

Stock Code: 5523

FONG CHIEN CONSTRUCTION CO., LTD.

# 2022 ANNUAL REPORT

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**The annual report is available at: <http://mops.twse.com.tw>**

**Company's Website: <http://www.fong-chien.com.tw>**

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6. Corporate Website: <http://www.fong-chien.com.tw>

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# I. Letter to Shareholders

Dear shareholders,

Greetings to all of you. Looking back at the real estate market in 2022, it was affected by various factors such as economic recession, inflation, central bank interest rate hikes, stock market volatility, and government implementation of sound real estate measures, as well as the recent passage of the Equalization of Land Rights Act, resulting in a gradual slowdown in domestic real estate demand.

In terms of the company's operations in 2022, it was significantly affected by the economic environment. There were four key factors to be considered: In terms of funding, the lift of interest rate caused by the central bank has resulted in increased funding costs. In terms of costs, inflation has caused an increase in material costs, which has further increased construction costs. Regarding revenue, the "Taoyuan Elite" project was sold out and the revenue was recognized, despite poor market demand. Regarding development, we have been more cautious in evaluating and planning projects in response to various policy and regulation changes.

In 2023, the company will complete the construction of "Hsinchu VITA" and "Taichung Forest Cube" and gradually deliver after obtaining the occupancy permit, which will contribute to the company's revenue in the future. In addition, the company will successively release new projects such as "Taichung Dingqiaozitou Section", "Taichung Zhenfu Section", and "Taichung Remping Section" to meet market demand and create sales records.

Looking ahead, the domestic economy is influenced by various factors such as central bank interest rate hikes, the economic transformation after the pandemic, and the international economy affected by the US-China trade war and the Ukraine-Russia conflict, resulting in an increasing risk in economic decline and a slowdown in economic growth. In terms of inflation, it is necessary to pay more attention to cost control due to inflation and the rise in construction costs. In terms of policies, the company needs to be more flexible in response to changes in government real estate regulations and laws. In terms of the market, real estate has become a valuable investment for consumers due to the trend of inflation. However, for the restrictions such as interest rate hikes, policies, and regulations, consumers' attitudes towards purchasing property tend to be cautious and wait-and-see.

The real estate industry is affected by many factors such as the economy, policies, and environment. The company upholds a prudent and optimistic attitude, actively responds to challenges, and continuously takes integrity as its brand spirit to create high-quality building products and achieve operational goals. We also hope that the real estate industry will develop in a sound and positive direction.

Lastly, we wish all shareholders and their families good health, happiness and prosperity.

## **Fong Chien Construction Company Limited**

Chairperson: Yu-Qi, Yuan

CEO: Rui-Lin, Liu

Accounting Manager: Qiong-Fei, Chen

## 1. 2022 Business overview

- (1) Implementation results of business plan  
Consolidated revenue reached NT\$217,444 thousands in 2022, a decrease of 92.9% over NT\$3,063,768 thousands in the previous year. Net income was NT\$469,636 thousands, a decrease of 48.75% over NT\$916,440 thousands in the previous year. The earnings per share were NT\$3.03, a decrease of 48.73% over NT\$5.91 in the previous year. Overall, the company's operating performance declined.
- (2) Budget execution status  
In accordance with the Regulations Governing the Publication of Financial Forecasts of Public Companies, we did not need to prepare a financial forecast for the fiscal year 2022.
- (3) Analysis of financial income and expenditure and profitability  
A. Analysis of financial income and expenditure

In thousands of NT\$

Items	2022	%	2021	%	Difference
Operating revenues	217,444	100%	3,063,768	100%	-92.90%
Gross profit	65,734	30%	876,793	28%	-92.50%
Operating expenses	48,334	21%	185,084	6%	-73.89%
Operating income	17,400	9%	691,709	22%	-97.48%
Net income	469,636	216%	916,440	30%	-48.75%

### B. Analysis of profitability

Items	2022	2021
Return on assets	8.00%	16.96%
Return on equity	17.24%	41.33%
Pretax income / Capital (%)	32.03%	67.55%
Profit margin	215.98%	29.91%
Earnings per share (NT\$)	3.03	5.91

## (4) Research and development

### A. Lifestyle:

Through the promotion of the "Abundant Life" campaign, we aim to promote the economy by creating a more experiential atmosphere that attracts new customers and thus increases sales. By repositioning the use of space through this campaign, we are able to integrate and define each space, while also satisfying customers' soft-power needs for social interaction, parenting, and learning.

### B. Aesthetics:

By employing modern aesthetic and cost-efficient architectural and artistic techniques, we have created a more competitive company structure. We have

also gained cost advantages by collaborating with artistic platform and added value to our products through ingenious design. Our buildings' exterior designs feature unique balconies and incorporate greenery and plants to provide customers comfortable living space.

## **2. 2023 Business plan**

### **(1) Expected sales volume and its basis**

#### **A. Sales of existing projects:**

- a. "VITA" located in Aixing section, Zhubei City, Hsinchu County, with a base area of 1,521 pings, planned for 2 basement floors and 24 above-ground floors, and 138 residential units. The entire project was sold for approximately 2.19 billion, and presale began in March 2020. It is expected to be delivered in 2023.
- b. "Forest Cube" located in Pingtian section, Beitun District, Taichung City, with a base area of 783 pings, planned for 3 basement floors and 21 above-ground floors, and 120 residential units. The entire project was sold for approximately 1.69 billion, and presale began in September 2020. It is expected to be completed in 2023.

#### **B. Planned projects to be launched and developed in 2023:**

- a. "Dingqiaozitou section, East District, Taichung City", with a base area of 950 pings, the entire project is expected to be sold for approximately 2 billion, and presale will begin in 2023.
- b. "Zhenfu section, Nantun District, Taichung City", with a base area of approximately 1,521 pings, currently in the planning and design stage.
- c. "Renping section, Beitun District, Taichung City", with a base area of approximately 953 pings, currently in the planning and design stage.

### **(2) Asset Utilization**

Several plots of land and property assets in Chiayi will be thoroughly assessed for their market value and potential lease or sale opportunities in order to generate cash flow and activate these idle assets.

## **3. Future development plan**

- (1) Customer service: We think from our customers' perspective, serving and creating the greatest benefit for them, as well as achieving maximum customer satisfaction.
- (2) Sustainable operations: We regularly hold community events and participate in caring activities to strengthen our relationship with customers.
- (3) Social contribution: We are committed to charitable activities and believe in taking from community and giving back to society. We fulfill our corporate social responsibility by contributing to society.
- (4) We consider suitable living spaces and functions during the planning and design stages, and continuously introduce high-quality products that prioritize the convenience of residents' daily life and usage.

## **4. Impact of external competitive environment, regulatory environment, and overall business environment**

### **(1) External competitive environment**

The major competition in the real estate industry is from the peers. In Taichung region, the key success factors of a real estate project are precise land development, speed of construction, and future prospects, all of which rely on the location and brand of the project. In recent years, the land prices in Taichung have risen, increasing the difficulty of operations. In response to these market changes, our

company has not only strengthened the professional capabilities of our team but also improved our financial structure, engineering quality, and after-sales service to gain customer recognition and ensure the successful sale of our projects.

(2) Regulatory environment and investor relations

The government has implemented various laws and regulations, such as the Equalization of Land Rights Act and Real Estate Integration 2.0, to prevent short-term speculation and promote residential justice, thereby enhancing the development of the real estate market.

To ensure ethical operations and social responsibility, we have established investor protection measures to reduce management risk, strengthened our internal audit management to avoid internal fraud risk, and set relevant information disclosure rules or significant financial business procedures to enhance the transparency and immediacy of our company's information.

Our company has also set up an investor service, which publishes important information via the designated public information website and our company website in a timely manner, and we have implemented various internal control procedures to comply with legal requirements, improve corporate governance, and protect shareholders' rights.

(3) Impact on overall business environment

The risk of a global economic downturn has increased, and Taiwan's exports have experienced negative growth for four consecutive months. The central bank has revised downward the expected annual economic growth rate for 2022 to 2.91% and raised interest rates to curb inflation expectations.

Inflation has caused an increase in the prices of some building materials in the real estate industry, increasing the cost pressure of the industry. Moreover, the industry also faces a shortage of workers, which affects the progress of project constructions.

Chairperson: Yu-Qi, Yuan

CEO: Rui-Lin, Liu

Accounting Manager: Qiong-Fei, Chen



## II. Company Profile

1. Establishment date: April 30, 1984

2. Company history

1984	<ul style="list-style-type: none"> <li>▪ The Company was established on April 30, 1984, with a capital of NT\$30,000,000. Located on the 5F, No. 300, Yanping St., West Dist., Chiayi City, the Company's main businesses are entrusting construction factories to build commercial buildings and national housing rental, sales, etc.</li> </ul>
1989	<ul style="list-style-type: none"> <li>▪ The capital increased to NT\$90,000,000, and the paid-in capital increased to NT\$120,000,000.</li> </ul>
1990	<ul style="list-style-type: none"> <li>▪ The capital increased by NT\$60,000,000, and the paid-in capital increased to NT\$180,000,000.</li> <li>▪ On March 30, the Company moved to 12F, No. 316, Chuiyang Rd., East Dist., Chiayi City, which was built by the Company.</li> </ul>
1994	<ul style="list-style-type: none"> <li>▪ Public offering of shares.</li> </ul>
1995	<ul style="list-style-type: none"> <li>▪ The capital increased by NT\$150,000,000, and the paid-in capital increased to NT\$330,000,000.</li> </ul>
1996	<ul style="list-style-type: none"> <li>▪ "Singuodu" won the "Best Construction Quality Category" of the 12th National Golden Award for Architecture, creating a high-quality image for the county special zone.</li> </ul>
1997	<ul style="list-style-type: none"> <li>▪ The capital increased by NT\$72,600,000, and the paid-in capital increased to NT\$402,600,000.</li> </ul>
1998	<ul style="list-style-type: none"> <li>▪ The capital was increased to NT\$89,760,000, and the paid-in capital was increased to NT\$492,360,000.</li> <li>▪ Awarded the "Recognition Mark of Construction Investment Industry" issued by the Ministry of the Interior to affirm the Company's sustainable operation and performance.</li> </ul>
1999	<ul style="list-style-type: none"> <li>▪ Managed a capital increase of NT\$49,236,000 through the transfer of surplus, and the capital increase of NT\$404,000 from employee bonuses, increasing the paid-in capital to NT\$542,000,000.</li> <li>▪ The application for stock listing was approved, and was officially listed for trading on December 27.</li> <li>▪ Received the ISO9002 quality certification.</li> </ul>
2003	<ul style="list-style-type: none"> <li>▪ Managed a capital increase of NT\$100,000,000 in cash, and the paid-in capital increased to NT\$642,000,000.</li> </ul>
2004	<ul style="list-style-type: none"> <li>▪ Managed a capital increase of NT\$51,360,000 from the surplus, and the paid-in capital increased to NT\$693,360,000.</li> </ul>
2005	<ul style="list-style-type: none"> <li>▪ Managed a surplus capital increase of NT\$49,940,000, and paid-in capital increased to NT\$743,300,000.</li> <li>▪ Launched the "BinHuGaoDi" project, which is the first residential building in the Yunlin-Chiayi-Nantou area (Southwest Coast) to adopt the seismic system.</li> <li>▪ On December 30, the "Hungtu Alishan Alliance" was established, and obtained the best applicant qualification for the Ali. Mountain B.O.T. (Ali. Mountain Forest Railway Development Projects).</li> </ul>
2006	<ul style="list-style-type: none"> <li>▪ Managed a capital increase of NT\$81,763,000, capitalization of employee bonus for NT\$3,177,000, and increased the paid-in capital to NT\$828,240,000.</li> <li>▪ On February 17, the subsidiary "Hungtu Alishan International Development Co., Ltd." was established to operate the "Ali. Mountain B.O.T. (Ali. Mountain Forest</li> </ul>

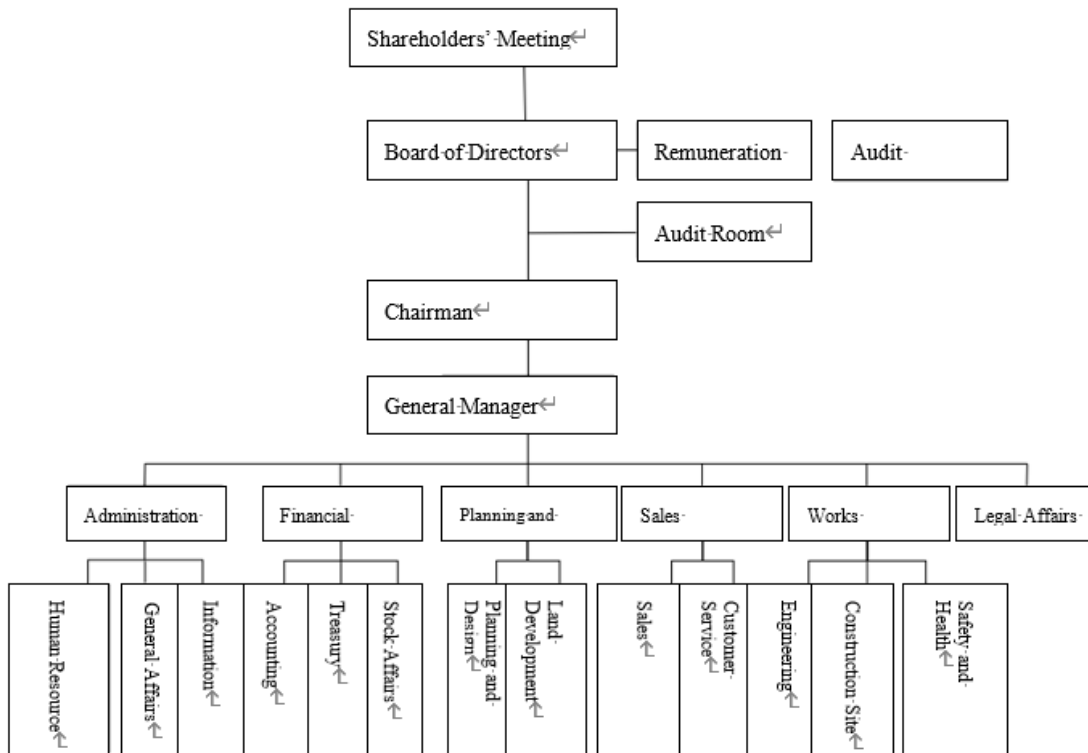
	<p>Railway Development Projects)" to initiate the tourism business.</p> <ul style="list-style-type: none"> <li>On June 19, the signing process of the "Ali. Mountain B.O.T. (Ali. Mountain Forest Railway Development Projects)" was completed with the Council of Agriculture of Executive Yuan.</li> <li>"HongDuPanShih" also won the 14th Chinese Architecture Golden Stone Award "Planning and Design Category" and the 8th National Golden Award for Architecture in the Planning and Design and Construction Quality categories.</li> </ul>
2007	<ul style="list-style-type: none"> <li>Managed a capital increase of NT\$107,671,200, capitalization of employee bonus to NT\$7,008,800, and increased the paid-in capital to NT\$942,920,000.</li> <li>Awarded the "National Excellent Builder" certification by the Republic of China National Enterprise Competitiveness Development Association.</li> <li>The first domestic unsecured convertible corporate bond was issued in June.</li> </ul>
2008	<ul style="list-style-type: none"> <li>Managed a capital increase of NT\$103,721,200, capitalization of employee bonus to NT\$5,998,800, and increased the paid-in capital to NT\$1,093,232,170.</li> </ul>
2009	<ul style="list-style-type: none"> <li>"HongDuLingSiou" won both the Planning and Design and Construction Quality categories of the 17th Chinese Architectural Golden Stone Award. The Company was encouraged by Vice President Siew, Wan Chang during a meeting.</li> </ul>
2010	<ul style="list-style-type: none"> <li>Issued domestic unsecured convertible corporate bonds of NT\$300 million.</li> </ul>
2011	<ul style="list-style-type: none"> <li>Converted NT\$373,816,180 of domestic unsecured convertible corporate bonds, increasing the paid-in capital to NT\$1,467,048,350.</li> <li>Issued NT\$305,040,000 in domestic private placement common shares, increasing the paid-in capital to NT\$1,767,048,350.</li> </ul>
2012	<ul style="list-style-type: none"> <li>On June 12, the Board of Directors moved the corporate headquarters to the 19th floor, No. 367, Section 1, Taichung Port Road, Taichung City, with the Chiayi facility becoming a branch office.</li> <li>The "HongDuShuangZihSing" and "SiaMuLi" projects were launched.</li> </ul>
2013	<ul style="list-style-type: none"> <li>The Company managed a capital reduction of NT\$638,530,000 in August, reducing the Company's paid-in capital to NT\$1,128,518,350.</li> <li>Issued domestic unsecured convertible corporate bonds of NT\$400,000,000 in August.</li> <li>Due to the city's building number adjustment, the Company altered its registered address in September to the 19th floor of No. 501, Section 2, Taiwan Boulevard, West District, Taichung City.</li> </ul>
2014	<ul style="list-style-type: none"> <li>On June 9, 2014, the shareholders' meeting approved a name change to "Fong Chien Construction Co., Ltd." The name change was sanctioned on June 27 by the Ministry of Economic Affairs.</li> <li>In July, the "ShihDaiJingYing" pre-sale development project was launched in Taiping District, Taichung City.</li> <li>In December, the "HongDuShuangZihSing" project was completed.</li> </ul>
2015	<ul style="list-style-type: none"> <li>In February, "JingYingHuei" pre-sale project was publicly launched in Taoyuan's Longtan District.</li> <li>In July, a total of 43,033,000 shares of private stocks were publicly issued as a supplement.</li> </ul>
2016	<ul style="list-style-type: none"> <li>In December, the "ShihDaiJingYing" project was completed.</li> </ul>
2017	<ul style="list-style-type: none"> <li>In August, domestic private placement convertible bonds were converted for NT\$421,496,290, increasing the paid-in capital to NT\$1,550,014,640.</li> <li>In October, the "JingYingHuei" project was completed.</li> </ul>
2018	<ul style="list-style-type: none"> <li>In December, the presale project "MiJihDi" launched in Beitun District, Taichung City.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ "MiJhihDi" was awarded the 20th National Golden Award for Architecture in Planning and Design category.</li> </ul>
2020	<ul style="list-style-type: none"> <li>▪ In March, the "VITA" pre-sale development project will launch in Zhubei City, Hsinchu County.</li> <li>▪ In September, the pre-sale development project "SenLiFang" was launched in the Beitun District of Taichung City.</li> </ul>
2021	<ul style="list-style-type: none"> <li>▪ In January, the "MiJhihDi" was completed.</li> </ul>
2022	<ul style="list-style-type: none"> <li>▪ The Company moved and altered its registration address in June, 2022 to 25 F.-1, No. 501, Sec. 2, Taiwan Blvd., Zhongcheng Vil., West Dist., Taichung City.</li> </ul>
2023	<ul style="list-style-type: none"> <li>▪ In January, "VITA" was completed.</li> <li>▪ "SenLiFang" project is scheduled for completion in 2023.</li> <li>▪ Pre-sale housing sales in the East District, Taichung City are scheduled for the second half of the year.</li> <li>▪ The planning and design for a construction project in Nantun District, Taichung City is currently in progress.</li> <li>▪ The planning and design for a construction project in Beitun District, Taichung City is also in progress.</li> </ul>

