.
- 4) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for price decline</u>	<u>Carrying amount</u>
Buildings and land for trading	\$ 117,855	(\$ 1,559)	\$ 116,296
Land under construction	3,260,560	-	3,260,560
Construction work in process	1,486,211	-	1,486,211
Land for building	583,046	( 4,333)	578,713
Total	\$ 5,447,672	(\$ 5,892)	\$ 5,441,780

December 31, 2022

	<u>Cost</u>	<u>Allowance for price decline</u>	<u>Carrying amount</u>
Buildings and land for trading	\$ 265,489	(\$ 1,559)	\$ 263,930
Land under construction	1,925,550	-	1,925,550
Construction work in process	663,766	-	663,766
Land for building	<u>582,433</u>	<u>( 4,333)</u>	<u>578,100</u>
Total	<u>\$ 3,437,238</u>	<u>(\$ 5,892)</u>	<u>\$ 3,431,346</u>

1. The inventory costs recognized as expenses or losses in current period:

	<u>2022</u>	<u>2021</u>
Costs of buildings and land sold	<u>\$ 151,177</u>	<u>\$ 2,186,442</u>

2. Land under construction is as follows:

<u>Name of construction site</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Aixing section , Zhubei City (VITA)	\$ 720,914	\$ 720,914
Pingtian section, Taichung City (Senlifang)	494,729	494,965
Zhenfu section, Taichung City	709,671	709,671
Dingqiaozitou section, Taichung City	718,442	-
Renping section, Taichung City	<u>616,804</u>	<u>-</u>
	<u>\$ 3,260,560</u>	<u>\$ 1,925,550</u>

3. Construction work in process is as follows:

<u>Name of construction site</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Aixing section , Zhubei City (VITA)	\$ 943,254	\$ 467,827
Pingtian section, Taichung City (Senlifang)	511,013	189,545
Zhenfu section, Taichung City	20,195	6,394
Dingqiaozitou section, Taichung City	8,697	-
Renping section, Taichung City	<u>3,052</u>	<u>-</u>
	<u>\$ 1,486,211</u>	<u>\$ 663,766</u>

4. Please refer to Note 6.20 for the capitalized amount of the interests of inventories for the years ended December 31, 2022 and 2021. The interest rate intervals used for calculating the capitalization of interests are 1.76%~2.28% and 1.22%~1.91%.

5. Please refer to Note 8 for the inventories pledged as collaterals.

6. The Company has signed of the sale and purchase of land with the seller of the land of No. 46 on Zhenfu section, Taichung City on July 31, 2020. As the seller applied seal change with the land office on September 10, 2020, the Company was unable to proceed with the registration process of transferring the ownership. In addition, as the seller's second son applied a ruling that orders an injunction to Taiwan Taichung District Court and the registration of restriction was issued, the Company was unable to implement the transfer of ownership. Therefore, the Company filed a complaint based on the contract to request the seller to repay the first installment of down payment, and the second

installment of official seal payment, with total amount NT\$23,540 thousand (recognized as other receivables) and liquidated damages, etc. Taiwan Taichung District Court has completed the civil judgment on June 30, 2022, the result is that the seller has to repay the Company NT\$23,540 thousand (recognized as other receivables) of considerations, NT\$17,662 thousand of liquidated damages (recognized as other revenue and other receivables), NT\$370 thousand of court costs (recognized as other receivables), and 5% of legal interest from January 27, 2021 to the date of repayment (as of December 31, 2022, the amount is NT\$3,971 thousand, recognized as interest revenue). The judgment is final.

The Company has applied to the court to distraint the land of No. 46 on Zhenfu section, Taichung City on July 11, 2022. The court has implemented the second public auction on March 2, 2023, and the payment will be distributed from the court. As of the date the parent company only financial statements are issued, the debts amounting to NT\$45,543 thousand have not been recovered. °

5) Other current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current incremental costs of obtaining contracts	\$ 150,550	\$ 105,039
Taxes overpaid retained for offsetting the future tax payables	47,354	25,327
Prepayments	3,150	261
Other current assets-others	<u>1,237</u>	<u>4,846</u>
	<u>\$ 202,291</u>	<u>\$ 135,473</u>

6) Investments accounted for using equity method

	<u>2022</u>	<u>2021</u>
January 1	\$ 413,858	\$ 128,280
Reversal of the balance of "other non-current liabilities" as of January 1	-	( 263,177)
Share of profit or loss of investments accounted for using equity method	452,113	238,084
Equity of subsidiaries recognized in proportion of percentage of ownership at transferring from preferred shares to ordinary shares	-	216,587
Giving up the creditor's rights to the preferred shares dividend from subsidiaries without compensation	-	92,812
Adjustment for capital surplus of subsidiaries recognized	-	1,272
Capital reduction for Share capital refund from investments accounted for using equity method	( 224,715)	-
Earnings distributions from investments accounted for using equity method	<u>( 382,713)</u>	<u>-</u>
December 31	<u>\$ 258,543</u>	<u>\$ 413,858</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries:		
Hung Yeu Construction Co., Ltd.	\$ 133,094	\$ 133,660
Hungtu Alishan International Development Co., Ltd.	<u>125,449</u>	<u>280,198</u>
	<u>\$ 258,543</u>	<u>\$ 413,858</u>

1. Subsidiaries

The basic information on significant subsidiaries is as follows:

<u>Company name</u>	<u>Main operating location</u>	<u>Percentage of ownership</u>		<u>Relationship</u>	<u>Measurement</u>
		<u>December 31, 2022</u>	<u>December 31, 2021</u>		



Hung Yeu Construction Co., Ltd.	Taiwan	92.83%	92.83%	Subsidiary	Equity method
Hungtu Alishan International Development Co., Ltd.	Taiwan	99.87%	99.87%	Subsidiary	Equity method

- (a) The Company has converted all the preferred shares of Hungtu Alishan held into ordinary shares on December 1, 2021. The aforementioned preferred shares were originally recognized as “non-current financial assets at amortized cost,” amounting to NT\$218,025 thousand, and the embedded conversion rights and put options were originally recognized as “current financial assets at fair value through profit or loss,” amounting to NT\$16,178 thousand. The total amount derecognized is NT\$234,203 thousand. After the conversion from preferred share to ordinary shares, the equity of subsidiary recognized in proportion of percentage of ownership as “investments accounted for using equity method,” amounting to NT\$216,587 thousand, and retained earnings were adjusted for the amount of NT\$17,616 thousand for the difference of the conversion between the equity actually acquired and the carrying amount. “Investments accounted for using equity method” was adjusted for the amount of NT\$92,812 thousand for the preferred shares accumulated dividend given up without compensation.
- As Hung Yeu Construction Co., Ltd.’s percentage of ownership to Hungtu Alishan International Development Co., Ltd. was decreased due to the aforementioned transaction, there are changes in equity. The Company recognized the adjustment for capital surplus of subsidiaries by the amount of NT\$1,272 thousand. Please refer to Note 6.14 for explanations.
- (b) As Hungtu Alishan has no longer substantively operated, dissolution has been resolved by the board of directors on April 6, 2022 and by the shareholders meeting on April 27, 2022. April 27, 2022 is the dissolution date, and December 29, 2022 is the date of completion of liquidation. Statements and records of accounts have been approved by the resolution of special meeting of shareholders on January 11, 2023, and a report of completion of liquidation has filed to the court. As of the date the parent company only financial statements are issued, the court is implementing the procedures of completion of liquidation.
2. The profit or loss of long-term equity investments accounted for using equity method for the years ended December 31, 2022 and 2021 was recognized based on the audited and attested financial statements of each investee in the same period. The profit (loss) of long-term equity investments accounted for using equity method is as follows:

	2022	2021
Hung Yeu Construction Co., Ltd.	(\$ 566)	\$ 4,108
Hungtu Alishan International Development Co., Ltd.	<u>452,679</u>	<u>233,976</u>
	<u>\$ 452,113</u>	<u>\$ 238,084</u>

3. Hungtu Alishan International Development Co., Ltd. (“Hungtu Alishan”) has signed the “Building and Operating Contract of Private Investment in Operation of the Alishan Forest Railroad and Alishan Forest Recreation Area Plan” (the “dispute”) with the Forestry Bureau. Due to the impact of Typhoon Morakot on August 8, 2009, there was dispute regarding the performance of the contract between both parties. Impairment of intangible assets with the amount of NT\$579,502 thousand and impairment of property, plant and equipment with the amount of NT\$17,617 thousand (excluding the losses with the amount of NT\$6,416 thousand reversed by selling business equipment) have been recognized for the dispute. The performance bonds of Alishan tourists hotel and Alishan forest railroad, development royalty, and related assets have been transferred to losses with the amount of NT\$174,576 thousand. The

accumulated impairment of related assets amounted to NT\$771,695 thousand.