# III. Corporate Governance Report

## 1. Organization System

### (1) Organizational Chart



## (2) Major Corporate Functions

Department	Functions
Audit Room	Responsible for maintaining the execution of internal control systems and assisting in guiding each department in performing self-assessments of internal controls.
Legal Affairs Office	Reviews non-litigation documents and complaint submissions, provides legal advice, and conducts legal research.
Administration Department	<p>Human Resources Management: Responsible for planning, recruitment, training, compensation and benefits, assessment, etc.</p> <p>General Affairs Management: Responsible for document management, publications, books, office supplies, equipment, communication systems, fixed asset management, maintenance, and procurement matters.</p> <p>Information Management: Responsible for planning, design, management, and security maintenance of software and hardware equipment and other information matters.</p>
Financial Department	<p>Accounting: Responsible for handling various accounting, tax report, and financial report operations.</p> <p>Treasury: Responsible for handling and verifying cash or receipts, payments, withdrawals, transfers, and accounting transactions. The department is also responsible for maintaining accurate financial records.</p> <p>Stock Affairs: Responsible for handling company securities issuance, registration, transfer, dividend, and other related matters.</p>
Planning and Design Department	<p>Planning and Design: Responsible for overall architectural design of individual cases, formulation of construction plans, and application for building permits.</p> <p>Land Development: Handles tasks such as land value assessment and land acquisition for development.</p>
Sales Department	<p>Sales: Responsible for pre-sale operations, sales, advertising strategies, handover, property transfer, and related matters.</p> <p>Customer Service: Responsible for handling customer complaints, assisting customers with loan processing, and customer service matters.</p>
Works Department	<p>Engineering: Responsible for engineering budget compilation, bidding, procurement, contracting, and other engineering management matters.</p> <p>Construction Site: Responsible for engineering review and acceptance, material sampling and quality control, construction site's safety and health, building maintenance, and other related matters.</p> <p>Safety and Health: Responsible for the establishment, amendment, and implementation of project-related safety and health policies, plans, and management measures.</p>

## 2. Directors, Supervisors, General Manager, Deputy General Manager, Associates, Departments, and Branches Officer Information

### (1) Information on Directors

April 2, 2023

Title	Nationality/ Place of Registration	Name	Gender, Age	Date of election/ appointment to current term	Term of office	Commencement date of first term	No. of shares held at the time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the Company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Remarks	
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship		
Chairman and Director	Republic of China (Taiwan)	MORNING HONOR INVESTMENT CO., LTD..	N/A	2020.05.27	3 Years	2011.06.13	34,411,027	22.20%	34,411,027	22.20%	-	-	-	-	-	-	-	-	-	-	
		Representative: Yuan, Yu-Chi	Male 50 to 60	2020.05.27	N/A	N/A	-	-	-	-	2,661,025	1.72%	-	-	•Master's degree of Economics at Soochow University •Director, CA-CIB (France) Hong Kong Branch •Director, Finance Department of China Development Industrial Bank	•Chairman, Fong Chien Construction Co., Ltd.	None	None	None		
Director	Republic of China (Taiwan)	MORNING HONOR INVESTMENT CO., LTD.	N/A	2020.05.27	3 Years	2011.06.13	34,411,027	22.20%	34,411,027	22.20%	-	-	-	-	-	-	-	-	-	-	
		Representative: Chao, Chia-Ming	Male 50 to 60	2020.05.27	N/A	N/A	-	-	-	-	-	-	-	-	•Bachelor of Architecture, Feng Chia University •Assistant Manager of Planning and Design Division, Fong Yi Construction Co., Ltd.	•Senior Manager of Planning and Design Division, Fong Yi Construction Co., Ltd. •Chairman, Fullness Construction Co., Ltd.	None	None	None		
Director	Republic of China (Taiwan)	FULLNESS CONSTRUCTION CO., LTD.	N/A	2020.05.27	3 Years	2014.10.02	1,918,739	1.24%	1,918,739	1.24%	-	-	-	-	-	-	-	-	-	-	
		Representative: Chang, Hsiu-Feng	Female 50 to 60	2020.05.27	N/A	N/A	80,000	0.05%	72,000	0.05%	-	-	-	-	Department of Accounting, National Taichung Institute of Technology	•Chief Financial Officer, Fong Yi Construction Co., Ltd. •Supervisor, Grace Hospitality Management Co. Ltd. •Supervisor, Feng Jia Cityscape Hotel Co., Ltd.	None	None	None		
Director	Republic of China (Taiwan)	PIN SHIAN INVESTMENT CO., LTD.	NA	2020.05.27	3 Years	2014.06.09	1,220,754	0.79%	1,220,754	0.79%	-	-	-	-	-	-	-	-	-	-	
		Representative: Wang, Ya-Ling	Female 50 to 60	2020.05.27	N/A	N/A	-	-	1,000	0.00%	-	-	-	-	•Department of Economics, Tunghai University •Special Assistant to the Chairman and Manager of the Administration Department, Fong Chien Construction Co., Ltd. •Secretary to the Chairman, CyuanSing Securities Co., Ltd.	None	None	None	None		

Title	Nationality/ Place of Registration	Name	Gender, Age	Date of election/ appointment to current term	Term of office	Commencement date of first term	No. of shares held at the time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the Company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship	
Director	Republic of China (Taiwan)	Liu, Jui-Lin	Male 30 to 40	2020.05.27	3 Years	2011.06.13	-	-	52,000	0.03%	40,000	0.03%	-	-	•Department of Business Administration, Tunghai University •Chairman, JingCi Development Co., Ltd.	•General Manager, Fong Chien Construction Co., Ltd. •Chairman, MORNING HONOR INVESTMENT CO., LTD. •Chairman, JingCi Development Co., Ltd.	Director	Liu, Yu-Lin	Brothers	
Director	Republic of China (Taiwan)	Liu, Yu-Lin	Male 30 to 40	2020.05.27	3 Years	2017.06.12	-	-	247,000	0.16%	-	-	-	-	•Department of Industrial Engineering and Engineering Management, National Tsing Hua University •Master of Business Administration, Stanford MBA •General Manager, Sheraton Hsinchu Hotel	•Director, Grace Hospitality Management Co. Ltd. •Director, JingCi Development Co., Ltd. •Director, DaMei Investment Co., Ltd. •Supervisor, Holy Grace Construction Corp. •Chairman, Feng Jia Cityscape Hotel Co., Ltd. •Chairman, FongSiangYuan Construction Co., Ltd.	Director	Liu, Jui-Lin	Brothers	
Independent Director	Republic of China (Taiwan)	Liao, Fu-Pen	Male 70 to 80	2020.05.27	3 Years	2017.06.12	-	-	-	-	-	-	-	-	•Vice Operating Officer, Central Taiwan Operation Center, Mega International Commercial Bank	None	None	None	None	
Independent Director	Republic of China (Taiwan)	Lin, Li-Hsuan	Male 60 to 70	2020.05.27	3 Years	2019.06.03	-	-	-	-	-	-	-	-	•Master of Business Administration, California State University •Vice President, JPMorgan Chase Bank N.A. •Executive Vice President, Crédit Agricole •General Manager, King's Town Bank	•Independent Director, San Fang Chemical Industry Co., Ltd.	None	None	None	
Independent Director	Republic of China (Taiwan)	Li, Ming-Chiang	Male 50 to 60	2020.05.27	3 Years	2020.5.27	-	-	-	-	-	-	-	-	•Master of Science and Technology Law, National Yunlin University of Science and Technology •Deputy General Manager and Legal Director, Pontex Polyblend Co., Ltd. •Executive Assistant to General Manager, Sentec E&E Co., Ltd. •Legal Director, Fong Yi Construction Co., Ltd.	•Legal Director, Fong Yi Construction Co., Ltd.	None	None	None	

## (2) Major Shareholders of Corporate Shareholders

April 2, 2023

Name of corporate shareholder	Major shareholders of the corporate shareholder
MORNING HONOR INVESTMENT CO., LTD.	Feng Jia Cityscape Hotel Co., Ltd. (69.39%), Cornerstone Investment Co., Ltd.(14.49%), JingCi Development Co., Ltd. (15.10%), Wang, Fen-Fang (0.51%), Liu, Jui-Lin (0.41%), Huang, Shu-Mei (0.10%)
Fullness Construction Co., Ltd.	Singchen Investment Co., Ltd. (59.02%), Tsai, Pei-Erh (5.00%), Liu, Li-Chun (5.00%), Chen, Chien-Wei (2.50%), Chen, Ya-Hsing (2.50%), Chen, Yu-Ting (2.50%), Chen, Yu-Tzu (2.50%), Tsai, Yu-Tsen (2.00%), Hsu, Shu-Hui (2.00%), Liu, Pi-Hui (2.00%)
PIN SHIAN INVESTMENT CO., LTD.	Chen, Ju-Yin (66.67%), Chen, Hung-Yi (26.66%), Chiang, Hsueh-Hsia (6.67%)

## (3) Major shareholders of the Company's major institutional shareholders

April 2, 2023

Name of corporate shareholder	Major shareholders of the corporate shareholder
Feng Jia Cityscape Hotel Co., Ltd.	Fong Yi Department Store Co., Ltd. (92.37%), Grace Hospitality Management Co., Ltd. (5.40%), JingCi Development Co., Ltd. (2.01%), Liu, Yu-Lin (0.22%)
Cornerstone Investment Co., Ltd.	Chang, Ya-Ching (48.73%), Singchen Investment Co., Ltd. (27.73%), Blessing & Praise Construction Corp. (19.54%), Wang, Fen-Fang (4%)
JingCi Development Co., Ltd.	Liu, Jui-Lin (21.25%), Liu, Yu-Lin (21.25%), Liu, Chun-Fang (21.25%), Huang, Shu-Mei (30%), DaMei Investment Co., Ltd.(6.25%)
Singchen Investment Co., Ltd.	Liu, Kuan-Ming (98.28%), Hsiang, Ling-Mei (1.72%)



#### (4) Information on Directors and Supervisors

##### A. Disclosure of Director Professional Qualifications and Independent Director Independence Information:

April 2, 2023

Name \ Qualification	Professional Qualifications and Experience (Note 1)	Independence Analysis (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
MORNING HONOR INVESTMENT CO., LTD. Representative: Yuan, Yu-Chi	<ul style="list-style-type: none"> <li>▪Has work experience in business, finance, and banking.</li> <li>▪Previously served as Director of the CA-CIB (Hong Kong Branch), Director of the Finance Department of China Development Industrial Bank and Chairman of the Company.</li> <li>▪None of the circumstances specified in Article 30 of the Company Act.</li> </ul>		None
MORNING HONOR INVESTMENT CO., LTD. Representative: Chao, Chia-Ming	<ul style="list-style-type: none"> <li>▪Has work experience in business and planning and design business.</li> <li>▪Previously served as chairman of Fullness Construction Co., Ltd. and Senior Manager of Planning and Design Division at Fong Yi Construction Co., Ltd.</li> <li>▪None of the circumstances specified in Article 30 of the Company Act.</li> </ul>		None
PIN SHIAN INVESTMENT CO., LTD. Representative: Wang, Ya-Ling	<ul style="list-style-type: none"> <li>▪Has work experience in business and management.</li> <li>▪Previously served as Secretary to the Chairman at CyuanSing Securities Co., Ltd., and the Company's Special Assistant to the Chairman and Manager of the Administration Department.</li> <li>▪None of the circumstances specified in Article 30 of the Company Act.</li> </ul>		None
Liu, Jui-Lin	<ul style="list-style-type: none"> <li>▪Has work experience in business, finance, and management.</li> <li>▪Previously served as Chairman of JingCi and Morning Honor, and the Company's General Manager.</li> <li>▪None of the circumstances specified in Article 30 of the Company Act.</li> </ul>		None
Liu, Yu-Lin	<ul style="list-style-type: none"> <li>▪Has work experience in business, finance, and management.</li> <li>▪Previously served as General Manager at Sheraton Hsinchu Hotel, Director at Grace Hospitality Management Co., Ltd., JingCi Development Co., Ltd. and DaMei Investment Co., Ltd., Supervisor at Holy Grace Construction Corp., Chairman at Feng Jia Cityscape Hotel Co., Ltd. and FongSiangYuan Construction Co., Ltd.</li> <li>▪None of the circumstances specified in Article 30 of the Company Act.</li> </ul>		None
Fullness Construction Co., Ltd. Representative: Chang, Hsiu-Feng	<ul style="list-style-type: none"> <li>▪Has work experience in accounting, finance.</li> <li>▪Previously served as Chairman and Supervisor at Grace Hospitality Management Co., Ltd., Supervisor at Feng Jia Cityscape Hotel Co., Ltd., and Chief Financial Officer at Fong Yi Construction Co., Ltd.</li> <li>▪None of the circumstances specified in Article 30 of the Company Act.</li> </ul>		None

Liao, Fu-Pen	<ul style="list-style-type: none"> <li>▪Has work experience in accounting and finance.</li> <li>▪Previously served as Vice Operating Officer at Central Taiwan Operation Center of Mega International Commercial Bank.</li> <li>▪None of the circumstances specified in Article 30 of the Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>▪As an Independent Director, the independence criteria are met.</li> <li>▪The individual, their spouse, or relatives up to the second degree of kinship have not served as directors, supervisors, or employees of the Company or its affiliated enterprises.</li> <li>▪The individual, their spouse, or relatives up to the second degree of kinship do not hold any shares in the Company.</li> <li>▪Has not served as a director, supervisor, or employee of the Company or its affiliates.</li> <li>▪Has not received any compensation for providing business, legal, financial, accounting, or any other services to the Company or its affiliates in the past 2 years.</li> </ul>	None
Lin, Li-Hsuan	<ul style="list-style-type: none"> <li>▪Has work experience in business, finance, and banking.</li> <li>▪Previously served as Executive Vice President at Crédit Agricole and General Manager at King's Town Bank.</li> <li>▪None of the circumstances specified in Article 30 of the Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>▪As an Independent Director, the independence criteria are met.</li> <li>▪The individual, their spouse, or relatives up to the second degree of kinship have not served as directors, supervisors, or employees of the Company or its affiliated enterprises.</li> <li>▪The individual, their spouse, or relatives up to the second degree of kinship do not hold any shares in the Company.</li> <li>▪Has not served as a director, supervisor, or employee of the Company or its affiliates.</li> <li>▪Has not received any compensation for providing business, legal, financial, accounting, or any other services to the Company or its affiliates in the past 2 years.</li> </ul>	1
Li, Ming-Chiang	<ul style="list-style-type: none"> <li>▪Has work experience in legal affairs and management.</li> <li>▪Previously served Deputy General Manager and Legal Assistant at Pontex Polyblend Co., Ltd., Executive Assistant to General Manager at Sentec E&amp;E Co., Ltd., and Senior Manager of Planning and Design Division at Fong Yi Construction Co., Ltd.</li> <li>▪None of the circumstances specified in Article 30 of the Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>▪As an independent director, the independence criteria are met.</li> <li>▪The individual, their spouse, or relatives up to the second degree of kinship have not served as directors, supervisors, or employees of the Company or its affiliated enterprises.</li> <li>▪The individual, their spouse, or relatives up to the second degree of kinship do not hold any shares in the Company.</li> <li>▪Has not served as a director, supervisor, or employee of the Company or its affiliates.</li> <li>▪Has not received any compensation for providing business, legal, financial, accounting, or any other services to the Company or its affiliates in the past 2 years.</li> </ul>	None

\* On May 27, 2020, a complete Board of Directors election was held, and the individual was elected as a member of the 14th Board of Directors.