After several years of litigation, Hungtu Alishan and the Forestry Bureau have settled the litigation and signed the settlement record on July 29, 2021. The Forestry Bureau shall notice Hungtu Alishan to apply the registration of cancellation of the superficies of Beimen Railway Station Hotel and transfer the ownership to the Forestry Bureau based on the agreement of the settlement record, and shall pay Hungtu Alishan for the considerations of the paid transfer and maintenance expenses with the amount of NT\$757,766 thousand (with VAT). After Hungtu Alishan has delivered all the relevant documents of all the properties of Beimen Railway Station Hotel and the delivery has been confirmed, the Forestry Bureau shall repay the development royalty and performance bonds with the amount of NT\$72,234 thousand, and the “Building and Operating Contract of Private Investment in Operation of the Alishan Forest Railroad and Alishan Forest Recreation Area Plan” and the contract of establishment of superficies are finalized. Based on the agreements in the aforementioned settlement record, the gain on reversal of impairment loss amounted to NT\$342,898 thousand (including the gain on reversal of impairment loss of intangible assets amounting to NT\$315,911 thousand, and gain on reversal of performance bonds losses amounting to NT\$26,987 thousand).

4. The aforementioned long-term equity investments with percentage of ownership over 50% were included in the parent company only entities in the consolidated financial statements for the years ended December 31, 2022 and 2021.

7) Property, plant and equipment

	<u>January 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2022</u>
<u>Cost</u>				
Land	\$ -	\$ 17,738	\$ -	\$ 17,738
Buildings and structures	-	16,894	-	16,894
Auxiliary equipment	-	8,117	-	8,117
Other equipment	4,034	-	( 1,029)	3,005
	<u>\$ 4,034</u>	<u>\$ 42,749</u>	<u>(\$ 1,029)</u>	<u>\$ 45,754</u>
<u>Accumulated depreciation</u>				
Buildings and structures	\$ -	\$ -	\$ -	\$ -
Buildings and structures	\$ -	(\$ 6)	\$ -	(\$ 6)
Auxiliary equipment	-	( 6)	-	( 6)
Other equipment	( 3,512)	( 372)	1,029	( 2,855)
	<u>(\$ 3,512)</u>	<u>(\$ 384)</u>	<u>\$ 1,029</u>	<u>(\$ 2,867)</u>
	<u>\$ 522</u>			<u>\$ 42,887</u>
	<u>January 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2021</u>
<u>Cost</u>				
Other equipment	\$ 4,034	\$ -	\$ -	\$ 4,034
<u>Accumulated depreciation</u>				
Other equipment	( 3,110)	(\$ 402)	\$ -	( 3,512)
	<u>\$ 924</u>			<u>\$ 522</u>

8) Lease transactions — lessor

1. The underlying assets of the lease transactions that the Company involves are land. The duration of lease term is usually 1 to 6 years. The lease contracts are negotiated individually and applicable to different terms and conditions. In order to guarantee the condition of the leased assets, the Company usually requests the lessees not to use the lease assets as collaterals, or to provide guarantees for residual values.
2. The rental income (recognized as operating revenue-rental income of buildings) from operating leases for the years ended December 31, 2022 and 2021 amounted to NT\$4,286 thousand and NT\$4,119 thousand, respectively. There is no variable lease

payment.

3. The maturity analysis of the lease payments of operating lease is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
1 year	\$ 4,767	\$ 4,360
1~5 years	<u>3,291</u>	<u>7,608</u>
Total	<u>\$ 8,058</u>	<u>\$ 11,968</u>

9) Investment properties

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2021</u>
<u>Cost</u>				
Land	\$ 92,700	\$ -	\$ -	\$ 92,700
Buildings and structures	<u>27,713</u>	-	-	<u>27,713</u>
	<u>\$ 120,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,413</u>
<u>Accumulated depreciation</u>				
Buildings and structures	(\$ 10,381)	(\$ 533)	\$ -	(\$ 10,914)
	<u>(\$ 10,381)</u>	<u>(\$ 533)</u>	<u>\$ -</u>	<u>(\$ 10,914)</u>
	<u>\$ 110,032</u>			<u>\$ 109,499</u>
<u>Cost</u>				
Land	\$ 92,700	\$ -	\$ -	\$ 92,700
Buildings and structures	<u>27,713</u>	-	-	<u>27,713</u>
	<u>\$ 120,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,413</u>
<u>Accumulated depreciation</u>				
Buildings and structures	(\$ 9,848)	(\$ 533)	\$ -	(\$ 10,381)
	<u>(\$ 9,848)</u>	<u>(\$ 533)</u>	<u>\$ -</u>	<u>(\$ 10,381)</u>
	<u>\$ 110,565</u>			<u>\$ 110,032</u>

1. The rental income and direct operating expenses of investment properties are as follows:

	<u>2022</u>	<u>2021</u>
Rental income from investment properties	<u>\$ 4,121</u>	<u>\$ 4,002</u>
Direct operating expenses incurred by the investment properties with current rental income	<u>\$ 766</u>	<u>\$ 723</u>

2. The fair value of the investment properties amounted to NT\$124,652 thousand and NT\$125,529 thousand for the years ended December 31, 2022 and 2021, respectively. The fair value is in the scope of level 3 of fair value hierarchy, which is the not valuated by an independent appraiser. The fair value is evaluated by the management using the valuation model often used by market participants, by discounting future cash flows of rental income. The significant unobservable inputs include the discount rate.

3. Please refer to Note 8 for the information on investment properties pledged as collaterals.

10) Short-term borrowings

<u>Types of borrowing</u>	<u>Loan period and repayment</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2022</u>
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Bank loan Secured loans	May 31, 2019~ May 31, 2024	2.350%	Inventories – land under construction	\$ 576,700
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Secured loans	May 22, 2019~ May 22, 2024	2.350%	Inventories – land under construction	369,000
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Secured loans	August 21, 2020~ August 21, 2025	2.500%	Inventories – construction work in process	160,650
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Secured loans	February 9, 2021~ February 9, 2026	2.400%	Inventories – construction work in process	134,200
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
				<u>\$ 1,240,550</u>

<u>Types of borrowing</u>	<u>Loan period and repayment</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Bank loan Secured loans	May 31, 2019~ May 31, 2024	1.850%	Inventories – land under construction	\$ 576,700
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Secured loans	May 22, 2019~ May 22, 2024	1.850%	Inventories – land under construction	369,000
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
				<u>\$ 945,700</u>

1. Inventories were pledged as collaterals for the aforementioned borrowings as of December 31, 2022 and 2021, and key management also provided guarantees. Please refer to Note 7.
2. Please refer to Note 8 for the assets pledge as collaterals for the short-term borrowings.

11) Long-term borrowings

<u>Types of borrowing</u>	<u>Loan period and repayment</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank loans				
Secured loans	April 19, 2017~ April 19, 2032  Interests shall be paid monthly, and the principal shall be repaid in installments since the third year.	2.130%	Inventories-buildings and land for trading, investment properties	\$ 28,890
Secured loans	August 11, 2017~ August 11, 2032  Interests shall be paid monthly, and the principal shall be repaid in installments since the third year.	2.130%	Investment properties	13,771
Secured loans	July 13, 2021~January 13, 2025  Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.325%	Inventories-land under construction	305,000
Secured loans	April 27, 2022~January 13, 2025  Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.425%	Inventories-land under construction	172,300
Secured loans	June 9, 2022~ June 9, 2027  Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.175%	Inventories-land under construction	435,000
Unsecured loans	November 14, 2022~June 9, 2027  Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.425%	None	28,000
Subtotal				982,961
Less: current portion of long-term borrowings				( 4,076)
Total				<u>\$ 978,885</u>

(The remainder is intentionally left blank.)

<u>Types of borrowing</u>	<u>Loan period and repayment</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Long-term bank loans				
Secured loans	April 13, 2017~ April 13, 2022	1.720%	Inventories- land for building	\$ 77,000
	Interests shall be paid monthly, and the principal shall be repaid in installments.			
Secured loans	April 24, 2017~ April 24, 2022	1.720%	Inventories- land for building	188,000
	Interests shall be paid monthly, and the principal shall be repaid in installments since the third year.			
Secured loans	May 24, 2018~ May 24, 2025	1.720%	Inventories- land for building	18,550
	Interests shall be paid monthly, and the principal shall be repaid in installments.			
Secured loans	April 19, 2017~ April 19, 2032	1.630%	Inventories-buildings and land for trading, investment properties	31,694
	Interests shall be paid monthly, and the principal shall be repaid in installments since the third year.			
Secured loans	August 11, 2017~ August 11, 2032	1.630%	Investment properties	15,055
	Interests shall be paid monthly, and the principal shall be repaid in installments since the third year.			
Secured loans	July 13, 2021~January 13, 2025	1.700%	Inventories-land under construction	305,000
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Subtotal				635,299
Less: current portion of long-term borrowings				( 270,941)
Total				\$ 364,358

1. Inventories and investment properties were pledged as collaterals for the aforementioned borrowings as of December 31, 2022 and 2021, and key management also provided guarantees. Please refer to Note 7.
2. Please refer to Note 8 for the assets pledged as collaterals for the long-term borrowings.

#### 12) Pension

1. The employee pension plan under the Labor Pension Act of the R.O.C. is a defined contribution plan. Since July 1, 2005, pursuant to the plan, the Company and domestic subsidiaries make monthly contributions of 6% based on each individual employee's salary or wage to employees' pension accounts for employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. The labor pension shall be paid for monthly pension payments or lump-sum payment, based on the principal and accrued dividends from an employee's individual labor pension account.
2. The pension costs recognized based on the aforementioned pension plan amounted to NT\$596 thousand and NT\$592 thousand for the years ended December 31, 2022 and 2021, respectively.

#### 13) Share capital

The Company had authorized capital of NT\$2,000,000 thousand as of December 31, 2022, of which 155,001 thousand shares with par value of NT\$10 were issued. The paid-in capital is NT\$1,550,015 thousand.

The numbers of outstanding ordinary shares in the beginning and in the end of the period are reconciled as follows (unit: thousands of shares):

	<u>2022</u>	<u>2021</u>
Number of shares as of January 1 and December 31	<u>155,001</u>	<u>155,001</u>

14) Capital surplus

1. According to the regulation of the Company Act, where a company incurs no loss, it may distribute the income derived from the issuance of new shares at a premium, and the income from endowments received by the company, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. Based on the relevant regulations of Securities and Exchange Act, where a company intends to capitalize the aforementioned capital surplus, the total amount per year shall not exceed 10% of paid-in capital. A company shall not use the capital surplus to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.
2. The changes in capital surplus of NT\$1,272 thousand for the year ended December 31, 2021 arose from the equity transactions of changes in equity of subsidiaries and the subsidiaries' adjustments to capital surplus recognized by equity method, when the Company did not actually acquire or dispose of equity of subsidiaries. The investments accounted for using equity method have been eliminated in the parent company only financial statements.

15) Retained earnings

1. According to the Articles of Incorporation, if there is any net profits after closing of a fiscal year, the profits shall be distributed in the following order:
  - (a) payment of all taxes and dues;
  - (b) offsetting losses in prior years;
  - (c) setting aside a legal capital reserve at 10% of the profits left over, provided that no allocation of legal reserve is required if the accumulated legal reserve is equivalent to the total capital amount of the Company;
  - (d) setting aside or rotating special reserve according to the rule set out by the government authority in charge;
  - (e) If there is still remaining balance, the Company shall set aside with accumulated unappropriated retained earnings for shareholders' dividends. The Board of Directors shall draw up a meeting regarding the issue of profit distribution and report to the shareholders' meeting for the resolution of the distribution of the dividend.  
The dividend policies of the Company take consideration of the operation of the Company, funding requirements, the changes in internal and external environments and shareholders' interests. Earnings may be distributed entirely or partially. The dividends may be distributed in cash or in stock, and the ratio of cash dividend shall be no less than 10% of total distribution.  
According to Article 240-5 of the Company Act, the Company authorizes the distributable dividends and bonuses may be paid in cash after a resolution has been adopted at a meeting of the board of directors; and in addition thereto a report of such distribution shall be reported to the shareholders' meeting, but shall not be submitted to the shareholders' meeting for approval.
2. The legal reserve shall not be used except for making good the deficit of the company and being distributed by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash, for the portion in excess of 25% of the paid-in capital.
3. When distributing distributable earnings, the Company shall set aside special reserve for the debit balance under other equity in the balance sheets according to regulations. If any of the debit balance under other equity is reversed, the special reserve in the amount equal to the reversal may be reversed for earnings distribution.
4. The earnings distribution proposal of 2020 has been resolved by the physical shareholder's meeting held on July 14, 2021. The earnings distribution proposal of 2021 has been resolved by the shareholder's meeting held on June 8, 2022. The distribution proposals are as follows:

	2021		2020	
	<u>Amount</u>	<u>Dividend per share</u>	<u>Amount</u>	<u>Dividend per share</u>
Legal reserve	\$ 91,644		\$ 5,056	
Cash dividend	<u>279,003</u>	\$ 1.8	<u>77,501</u>	\$ 0.5
Total	<u>\$ 370,647</u>		<u>\$ 82,557</u>	

The earnings distribution proposals are the same as the board of directors' proposals proposed on March 16, 2022 and March 17, 2021.

5. The earnings distribution has been resolved by the board of directors to be NT\$1.5 of dividend per ordinary share, with total amount NT\$232,502 thousand on March 15, 2023.
  6. The Company acquired the land located in No. 245-1 on Huilaituo section, Xitun Dist., No. 19-1, 22-5, 25-1 on Mayuantou section, West Dist., No. 586 on Guangshun section, West Dist., in Taichung City from related parties, based on the board of directors' resolution made on December 26, 2017. As the transaction prices are NT\$3,723 thousand higher than the calculated transaction prices of the deals with non-related parties within 1 year, the Company set aside special reserve for the difference, and reported to the shareholders' meeting in 2019. The usage of aforementioned special reserve has been approved by the competent authorities on March 5, 2021, and the special reserve has been reversed.
  7. The changes in unappropriated earnings of NT\$17,616 thousand for the year ended December 31, 2021 are the differences between consideration and carrying amount of subsidiaries acquired, when the Company converted preferred shares into ordinary shares. Please refer to Note 6.6 for explanations.
- 16) Operating revenue

	2022	2021
Revenue from contracts with customers	\$ 213,169	\$ 3,059,683
Others-Rental income of buildings	<u>4,286</u>	<u>4,119</u>
Total	<u>\$ 217,455</u>	<u>\$ 3,063,802</u>

1. Classification of revenue from contracts with customers

The revenue of the Company can be classified geographically as follows:

<u>2022</u>	<u>Construction division</u>			<u>Total</u>
	<u>South area</u>	<u>Central area</u>	<u>North area</u>	
Segment revenue	<u>\$ -</u>	<u>\$ 1,266</u>	<u>\$ 211,903</u>	<u>\$ 213,169</u>
Time of revenue recognition				
Revenue recognized at a point in time				<u>\$ 213,169</u>



2021	<u>Construction division</u>			
	<u>South area</u>	<u>Central area</u>	<u>North area</u>	<u>Total</u>
Segment revenue	<u>\$ 500,000</u>	<u>\$ 2,039,607</u>	<u>\$ 520,076</u>	<u>\$3,059,683</u>
Time of revenue recognition				
Revenue recognized at a point in time				<u>\$3,059,683</u>

2. As of December 31, 2022 and 2021, the total amount of the allocated transaction prices for not fulfilling contractual obligations and the expected years of revenue recognition of the signed contracts of sales of buildings and land are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract amount of signed contracts	\$ 3,914,720	\$ 3,911,110
Expected years of revenue recognition	2023~2024	2022~2024

3. Contract liabilities

The receipts in advance are contract liabilities relevant to recognition of revenue from contracts with customers as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities	<u>\$ 724,201</u>	<u>\$ 427,036</u>	<u>\$ 637,074</u>

Revenue arising from contract liabilities in the beginning of the period recognized in the current period:

	<u>2022</u>	<u>2021</u>
Revenue arising from contract liabilities in the beginning of the period recognized in the current period	<u>\$ 2,058</u>	<u>\$ 412,584</u>

17) Interest revenue

	<u>2022</u>	<u>2021</u>
Interest revenue from financial assets at amortized cost	\$ 312	\$ 13,971
Interests from bank savings	679	629
Other interest revenue	3,981	122
	<u>\$ 4,972</u>	<u>\$ 14,722</u>

18) Other revenue

	<u>2022</u>	<u>2021</u>
Other commission income	\$ 69	\$ 144
Unpaid payables transferred to other revenue	595	-
Income from liquidated damages (Note)	17,662	-
Other revenue—others	1,175	13,384
	<u>\$ 19,501</u>	<u>\$ 13,528</u>

Note: Please refer to Note 9.1.2 for the explanation of the recognition based on the judgment of litigation.