## B. Diversity and Independence of the Board of Directors:

### (1) Diversity of the Board of Directors

#### ■Diversity Policy:

Article 20 of the “Corporate Governance Best Practice Principles” requires that the composition of the Board of Directors take diversity into account. The number of directors who are also company executives should not exceed one-third of the total number of directors. The board should formulate appropriate diversity policies based on its operations, business models, and development requirements, including but not limited to the following two aspects: 1. Fundamental qualities and values: gender, age, nationality, and culture, etc. 2. Professional knowledge and abilities: professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, industrial experience, etc.

The board members should generally have the knowledge, skills, and qualities necessary to perform their duties. To achieve the ideal goal of corporate governance, the overall capabilities that the board should possess include: 1. Operational judgment. 2. Accounting and financial analysis. 3. Business management. 4. Crisis handling. 5. Industry knowledge. 6. Global market insights. 7. Leadership. 8. Decision-making.

■ Specified Objectives:

The Company's Board of Directors should guide the Company's strategy, oversee the managerial level, and be accountable to the Company and its shareholders. The corporate governance system should ensure that the Board of Directors exercises its authority in accordance with legal requirements, the articles of incorporation, and shareholder resolutions. All members of the board possess the knowledge, skills, qualities, and industry decision-making and management capabilities necessary to carry out their duties. The Company also continuously arranges diverse training courses for board members to enhance their decision-making quality, supervisory capabilities and strengthen the competency of the board. In addition, the Company also pays attention to gender equality in the composition of the Board of Directors, with at least 2 female directors, achieving the goal of female directors accounting for 22%.

■ Status of Accomplishment:

The current Board of Directors consists of 9 members, including 3 independent directors. All directors hold Taiwanese nationality, and employee directors account for 22% of the total, while independent directors account for 33% and female directors account for 22%. Three independent directors have served for 2 to 5 years. The board also pays attention to gender equality in the composition of the Board of Directors, with 2 female directors among the members.

The abilities and relevant implementation status of the directors are shown in the following table based on their education, experience, and other qualifications:

Title	Name	Nationality	Gender	Basic Information						Professional Capabilities			Management Capabilities					
				Employee of the Company	Age				Independent Director Tenure (Years)		Operational Judgment	Accounting and Financial Analysis	Management	Crisis Management	Industrial Knowledge	Global Market Insights	Leadership	Decision-making
					30 to 40	51 to 60	61 to 70	71 to 80	Less than 3 Years	3 to 9 Years								
Chairman	Yuan, Yu-Chi	Taiwan	Male	✓		✓					✓	✓	✓	✓	✓	✓	✓	
Director	Chao, Chia-Ming	Taiwan	Male			✓					✓		✓	✓	✓	✓	✓	
Director	Liu, Jui-Lin	Taiwan	Male	✓	✓						✓	✓	✓	✓	✓	✓	✓	
Director	Liu, Yu-Lin	Taiwan	Male		✓						✓	✓	✓	✓	✓	✓	✓	
Director (Note)	Wang, Ya-Ling	Taiwan	Female			✓					✓		✓	✓	✓	✓	✓	
Director	Chang, Hsiu-Feng	Taiwan	Female			✓					✓	✓	✓	✓	✓	✓	✓	
Independent Director	Liao, Fu-Pen	Taiwan	Male					✓		✓	✓	✓	✓	✓	✓	✓	✓	
Independent Director	Lin, Li-Hsuan	Taiwan	Male				✓			✓	✓	✓	✓	✓	✓	✓	✓	

Independent Director	Li, Ming-Chiang	Taiwan	Male			✓		✓		✓		✓	✓	✓	✓	✓	✓
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Note: The designator of the corporate director.

(2) Independence of the Board of Directors: Independence of the Board of Directors: Specify the number of independent directors on the board and their ratio to the total number of directors. Describe the status of independence of the Board of Directors and give a statement of reasons whether the provisions of Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act are complied with, including a description of any spousal relationship or familial relationship within the second degree of kinship that may exist between any directors, between any supervisors, or between any director(s) and supervisor(s).

■ The Company shall establish three or more independent directors in accordance with the articles of association, and the number of independent directors shall not be less than one-fifth of the total number of directors. Independent directors should have professional knowledge, and their shareholding should be restricted. In addition to complying with relevant laws and regulations, they should not serve as directors (including independent directors) or supervisors of more than five listed or OTC companies at the same time. They should maintain independence within the scope of their business, and should not have any direct or indirect interest relationship with the Company.

If the company or any of its affiliates nominates a candidate for independent director, supervisor, or manager for the other company or its affiliated enterprises, the company shall disclose this information and explain the suitability of the independent director candidate upon accepting the nomination of the independent director candidate. If elected as an independent director, the number of votes received shall be disclosed.

■ No circumstances as defined in Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act exist among the board members.

■ There are two cases of spousal or familial relationships within the second degree of kinship between directors.

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)?; specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

(5) General Manager, Deputy General Manager, Associates, Departments and Branches Officer Information

April 2, 2023

Title	Nationality	Name	Gender	Date of appointment to position	Shareholding		Shareholdings of the spouse and minor children		Shareholdings through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship	
General Manager	Taiwan	Liu, Jui-Lin	Male	2016.07.01	52,000	0.03%	40,000	0.03%	-	-	<ul style="list-style-type: none"> <li>•Department of Business Administration, Tunghai University</li> <li>•Chairman, JingCi Development Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>•Chairman, MORNING HONOR INVESTMENT CO., LTD.</li> <li>•Chairman, JingCi Development Co., Ltd.</li> </ul>	None	None	None	
Finance Department Manager	Taiwan	Chen, Chiung-Fei	Female	2020.07.01	-	-	-	-	-	-	<ul style="list-style-type: none"> <li>•Department of Business Administration, National Yunlin University of Science and Technology</li> <li>•Assistant Manager, Sweneo Lingerie Co., Ltd.</li> <li>•Assistant Manager, BDO Taiwan</li> </ul>	None	None	None	None	

Note 1: The information in this table should be disclosed, including the general manager, assistant general managers, deputy assistant general managers, and the chiefs of all the Company's divisions and branch units, and all individuals.

Note 2: Specify experience and qualifications related to the current position. If during a period specified above, the person has served in a position.

Note 3: If the general manager or person of an equivalent post (the highest level manager) and the chairperson of the Board of Directors of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer).





## Directors' Remuneration Range Table

Ranges of remuneration paid to each of the Company's directors	Names of Directors			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All consolidated entities (H)	The Company	All consolidated entities (I)
Less than NT\$1,000,000	MORNING HONOR INVESTMENT CO., LTD. Representative: Chao, Chia-Ming PIN SHIAN INVESTMENT CO., LTD. Representative: Wang, Ya-Ling Fullness Construction Co., Ltd. Representative: Chang, Hsiu-Feng Liu, Yu-Lin/ Liao, Fu-Pen Lin, Li-Hsuan/ Li, Ming-Chiang	MORNING HONOR INVESTMENT CO., LTD. Representative: Chao, Chia-Ming PIN SHIAN INVESTMENT CO., LTD. Representative: Wang, Ya-Ling Fullness Construction Co., Ltd. Representative: Chang, Hsiu-Feng Liu, Yu-Lin/ Liao, Fu-Pen Lin, Li-Hsuan/ Li, Ming-Chiang	MORNING HONOR INVESTMENT CO., LTD. Representative: Chao, Chia-Ming PIN SHIAN INVESTMENT CO., LTD. Representative: Wang, Ya-Ling Fullness Construction Co., Ltd. Representative: Chang, Hsiu-Feng Liu, Yu-Lin/ Liao, Fu-Pen Lin, Li-Hsuan/ Li, Ming-Chiang	MORNING HONOR INVESTMENT CO., LTD. Representative: Chao, Chia-Ming PIN SHIAN INVESTMENT CO., LTD. Representative: Wang, Ya-Ling Fullness Construction Co., Ltd. Representative: Chang, Hsiu-Feng Liu, Yu-Lin/ Liao, Fu-Pen Lin, Li-Hsuan/ Li, Ming-Chiang
NT\$1,000,000 (incl.) ~ NT\$2,000,000 (excl.)	MORNING HONOR INVESTMENT CO., LTD. Representative: Yuan, Yu-Chi Liu, Jui-Lin	MORNING HONOR INVESTMENT CO., LTD. Representative: Yuan, Yu-chi Liu, Jui-lin		
NT\$2,000,000 (incl.) ~ NT\$3,500,000 (excl.)			Liu, Jui-Lin	Liu, Jui-Lin
NT\$3,500,000 (incl.) ~ NT\$5,000,000 (excl.)			MORNING HONOR INVESTMENT CO., LTD. Representative: Yuan, Yu-Chi	MORNING HONOR INVESTMENT CO., LTD. Representative: Yuan, Yu-Chi
NT\$5,000,000 (incl.) ~ NT\$10,000,000 (excl.)				
NT\$10,000,000 (incl.) ~ NT\$15,000,000 (excl.)				
NT\$15,000,000 (incl.) ~ NT\$30,000,000 (excl.)				
NT\$30,000,000 (incl.) ~ NT\$50,000,000 (excl.)				
NT\$50,000,000 (incl.) ~ NT\$100,000,000 (excl.)				
NT\$100,000,000 or above				
Total	9 Members	9 Members	9 Members	9 Members



(2) Remuneration to General Manager (The Company does not have a deputy general manager)

December 31, 2022  
Unit: NT\$ thousands

Title	Name	Salary (A)		Retirement pays and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D) (Note)				Sum of A+B+C+D and ratio to net profit after-tax (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Amount in Cash	Amount in stock	Amount in Cash	Amount in stock			
General Manager (Note 1)	Liu, Jui-Lin	1,800	1,800	-	-	450	450	100	-	100	-	0.50%	0.50%	None

Note 1: The Company does not have the position of Deputy General Manager, and there is no position equivalent to the General Manager.

Note 2: The amount of General Manager remuneration distributed by the Board of Directors before the 2022 shareholders' meeting for profit distribution is an estimated figure calculated based on the actual distribution amount ratio of the previous year.

- \* This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

### (3) Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers

December 31, 2022  
Unit: NT\$ thousands

	Title	Name	Amount in Stock	Amount in Cash (Note)	Total	Total amount to net profit after-tax (%)
Managerial officers	Chairman	Yuan, Yu-Chi	-	200	200	0.04%
	General Manager	Liu, Jui-Lin				
	Manager	Chen, Chiung-Fei				

Note : The amount of employee remuneration distributed by the Board of Directors before the 2022 shareholders' meeting for profit distribution is an estimated figure calculated based on the actual distribution amount ratio of the previous year.

### (4) Comparison of Remuneration for Directors and General Manager in the Most Recent Two Fiscal Years and Remuneration Policy for Directors and General Manager:

#### A. Ratio of the total remuneration of directors, general manager to net profit after tax

Title	2022 Total remuneration paid to Directors and General Manager to net income ratio		2021 Total remuneration paid to Directors and General Manager to net income ratio	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Director	2.80%	2.82%	2.24%	2.25%
General Manager	0.50%	0.50%	0.35%	0.35%

#### B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance:

The Company's directors' remuneration is determined by the Board of Directors according to industry standards. Article 26 of the Company's articles of association also mandates that the Company allocate remuneration to motivate employees and management teams. If the Company makes a profit after offsetting accumulated losses, it shall allocate employee remuneration not less than one-thousandth and director remuneration not exceeding three percent as the director remuneration for that year. The remuneration distribution method takes into account the contribution and overall performance of each director, and reasonable remuneration is approved.

The Company's compensation committee regularly evaluates and determines the remuneration of directors and executives in accordance with regulations, and the Board of Directors must approve it before implementation.

The directors' performance is evaluated annually according to the Company's board performance evaluation method, and the results are reported to the Board of Directors before the first quarter of the following year as reference information for selecting, nominating directors or setting remuneration.

The Company's management makes major decisions after conducting a thorough risk assessment, and future profits will be reflected in performance remuneration if there is a correlation between future high or low risks and performance control.

## 4. Corporate Governance Status

### (1) Implementation Status of the Board of Directors

#### (a) Implementation Status of the Board of Directors

The Board of Directors held 5 meetings (A) in the last fiscal year (17 meetings in the 14th session), and the attendance of directors is as follows: :

Title	Name	No. of meetings attended in Person (B)	No. of meetings attended by proxy	In-person attendance rate (%) 【 B / A 】	Remarks
Chairman	MORNING HONOR INVESTMENT CO., LTD. Representative: Yuan, Yu-Chi	5	0	100%	Re-elected on 2020.05.27
Director	MORNING HONOR INVESTMENT CO., LTD. Representative: Chao, Chia-Ming	5	0	100%	Re-elected on 2020.05.27
Director	PIN SHIAN INVESTMENT CO., LTD. Representative: Wang, Ya-Ling	3	0	60%	Newly appointed on 2020.05.27
Director	Liu, Jui-Lin	5	0	100%	Re-elected on 2020.05.27
Director	Liu, Yu-Lin	5	0	100%	Re-elected on 2020.05.27
Director	Fullness Construction Co., Ltd. Representative: Chang, Hsiu-Feng	5	0	100%	Newly appointed on 2020.05.27
Independent Director	Liao, Fu-Pen	5	0	100%	Re-elected on 2020.05.27
Independent Director	Lin, Li-Hsuan	5	0	100%	Re-elected on 2020.05.27
Independent Director	Li, Ming-Chiang	5	0	100%	Newly appointed on 2020.05.27

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act:

Date of Board Meeting	Agenda	Independent Directors' Resolution
2022/01/21	<ul style="list-style-type: none"> <li>▪ The Company plans to bid for the "High-Speed Rail Hsinchu Station Dedicated Zone Development and Operation" project.</li> </ul>	Unanimously approved.
2022/03/16	<ul style="list-style-type: none"> <li>▪ Amendment of the internal control system for "sales and collection cycles".</li> <li>▪ Amendment of Regulations Governing the Acquisition and Disposal of Assets.</li> <li>▪ Cancellation of the funding limit for the subsidiary Hungtu Alishan.</li> <li>▪ Cancellation of the subsidiary Hung Yeu Construction's capital loan and the limit for Hungtu Alishan.</li> <li>▪ The Company added a construction contract for the "VITA" project in Hsinchu City.</li> <li>▪ The Company's plan to purchase five plots of land in Section 448 of Beitun District, Taichung City.</li> </ul>	
2022/05/04	<ul style="list-style-type: none"> <li>▪ The Company added a construction contract for the "SenLiFang" project in Taichung.</li> </ul>	
2022/08/03	<ul style="list-style-type: none"> <li>▪ The Company added a construction contract for the "SenLiFang" project.</li> <li>▪ The Company plans to bid for the "High-Speed Rail Hsinchu Station Dedicated Zone Development and Operation" in the 4th Section of Zhubei City.</li> </ul>	
2022/11/09	<ul style="list-style-type: none"> <li>▪ The Company plans to purchase a business office from a related party, "Hung Yeu Construction Co., Ltd."</li> </ul>	

(2) Other matters involving objections or reserved opinions recorded or stated in writing by independent directors that require a resolution by the Board of Directors: Not Applicable.

2. Specify the date of the board meeting, the meeting session number, the content of the motion, the outcome of the board's resolution, and the actions taken by the Company based on the supervisor's stance if he or she recused from a board meeting due to a conflict of interest:

- Motion Content: The Company plans to purchase real estate (office) for business use from a related party, "Hung Yeu Construction."
- Reason for Abstention: Directors Yuan, Yu-Chi, Liu, Jui-Lin, and Chao, Chia-Ming are directors of Hung Yeu Construction and have a vested interest in this case. Therefore, they recused from discussion and voting.

3. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out Table 2 "Implementation Status of Board Evaluations":

The evaluation results of the 2022 internal evaluation of the Board of Directors, self-evaluation of directors, and evaluation of functional committees were "excellent."

4. Evaluations of the current and previous years' objectives for strengthening the Board of Directors' functions (such as establishing an Audit Committee, enhancing information transparency, etc.) and their status of implementation:

- (1) Established an audit committee on May 27, 2020.
- (2) Developed the "Procedure for Meetings of Board of Directors" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" for compliance purposes.
- (3) Information disclosure channels include the Taiwan Stock Exchange Market Observation Post System, company website, etc., to achieve the goal of enhancing information transparency and complying with relevant regulations.

## (b) Implementation Status of Board Evaluations

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Scope of evaluation (Note 3)	Evaluation method (Note 4)	Evaluation items (Note 5)
Once a year	2022.01.01 to 2022.12.31	Board of Directors	Board of Directors Internal self-evaluation	Participation in company operations, improving the quality of board decision-making, composition and structure of the board, selection and continuing education of directors, internal control.
Once a year	2022.01.01 to 2022.12.31	Individual Board Member	Board of Directors Members' self-evaluation	Understanding of company goals and missions, recognition of director responsibilities, degree of involvement in company operations, management of internal relationships and communication, director's expertise and continuous education, internal control.
Once a year	2022.01.01 to 2022.12.31	Audit Committee	Peers Evaluation	Level of participation in company operations, understanding of the responsibilities of the Audit Committee, improving the quality of decisions made by the Audit Committee, composition and member selection of the Audit Committee, and internal control system.
Once a year	2022.01.01 to 2022.12.31	Remuneration Committee	Peers Evaluation	Degree of participation in company operations, recognition of responsibilities of the remuneration committee, enhancing the decision-making quality of the remuneration committee, composition and member selection of the remuneration committee.