19) Other gains and losses

	<u>2022</u>	<u>2021</u>
Losses from financial assets at fair value through profit or loss	\$ -	(\$ 4,545)
Other losses	-	(200)
	<u>\$ -</u>	<u>(\$ 4,745)</u>

20) Financial costs

	<u>2022</u>	<u>2021</u>
Interest expenses:		
Bank loans	\$ 37,990	\$ 31,479
Others	18	2,730
	38,008	34,209
Less: interests eligible for capitalization	(37,990)	(28,546)
Financial costs	<u>\$ 18</u>	<u>\$ 5,663</u>

21) Additional information on nature of expenses

	<u>2022</u>		
	<u>Operating costs</u>	<u>Operating costs</u>	<u>total</u>
Employee benefits expenses			
Payroll expenses	\$ -	\$ 15,101	\$ 15,101
Labor and health insurance expenses	-	1,426	1,426
Pension expenses	-	596	596
Directors' remuneration	-	6,935	6,935
Other employment expenses	-	773	773
Total	<u>\$ -</u>	<u>\$ 24,831</u>	<u>\$ 24,831</u>
Depreciation expenses of property, plant and equipment	<u>\$ -</u>	<u>\$ 384</u>	<u>\$ 384</u>
Depreciation expenses of investment properties	<u>\$ 533</u>	<u>\$ -</u>	<u>\$ 533</u>

## 2021

	<u>Operating costs</u>	<u>Operating costs</u>	<u>total</u>
Employee benefits expenses			
Payroll expenses	\$ -	\$ 20,836	\$ 20,836
Labor and health insurance expenses	-	1,276	1,276
Pension expenses	-	592	592
Directors' remuneration	-	11,616	11,616
Other employment expenses	-	2,451	2,451
Total	<u>\$ -</u>	<u>\$ 36,771</u>	<u>\$ 36,771</u>
Depreciation expenses of property, plant and equipment	<u>\$ -</u>	<u>\$ 402</u>	<u>\$ 402</u>
Depreciation expenses of investment properties	<u>\$ 533</u>	<u>\$ -</u>	<u>\$ 533</u>
Depreciation expenses of right-of-use assets	<u>\$ -</u>	<u>\$ 229</u>	<u>\$ 229</u>

1. The average numbers of employees are both 23 as of December 31, 2022 and 2021. Among them, the numbers of directors not serving as employees are 7.
2. The average employee benefit expenses amounted to NT\$1,119 thousand ("Total amount of employee benefits expenses of the current year-total amount of directors' remuneration"/"number of employees of the current year-number of directors not serving as employees") and NT\$1,572 thousand ("Total amount of employee benefits expenses of the prior year-total amount of directors' remuneration"/"number of employees of the prior year-number of directors not serving as employees") in 2022 and 2021, respectively.
3. The average payroll expenses amounted to NT\$944 thousand ("Total amount of payroll expenses of the current year"/"number of employees of the current year-number of directors not serving as employees") and NT\$1,302 thousand ("Total amount of payroll expenses of the prior year"/"number of employees of the current year-number of directors not serving as employees") in 2022 and 2021, respectively.
4. The rate of changes in average payroll expenses is (27.5%) ("Average payroll expenses of the current year-average payroll expenses of the prior year"/ average payroll expenses of the prior year).
5. Directors' payroll include the directors' compensation and directors' remuneration. Directors' compensation is determined by reference to the usual level in the same industry. Directors' remuneration shall be set aside in accordance with the regulation of the the Articles of Incorporation, reviewed by the remuneration committee, resolved by the board of directors, and submitted to the shareholders' meeting. Managers and employees' remuneration include payroll, bonus, and employees' remuneration, , which shall be calculated based on the positions, the responsibilities accepted, the level in the same industry, andn the result of performance appraisal. Manegers' payroll shall be reviewed by the remuneration committee, and approved by the board of directors.
6. According to the Company's Articles of Incorporation, in order to motivate employees and the operating team, the Company shall allocate remuneration to employees at the rate no lower than 1‰ of annual profits, and to directors at the rate of no higher than 3% of annual profits during the period; provided, however, that when the Company has accumulated losses, the profits shall be preserved to make up for losses, before distributing to employees and directors. The employees' remuneration shall be distributed in stock or cash, which may include eligible employees of affiliated companies.. The resolution shall be made by a majority vote at a meeting of the board

of directors attended by two-thirds of the total number of directors, and reported to the shareholders' meeting. The directors' remuneration shall be only distributed in cash.

7. The employees' and directors' remunerations are estimated as follows:

	2022	2021
Employees' remuneration	\$ 501	\$ 970
Directors' remuneration	5,015	9,696
	<u>\$ 5,516</u>	<u>\$ 10,666</u>

The aforementioned amounts are recognized as payroll expenses, which are accrued based on the profitability of the year. The employees' and directors' remunerations for the years ended December 31, 2022 and 2021 were accrued by 1‰ and 1‰, respectively.

The amounts resolved by the board of directors are the same as the employees' and directors' remunerations amounts recognized in the financial statements of 2021. The employees' and directors' remunerations will be paid in cash. The actual distribution amounts of employees' and directors' remunerations are the same as the accrued amounts.

8. The information about the employees' and directors' compensation resolved by the board of directors is available at the Market Observation Post System website.

22) Income tax

1. Income tax expenses

(a) Composition of income tax expenses

	2022	2021
Current income tax charge	\$ 279	\$ 40,805
Additional tax on unappropriated earnings	26,039	-
Underestimation of income tax of prior periods	-	1,735
Income tax expenses	<u>\$ 26,318</u>	<u>\$ 42,540</u>

(b) The relationship between income tax expenses and accounting profit

	2022	2021
Tax payables calculated by profit before tax multiplying the enacted tax rates	\$ 99,191	\$ 191,796
Tax exempt income based on tax laws	( 93,714)	( 145,920)
Additional tax on unappropriated earnings	26,039	-
Effect of Land Value Increment Tax	279	40,805
Tax effect of items excluded based on tax laws	-	40
Unrecognized deferred tax assets arising from temporary differences	( 1,021)	( 8,093)
Evaluation changes in the realizability of deferred tax assets	( 4,456)	( 37,823)
Underestimation of income tax of prior periods	-	1,735
Income tax expenses	<u>\$ 26,318</u>	<u>\$ 42,540</u>

2. The deductible deadline of unused tax loss and amount of the unrecognized deferred tax assets are as follows:

December 31, 2022				
<u>Year of occurrence</u>	<u>Declared/verified amount</u>	<u>Undeducted amount</u>	<u>Amount of unrecognized deferred tax assets</u>	<u>Last deductible year</u>
2013	Verified amount	\$ 514,995	\$ 514,995	2023
2015	Verified amount	43,964	43,964	2025
2016	Verified amount	26,666	26,666	2026
2017	Verified amount	7,458	7,458	2027
2018	Verified amount	53,155	53,155	2028
		<u>\$ 646,238</u>	<u>\$ 646,238</u>	

December 31, 2021				
<u>Year of occurrence</u>	<u>Declared/verified amount</u>	<u>Undeducted amount</u>	<u>Amount of unrecognized deferred tax assets</u>	<u>Last deductible year</u>
2012	Verified amount	\$ 14,381	\$ 14,381	2022
2013	Verified amount	522,893	522,893	2023
2015	Verified amount	43,964	43,964	2025
2016	Verified amount	26,666	26,666	2026
2017	Verified amount	7,458	7,458	2027
2018	Verified amount	53,155	53,155	2028
		<u>\$ 668,517</u>	<u>\$ 668,517</u>	

3. Deductible temporary differences of unrecognized deferred tax assets:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	<u>\$ 79,231</u>	<u>\$ 82,656</u>

4. Profit-seeking Enterprise Income Taxes of the Company have been verified by the tax collection authority until 2020.

23) Earnings per share

	2022		
	<u>After-tax amount</u>	<u>Weighted –average outstanding shares(thousand)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Profit	<u>\$ 469,936</u>	<u>155,001</u>	<u>\$ 3.03</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	469,936	155,001	
Effect of diluted potential ordinary shares			
Employees' remuneration	<u>-</u>	<u>27</u>	
Profit attributable to ordinary shareholders plus the effect of potential ordinary shares	<u>\$ 469,936</u>	<u>155,028</u>	<u>\$ 3.03</u>

	2021		Earnings per share
	<u>After-tax amount</u>	<u>Weighted –average outstanding shares(thousand)</u>	<u>(NT\$)</u>
<u>Basic earnings per share</u>			
Profit	<u>\$ 916,440</u>	<u>155,001</u>	<u>\$ 5.91</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	916,440	155,001	
Effect of diluted potential ordinary shares			
Employees' remuneration	-	33	
Profit attributable to ordinary shareholders plus the effect of potential ordinary shares	<u>\$ 916,440</u>	<u>155,034</u>	<u>\$ 5.91</u>

When calculating the diluted earnings per share, assume the employees' remunerations to be paid in stock, and add the diluted potential ordinary shares into the calculation of diluted weighted average number of ordinary shares outstanding to calculate the diluted earnings per share.

24) Supplementary information of cash flows

Financing activities without affecting cash flows:

2022:None.

	2021
As of January 1, “non-current financial assets at amortized cost” recognized	\$ 214,693
As of January 1, “current financial assets at fair value through profit or loss” recognized	20,723
Other receivables–interest receivables from preferred shares liabilities	92,812
Financial assets at amortized cost–amortization of discount on non-current	3,332
Valuation losses of financial assets at fair value through profit or loss (	4,545)
Transferred to “investments accounted for using equity method”	<u>(309,399)</u>
Decrease in retained earnings for the difference between consideration and carrying amount of subsidiaries acquired	17,616
Capital surplus recognized for the changes in equity of subsidiaries	<u>(1,272)</u>
	<u>\$ 16,344</u>

25) Changes in the liabilities arising from financing activities

	<u>January 1, 2022</u>	<u>Changes in cash flows from financing activities</u>		<u>Non-cash flow increase</u>	<u>Non-cash flow transfers</u>	<u>December 31, 2022</u>
Short-term borrowings	\$ 945,700	\$ 294,850	\$ -	\$ -	\$ 1,240,550	
Long-term borrowings (including the current portion)	635,299	347,662	-	-	982,961	
Dividends payables	-	( 279,003)	279,003	-	-	
Guaranteed deposits received	<u>1,204</u>	<u>108</u>	-	-	<u>1,312</u>	
Total liabilities arising from financing activities	<u>\$ 1,582,203</u>	<u>\$ 363,617</u>	<u>\$ 279,003</u>	<u>\$ -</u>	<u>\$ 2,224,823</u>	

	<u>January 1, 2021</u>	<u>Changes in cash</u>			<u>December 31, 2021</u>
		<u>flows from</u> <u>financing</u> <u>activities</u>	<u>Non-cash flow</u> <u>increase</u>	<u>Non-cash</u> <u>flow transfers</u>	
Short-term borrowings	\$ 1,424,950	(\$ 848,250)	\$ -	\$ 369,000	\$ 945,700
Long-term borrowings (including the current portion)	1,100,704	( 96,405)	-	( 369,000)	635,299
Dividends payables	-	( 77,501)	77,501	-	-
Guaranteed deposits received	1,204	-	-	-	1,204
Lease liabilities	<u>234</u>	<u>( 234)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities arising from financing activities	<u>\$ 2,527,092</u>	<u>(\$ 1,022,390)</u>	<u>\$ 77,501</u>	<u>\$ -</u>	<u>\$ 1,582,203</u>

(7) Related party transactions

1) Related party names and relationships

<u>Related party name</u>	<u>Relationship with the Company</u>
Hung Yeu Construction Co., Ltd.(Hung Yeu Company)	Subsidiary of the Company
Hungtu Alishan International Development Co., Ltd. (Hungtu Alishan)	Subsidiary of the Company
Fong yi construction co., ltd. (fong yi construction)	The chairman is the first degree relative of the general manager of the Company
Holy grace construction corp. (holy grace construction)	The chairman is the first degree relative of the general manager of the Company
Jing Chi Development Co., Ltd.(Jing Chi Development.)	The chairman is the general manager of the Company
Liu, Jui-Lin	The director and general manager of the Company
Liu, Shu-Chu	The first degree relative of the general manager of the Company

2) Significant transactions with related parties

1. Operating revenue

	<u>2022</u>	<u>2021</u>
Sales revenue:		
Other related parties	<u>\$ -</u>	<u>\$ 39,439</u>
Lease income:		
Hung Yeu Company	<u>\$ 11</u>	<u>\$ 34</u>

(a) The underlying assets leased to Hung Yeu Company to earn rental income is the office. The lease period is from July, 2018 to April, 2022. The calculation of rental is determined by the rental in the neighborhood and the area rent. The rents are paid in every half year.

(b) The transaction prices and payment terms of sales of goods are not significantly different from the transactions with non-related parties.

2. Lease transactions-lessee

(a) The Company rents buildings from other related parties. The periods of the lease contracts are 1 month to 3 years. The calculation of rental is determined by the rental in the neighborhood and the area rent. The rents to holy grace construction are paid in every half year, and to Hung Yeu Company are paid monthly based on the lease contracts.

(b) Rental expenses

	<u>2022</u>	<u>2021</u>
Holy grace construction	\$ 165	\$ 235
Hung Yeu Company	<u>657</u>	<u>-</u>
Total	<u>\$ 822</u>	<u>\$ 235</u>

### 3. Financing receivables

	<u>2022</u>				
	<u>Maximum</u>	<u>Year and month of</u>	<u>Ending</u>	<u>Interest</u>	<u>Interest</u>
	<u>balance</u>	<u>occurrence</u>	<u>balance</u>	<u>rate</u>	<u>revenue</u>
Hungtu					
Alishan	<u>\$60,000</u>	May, 2021	<u>\$ -</u>	2.15%	<u>\$ -</u>

  

	<u>2021</u>				
	<u>Maximum</u>	<u>Year and month of</u>	<u>Ending</u>	<u>Interest</u>	<u>Interest</u>
	<u>balance</u>	<u>occurrence</u>	<u>balance</u>	<u>rate</u>	<u>revenue</u>
Hungtu					
Alishan	<u>\$60,000</u>	May, 2021	<u>\$ -</u>	2.15%	<u>\$ 81</u>

The condition of the loans to subsidiaries is to repay within 1 year after lending loans. The loans have been collected on December 27, 2021, and the interest in 2021 was collected by the annual interest rate of 2.15%.

### 4. Other payables

	<u>2022</u>	<u>2021</u>
Hung Yeu Company	<u>\$ 72</u>	<u>\$ -</u>

### 5. Jointly and severally liability of peer industries – commission expenses

	<u>2022</u>	<u>2021</u>
Jing Chi Development.	<u>\$ 201</u>	<u>\$ -</u>

### 6. Commission revenue

	<u>2022</u>	<u>2021</u>
Other related parties	<u>\$ -</u>	<u>\$ 36</u>

### 7. Property transactions

Acquisition of property, plant and equipment

	<u>2022</u>	<u>2021</u>
Hung Yeu Company	<u>\$ 42,749</u>	<u>\$ -</u>

### 8. Details of guarantees

(a) The Company provided endorsement and guarantee for other related parties' financing as follows:

As of December 31, 2022 and 2021, in order to provide companies in the same industry among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, the Company provided jointly and severally liability of peer industries for related parties, fong yi construction co., ltd. ,and Cornerstone Investment Co., Ltd. by the amount of NT\$425,690 thousand, which is the construction costs on the construction license. The guarantee period is from the date of signing mutual guarantee contracts, which are audited and approved by the association, and the performance guarantee expires when the constructions receive the user license.