Note 1: Refers to the execution cycle of the board evaluation, for example, once per year.

Note 2: Refers to the coverage period of the board evaluation, for example, evaluating the performance of the board from January 1 to December 31 of 2022.

Note 3: The scope of the evaluation includes the performance evaluation of the board, individual board members, and functional committees.

Note 4: The evaluation methods include internal evaluation by the board, self-evaluation by board members, peer evaluation, appointment of external professional institutions, experts, or other appropriate methods for performance evaluation.

Note 5: The content of the evaluation includes at least the following items based on the scope of the evaluation:

- (1) Board performance evaluation: at least including the degree of participation in company operations, quality of board decision-making, composition and structure of the board, selection and continuous education of directors, internal control, etc.
- (2) Individual board member performance evaluation: at least including the grasp of company goals and missions, recognition of director responsibilities, degree of participation in company operations, management of internal relationships and communication, professional expertise and continuous education of directors, internal control, etc.
- (3) Functional committee performance evaluation: degree of participation in company operations, recognition of functional committee responsibilities, quality of functional committee decision-making, composition and member selection of functional committees, internal control, etc.

## (2) Audit Committee Implementation Status

### A. Audit Committee Implementation Status:

The Audit Committee held 5 meetings (A) in the last fiscal year, and the attendance of Independent Directors is as follows:

Title	Name	No. of meetings attended in Person (B)	No. of meetings attended by proxy	In-person attendance rate (%) 【 B / A 】	Remarks
Independent Director	Liao, Fu-Pen	5	0	100%	Newly-appointed on 2020.05.27
Independent Director	Lin, Li-Hsuan	5	0	100%	Newly-appointed on 2020.05.27
Independent Director	Li, Ming-Chiang	5	0	100%	Newly-appointed on 2020.05.27
<p>Annual Work Focus and Duties of the Audit Committee:</p> <p>1. Annual Work Focus:</p> <p>(1) The review of the 2022 business report, financial statements, and profit distribution plan was completed on March 15, 2023, and there were no discrepancies found. A report was prepared in accordance with Article 14-4 of the Securities and Exchange Act. The financial statements underwent an audit by certified public accountants Liu, Mei-Lan and Hung, Shu-Hua from PwC, and an audit report was issued.</p> <p>(2) Reviewing the risks of major assets, capital loans, and endorsements and guarantees.</p> <p>2. Duties:</p> <p>(1) Developing or revising internal control systems.</p> <p>(2) Assessing the effectiveness of internal control systems.</p> <p>(3) Developing or revising procedures for significant financial transactions, such as asset acquisition or disposal, derivative transactions, fund lending, endorsements, or guarantees.</p> <p>(4) Matters related to the interests of directors.</p> <p>(5) Significant asset or derivative transactions.</p> <p>(6) Significant fund lending, endorsements, or guarantees.</p> <p>(7) Issuing, offering, or privately placing equity securities.</p> <p>(8) Appointment, dismissal, or compensation of signing certified public accountants.</p> <p>(9) Appointment or dismissal of financial, accounting, or internal audit supervisors.</p> <p>(10) Annual and semi-annual financial reports.</p>					
<p>Other mentionable items:</p> <p>1. The dates of meetings, sessions, the contents of motions, independent directors' objections, reservations, or major proposals, the Audit Committee's resolutions, and the Company's response to the Audit Committee's opinion must be specified if any of the following events occur:</p> <p>(1) Matters referred to in Article 14-5 of the Securities and Exchange Act:</p>					
Date of Audit Committee meeting	Contents of motions			Independent Directors' Resolution	
2022/01/21	<ul style="list-style-type: none"> <li>▪ The Company plans to bid for the “High-Speed Rail Hsinchu Station Dedicated Zone Development and Operation” project.</li> </ul>			Unanimously approved.	

2022/03/16	<ul style="list-style-type: none"> <li>▪ Review of the 2021 individual financial statement, consolidated financial statement, and business report.</li> <li>▪ Statement of the Company's 2021 Internal Control System</li> <li>▪ Amendment of the internal control system for "sales and collection cycles".</li> <li>▪ Amendment of Regulations Governing the Acquisition and Disposal of Assets.</li> <li>▪ Cancellation of the funding limit for the subsidiary Hungtu Alishan.</li> <li>▪ Cancellation of the subsidiary Hung Yeu Construction's capital loan and the limit for Hungtu Alishan.</li> <li>▪ The Company added a construction contract for the "VITA" project in Hsinchu City.</li> <li>▪ The Company plans to purchase five plots of land in Section 448 of Beitun District, Taichung City.</li> </ul>	
2022/05/04	<ul style="list-style-type: none"> <li>▪ The Company added a contract for the "SenLiFang" project in Taichung.</li> </ul>	
2022/08/03	<ul style="list-style-type: none"> <li>▪ Review of Q2 2022 consolidated financial statements.</li> <li>▪ The Company's "SenLiFang" project contract has been supplemented.</li> <li>▪ The Company plans to bid for the "High-Speed Rail Hsinchu Station Dedicated Zone Development and Operation" in Zhubei City.</li> </ul>	
2022/11/09	<ul style="list-style-type: none"> <li>▪ Q3 2022 consolidated financial statements.</li> <li>▪ The Company's "SenLiFang" project contract in Taichung has been supplemented.</li> <li>▪ The Company plans to purchase a business office from a related party, "Hung Yeu Construction."</li> </ul>	

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

2. If there are independent directors' recusals due to conflicts of interest, the directors' names, contents of motions, and causes for avoidance and voting should be specified: None
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g., the material items, methods and results of audits of corporate finance or operations, etc.):
  - A. The internal audit team will submit the monthly audit report to the Audit Committee for review by the independent directors by the end of the following month.
  - B. The Audit Committee's independent directors may provide instructions after reviewing the audit report by leaving comments on the report, calling, or emailing.
  - C. In the event of internal control deficiencies in the audit report, the audit department will prepare a tracking report to track and report on the deficiencies and abnormal issues to the independent directors.
  - D. In accordance with regulations, the head of the internal audit team attends Audit Committee and Board of Directors meetings and reports on the status of internal audit operations to members of the Audit Committee and Board of Directors.

E. A summary of communications between the independent directors, the head of the internal audit team, and the accountants:

Date	Attendance	Communication items	Processing and execution results
2022/03/16 Independent communication with the auditor Audit Committee	Independent Director, Liao, Fu-Pen Independent Director, Lin, Li-Hsuan Independent Director, Li, Ming-Chiang Audit Supervisor, Lin, Hsiu-Wen Accountant, Liu, Mei-Lan	1.Auditing scope. 2.Basis, and opinions of financial statement auditing. 3.Key points of this audit are explained. 4.Independence of the auditor. Information sharing.	No comments were made in this meeting.
2022/03/16 Audit Committee	Independent Director, Liao, Fu-Pen Independent Director, Lin, Li-Hsuan Independent Director, Li, Ming-Chiang Audit Supervisor, Lin, Hsiu-Wen	1.2022 internal audit implementation status 2.Report on the status of work implementation in November and December of the fiscal year 2021, as well as the first quarter audit work. 3.Implementation status of the internal control system for 2021: The internal control system's design and implementation are effective, according to the results of the self-evaluation. 4.Statement of a 2021 internal control system.	No other suggestions were made. All issues were referred to the Board of Directors for resolution.
2022/05/04 Audit Committee	Independent Director, Liao, Fu-Pen Independent Director, Lin, Li-Hsuan Independent Director, Li, Ming-Chiang Audit Supervisor, Lin, Hsiu-Wen	1.The status of the second quarter audit's implementation. 2.Summary report for 2021 on the improvement of internal control deficiencies and abnormal incidents.	No other suggestions were made. All issues were referred to the Board of Directors for resolution.
2022/08/03 Audit Committee	Independent Director, Liao, Fu-Pen Independent Director, Lin, Li-Hsuan Independent Director, Li, Ming-Chiang Audit Supervisor, Lin, Hsiu-Wen	1.Audit work status for the second and third quarters. 2.Status of deficiency monitoring and improvement.	No other suggestions were made. All issues were referred to the Board of Directors for resolution.
2022/11/09 Audit Committee	Independent Director, Liao, Fu-Pen Independent Director, Lin, Li-Hsuan Independent Director, Li, Ming-Chiang Audit Supervisor, Lin, Hsiu-Wen	1.Audit work status for the third and fourth quarters. 2.Describe the auditing strategy for 2023.	No other suggestions were made. All issues were referred to the Board of Directors for resolution.



(3) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has developed Corporate Governance Best Practice Principles in accordance with regulations and has gradually implemented them to improve information transparency and strengthen the functioning of the Board of Directors, thereby promoting corporate governance operations.	No deviations
2. The Company's shareholding structure & shareholders' rights (1) Does the Company develop and implement an internal operating procedure for handling shareholder suggestions, questions, disputes, and litigation? (2) Does the Company possess the list of its major shareholders, as well as the ultimate owners of those shares? (3) Does the Company establish and execute a risk management and firewall system within its conglomerate structure? (4) Does the Company establish internal rules against insiders trading with undisclosed information?	✓ ✓ ✓ ✓		(1) The Company has designated a stock affairs officer to handle shareholder suggestions, questions, disputes, and litigation. Regardless of whether the Company has established internal procedures for handling such cases, any shareholder response is prioritized. (2) The Company controls its major shareholders and their ultimate owners. (3) The Company's subsidiary transactions are conducted in accordance with internal control system regulations, including risk management and firewall mechanisms with related parties. (4) The Company has established "Procedures for Handling Material Inside Information and the Prevention of Insider Trading" that prohibits insiders from buying or selling securities with undisclosed information in the market.	No deviations
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members? (2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the Company establish "Rules for Performance	✓ ✓ ✓		(1) The Company has established and disclosed a board diversity policy in accordance with Article 20 of the "Corporate Governance Best Practice Principles". (Note 1) The Company's Board of Directors diversification policy and its implementation: (a) The Board of Directors of the Company is made up of nine members, including three independent directors, who have diverse expertise in various fields. Directors with financial expertise include Yuan, Yu-Chi, Lin,	No deviations

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>Evaluation of Board of Directors" and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?</p> <p>(4) Does the Company regularly evaluate the independence of Certified Public Accountant?</p>	√		<p>Li-Hsuan, Liu, Yu-Lin, and Chang, Hsiu-Feng. Directors with management expertise include Liu Jui-lin, Chao, Chia-Ming, Liao Fu-Ben, Wang Ya-Ling, and Li Ming-Chiang.</p> <p>(b) 22% of the board members are employee directors, 33% are independent directors, and 22% are female directors. The board also works to achieve gender equality, with two female directors and three independent directors serving for less than six years.</p> <p>(2) On May 27, 2020, the Company established a remuneration committee in accordance with the law, as well as an audit committee. Other functional committees will be formed based on the Company's operating scale and management requirements.</p> <p>(3) In 2022, the Company carried out a self-evaluation and evaluation of the Board of Directors in accordance with board performance evaluation methods. The annual report described the evaluation results as "excellent." The results were presented to the Board of Directors on March 15, 2023, as a reference for future director compensation and reappointment.</p> <p>(4) PricewaterhouseCoopers Taiwan has certified the Company, and it is affiliated with an international accounting firm. It has a high level of independence and professionalism. Article 29 of the "Corporate Governance Best Practice Principles" requires the Company to evaluate the independence and suitability of its auditors on an annual basis. In 2022, the auditor's independence statement was obtained (Note 2).</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
4. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the Board of Directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	√		The Company's governance responsibilities are overseen by the head of the finance department, who is also in charge of handling the necessary information for the Board of Directors to carry out their duties. This includes processing matters pertaining to Board of Directors and shareholders' meetings in accordance with the law, supervising colleagues in charge of company registration and changes to registration, and preparing meeting minutes for Board of Directors and shareholders' meetings. Before June 30th, 2023, the supervisory authority specifies the time frame for completing the appointment of the governance supervisor.	No deviations
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	√		The Company has established a stock affairs unit and appointed a spokesperson to manage shareholder proposals, created a dedicated section on its website for stakeholders to provide feedback, and delegated legal disputes to the legal department.	No deviations
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	√		The Company's stock agency is the stock agency department of SinoPac Securities.	No deviations
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report	√ √ √		(1) The Company's website is frequently updated with pertinent information for public reference. The Company's website: <a href="http://www.fong-chien.com.tw/">http://www.fong-chien.com.tw/</a> (2) In accordance with legal requirements on the Market Observation Post System, the Company has designated a specialist to gather company data and disclose significant information. Moreover, the finance manager serves as the spokesperson representing the Company in external communications. (3) The Company did not publish or report the annual financial report within two months after the end of the accounting year. However, the Company disclosed and reported the first, second, and third quarterly financial reports and monthly business operations before the specified deadlines.	No deviations

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?				
8. Is there any other important information to facilitate a deeper understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors’ continuing education, the implementation of risk management policies and standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	√		<p>(1) Employee Rights and Wellness: The Company intends to share its business successes with all of its employees in pursuit of shareholder value and employee welfare.</p> <p>(2) Investor Relations: The Company fully discloses relevant information through the Taiwan Stock Exchange Market Observation Post System and the Company's website to allow investors to fully understand the Company's business operations. The Company's spokesperson and the stock affairs unit communicate and interact with investors.</p> <p>(3) Supplier Relations and Stakeholder Rights: The Company upholds the principle of integrity and handles related matters properly. It maintains smooth communication channels with financial institutions, landlords, contractors, or those related to the interests of the Company and provides sufficient information to respect and safeguard their legal rights.</p> <p>(4) Directors’ Continuing Education: The Company provides relevant course information for directors to participate in continuing education.</p> <p>(5) Implementation of Risk Management Policies and Standards: The Board of Directors approves all significant proposals, and internal regulations are established in accordance with the law to conduct multiple risk assessments.</p> <p>(6) Implementation of Customer Relations Policies: The Company has customer service representatives and a sales service hotline to handle customer issues and provides performance guarantee measures in accordance with consumer protection regulations.</p>	No deviations

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			(7) The Company has purchased director's liability insurance for 2023 and reported it to the Board of Directors on March 15, 2023.	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.				
Improved Corporate Governance Evaluation Items			Explanation	
(1) 1.14 Has the Company disclosed the implementation status of the previous year's shareholders' meeting resolutions in the annual report?			The annual report has been disclosed in its entirety.	
(2) 2.2 Has the Company established a policy on the diversity of its Board of Directors and disclosed the specific management objectives and status of the policy on its website and annual report?			The annual report has been disclosed in its entirety.	
(3) 2.10 Has the Company disclosed the professional credentials and experience of audit committee members, as well as their annual work priorities and operational status?			The annual report has been disclosed in its entirety.	
(4) 3.14 Has the Company disclosed in its annual report the relationship between performance evaluation and compensation for directors and executives?			The annual report has been disclosed in its entirety.	
(5) 3.21 Has the Company voluntarily disclosed the CEO and deputy CEO's individual compensation in the annual report?			The annual report has been disclosed in its entirety.	
(6) 4.10 Have the Company's website and annual report disclosed the protective measures for employee personal safety and work environment, as well as the status of their implementation?			The Company's website and annual report have been disclosed in their entirety.	
Expected Improvement Items for Corporate Governance Evaluation			Explanation	
(1) 1.10 Has the Company uploaded the English version of the agenda and supporting materials for the shareholders' meeting 30 days in advance?			The English version of the agenda and supplemental materials for the shareholder's meeting are expected to be uploaded in 2023.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) 1.11 Has the Company made the English version of the annual report available seven days before the shareholders’ meeting?				The English version of the annual report is expected to be uploaded in 2023.
(3) 2.21 Has the Company designated a corporate governance officer to oversee corporate governance matters and explained their responsibilities and training on the Company's website and in the annual report?				A corporate governance officer is expected to be appointed by June 30, 2023.
(4) 2.24 Has the Company established a framework for managing cyber security risks, developed an cyber security policy, identified specific management plans, allocated resources for cyber security management, and made these available on the Company's website or annual report?				It has been disclosed and established in the Company's annual report and website.
(5) 3.5 Has the English version of the annual financial report been uploaded seven days prior to the shareholders’ meeting?				The English version of the financial report is expected to be uploaded in 2023.

### Note 1: Diverse Composition of the Board of Directors

Title	Name	Nationality	Gender	Basic Information						Professional Capabilities			Management Capabilities					
				Employee of the Company	Age				Independent directors' term of office		Operational Judgment	Accounting and Financial Analysis	Management	Crisis Management	Industrial Knowledge	Global Market Insights	Leadership	Decision-making
					30to40	51to60	61to70	71to80	Less than 3 Years	3 to 9 Years								
Chairman	Yuan, Yu-Chi	Taiwan	Male	✓	✓					✓	✓	✓	✓	✓	✓	✓		
Director	Chao, Chia-Ming	Taiwan	Male		✓					✓	✓	✓	✓	✓	✓	✓		
Director	Liu, Jui-Lin	Taiwan	Male	✓	✓					✓	✓	✓	✓	✓	✓	✓		
Director	Liu, Yu-Lin	Taiwan	Male		✓					✓	✓	✓	✓	✓	✓	✓		
Director (Note)	Wang, Ya-Ling	Taiwan	Female		✓					✓	✓	✓	✓	✓	✓	✓		
Director	Chang, Hsiu-Feng	Taiwan	Female		✓					✓	✓	✓	✓	✓	✓	✓		
Independent Director	Liao, Fu-Pen	Taiwan	Male				✓		✓	✓	✓	✓	✓	✓	✓	✓		
Independent Director	Lin, Li-Hsuan	Taiwan	Male			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Independent Director	Li, Ming-Chiang	Taiwan	Male		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		

Note: The designator of the corporate director.