(b) Other related parties provided endorsement and guarantee for the Company' financing as follows:



As of December 31, 2022 and 2021, in order to provide companies in the same industry among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, the related party, Jing Chi Development Co., Ltd., provided jointly and severally liability of peer industries for the Company by the amount of NT\$257,965 thousand, which is the construction costs on the construction license. The guarantee period is from the date of signing mutual guarantee contracts, which are audited and approved by the association, and the performance guarantee expires when the constructions receive the user license.

9. Others

The key management is the joint guarantor of the long-term and short-term loans. Please refer to Note 6.10 and 6.11 for explanations.

3) Information on key management personnel compensation

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 12,935	\$ 20,182

(8) Pledged assets

The assets pledge as collaterals are as follows:

<u>Assets</u>	<u>Carrying amount</u>		<u>Object</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Inventories	\$ 4,127,923	\$ 2,311,987	Long-term and short-term bank loans
Investment properties	109,499	110,032	Long-term bank loans
	<u>\$ 4,237,422</u>	<u>\$ 2,422,019</u>	

(9) Significant contingencies and unrecognized contract commitments

1) Contingencies

1. Please refer to Note 7.2 for guarantees for related parties.

2. Please refer to Note 6.4.6 for the litigations about the dispute regarding the performance of the contract of inventories.

2) Commitments

The capital expenditures that the Company has signed contracts for but have not yet occurred.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land for construction	\$ 47,200	\$ -
Construction work in process	450,362	1,026,846
	<u>\$ 497,562</u>	<u>\$ 1,026,846</u>

(10) Losses due to major disasters

None.

(11) Significant subsequent events

None.

(12) Others

1) Capital management

The primary objective of the Company's capital management is to ensure that it operates continuously and maintains optimal capital structure to decrease the cost of capital and maximized the shareholders' equity. The Company manages and adjusts the capital structure, probably by adjusting dividend payment, returning of capital, issuing new shares, or disposing assets. The Company utilized debt to capital ratio to monitor the Company's capital. The ratio is calculated by net debt divided by total capital. Net debt is calculated by the total borrowings (including "current and non-current borrowings" stated in the parent company only financial statements) less of cash and cash equivalents. And total capital is calculated by "equity" stated in the parent company only balance sheets plus net debt. As of December 31, 2022 and 2021, the debt to capital ratio of the Company's asset is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 2,223,511	\$ 1,580,999
Less: cash and cash equivalents	( 63,613)	( 499,416)
Net debt	2,159,898	1,081,583
Total equity	<u>2,819,537</u>	<u>2,628,904</u>
Total capital	<u>\$ 4,979,435</u>	<u>\$ 3,710,487</u>
Debt to capital ratio	43.38%	29.15%

2) Financial instruments

1. Types of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost/loans to others and receivables		
Cash and cash equivalents	\$ 63,613	\$ 499,416
Current financial assets at amortized cost	-	150,000
Notes receivables	225	1,426
Accounts receivables	9,075	19,004
Other receivables	45,579	23,776
Refundable deposits (Recognized as other current and non-current assets)	<u>451</u>	<u>389</u>
	<u>\$ 118,943</u>	<u>\$ 694,011</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$1,240,550	\$ 945,700
Notes payables	545	495
Accounts payables	315,697	86,924
Other payables	33,296	52,439
Long-term borrowings (including current portion)	982,961	635,299
Guaranteed deposits received	<u>1,312</u>	<u>1,204</u>
	<u>\$2,574,361</u>	<u>\$1,722,061</u>

2. Risk management policies
  - (a) The Company's operation is influenced by several financial risks, including market risk (including interest rate risk), credit risk, and liquidity risk.
  - (b) Risk management is implemented by the finance department's cooperating with each operating unit in the Company, to identify, assess, and avoid financial risks.
3. Nature and extent of significant financial risk
  - (a) Market risk
    - Cash flow and fair value interest rate risk
    - A. The Company's interest rate risk arises from short-term and long-term borrowings at floating interest rate. Borrowings at floating interest rates expose the Company to cash flow interest rate risk. As of December 31, 2022 and 2021, the borrowings at floating interest rate are primarily denominated in New Taiwan Dollars.
    - B. As of December 31, 2022 and 2021, if the interest rate of borrowings denominated in New Taiwan Dollars had increased or decreased by 1%, the Company's profit would have decreased or increased by NT\$17,788 thousand and NT\$12,648 thousand for the years ended December 31, 2022 and 2021, assuming all other variable factors remain constant. The changes in profit are resulted from the changes in interest expense due to borrowings at floating interest rate.
  - (b) Credit risk
    - A. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Company. The Company is exposed to credit risks from accounts receivables that the counterparty is unable to pay off by the payment term, and the contractual cash flows from investments in debt instruments at amortized cost.
    - B. The Company manages credit risk in terms of the Company. The Company only accepts banks or institutions assessed to be with good credit quality as correspondent bank or financial institutions. The notes receivables and accounts receivables are receivables from customers for selling buildings and land. Based on the internal credit policies, the Company shall manage and implement credit risk analysis before determine payment terms and delivery terms with new customers. Internal risk control evaluates customers' credit quality by considering the financial condition, past experiences, and other factors.
    - C. The Company adopts the presumptions in the scope of IFRS9. When contractual payments are more than 90 days past due, the payments shall be deemed as that default has occurred.
    - D. The Company adopts the following presumptions in the scope of IFRS9, to determine whether the credit risk of the financial instruments has increased significantly since initial recognition:

The credit risk on financial assets has increased significantly since initial recognition when contractual payments are more than 30 days past due.
    - E. The Company is keep implementing the legal procedures of recourse, to preserve the creditor's right. As of December 31, 2022 and 2021, the debts that are still under recourse amounted to both NT\$0 thousand.
    - F. The Company classifies the accounts receivables from customers by the characteristics of customer types, estimates expected credit losses by loss rate method under simplified approach, and adjust the loss rates built based on the historical and current information in specific periods by taking into consideration of foreseeing information, to estimate the loss allowances for accounts

receivables. As of December 31, 2022 and 2021, the Company assessed that the impairment losses that may occur are little.

(c) Liquidity risk

A. The cash flow forecast is summarized by the financial department of the Company. The financial department monitors the forecast of working capital requirement, ensures there's enough capital to support the operating requirements, and maintains enough unused credit lines of borrowings at any time.

B. Unused credit lines of the Company are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Due within 1 year	\$ 56,020	\$ 53,700
Due over 1 year	246,000	517,660
	<u>\$ 302,020</u>	<u>\$ 571,360</u>

C. The table below analyzed the Company's non-derivative financial liabilities into relevant maturity Companyings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The contractual cash flows disclosed below are not discounted.

<u>Non-derivative financial liabilities:</u> December 31, 2022	<u>Within 6 months</u>	<u>6 months-1year</u>	<u>1-2 years</u>	<u>Over 2 years</u>	<u>Total</u>
Short-term borrowings	\$ 745,631	\$ 507,886	\$ -	\$ -	\$1,253,517
Notes payables	545	-	-	-	545
Accounts payables	292,260	15,561	7,876	-	315,697
Other payables	17,710	8,550	7,036	-	33,296
Long-term borrowings (including current portion)	13,202	13,202	26,403	1,002,611	1,055,418
Guaranteed deposits received	-	-	-	1,312	1,312

<u>Non-derivative financial liabilities:</u> December 31, 2021	<u>Within 6 months</u>	<u>6 months-1year</u>	<u>1-2 years</u>	<u>Over 2 years</u>	<u>Total</u>
Short-term borrowings	\$ 8,748	\$ 8,748	\$ 17,495	\$ 952,990	\$ 987,981
Notes payables	495	-	-	-	495
Accounts payables	84,944	1,400	580	-	86,924
Other payables	37,563	9,696	5,180	-	52,439
Long-term borrowings (including current portion)	272,590	6,078	12,132	367,027	657,827
Guaranteed deposits received	-	-	-	1,204	1,204

3) Fair value information

1. The definitions of each level in valuation techniques used to measure the fair value of financial and non-financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that entities can access at the measurement date. The inputs of the level are quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is the market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an

ongoing basis.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the assets or liabilities. The investment properties held by the Company are in the scope.

2. Please refer to Note 6.9 for the fair value information of investment properties measured at cost.
3. Financial instruments no measured at fair value  
The carrying amount of cash and cash equivalents, financial assets at amortized cost, notes receivables, accounts receivables, other receivables, refundable deposits, short-term borrowings, notes payables, accounts payables, other payables, long-term borrowings (including current portion), and guaranteed deposits received is the reasonable approximation of fair value
4. Financial and non-financial instruments at fair value: None.

(13) Other disclosures

1) Information on significant transactions

1. Loans to others: Please refer to Table 1.
2. Provision of endorsements and guarantees to others: Please refer to Table 2.
3. Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): None.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital or more: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more: Please refer to Table 3.
6. Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to None.
9. Trading in derivative instruments: None.
10. Business relationships among the parent company and subsidiaries, and significant intercompany transactions: None.

2) Information on investees

The information about company names, locations, etc. of investees: Please refer to Table 4.

3) Information on investees in Mainland China

None.

4) Information on major shareholders

Information on major shareholders: Please refer to Table 5.

(14) Segment information  
N/A.

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Fong-Chien Construction Co.,LTD.  
Loans to others  
For the Year Ended December 31,2022

Table 1

Expressed in thousands of New Taiwan Dollars  
(Except as indicated)

No.	Name of lender	Name of borrower	Account	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance	Actual usage amount	Interests rate interval	Nature of financing (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 1)	Note
													Item	Value			
0	Fong-Chien Construction Co.,LTD.	Hungtu Alishan International Development Co., Ltd.	Other receivables-related parties	Y	\$ 60,000	\$ -	\$ -	2.15%	2	\$ -	Operating turnover	\$ -	None	\$ -	\$1,127,815	\$ 1,127,815	
1	Hung Yeu Construction Co., Ltd.	Hungtu Alishan International Development Co., Ltd.	Other receivables-related parties	Y	55,000	-	-	2.15%	2	-	Operating turnover	-	None	-	57,349	57,349	

Note 1: The total amount loaned shall not exceed 40% of the Company's net worth.

Note 2: The amount loaned to single recipient shall not exceed 40% of the Company's net worth.

Note 3: 1. The Company has business relations with the company.

2. In need of short-term financing

Note 4: The highest balance of financing to other parties accumulated until the month of declaration of the year.

Table 1

Fong-Chien Construction Co.,LTD.  
Provision of endorsements and guarantees to others  
For the Year Ended December 31,2022

Table 2

Expressed in thousands of New Taiwan Dollars  
(Except as indicated)

No.	Guarantee and endorsee		Relationship	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements end of year	Actual usage amount	Amount of property pledged for guarantee and endorsements	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 subsidiary	Subsidiary endorsements/guarantees to the parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China	Note
	Name of endorser and guarantor	Company name												
0	Fong-Chien Construction Co.,LTD.	Fong yi construction co., ltd. Cornerston Investment Co., Ltd.	7	\$ 5,639,074	\$ 425,690	\$ 425,690	\$ 425,690	\$ -	15.10%	\$ 5,639,074	N	N	N	Note 2, Note 6
1	Hung Yeu Construction Co., Ltd.	Hundredfold Development C0., LTD.	7	1,433,727	215,508	-	-	-	150.31%	1,433,727	N	N	N	Note 4, Note 5
2	Hung Yeu Construction Co., Ltd.	Grace Hospitality Management Co., Ltd.	7	1,433,727	159,101	159,101	159,101	-	110.97%	1,433,727	N	N	N	Note 4, Note 6

Note 1: According to the “Operational Procedures for Loaning of Company Funds,” the total amount available for endorsement provided to others shall not exceed 50% of the Company’s net worth in the current financial statements, and the total amount for endorsement provided to one entity shall not exceed 50% of the Company’s net worth in the current financial statements.

Note 2: Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of Note 1. However, the total amount shall not exceed 200% of the Company’s net worth.

Note 3: There are 7 types of relationships between the endorser/guarantor and the endorsee/guarantee. Only numbers of types shall be indicated:

- (1) Entities have business relations with the Company
- (2) The Company directly or indirectly holds more than 50% of voting shares of the entity.
- (3) Entity directly or indirectly owns more than 50% of voting shares of the Company.
- (4) The Company directly or indirectly holds 90% of voting shares of the entity.
- (5) The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
- (6) All capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 4: For companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other,, the total amount available for endorsement provided to others shall not exceed 12 times of the Company’s net worth in the current financial statements, and the total amount for endorsement provided to one entity shall not exceed 10times of the Company’s net worth in the current financial statements

Note 5: The company’s cancellation has been approved by Taoyuan Real Estate Development Association on May 10, 2022.

Note 6: Actual usage amount is based on the construction costs on the construction license.

Table 2



Fong-Chien Construction Co.,LTD. and Subsidiaries  
Acquisition of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more  
For the Year Ended December 31,2022

Table 3

Expressed in thousands of New Taiwan Dollars  
(Except as indicated)

<u>Company</u> <u>acquired the</u> <u>real estate</u>	<u>Property name</u>	<u>Date of</u> <u>occurrence</u>  (Note 2)	<u>Transactio</u> <u>amount</u>	<u>Payment</u> <u>condition</u>	<u>Counterparty</u>	<u>Relationshi</u> <u>p</u>	<u>For transactions with related</u> <u>parties, the information on prior</u> <u>transfers and the relationship</u>			<u>Reference of price determination</u>		<u>Usage</u>	<u>Acquisition</u> <u>purpose and</u> <u>other agreement</u>
							<u>Owner</u>	<u>Date of</u> <u>transfer</u>	<u>Amount</u>	<u>(Note 1)</u>	<u>Amount</u>		
Fong-Chien Construction Co.,LTD.	No. 10.10-18.10-19.10-34.10-35.10-50.10-51 on Dingqiaozitou section, East Dist., Taichung City	March 9, 2022	\$ 543,984	Paid in full	Natural person	None	N/A	N/A	N/A	N/A	Negotiation and acquisition of appraisal report from CHINA PROPERTY APPRAISING CENTER CO., LTD.\$543,986	Acquire the land for construction to build houses and sell	None
Fong-Chien Construction Co.,LTD.	No. 448.449.450.451.452 on Renping section, Beitun Dist., Taichung City	March 16, 2022	616,804	Paid in full	Natural person	None	N/A	N/A	N/A	N/A	Negotiation and acquisition of appraisal report from HWAN YU Real Estate Appraisalment Co. Ltd. \$619,606	Acquire the land for construction to build houses and sell	None

Note 1: The appraisal result shall be indicated in the "reference of price determination" column for the assets acquired that shall be appraised in accordance with regulations.

Note 2: Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier

Fong-Chien Construction Co.,LTD. and Subsidiaries  
The Information about company names, locations, etc. of Investees (excluding investees in Mainland China)  
For the Year Ended December 31,2022

Table 4

Expressed in thousands of New Taiwan Dollars  
(Except as indicated)

Investor company	Investee company (Note 1, 2)	Location	Main business	Original investment amount		Ownership as of December 31, 2022			Profit (loss) of investees in the current period	Gain (loss) of investees recognized in the current period	Note
				December 31, 2022	December 31, 2021	Number of shares	Percentage	Carrying amount			
Fong-Chien Construction Co.,LTD.	Hung Yeu Construction Co., Ltd.	Taiwan	Comprehensive construction, trading of properties, developments and leases of residences and buildings etc.	\$ 220,000	\$ 220,000	22,000,000	92.83	\$ 133,094	(\$ 610)	(\$ 566)	
Fong-Chien Construction Co.,LTD.	Hungtu Alishan International Development Co., Ltd.	Taiwan	Operation of hotel and restaurant business	668,665	893,380	99,873	99.873	125,449	453,255	452,679	Note 1
Hung Yeu Construction Co., Ltd.	Hungtu Alishan International Development Co., Ltd.	Taiwan	Operation of hotel and restaurant business	14,985	15,000	7	0.007	9	453,255	32	Note 1

Note 1: December 29, 2022 is the date of completion of liquidation. The court is implementing the procedures of completion of liquidation.