## Note 2: Auditor's Independence Evaluation

Item	Evaluation Items	Results	
		Yes	No
1	The accountant has no significant direct or indirect financial ties to the Company.	✓	
2	The accountant has no significant business ties to the Company.	✓	
3	The accountant had no potential employment relationship with the Company.	✓	
4	The accountant had no financial borrowing or lending transactions with the Company.	✓	
5	The accountant did not receive any gifts or favors from the Company, its directors, or its executives.	✓	
6	The accountant has not provided auditing services to the business for seven years continuously.	✓	
7	The accountant owns no stock in the Company.	✓	
8	During the audit period or within the previous two years, the accountant, their spouse or dependents, and the auditing team did not hold any significant positions such as director, supervisor, or manager, nor did they have any significant influence over the audit case. It has also been confirmed that the accountant will no longer hold such positions during the next audit period.	✓	
9	Whether the accountant met the ethical independence standards outlined in Article 10 of the "Code of Ethics for Certified Public Accountants" and obtained a "Statement of Independence" from the accountant	✓	

### Evaluation Results:

After evaluation, the Company's appointed accountant's independence and qualifications are deemed satisfactory.



(4) Composition, Responsibilities and Operations of the Remuneration Committee :

A. Members profile of the Remuneration Committee

December 31, 2022

Title (Note 1)	Qualification Name	Professional Qualifications and Experience (Note 2)	Independence Status (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director	Liao, Fu-Pen (Convener)	Please refer to Table 1 Information on Directors' (1) on page 11.		0
Independent Director	Li, Ming-Chiang	Please refer to Table 1 Information on Directors' (1) on page 11.		0
Others	Chen, Hsiu-Ling	<ul style="list-style-type: none"> <li>•Has work experience in accounting and finance.</li> <li>•Previously served as Manager of Administration Department at Fong Yi Construction Co., Ltd.</li> <li>•None of the circumstances specified in Article 30 of the Company Act.</li> </ul>	<ul style="list-style-type: none"> <li>•The independence criteria are met.</li> <li>•Including but not limited to the individual, their spouse, or relatives up to the second degree of kinship have not served as directors, supervisors, or employees of the Company or its affiliated enterprises.</li> <li>•The individual, their spouse, or relatives up to the second degree of kinship do not hold any shares (or shares held through nominees) in the Company.</li> <li>•Has not served as a director, supervisor, or employee of the Company or its affiliates.</li> <li>•Has not received any compensation for providing business, legal, financial, accounting, or any other services to the Company or its affiliates in the past 2 years.</li> </ul>	0

\* Independent Director Li, Ming-Chiang was newly appointed on May 27, 2020

Note 1: Please specify in the table the relevant work experience, professional qualifications, and independence status of each member of the remuneration committee. If it is an independent director, please note that the information can be referred to Table 1 on page 11 for Director's information (1). Please indicate whether the identity is an independent director or others (if the convener, please annotate).

Note 2: Professional qualifications and experience: Specify the professional qualifications and experience of individual members of the remuneration committee.

Note 3: Independence Status: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates? ; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange)?; specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

## B. Implementation Status of the Remuneration Committee

1. The Company's remuneration committee consists of three members.
2. The responsibilities of the committee shall comply with the regulations and organizational rules and regulations, and propose amendments to the compensation and remuneration of directors and managers according to their authority. The committee is responsible for:
  - (a) Regularly reviewing and proposing amendments to this regulation. The Board of Directors approved the revised rules on August 11, 2020. The Board of Directors approved the revised rules on August 11, 2020.
  - (b) Establishing and regularly reviewing the performance evaluation standards, annual and long-term performance goals of the Company's directors and managers, and policies, systems, standards, and structures for compensation and remuneration.
  - (c) Regularly evaluating the achievement of performance goals of the Company's directors and managers, and determining the content and amount of their individual compensation and remuneration based on the evaluation results obtained from the performance evaluation standards.

C. The content of the performance evaluation standards is disclosed in the annual report.3. The term of office of the current committee members is from May 27, 2020 to May 26, 2023. In the current year, the Remuneration Committee held four meetings (A) until December 31, 2022. The qualifications and attendance of committee members are as follows:

Title	Name	Attendance in Person (B)	No. of meetings attended by proxy	Attendance Rate (%) 【 B / A 】 (Note)	Remarks
Convener	Liao, Fu-Pen	4	0	100%	
Committee Member	Chen, Hsiu-Ling	4	0	100%	
Committee Member	Li, Ming-Chiang	4	0	100%	
Other mentionable items:					
1. If the Board of Directors declines to adopt or modify a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, the resolution by the Board of Directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances, and cause for the difference shall be specified):					
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: As of the date of publication of the Company's annual report, there has been no instance in which the Board of Directors did not adopt or modify the compensation committee's recommendations.					
3. Discussion topics and resolutions of the Remuneration Committee:					
Date of Remuneration Committee Meeting	Agenda		Members' Opinions		
2022/01/24 (1st meeting of the year) 4th Term	<ul style="list-style-type: none"> <li>■ Distribution of bonuses for the Company's managers.</li> </ul>		Passed without objection.		
2022/03/14 (2nd meeting of the year) 4th Term	<ul style="list-style-type: none"> <li>■ Allocation of director and employee remuneration for the year 2021.</li> </ul>		Passed without objection.		
2022/04/25 (3rd meeting of the year) 4th Term	<ul style="list-style-type: none"> <li>■ Amendment of the "Measures for Director and Independent Director Remuneration and Compensation" of the Company.</li> </ul>		Passed without objection.		
2022/07/13 (4th meeting of the year) 4th Term	<ul style="list-style-type: none"> <li>■ Allocation and distribution of director remuneration for the year 2021.</li> </ul>		Passed without objection.		

Note:

- (1) If any member of the remuneration committee leaves before the end of the fiscal year, the date of departure should be noted in the remarks column, and the actual attendance rate (%) should be calculated based on the number of remuneration committee meetings attended during their employment.
- (2) If there is a change in the remuneration committee before the end of the fiscal year, both the old and new committee members should be listed, and the remarks column should indicate whether the member is an old, new, or re-elected member, and the date of the change. The actual attendance rate (%) should be calculated based on the number of remuneration committee meetings attended during their employment.

(5) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the Board of Directors authorized senior management to handle related matters under the supervision of the board?	√		The Company has established a unit responsible for promoting sustainable development, which is responsible for proposing and implementing sustainable development policies, systems, related management guidelines, and specific promotion plans, as well as reporting to the Board of Directors on a regular basis.	No deviations
2. Does the Company conduct risk evaluation of environmental, social and corporate governance (ESG) issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	√		On May 4, 2022, the Company adopted the "Sustainable Development Best Practice Principles" through the Board of Directors, establishing an effective governance framework and related ethical standards to improve our corporate governance.	No deviations
3. Environmental Issues (1) Has the Company set up an environmental management system designed for industrial characteristics? (2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact? (3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future, and adopted relevant measures to address them? (4) Has the Company collected data for the past two years on greenhouse gas emissions, water consumption, and total waste weight, as well as formulated policies for greenhouse gas reduction, water consumption reduction, and waste management?	√ √ √ √		(1) The Company's business is entrusted to construction contractors and in charge of supervision, while the contractors are in charge of maintaining the environment at the construction site and handling waste materials. The Company provides an effective and appropriate complaint mechanism to ensure equal and transparent complaint procedures. (2) The Company is committed to increasing the efficiency of various resources and utilizing recycled materials with low environmental impact to ensure the sustainable use of the planet's resources. (3) The Company conducts risk identification for climate change, including physical impacts caused by extreme weather, impacts resulting from regulatory, technological, or market demands, as well as other risks and opportunities related to human and social aspects of the Company's operations, and matrix analysis. Based on the analysis results, the Company establishes a risk management strategy plan as the core for climate change action, estimates management costs and financial impacts. Using the collected data, the Company improves its climate change governance and evaluates its financial relationships systematically to reduce risks and seize opportunities. (4) The Company is a commissioned construction contractor that mainly builds houses and does not belong to traditional industries or manufacturing. It only has office space and does not have production factories that may cause environmental	No deviations

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			<p>pollution. Therefore, it is not directly subject to climate change-related regulations such as the Greenhouse Gases Emission Reduction Act and does not apply to environmental or energy management system verifications such as ISO 14001, ISO 50001. Nevertheless, the Company continues to be concerned with and implement environmental protection-related issues, and its environmental policy emphasizes energy conservation, reduction, habit modification, and effective control as management objectives.</p> <p>In the past two years, the Company has effectively collected data on water usage and energy emissions in the office, and data analysis has made colleagues realize that energy conservation and carbon reduction are urgent tasks. In terms of waste reduction, the Company will ask colleagues to ensure resource recycling and reuse, so that the amount of waste can gradually decrease each year.</p> <p>The Company's greenhouse gas inventory and verification schedule were submitted to the Board of Directors and approved on May 4, 2022, and March 15, 2023, for the parent company and subsidiary, respectively. The entire group has followed the plan to carry out various tasks.</p>	
<p>4. Social Issues</p> <p>(1) Has the organization formulated relevant management policies and procedures in accordance with applicable laws and international human rights conventions?</p> <p>(2) Has the Company established and implemented reasonable employee welfare measures (including salary and compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary and compensation?</p> <p>(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?</p> <p>(4) Has the Company established effective employee career development training programs?</p> <p>(5) Does the Company comply with the relevant laws and</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company complies with labor laws to protect employees' legal rights and respects internationally recognized basic labor rights principles, including no forced labor, maintaining freedom of association and collective bargaining rights, equal pay for equal work, prohibition of employment discrimination, and the elimination of child labor. The Company adopts open two-way communication for policy promotion and employee opinion understanding.</p> <p>(2) The Company provides group insurance for employees in addition to legal requirements. A dedicated Employee Welfare Committee has been established to handle various employee welfare matters, and an outstanding employee evaluation mechanism is in place to appropriately reflect in employee compensation.</p> <p>(3) The Company provides a safe and healthy working environment, arranges employee health checkups every year, and regularly conducts safety and health education and training.</p> <p>(4) The Company creates a good environment for employees'</p>	No deviations

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
<p>international standards regarding customer health and safety, customer privacy, the marketing and labeling of products and services, and the implementation of consumer protection and grievance policies?</p> <p>(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?</p>	√		<p>career development and establishes an effective career development and training plan.</p> <p>(5) The Company follows relevant regulations. The Company takes responsibility for products and services and values marketing ethics. The transparency and security of service information prevent product or service harm to consumer rights, health, and safety. The Company also follows the performance guarantee of the Consumer Protection Act and provides an 0800 sales and service hotline as a channel for consumer complaints or communication.</p> <p>(6) The Company's contracts with its major suppliers include termination or termination clauses of contracts when the supplier violates its corporate social responsibility policy and has a significant impact on the environment and society.</p>	
<p>5. Does the Company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the Company obtain third party assurance or certification for the reports above?</p>	√		There is no sustainability report from the Company.	No deviations
<p>6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: No deviations.</p>				
<p>7. Other important information to facilitate a better understanding of the Company's promotion of sustainable development: The Company's website.</p>				

(6) Fulfillment of Ethical Corporate Management and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”

Evaluation Items	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p> <p>(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?</p>	<p>√</p> <p>√</p> <p>√</p>		<p>(1) The Company's Board of Directors has decided to implement Ethical Corporate Management Best Practice Principles. The code specifies the obligations that directors, managers, employees, and substantial controllers should follow and is disclosed on the Company's website.</p> <p>(2) In order to promote ethical business practices, the Company has established measures to prevent unethical behavior in the "Ethical Corporate Management Best Practice Principles" which is followed by directors, managers, employees, and substantial controllers when carrying out their business activities. Additionally, the Company has set up a "Codes of Ethical Conduct" that provides appropriate disciplinary actions and a channel for complaints against those who violate the code. The Company has also established an "Employee Reward and Punishment System," and provides education and training to new employees. Those who violate the regulations will be dealt with according to the rewards and punishment management regulations.</p> <p>(3) The Company has established the "Ethical Corporate Management Best Practice Principles," "Codes of Ethical Conduct," and "Employee Reward and Punishment System" as guidelines.</p>	No deviations
<p>2. Implement Ethical Corporate Management</p> <p>(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p>	<p>√</p>		<p>(1) The Company has established Ethical Corporate Management Best Practice Principles, which stipulates that business activities should be conducted in a fair and transparent manner, and transactions with those who have a record of dishonest behavior should be avoided.</p>	No deviations

Evaluation Items	Implementation Status		Deviations from the “Ethical Corporate
<p>(2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors, which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p> <p>(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?</p> <p>(5) Does the Company regularly hold internal and external educational training on ethical corporate management?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>(2) The Company has established a part-time unit to promote Ethical Corporate Management and supervise all departments to follow the code of honest management in accordance with their duties.</p> <p>(3) The Company has established a Code of Ethical Management, which states that directors, managers, and all employees must not sacrifice the Company's interests in the benefit of specific individuals or groups.</p> <p>(4) To ensure the Company's ethical business practices, the Company has established an effective accounting system and internal control system, and internal auditors regularly conduct relevant audits.</p> <p>(5) The Company regularly evaluates its directors and employees and conducts integrity-related education and training at board or monthly meetings to ensure the effectiveness of ethical business practices.</p>	<p>No deviations</p>
<p>3. Implementation Status of the whistle-blowing system</p> <p>(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p> <p>(3) Does the Company provide proper informant protection?</p>	<p>√</p> <p>√</p> <p>√</p>	<p>(1) The Ethical Corporate Management Best Practice Principles of the Company include a reporting system for unethical or improper behavior, which is also governed by the Codes of Ethical Conduct and the Employee Reward and Punishment System. To promote ethical conduct and encourage reporting of illegal or unethical behavior, the Company provides appropriate channels for reporting to the management department or internal audit. If the reported behavior is found to be in violation of ethical business practices, it will be handled in accordance with the Employee Rewards and Punishments Management Regulations.</p> <p>(2) The Company's Ethical Corporate Management also include a reporting system that guarantees whistleblower confidentiality and conducts confidential investigations by forming an investigation team for each reported event.</p> <p>(3) The Company's Codes of Ethical Conduct stipulate that the identity of whistleblowers must be kept confidential, and the Company will make every effort to protect the personal safety of whistleblowers to prevent retaliation and threats.</p>	<p>No deviations</p>
<p>4. Strengthening information disclosure</p> <p>Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?</p>	<p>√</p>	<p>The Company discloses the content of the Codes of Ethical Conduct and Ethical Corporate Management Best Practice Principles in the investor section of its official website and on the Market Observation Post System, and strengthens the promotion and dissemination of the concept of ethical and integrity operations.</p>	<p>No deviations</p>

Evaluation Items	Implementation Status	Deviations from the "Ethical Corporate
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: In accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," the Company established "Ethical Corporate Management Best Practice Principles," which it revised with the approval of the Board of Directors in March 2020. The Company adheres to the principle of integrity in conducting business operations and promotes sound corporate governance.		
6. Other important information to facilitate better understanding of the Company's ethical corporate management implementation: The Company has established an "Ethical Corporate Management Best Practice Principles" for compliance and continuous review and Amendment. The Company also discloses its corporate governance operations in the investor section of its website, which helps the public understand the Company's implementation status on ethical corporate management. Company's Website: <a href="http://www.fong-chien.com.tw">http://www.fong-chien.com.tw</a> To access the Company's Ethical Corporate Management Best Practice Principles on the Taiwan Stock Exchange Market Observation Post System, select "Corporate Governance" and then choose "Regulations and Rules related to Corporate Governance." Then, select "OTC Company."		

(7) If the Company has developed corporate governance codes and related regulations, its inquiry methods must be disclosed:

- A. The Company has established "Corporate Governance Best Practice Principles" for compliance. In addition to disclosing financial and business-related information on the Market Observation Post System according to the regulations of the competent authority, the Company also sets up an "Investor Relations-Corporate Governance" section on its website to fully disclose its corporate governance status. The query method on the Market Observation Post System is as follows: Access the Market Observation Post System online, click on "Corporate Governance", select "Related Regulations and Rules for Establishing Corporate Governance," and then click on "OTC Companies" to query the Company's Corporate Governance Practice Guidelines and related regulations.
- B. The Company has also established a "Codes of Ethical Conduct" and "Ethical Corporate Management Best Practice Principles" for compliance. The Company sets up an "Investor Relations-Corporate Governance" section on its website to fully disclose these codes, and the query method on the Market Observation Post System is as follows: Access the Market Observation Post System online, click on "Corporate Governance", select "Related Regulations and Rules for Establishing Corporate Governance," and then click on "OTC Companies" to query the Company's Codes of Ethical Conduct and Ethical Corporate Management Best Practice Principles.

(8) Other essential information sufficient to enhance comprehension of the corporate governance status must also be disclosed: The Company has established "Procedures for Handling Material Inside Information and the Prevention of Insider Trading" as a guideline for the behavior of directors, supervisors, executives, and employees, and it is fully disclosed in the "Investor Relations - Corporate Governance" section of the Company's website.



## (9) Implementation Status of Internal Control System

### A. Internal Control Statement:

#### Fong Chien Construction Co., Ltd. Statement of Internal Control System

Date: March 15, 2023

The internal control system of the Company for the fiscal year 2022 has been evaluated based on self-assessment, and hereby declare the following:

1. The Company recognizes that the establishment, implementation, and maintenance of the internal control system are the responsibility of the Board of Directors and management. The Company has already established this system in order to achieve the goals of enhancing the effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), providing reliable and timely reporting, ensuring compliance with relevant regulations and laws, and maintaining transparency.
2. The internal control system has its inherent limitations and, regardless of how well-designed it may be, can only provide reasonable assurance in achieving the above-mentioned goals. Moreover, the effectiveness of the internal control system may change due to changes in the environment and circumstances. However, the Company's internal control system has a self-supervision mechanism, and any deficiencies identified will be promptly corrected.
3. The Company has evaluated the effectiveness of its internal control system based on the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Regulations"). The regulations divide the internal control system into five components: 1. Control of Environment, 2. Risk assessment, 3. Control activities, 4. Information and Communication, 5. Monitoring activities. Each constituent element consists of multiple items. Regarding the aforementioned items, please refer to "The Regulations."
4. The Company has adopted the above-mentioned regulations to evaluate the effectiveness of the design and implementation of its internal control system.
5. Based on the assessment results, the Company believes that its internal control system (including supervision and management of its subsidiaries) is effective as of December 31, 2022, which includes the design and implementation of the internal control system related to understanding the degree of achieving operational effectiveness and efficiency objectives, reliable and timely reporting, and compliance with relevant regulations and laws.
6. This Statement will comprise the majority of the Company's annual report and prospectus, and it will be made public. In accordance with Articles 20, 32, 171, and 174 of the Securities and Exchange Act, the above-mentioned disclosed content is subject to legal liability if it contains falsehoods, concealment, or other illegal conduct.
7. The Board of Directors approved this statement on March 15, 2023. None of the nine directors present opposed the statement, and all nine directors agreed with its contents.

Fong Chien Construction Co., Ltd.

Chairman: Yuan, Yu-Chi Signature

General Manager: Liu, Jui-Lin Signature

B. If the Company entrusts an accountant to review the internal control system, they shall disclose their internal control system audit report: None.

(10) If there has been any legal penalty against the Company and its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder interests or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(11) Major Resolutions of the Shareholders' Meeting and the Board of Directors during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report

#### A. Major Resolutions of Annual General Meeting

Date	Major Resolutions	Implementation Status
	•The approval of the 2021 fiscal year business report and financial statements.	Adhere to the resolution.
2022/06/08	•Approval of the 2021 profit distribution. Implementation Status: The ex-dividend base date is July 25, 2022, and the cash distribution date is August 18, 2022. A total of NT\$279,002,635 in cash dividends (NT\$1.8 per share) will be distributed.	Adhere to the resolution.
2022/06/08	•Amendment of the Company's "Articles of Incorporation." •Amendment of "Regulations Governing the Acquisition and Disposal of Assets" •Amendment of "Procedure for Shareholders' meetings" Implementation Status: In accordance with the amended Articles of Incorporation, Regulations Governing the Acquisition and Disposal of Assets, and Procedure for Shareholders' meetings, the Company will disclose the regulations on its website for the benefit of investors' understanding.	Adhere to the resolution.

#### B. Major Resolutions of the Board of Directors

Date:	Major Resolutions
2022/05/04	<ul style="list-style-type: none"> <li>▪ The Company's consolidated financial statements for the first quarter of 2022.</li> <li>▪ The Company purchased land in the Renping section of Beitun District, Taichung City and applied for financing from Chang Hwa Bank.</li> <li>▪ Amendment of the Company's "Articles of Incorporation."</li> <li>▪ The Company proposed to amend the "Sustainable Development Best Practice Principles".</li> <li>▪ The "Remuneration Regulations for Directors and Independent Directors" were revised.</li> <li>▪ The contract for the "SenLiFang" project in Taichung City was supplemented.</li> </ul>
2022/08/03	<ul style="list-style-type: none"> <li>▪ The Company's consolidated financial statements for the second quarter of 2022 were approved.</li> <li>▪ The contract for the "SenLiFang" project was supplemented.</li> <li>▪ The Company proposed to bid for the "Development and Operation of Land in the Hsinchu Station Special Zone of the High-Speed Railway" in the 4th section of Shixing, Zhubei City.</li> <li>▪ Distribution of remuneration for directors for the fiscal year 2021 was approved.</li> </ul>
2022/11/09	<ul style="list-style-type: none"> <li>▪ The Company's consolidated financial statements for the third quarter of 2022 were approved.</li> <li>▪ The contract for the "SenLiFang" project was supplemented.</li> <li>▪ The Company's 2022 budget Implementation Status and 2023 business plan for the parent-subsiary annual budget were approved.</li> <li>▪ The audit plan for the fiscal year 2023 was approved.</li> <li>▪ The Company purchased land in Dingciaozihtou section 10-12 and 10-28 of Dong District, Taichung City, and applied for financing from Chang Hwa Bank.</li> <li>▪ The Company plans to purchase a business office from a related party, Hung Yeu Construction."</li> <li>▪ The "Rules of Procedure for Board of Directors Meetings" were revised.</li> <li>▪ The "Procedures for Handling Material Inside Information and the Prevention of Insider Trading" were revised.</li> <li>▪ The "Procedures for Director Appointment " were revised.</li> </ul>

2023/03/15	<ul style="list-style-type: none"> <li>▪ Review of the 2022 individual financial statement, consolidated financial statement, and business report.</li> <li>▪ The remuneration for directors and employees for 2022.</li> <li>▪ The profit distribution plan for 2022.</li> <li>▪ The Company's internal control systems Statement for 2022.</li> <li>▪ Matters related to the 2023 annual general meeting were discussed.</li> <li>▪ The "Management of the Procedures for Preparation of Financial Statements" were revised.</li> <li>▪ The nomination and review of candidates for directors (including independent directors).</li> <li>▪ A comprehensive election of directors for the 2023 annual general meeting.</li> <li>▪ Removal of the restriction on directors' participation in competing companies.</li> <li>▪ The appointment and change of signing auditor.</li> <li>▪ The "Cyber Security Management Measures" were added.</li> <li>▪ The appointment of a corporate governance officer.</li> <li>▪ The appointment of a company security officer.</li> <li>▪ The "Remuneration Regulations for Directors and Independent Directors" were revised.</li> <li>▪ The Company proposed to bid for the "Urban Renewal Project in the South Update Area of Chien Kung High School, Hsinchu City" with 54 plots of land, including the 809th section of Guangfu, Hsinchu City.</li> </ul>
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- (12) If any directors or supervisors expressed disagreement with important resolutions passed by the Board of Directors during the most recent fiscal year and up to the date of printing of the annual reports and made any records or written statements regarding their disagreement, the following are the main contents of such records or statements:  
None.
- (13) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D:

#### Table of resignation and dismissal of relevant individuals in the Company

March 31, 2023				
Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
None				

Note: The Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D

## 5. Accountant Fees for Certified Public Accountant

### Accountant Fees for Certified Public Accountant

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee (Note)	Total	Remarks
PricewaterhouseCoopers Taiwan	Liu, Mei-Lan Hung, Shu-Hua	2022.01.01 to 2022.12.31	1,650	132	1,782	

Please provide a detailed description of non-audit fee services (such as tax certification, assurance, or other financial consulting advisory services):

Note: Non-audit fees: tax certification fee of NT\$130 thousand and a seal certification fee of NT\$2 thousand.

- (1) If the audit fees paid for the current year after changing the accounting firm and changing the annual audit fees are less than the previous year, the before-and-after audit fees and the reasons for the change should be disclosed: None.
- (2) If the audit fees have decreased by more than 10% compared to the previous year, the amount, proportion, and reasons for the decrease in audit fees should be disclosed: None.

6. Change of Accountants:

If the company has changed its accountant during the past two fiscal years or subsequent interim periods, it shall disclose the following information:

(1) Regarding the former CPA

Replacement Date	From the First Quarter of 2023		
Reasons for the change and explanation	Rotation within the firm		
Explain whether it was due to the appointers or accountant's termination or the accountant's declination of the appointment	Parties		
	Status	CPA	The Company
	Termination of appointment	-	-
	No longer accepted (continued) appointment	-	-
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the Company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
		-	
	None	~	
Remarks/specify details:			
Other Revealed Matters (Article 10, Paragraph 6, Subparagraph 1, Item 4 to Item 7 of this Code shall be disclosed)	None		

(2) Regarding the succeeding CPA

CPA firm	PricewaterhouseCoopers Taiwan
Name of CPA	Wang, Yu-Chuan Hung, Shu-Hua
Date of appointment	From the First Quarter of 2023
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(3) The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations: None.

7. The Employment of the Company's Chairman, General Manager, Financial or Accounting Manager with the Firm of the Auditing CPA or its Affiliated Businesses in the Past Year, shall disclose the job title, name, and the accounting firm of the CPA or its affiliated companies: None.

8. Particulars about Changes in Shareholding and Equity Pledge of Directors, Supervisors, Managers and Shareholders Holding More Than 10% of the Company's Shares in the Past Year and as of the Date of Publication of the Annual Report:

(1) Changes in Shareholding of Directors, Managers, and Major Shareholders

Title	Name	2022		As of April 2, 2023	
		Shareholding Increase/(Decrease)	Pledged share Increase/(Decrease)	Shareholding Increase/(Decrease)	Pledged share Increase/(Decrease)
Chairman	MORNING HONOR INVESTMENT CO., LTD..	-	-	-	-
	Representative: Yuan, Yu-Chi	-	-	-	-
Director	MORNING HONOR INVESTMENT CO., LTD..	-	-	-	-
	Representative: Chao, Chia-Ming	-	-	-	-
Director	PIN SHIAN INVESTMENT CO., LTD..	-	-	-	-
	Representative: Wang, Ya-Ling	-	-	-	-
Director	Liu, Jui-Lin	-	-	-	-
Director	Liu, Yu-Lin	110,000	-	-	-
Director	Fullness Construction Co., Ltd.	-	-	-	-
	Representative: Chang, Hsiu-Feng	-	-	-	-
Independent Director	Liao, Fu-Pen	-	-	-	-
Independent Director	Lin, Li-Hsuan	-	-	-	-
Independent Director	Li, Ming-Chiang	-	-	-	-
General Manager	Liu, Jui-Lin	-	-	-	-

Finance Manager	Chen, Chiung-Fei	-	-	-	-
Major Shareholder	Blessing & Praise Construction Corp.	-	-	-	-

Note:

Note 1: Shareholders who own more than 10% of the Company's total outstanding shares should be identified as major shareholders and listed separately.

Note 2: If the counterparty to a share transfer or share pledge is a related party, the following table must be completed.

(2) Related parties in equity transfers involving directors, managers, and shareholders owning more than 10% of the shares: None.

(3) Related parties involved in the transfer of shares pledged by directors, managers, and shareholders owning more than 10% of the shares: None.

9. The shareholding ratio accounts for the top ten shareholders, and they are relatives or spouses, information on the relationship within the second degree of relatives

### Relationships Among the Top 10 Shareholders

Base Date: April 2, 2023

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Remarks
	No. of Shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	Name	Relationship	
MORNING HONOR INVESTMENT CO., LTD. Responsible Person: Liu, Jui-Lin	34,411,027	22.20%	-	-	-	-	None		
MORNING HONOR INVESTMENT CO., LTD. Representative: Yuan, Yu-Chi	-	-	2,661,025	1.72%	-	-	None		
MORNING HONOR INVESTMENT CO., LTD. Representative: Chao, Chia-Ming	-	-	-	-	-	-	None		
Blessing & Praise Construction Corp. Responsible Person: Chang, Ya-Ching	29,696,536	19.16%	-	-	-	-	None		
Wealth W&E Engineering Company Responsible Person: Wang, Sen-Sheng	10,537,407	6.80%	-	-	-	-	None		
Comerstone Investment Co., Ltd. Responsible Person: Chang, Ya-Ching	2,994,000	1.93%	-	-	-	-	None		
	7,663,752	4.94%	-	-	-	-	None		
	-	-	-	-	-	-	None		

Ting, Cheng-Fu	6,192,593	4.00%	-	-	-	-	None
Wu, Ming-Hsin	3,289,672	2.12%					None
Liu, Kuan-Ming	2,713,506	1.75%	-	-	-	-	None
HeFong Investment Co., Ltd	2,258,971	1.46%					None
Responsible Person: Chen, Hung-Yi	-	-					None

Note 1: The top ten shareholders should all be listed, and for corporate shareholders, the name of the corporate shareholder and the name of the representative should be listed separately.

Note 2: The calculation of the shareholding ratio refers to calculating the shareholding ratio of the individual and their spouse, minor children, or nominee.

Note 3: When listing the above-mentioned shareholders, which include both corporations and natural persons, the relationship between them should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

10. The company, its directors, managers, and businesses controlled directly or indirectly by the Company must disclose their respective shareholdings in the Re-invested businesses and calculate the total shareholding percentage through consolidation.

#### Total Shareholding Ratio

April 2, 2023 Unit: Shares; %

Re-invested businesses (Note)	Investment by the Company		Direct or Indirect Investment by Directors/ Managers		Total Investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Hungtu Alishan International Development Co., Ltd.	The date of liquidation's conclusion is December 29, 2022, and the court is currently administering the procedure for liquidation's conclusion.					
Hung Yeu Construction CO.,LTD.	22,000,000	92.83%	-	-	22,000,000	92.83%

Note: The Company makes investments using the equity method.



## IV. Capital Overview

### 1. Capital and Shares

#### (1) Source of Share Capital

##### A. Process of Capital Formation

April 2, 2023

Unit: Thousand shares/ NT\$ thousands

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Others
04/1984	1,000	30	30,000	30	30,000	Cash Establishment	None	The par value was adjusted from NT\$1,000 per share to NT\$10 per share on December 23, 1994
07/1989	1,000	120	120,000	120	120,000	Cash Capital Increase	None	
07/1990	1,000	180	180,000	180	180,000	Cash Capital Increase	None	
01/1995	10	70,000	700,000	33,000	330,000	Cash Capital Increase	None	December 23, 1994, No.: (83)Tai-Cai-Certificate(1) No.43896
06/1997	10	70,000	700,000	40,260	402,600	Cash Capital Increase of 49,500 Capitalization of retained earnings of 23,100	None	June 5, 1997, No.: (86)Tai-Cai-Certificate(1) No.44473
05/1998	10	70,000	700,000	49,236	492,360	Cash Capital Increase of 49,500 Capitalization of retained earnings of 40,260	None	May 19, 1998, No.: (87)Tai-Cai-Certificate(1) No.43425
12/1999	10	70,000	700,000	54,200	542,000	Capitalization of retained earnings of 49,640	None	December 7, 1999, No.: (88)Tai-Cai-Certificate(1) No.103020
03/2003	7.5	70,000	700,000	64,200	642,000	Capitalization of retained earnings of 100,000	None	March 10, 2003, No.: (92)Tai-Cai-Certificate(1) No. 0920104213
05/2004	10	100,000	1,000,000	69,336	693,360	Capitalization of retained earnings of 51,360	None	May 31, 2004, No.: (93)Tai-Cai-Certificate(1) No. 0930123952
08/2005	10	117,000	1,170,000	74,330	743,330	Capitalization of retained earnings of 49,940	None	August 15, 2005, No.: (94)Jin-Guan-Certificate-1 No.0940133589
06/2006	10	117,000	1,170,000	82,824	828,240	Capitalization of retained earnings of 84,940	None	June 29, 2006, No.: (95)Jin-Guan-Certificate-1 No.0950127395
08/2007	10	150,000	1,500,000	94,292	942,920	Capitalization of retained earnings of 114,680	None	August 1, 2007, No.: (96)Jin-Guan-Certificate-1 No.0960040566
10/2008	10	150,000	1,500,000	109,323	1,093,232	Capitalization of retained earnings of 109,720 Conversion of corporate bonds for 40,592	None	August 19, 2008, No.: Jin-Guan-Certificate-1 No.0970042162 October 15, 2008, Commercial Affairs Bureau Document No. 09701263880
04/2011	10	150,000	1,500,000	146,704	1,467,048	Conversion of privately placed corporate bonds for 373,816	None	April 6, 2011, Commercial Affairs Bureau Document No. 10001064920
07/2011	10	200,000	2,000,000	176,705	1,767,048	Private common stock 300,000	None	July 20, 2011, Commercial Affairs Bureau Document No. 10001161070
08/2013	10	200,000	2,000,000	112,852	1,128,518	Reduction of capital by 638,530	None	August 15, 2013, Commercial Affairs Bureau Document No. 10201168210
09/2017	10	200,000	2,000,000	155,002	1,550,015	Conversion of privately placed corporate bonds for 421,497	None	September 6, 2017, Commercial Affairs Bureau Document No. 10601127780

## B. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total	
Common Shares	155,001,464 Shares	44,998,536 Shares	200,000,000 Shares	OTC Companies Stocks

## C. Information for Shelf Registration: None

### (2) Status of Shareholders

April 2, 2023

Status of Shareholders Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	1	25	3,385	10	3,421
Shareholding (shares)	-	44,211	98,095,172	56,766,670	95,411	155,001,464
Shareholding Percentage	-	0.03%	63.29%	36.62%	0.06%	100%

Note: Listed companies and emerging stock companies are required to disclose the shareholding ratios of Mainland China investors; Mainland China investors refer to Mainland China individuals, legal persons, groups, other organizations or companies that have invested in third areas, as outlined in Article 3 of the Measures Governing Investment Permit to the People of Mainland Area.