Fong-Chien Construction Co.,LTD. and Subsidiaries

Information on major shareholders

December 31,2022

Table 5

<u>Name of major shareholders</u>	<u>Number of shares held</u>	<u>Shares</u>	<u>Percentage of ownership</u>
Morning Honor Investment Co., Ltd.	34,411,027		22.20%
Blessing & Praise Construction Corp.	29,696,536		19.15%
Wealth W&E Engineering Company	10,537,407		6.79%

Note:If the information on the chart is from the Taiwan Depository & Clearing Corporation, matters as follows may be explained:

- (1) The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.
- (2) If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

Fong-Chien Construction Co.,LTD.  
Statements of inventories  
December 31, 2022

Statement 1

Expressed in thousands of New  
Taiwan Dollars

<u>Item</u>	<u>Summary</u>	<u>Amount</u>		<u>Note</u>
		<u>Cost</u>	<u>Market price</u>	
Buildings and land for trading	Chongwentianxia	\$ 29,900	72,448	\$ Net realizable value (pledge as collateral)
	Shidaijingying	995	1,014	Net realizable value
	Jingyinghui	35,949	41,569	Net realizable value
	Mizhidi	37,511	41,477	Net realizable value
	Houzhuang, Duanzhu, Tongxing section	<u>13,500</u>	<u>13,443</u>	Net realizable value
		<u>117,855</u>	<u>169,951</u>	
Buildings and land under construction	Pingtian section, Taichung City (Senlifang)	1,005,742	1,473,261	Net realizable value (partially pledge as collateral)
	Aixing section , Zhubei City (VITA)	1,664,168	2,176,686	Net realizable value (partially pledge as collateral)
	Zhenfu section, Taichung City	729,866	866,504	Net realizable value (partially pledge as collateral)
	Dingqiaozitou section, Taichung City	727,139	737,364	Net realizable value (partially pledge as collateral)
	Renping section, Taichung City	<u>619,856</u>	<u>705,517</u>	Net realizable value (partially pledge as collateral)
		<u>4,746,771</u>	<u>5,959,332</u>	
Land for building		<u>583,046</u>	<u>582,491</u>	Net realizable value
		5,447,672	<u>\$ 6,711,774</u>	
Less: Allowance for price decline of inventories		( 5,892)		
		<u>\$ 5,441,780</u>		

Fong-Chien Construction Co.,LTD.  
Statements of changes in investment accounted for using equity method  
For the Year Ended December 31, 2022

Statement 2

Expressed in thousands of New Taiwan Dollars

Name	Beginning balance		Additions		Deductions		Ending balance		Net worth of equity	Valuation basis	Collateral or guarantee provided	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Percentage of ownership (contribution)				Amount
Long-term investments accounted for using equity method:												
Hung Yeu Construction Co., Ltd.	22,000,000 shares	\$ 133,660	-	\$ -	-	(\$ 566)	22,000,000 shares	92.83%	\$ 133,094	\$ 133,094	Equity method	None
Hungtu Alishan International Development Co., Ltd.	22,571,343 shares	<u>280,198</u>	-	<u>452,679</u>	22,471,470 shares	<u>(607,428)</u>	99,873 shares	99.87%	<u>125,449</u>	125,449	Equity method	None
		<u>\$ 413,858</u>		<u>\$ 452,679</u>		<u>(\$ 607,994)</u>			<u>\$ 258,543</u>			

Statement 2

Fong-Chien Construction Co.,LTD  
Statements of short-term borrowings  
December 31, 2022

Statement 3

Expressed in thousands of New Taiwan Dollars

<u>Creditor</u>	<u>Summary</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Interest rate</u>	<u>Collateral or guarantee</u>
Land Bank of Taiwan	Secured loan	\$ 576,700	May 31, 2019~ May 31, 2024	2.350%	Inventories-land under construction
Land Bank of Taiwan	Secured loan	369,000	May 22, 2019~ May 22, 2024	2.350%	Inventories-land under construction
Land Bank of Taiwan	Secured loan	160,650	August 21, 2020~ August 21, 2025	2.500%	Inventories-construction work in process
Land Bank of Taiwan	Secured loan	134,200	February 9, 2021~ February 9, 2026	2.400%	Inventories-construction work in process
		<u>\$ 1,240,550</u>			

Fong-Chien Construction Co.,LTD.  
Statements of accounts payables  
December 31, 2022

Statement 4

Expressed in thousands of New Taiwan Dollars

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
A		\$ 235,154
B		47,200
C		22,422
Others (The transaction amount of each customer does not exceed 5% of the account balance.)		10,921
		<u>\$ 315,697</u>

Fong-Chien Construction Co.,LTD.  
Statements of contract liabilities  
December 31, 2022

Statement 5

Expressed in thousands of New Taiwan Dollars

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Advance real estate receipts	Aixing section , Zhubei City (VITA)	\$ 467,218
	Pingtian section, Taichung City (Senlifang)	256,983
		<u>\$ 724,201</u>



Fong-Chien Construction Co.,LTD  
Statements of long-term borrowings  
December 31, 2022

Statement 6

Expressed in thousands of New Taiwan Dollars

<u>Creditor</u>	<u>Summary</u>	<u>Interest rate</u>	<u>Contract period</u>	<u>Collateral or guarantee</u>	<u>Ending balance</u>	<u>Current portion of long-term borrowings</u>	<u>Long-term borrowings</u>
Land Bank of Taiwan	Secured loan	2.130%	April 19, 2017~ April 19, 2032	Inventories-buildings and land for trading, investment properties	28,890	( 2,794)	26,096
Land Bank of Taiwan	Secured loan	2.130%	August 11, 2017~ August 11, 2032	Investment properties	13,771	( 1,282)	12,489
First Commercial Bank	Secured loan	2.325%	July 13, 2021~January 13, 2025	Inventories — land under construction	305,000	-	305,000
First Commercial Bank	Secured loan	2.425%	April 27, 2022~January 13, 2025	Inventories — land under construction	172,300	-	172,300
Chang Hwa Bank	Secured loan	2.175%	June 9, 2022~ June 9, 2027	Inventories — land under construction	435,000	-	435,000
Chang Hwa Bank	Unsecured loan	2.425%	November14, 2022~June 9, 2027	None	28,000	-	28,000
					<u>\$ 982,961</u>	<u>(\$ 4,076)</u>	<u>\$ 978,885</u>

Fong-Chien Construction Co.,LTD.  
Statements of construction revenue  
For the Year Ended December 31, 2022

Statement 7

Expressed in thousands of New Taiwan Dollars

<u>Project name</u>	<u>Revenue from buildings</u>	<u>Revenue from land</u>	<u>Total</u>	<u>Note</u>
Shidajingying	\$ 681	\$ 585	\$ 1,266	Sales of parking lost
Jingyinghui	<u>128,149</u>	<u>83,754</u>	<u>211,903</u>	Sales after completion
	<u>\$ 128,830</u>	<u>\$ 84,339</u>	213,169	
Lease revenue			<u>4,286</u>	
			<u>\$ 217,455</u>	

Fong-Chien Construction Co.,LTD.  
Statements of construction costs  
For the Year Ended December 31, 2022

Statement 8

Expressed in thousands of New Taiwan Dollars

<u>Project name</u>	<u>Costs for buildings</u>	<u>Costs for land</u>	<u>Total</u>	<u>Note</u>
Shidaijingying	\$ 21	\$ 974	\$ 995	Sales of parking lost
Jingyinghui	100,740	48,203	148,943	Sales after completion
Others	<u>1,239</u>	<u>-</u>	<u>1,239</u>	Transaction amount does not exceed 5% of the account balance.
	<u>\$ 102,000</u>	<u>\$ 49,177</u>	151,177	
Lease costs — depreciation			<u>533</u>	
			<u>\$ 151,710</u>	

Fong-Chien Construction Co.,LTD.  
Statements of operating expenses  
For the Year Ended December 31, 2022

Statement 9

Expressed in thousands of New Taiwan Dollars

Item	Selling expenses	General and administrative expenses	Total	Note
Payroll expenses	\$ 2,345	\$ 19,691	\$ 22,036	
Commission expenses	9,146	-	9,146	
Advertisement expenses	2,404	15	2,419	
Service expenses	124	2,377	2,501	
Insurance expenses	24	1,553	1,577	
Other expenses	<u>3,182</u>	<u>5,498</u>	<u>8,680</u>	Transaction amount does not exceed 5% of the account balance.
	<u>\$ 17,225</u>	<u>\$ 29,134</u>	<u>\$ 46,359</u>	