### (3) Shareholding Distribution Status

#### A. Shareholding Distribution Status

April 2, 2023

Shareholding Tiers	No. of Shareholders	Shareholding	Shareholding Ratio
1 to 999	1,928	397,263	0.26%
1,000 to 5,000	921	1,958,779	1.26%
5,001 to 10,000	197	1,540,228	0.99%
10,001 to 15,000	70	889,563	0.57%
15,001 to 20,000	45	829,145	0.53%
20,001 to 30,000	60	1,479,054	0.95%
30,001 to 50,000	66	2,616,559	1.69%
50,001 to 100,000	51	3,529,638	2.28%
100,001 to 200,000	28	4,022,873	2.60%
200,001 to 400,000	18	4,943,395	3.19%
400,001 to 600,000	7	3,626,692	2.34%
600,001 to 800,000	4	2,660,932	1.72%

800,001 to 1,000,000	1	855,477	0.55%
1,000,001 or over	25	125,651,866	81.06%
Total	3,421	155,001,464	100%

B. Preferred Shares Distribution Status: None

(4) List of Major Shareholders

List all shareholders with a stake of 5 percent or greater, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list.

Base Date: April 2, 2023

Name of Major Shareholders	Shares	Shareholdings	Shareholding Percentage
MORNING HONOR INVESTMENT CO., LTD..		34,411,027	22.20%
Blessing & Praise Construction Corp.		29,696,536	19.16%
Wealth W&E Engineering Company		10,537,407	6.80%
Cornerstone Investment Co., Ltd.		7,663,752	4.94%
Ting, Cheng-Fu		6,192,593	4.00%
Wu, Ming-Hsin		3,289,672	2.12%
Wang, Sen-Sheng		2,994,000	1.93%
Liu, Kuan-Ming		2,713,506	1.75%
Chang, Shu-Chen		2,661,025	1.72%
HeFong Investment Co., Ltd		2,258,971	1.46%

(5) Market price, net worth, earnings, and dividends per share in the last two years

Market Price, Net Worth, Earnings, and Dividends per Share

Item		Year	2021	2022	As of April 6, 2023 (Note 8)
Market Price per Share (Note 1)	Highest		36.75	29.80	26.60
	Lowest		17.20	23.00	24.55
	Average		27.55	26.57	25.12
Net Worth per Share (Note 2)	Before Distribution		16.96	18.19	17.82
	After Distribution		16.96	Note 9	Not distributed yet
Earnings per Share	Weighted Average Shares		155,001,464	155,001,464	155,001,464
	Earnings Per Share (Note 3)		5.91	3.03	1.13
Dividends per Share	Cash Dividends		1.8	1.5(Note 2)	-
	S t o c k Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-	-
Return on Investment	Price / Earnings Ratio (Note 5)		4.66	8.77	Not Applicable
	Price / Dividend Ratio (Note 6)		15.31	17.71	Not Applicable
	Cash Dividend Yield Rate (Note 7)		0.07	0.06	Not Applicable

\*If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market prices of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: The Board of Directors resolved to distribute cash dividends for the fiscal year 2022 on March 15, 2023, and it will be submitted to the annual general meeting on May 31, 2023. Relevant information can be obtained from the Taiwan Stock Exchange Market Observation Post System after the meeting.

Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price/earnings ratio = average closing price per share for the year / earnings per share.

Note 6: Price / dividend ratio = average closing price per share for the year / cash dividends per share.

Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

Note 9: The Board of Directors passed the resolution for the distribution of earnings for the fiscal year 2022, which will be submitted to the 2023 annual general meeting.

(6) Dividend Policy and Implementation Status:

A. Dividend Policy in Articles of Incorporation:

Article 26: In order to motivate employees and the management team, if a company has profits after recouping accumulated losses in a fiscal year, it must allocate:

1. Employee remuneration shall not be less than 0.1%.
2. Director remuneration shall not exceed 3%.

Article 27: If the Company's annual settlement results in profits, they must be distributed as follows:

1. Pay taxes and make donations.
2. Make up for losses.
3. Set aside 10% as statutory surplus; however, if the statutory surplus has reached the total capital, it is not limited to this.
4. According to relevant laws and regulations, set aside or transfer any special surplus.
5. The remaining amount, which is the cumulative distributable surplus of the previous period, shall be proposed by the Board of Directors for distribution and approved by the shareholders' meeting.

The Company's dividend policy is based on the Company's operating conditions, capital requirements, internal and external changes in the overall environment, and taking into account the interests of shareholders.

Dividends may be distributed in full or in part in the form of cash dividends or stock dividends. However, cash dividends must not be less than 10% of the total dividends.

If the Company distributes cash dividends, the Board of Directors must comply with Corporation Law Article 240, Paragraph 5 and report the matter to the shareholders' meeting without seeking shareholder approval.

B. The proposed dividend distribution for this shareholders' meeting is as follows:

For the 2022 fiscal year profit distribution, according to the Company's articles of incorporation, dividends shall be distributed in cash, and the Board of Directors shall handle it in accordance with Article 240 of the Corporate Law and report it to the shareholders' meeting, without the need to submit a request for approval to the shareholders' meeting. After being approved by the Board of Directors on March 15, 2023, it is proposed to distribute cash dividends of NT\$1.5 per share, totaling NT\$232,502,196. The Board of Directors has authorized the Chairman to set the ex-dividend date, payment date, and other related matters.

C. When there is a substantial modification to the dividend policy, it must be explained:  
There is no significant change in the dividend policy.

(7) The impact of the proposed bonus shares on the Company's business performance and earnings per share:

This does not apply as the Company does not offer bonus shares.

(8) Compensation of Employees and Directors:

A. Percentage or range of employee compensation and director remuneration specified in the Articles of Incorporation:

If the Company's annual financial statements reflect a profit, it must first recoup losses from prior years and then allocate the surplus to the following:

- (a) Employee compensation for not less than 0.1%.
- (b) Director remuneration limited to no more than 3%.

With the approval of at least two-thirds of the present directors and the majority of present directors, the Board of Directors may decide to pay employee compensation in the form of stocks or cash and report this decision to the shareholders' meeting.

The compensation described above can only be paid in cash.

The recipients of employee compensation paid in stocks or cash may include employees of subsidiary companies who meet certain conditions.

- B. Accounting treatment of differences between the estimated amount of employee and director remuneration for the current period, the calculation basis for employee compensation paid in stocks, and the actual amount of distribution:

For the estimated amount of employee and director remuneration for the 2022 fiscal year, the estimation was based on multiplying the pre-tax net profit before deducting employee and director remuneration by 0.1% for employee compensation and by 1% for director remuneration. If there is a difference between the actual amount of distribution and the estimated amount, it shall be handled according to accounting estimates and adjusted in the distribution year.

- C. Board resolution on the distribution of remuneration:

- (a) The amount of employee compensation and director remuneration distributed in cash or stocks (if there is a difference between the estimated amount of recognized expenses and the actual amount of distribution, the difference, reasons and treatment shall be disclosed):

On March 15, 2023, the Board of Directors approved the distribution of NT\$501,470 in employee compensation and NT\$5,014,699 in director remuneration in cash, which is consistent with the amounts reported in the 2022 financial report.

- (b) Ratio of employee compensation paid in stocks to the post-tax net income and total employee compensation in the current individual financial report:

Employee compensation was not paid in stocks in this distribution.

- D. Actual distribution of employee compensation, director and supervisor remuneration in the prior fiscal year (including the number of shares, amount, and stock price), and the differences with the recognized employee compensation, director and supervisor remuneration, and the differences, reasons, and treatment shall be disclosed:

The annual general meeting on June 8, 2022, approved the distribution of employee compensation of NT\$969,646 and director remuneration of NT\$9,696,463 in cash, which the Board of Directors approved on March 16, 2022, with no differences in the distribution.

(9) Repurchase of Company Shares: None.

2. Corporate Bond: None.

3. Preferred Shares: None.

4. Overseas Depositary Receipts: None.

5. Issuance of Employee Stock Options and Restricted Shares for Employees: None.

6. Status of the Issuance of New Shares in Connection with Mergers and Acquisitions (including Mergers, Acquisitions, Splits): None.

7. Financing Plans and Implementation: None.

## V. Operations Profile

### 1. Business Scope

#### (1) Main areas of business operations

##### A. Main Business

- a. H701010 Residence and Buildings Lease Construction and Development.
- b. H701020 Industrial Factory Development and Rental
- c. H701040 Specific Area Development
- d. H701050 Public Works Construction and Investment
- e. H703090 Real Estate Business
- f. H703100 Real Estate Rental and Leasing
- g. F106030 Wholesale of Molds
- h. F113030 Wholesale of Precision Instruments
- i. F119010 Wholesale of Electronic Materials
- j. F401010 International Trade
- k. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

##### B. Business Proportion

The Company's main business is "commissioning construction companies to build rental and sales of residential, large-scale communities, residential buildings, detached houses, and commercial buildings." Domestic sales account for one hundred percent of the Company's revenue.

##### C. Company's Current Products and Newly Developed Products

Currently, the Company's primary offerings consist of the construction of large-scale communities, apartment suites, commercial and residential buildings for sale or rent. The Company will develop in the direction of regional large-scale developers in addition to its original products in order to diversify its offerings and meet the needs of various customer groups for an improved standard of living. The Company will adopt a diversified business strategy and engage in vertical integration in order to broaden the scope of its operations and reduce business risks.

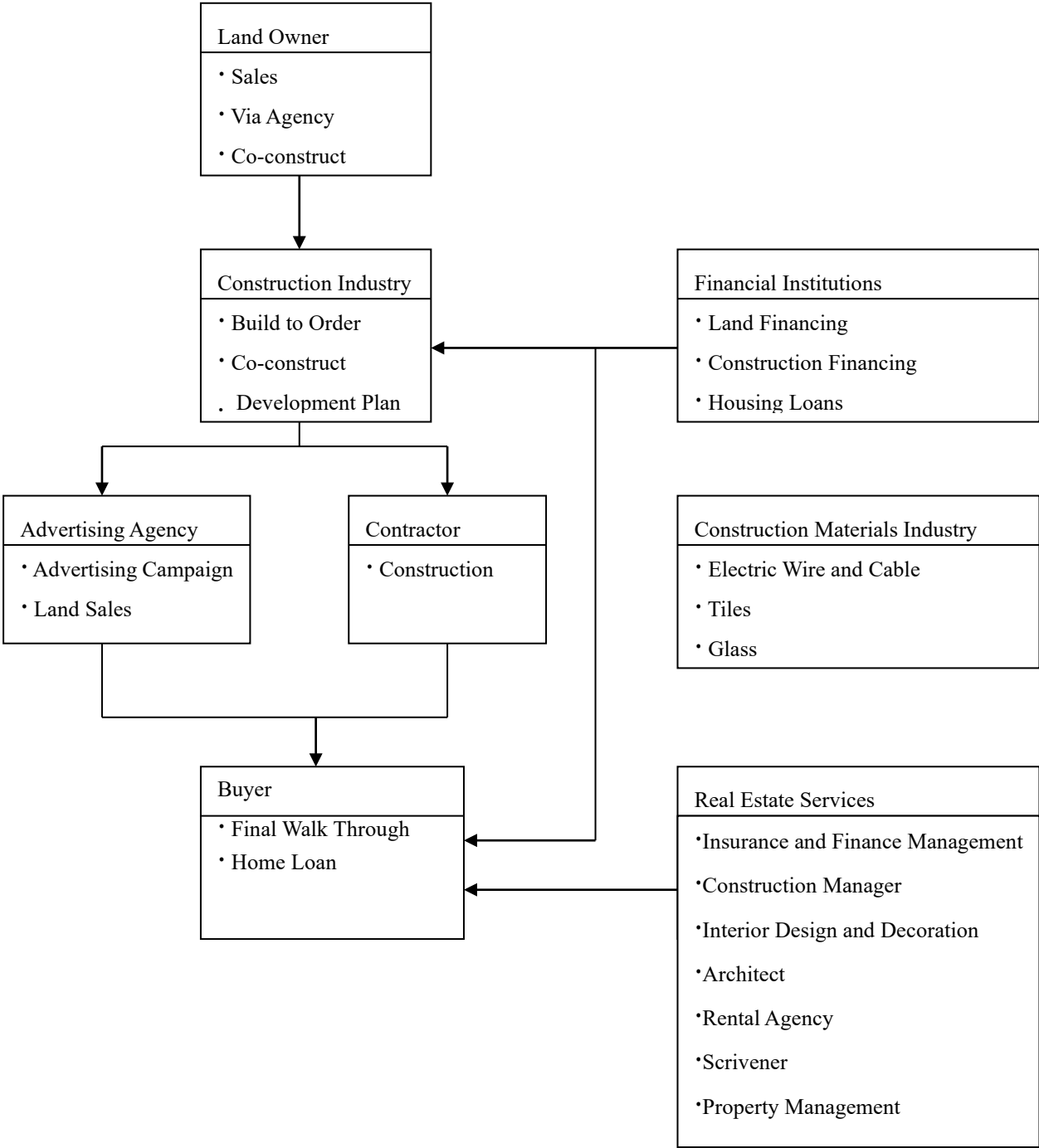
#### (2) Industry Overview

##### A. Industry Status and Development

The average interest rate for new home purchase loans offered by the five largest banks in the fourth quarter of 2022 was 1.864%, which is relatively low and helps to increase the demand for home purchases. The government's sensible housing market control measures, typical land rights laws, and the establishment of a single tax system for real estate and land have all had an impact on the real estate industry recently, which has led to a gradual decline in buying interest. The domestic market is in a condition of observation and waiting in the short term, while housing demand will be modified based on population growth trends in the long term. In the future, products that prioritize location, transportation, future potential, quality, safety, and community services will ultimately be recognized and approved.

B. Relationship with Upstream, Midstream, and Downstream Businesses

Interrelationship Diagram of the upper, middle and downstream of the construction industry





### C. Future Development Trends of Real Estate Products

#### (a) The Completeness of Community Convenience

In the past, due to inadequate planning, residential communities lacked living functions, causing residents to have to go outside the community for their main activities, resulting in inconvenience in their daily lives. Nowadays, newly built communities emphasize the completeness of functions, with many facilities such as sports fields, libraries, swimming pools, public leisure green spaces, and more, allowing residents to enjoy the convenience of living within the community.

#### (b) Future of Regional Transportation

With the advent of the information age, home buyers prioritize considerations such as the potential for future development, major construction projects, and transportation convenience when selecting properties, with access to transparent information through the internet. Companies promote land purchases based on these criteria, and product positioning is determined based on market trends.

#### (c) Clear Difference for First-Time and Trade-Up Homebuyers

First-time and trade-up homebuyers have different financial capabilities and varied preferences. First-time homebuyers are more sensitive to prices and as long as the product is fully functional, they have greater flexibility in selecting regions. Trade-up customers, however, place a higher emphasis on quality, including the completeness of community functions, convenience of living, and safety, and tend to prioritize region selection.

#### (d) Booming of Leisure Real Estate

With the increase in national income, people are gradually paying more attention to their quality of life, allocating a greater proportion of their income to leisure travel. The implementation of the two-day weekend policy has further fostered this trend. Real estate products related to leisure and recreational activities are increasing in response to demand and will be introduced in different formats into the market.

#### (e) After-Sales Service Provided by Developers

Fong Chien Construction has launched many cases, with a focus on developing after-sales services. The Company places great emphasis on after-sales services and actively seeks to understand customer needs and feedback.

### D. Product Competition Situation

The regional characteristics of the construction investment industry are quite strong, with regional case competition being the main form of market competition. By establishing a brand for the Taichung City block, and as an OTC-listed company with over 40 years of history, Fong Chien Construction has withstood the test of many years of economic downturns and is a stable company. Most of the cases launched by the Company have good sales rates, indicating that its competitiveness is above average.

### (3) Research and Development Overview

A. R&D expenses during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report: None.

B. Successful technology or product development:

Based on industry characteristics, the best R&D for the construction industry is land development. The Company will take a professional and proactive approach to land development, identifying areas with development potential, collecting data and acquiring land, and bringing together business departments, development design departments, architects, designers, and structural engineers for intensive

planning and design sessions. This will ensure that the products developed can meet the unpredictable market changes and respond to the needs of various customer segments, thereby increasing gross profit and establishing a better reputation.

#### (4) Long and Short-Term Business Development Plans

##### A. Short-Term Business Development Plan

- (a) Taichung: In 2023, the Dingqiaozitou segment in East District, the Renping section of the 14th phase, and the Zhenfu segment in Nantun District will be sold. The "SenLiFang" project in Beitun District has sold out and is scheduled to be completed in the second half of the year.
- (b) Hsinchu: the "VITA" project is in the process of being sold and delivered.

##### B. Long-Term Business Development Plan

- (a) The company will promote brand marketing in accordance with the company's business philosophy of "Innovation, Diligence."
- (b) In response to smart green building, the company will create a community that incorporates energy-saving and low-carbon technology with sunlight, water, and green plants.

C. For community management planning, the Company will follow the principle of sustainable development and provide guidance for community management for all cases in Fong Chien. The Company will also strengthen customer service and provide resources such as internal cultural and artistic activities to establish a Fong Chien family and establish a brand image.

## 2. Market and Sales Overview

### (1) Market Analysis

#### A. Main Sales (Service) Region

The Company mainly offers products such as large-scale community development and residential and commercial buildings. The East District and the Fourteenth Phase of Taichung City were the main sales regions in 2023, and land in the Chiayi area will be liquidated. The products are mainly aimed at first-time homebuyers and those looking to upgrade, with 2–4-bedroom options and a focus on establishing a good reputation in consumers' minds with the brand and construction quality.

#### B. Market Share

Currently, online cases primarily focus on 3-bedroom products, with small to medium-sized units being the most popular, with the highest market share.

#### C. Future Supply and Demand of the Market

##### (a) Supply

According to statistics from the Department of Statistics of the Ministry of the Interior, in the first six months of 2022, a total of 11,960 building construction permits were issued nationwide, a decrease of 9.7% compared to the same period in 2021. The total floor area of buildings was 21.86 million square meters, an increase of 10.5%. The average area per permit was 1,828 square meters, an increase of 22.4%. Observing the total floor area of building permits issued in the six metropolitan areas, a total of 15.04 million square meters were issued in the first half of 2022, accounting for about 70% of the country's total, an increase of 11.2% compared to the previous year, with Taichung City accounting for the largest share at 17%. This indicates an increase in market supply. In recent years, the real estate market has primarily catered to the self-occupancy and home-upgrading groups, and product unit size is gradually decreasing, with a mid-to-low total price in mind.

##### (b) Demand

In 2022, the mainstream products in the housing market still focus on small to medium-sized units. The unit prices in each area have continued to rise

due to the reflection of inflation and land value appreciation. In many areas, due to the significant increase in unit prices, the total price of a general unit has reached the threshold of the purchasing power of self-occupancy customers. As a result, the trend of future supply is to continue to reduce the unit size of houses. In 2023, the Company will focus on customer demand and purchasing power in land acquisition and product planning to increase product competitiveness.

#### D. Competitive Niche

(a) Good Corporate Image

The Company has always adhered to the business philosophy of integrity, sustainable operation, quality improvement, professional service, and grateful feedback. The Company has successfully expanded its operations in Taichung and northern Taiwan. Additionally, the Company has strengthened its construction management to ensure project quality, strictly control completion and delivery schedules, and provide excellent after-sales service to prevent transaction disputes. As a result, they have established a strong foundation in the industry and a good reputation in the eyes of consumers. Furthermore, the Company has also received many awards, including the "Chinese Architectural Golden Stone Award" and the "National Golden Award for Architecture," and has a strong brand image.

(b) Professional Management Team

The Company's management team is well-educated and experienced, and it adheres to the philosophy of long-term operation. The Company has persevered through many economic ups and downs.

(c) Land Development Ability

The Company has stably cultivated its business in Taichung, allowing them to precisely understand local mood and market preferences, providing them with a keen skill for land development. The Company has assembled a skilled team, and its operations will be concentrated in Taichung and the Zhubei district of Hsinchu County. The Company is confident in their capacity to continue their exceptional land development ability by leveraging their previous knowledge and their new professional workforce.

(d) Professional After-Sales Service, Highly Trusted by Customers

Based on the philosophy of sustainable operation and rooted service, the Company assigns a dedicated person to quickly handle customer problems. In its after-sales service, the Company assists customers with both warranty and non-warranty issues. Furthermore, the Company places great importance on community management issues after project completion and delivery. Before the implementation of the Condominium Administration Act, the Company helped establish building management committees for their projects upon delivery to maintain community management and improve residents' living environment. They also hold community events and building visits regularly, receiving high praise from customers.

(e) Excellent Engineering Management Skills

The Company has established a complete internal control process for engineering quality control and cooperates with reliable and high-quality contractors to strengthen construction supervision management, ensuring project quality, strictly controlling completion and delivery schedules, and providing excellent after-sales service to prevent transaction disputes.

#### E. Favorable and Unfavorable Factors and Countermeasures in the Long Term

(a) Favorable Factors

a. In a low interest rate and high inflation era, real estate is still a better

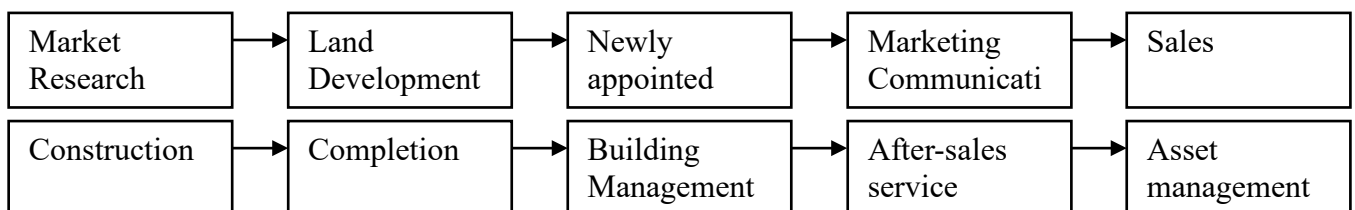
- investment target.
- b. Compared to other cases in the same area, the brand and quality of the Company are more competitive.
  - c. The Company's product positioning meets market demand, with smooth sales, less finished house inventory, and a quick turnover of funds.
  - d. The real purchasing power has not increased, and the Company's cases are located in areas with good transportation conditions and superior living functions, which are more in line with the purchasing power of the target customer group, and sales are guaranteed.
- (b) Unfavorable Factors
- a. Out-of-town developers continue to enter the market and hunt for land, driving up land prices, increasing competition, and making cost reduction impossible.
  - b. Inflation is looming, and the cost of land and construction continues to rise, increasing the burden of expenditure.
  - c. The construction industry is a capital-intensive industry that requires massive funding. Due to industry characteristics, bank financing is relatively conservative, and funding channels are not easy.
- (c) Countermeasures
- a. Integrate sales techniques to improve excess house clearing and sensitive land development capabilities to improve product planning, residential safety, and after-sales services. Conduct thorough evaluations before purchasing land, and carefully plan and evaluate each project as a whole, strengthen construction cost management, and select high-quality building materials to increase product value and profitability.
  - b. To maintain a good company brand image and increase competitiveness with peers, construction companies should improve construction quality, carefully select building materials, strictly regulate and supervise the construction process.
  - c. Strengthen procurement and outsourcing capabilities, seek reasonably priced and high-quality suppliers through multiple inquiries and collective bargaining to reduce project costs.
  - d. Conduct research and analysis on future potentially developing regional markets, timely grasp environmental trends, and maintain appropriate concern and vigilance for changes in the housing market.

(2) Production Procedures of Main Products

A. Production Procedures of Main Products

Major Products	Main Usage
Buildings	Residential, office and commercial buildings, providing parking lots
Apartment	Residential, Shops

B. Production Procedures



(3) Supply Status of Major Raw Materials

A. Supply of Construction Sites

The main areas where the Company promotes its products are in Taichung City. After rigorous market evaluation, analysis, qualitative and quantitative positioning of products, high-grade and high-quality products with market segmentation are designed. These products are located in excellent areas with elegant environments. They are recommended to the Company by intermediaries, intermediary companies or landlords who are familiar with the Company's main operating areas. They are also acquired through land bidding released by government agencies such as the National Property Administration and banks, or through auctions of prime locations by courts. The Company focuses on acquiring land that can be immediately developed and constructed.

B. Construction Projects

The Company has a good relationship with various construction companies, and the construction progress can be completed on schedule. Due to the Company's strict construction contracting methods and construction standards, the progress and quality of the project can be effectively monitored and understood from the contracting stage to the acceptance stage. Therefore, the quality of the completed cases delivered by the Company can be maintained at a high level. The construction contractors responsible for the subsidiary materials such as gravel, reinforcing bars, sand and other related building materials market prices will pay attention and respond accordingly.

(4) Provide the names of customers who accounted for more than 10% of the total sales in either of the past two years, along with their corresponding sales amounts and proportions, and explain the reasons for any changes in their levels of contribution.

A. Suppliers who have accounted for more than 10% of the total purchases in any of the last two years

Unit: NT\$ thousands

Item	2021				2022				As of the end of the previous quarter of 2023			
	Name	Amount	Total annual purchase net amount ratio(%)	Relationship with issuer	Name	Amount	Total annual purchase net amount ratio(%)	Relationship with issuer	Name	Amount	Purchase net percentage as of the last quarter of the current fiscal year (%)	Relationship with issuer
1	Blessing & Praise Construction Corp.	477,872	86.28	None	Blessing & Praise Construction Corp.	695,716	32.37	None	Blessing & Praise Construction Corp.	33,086	75.20	None
2		-	-		Yeh, ○○ Tseng, ○○	234,984	10.93	None		-	-	
3	Others	75,996	13.72	None	Others	1,218,581	56.70	None	Others	10,913	24.80	None
	Net Total Supplies	553,868	100		Net Total Supplies	2,149,281	100		Net Total Supplies	43,999	100	

Note: Differences between the two periods:

■Blessing & Praise Construction Corp.: The main reason for this is because the construction project was contracted to Blessing & Praise Construction Corp., and the construction cost was invested.

■Natural Persons Yeh, ○○ and Tseng, ○○ : Purchased construction land from landowners in 2022.

### B. Major Clients Accounted for More than 10% of Total Sales in Any of the Last Two Calendar Years

Unit: NT\$ thousands

Item	2021				2022				As of the end of the previous quarter of 2023			
	Name	Amount	Ratio of annual net sales (%)	Relationship with issuer	Name	Amount	Ratio of annual net sales (%)	Relationship with issuer	Name	Amount	Ratio of annual net sales (%) (As of the previous quarter)	Relationship with issuer
1	Chen, ○○	500,000	16.32	None	-	-	-	-	-	-	-	-
2	Others	2,563,768	83.68	None	Others	217,444	100	None	Others	935,122	100	None
	Net sales	3,063,768	100		Net sales	217,444	100		Net sales	935,122	100	

Note: Differences between the two periods:

■The Company's products are mainly sold to the public, with no customer accounting for more than 10% of the total sales in 2021 and 2022. In 2021, a piece of land in the Jiabao section was sold to Chen○○(natural person), which increased the Company's construction revenue due to overall planning considerations.

■Customers whose sales account for less than 10% of the total sales in Q1 of 2023.

(5) Production volume in the Last Two Years

Production Volume Main products (Or by departments)	Year	2021			2022		
		Capacity (units)	Quantity (units) Note 1	Value (NT\$ thousands) Note 2	Capacity (units)	Quantity (units) Note 1	Value (NT\$ thousands) Note 2
Housing		-	178	1,594,070	-	-	-
Total		-	178	1,594,070	-	-	-

Note 1: Quantity refers to the number of completed units in the current year.

Note 2: Value refers to the total cost of completed cases in the current year.

(6) Sales Volume in the Last Two Years

Unit: NT\$ thousands

Production Volume Main products (Or by departments)	Year	2021		2022	
		Sales Volume (Note 1)	Sales Value (Including parking slots)	Sales Volume (Note 1)	Sales Value (Including parking slots)
Housing		244	3,059,684	21	213,169
Rental Revenue		-	4,084	-	4,275
Total		244	3,063,768	21	217,444

Note 1: Sales volume refers to the number of units sold during the year. The sales value for 2021 includes the sale of construction land.

3. Employee information for the last two years and up to the date of printing of the annual report, including the number of employees, average years of service, average age, and distribution of educational qualifications.

Year		2021	2022	As of March 31, 2023 (Note)
No. of Employ ees	Employees	15	16	16
	Total	15	16	16
Average Age		36.6	38.63	38.63
Average Years of Service		2.8	4.77	5.01
Educati on	Masters	13.33%	18.75%	18.75%
	Bachelor’s Degree	80.00%	75.00%	75.00%
	Vocational School	6.67%	6.25%	6.25%
	Senior High School	-	-	-
	Below Senior High School	-	-	-

Note: Data through the date of printing of the annual report must be entered.

4. Environmental Expenditure Information

- (1) Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents: None.
- (2) The estimated amount and response measures that may occur in the present and future are as follows:

The Company is in the construction industry, and construction projects are contracted to construction companies. Environmental pollution and related waste disposal that may arise during construction are specified in the construction contract as the construction company's obligation. To avoid producing pollution sources, the Company is accountable for oversight and control.

5. Labor Relations

- (1) Employee Benefits, Education and Training, Retirement System, and Implementation of Labor-Management Agreements and Employee Rights Protection Measures

A. Employee Benefits, Education and Training:

- All employees receive standard benefits such as basic labor insurance, health insurance, retirement benefits, and group insurance. In keeping with its people-oriented corporate philosophy, the Company has established independent employee rest areas to allow all employees to take short breaks and reduce stress while promoting communication.
- In accordance with the law, the Company also established a workers' welfare committee to select welfare commissioners to handle employee welfare. The committee develops annual plans and budget allocations to provide annual bonuses, birthday bonuses, regular and irregular dinners, group travel activities or subsidies, hospitalization, major disaster emergency subsidies, marriage and funeral subsidies, and other benefits to ensure that employees work without worry for the Company.
- Education and Training: In response to the various changes in the industry and the rapid changes in the market, the Company provides complete on-the-job training for employees to ensure that they have the skills and career development opportunities to enhance their competitiveness and create additional value. In addition, to comply with the government's goal of net zero carbon emissions by 2050, the Company has made early arrangements for the net zero path and arranged for employees to participate in relevant academic institutions to improve their knowledge and actively face the important issue of net zero carbon emissions.

B. Retirement System and Implementation:

- The Company's retirement system is implemented in accordance with relevant laws and regulations.



New labor pension system: The new labor retirement pension system has been implemented since July 1, 2005. The Company contributes monthly retirement pension payments not less than 6% of an employee's monthly salary to the employee's personal account at the Labor Pension Fund set up by the Bureau of Labor Insurance. The ownership of the personal account belongs to the employee.

C. Labor-management accord and safeguards for employee rights:

- The Company emphasizes rational and humane self-management, and has established smooth communication channels and regularly holds labor-management meetings. Through each meeting, labor representatives can raise issues for discussion, communicate opinions, and pass various resolutions in an open and two-way communication approach to convey policies and understand employees' opinions. The Company also follows the regulations of the Labor Standards Act to establish management rules to maintain good relations between labor and management.

D. Employee Code of Conduct or Ethics:

- The Company places great importance on the professional ethics of every colleague to ensure that all employees can engage in business operations with the highest ethical standards. The Company has established a "Code of Ethical Conduct" to ensure that all employees can accept the Company's position or appointment while adhering to the highest level of personal integrity, conduct, and behavior.

- (2) Disclosure of losses incurred due to labor disputes in the current and previous fiscal years until the printing date of this annual report (including violations of labor laws resulting from labor inspections, and should state the date of punishment, punishment number, the content of the violation, the content of the violation of the law, and the punishment content). The estimated amount of potential future losses and corresponding measures should also be disclosed. If the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be explained:

- As of the publication date of the annual report, there has been no loss due to labor disputes.
- Loss incurred: none
- Future measures taken by the Company: The Company upholds the spirit of win-win cooperation between labor and management, and properly plans human resource management systems, adheres to laws and regulations, respects employees, and values employee welfare. As a result, labor and management have always maintained harmony, and the Company predicts that there will be no labor-management disputes in the future.

- (3) Employee Safety and Workplace Protection Measures and Their Implementation:

Employee safety measures have been implemented at the Company. All employees are covered by group insurance to ensure their welfare.

A. On-site:

- Personnel and construction vehicle access control.
- Personnel working at heights must wear safety harnesses and helmets.
- Environmental protection and cleanliness are maintained in accordance with company standardized procedures.
- Drinking water is regularly maintained to ensure its quality.
- Medical supplies are stored in the construction office.
- Daily safety meetings are held at the construction site to identify and address safety issues.
- Contractors are trained daily and supervised to ensure construction safety.

B. Office:

- The water dispenser is regularly maintained and filter cartridges are replaced to

ensure employee safety when drinking water.

- The office is equipped with surveillance cameras to ensure employee safety.
- The building management committee conducts multiple annual fire safety awareness campaigns and fire drills.
- The building management committee arranges multiple annual office disinfection and pest control operations.
- Personnel access is controlled in the building starting at 11 pm, and elevator usage is also monitored.

## 6. Cyber Security Management:

(1) This section outlines the cyber security risk management framework, cyber security policies, specific management plans, and resources invested in cyber security management:

### A. Cyber Security Risk Management Framework:

(a)The cyber security responsibilities lie with the information professionals in the management department of the Company. They are responsible for formulating company cyber security policies, planning and implementing cyber security protection, and promoting cyber security policy enforcement, as well as executing related cyber security operations.

(b)To achieve effective cyber security management, the Company should establish an cyber security organization, including a security supervisor and at least one dedicated security personnel, responsible for promoting, coordinating, and supervising the following cyber security management matters:

- Approval and supervision of cyber security policies.
- Assignment and coordination of cyber security responsibilities.
- Oversight of information asset protection measures.
- Review and supervision of cyber security incidents.
- Approval of other cyber security matters.

(c) Regular assessment and review of cyber security policies should be conducted to reflect the latest developments in management policies, government regulations, and company operations. This ensures the feasibility and effectiveness of the cyber security management system.

### B. Cyber Security Policies and Management Plans:

(a)The Company's cyber security facilities and management methods are as follows:

#### 1.1 Server Room Security Management:

- Access to the server room is recorded, and information personnel accompany visitors.
- The server room has independent air conditioning to maintain the temperature for proper server operation.
- The server room has an uninterrupted power supply system to avoid power outages that could cause faults and maintain normal system operation.

#### 1.2 Network Security Management:

- Firewall equipment is in place to block external malicious threats.
- Firewall information reports are monitored and analyzed.

#### 1.3 Access Control Management:

- Employees must apply to the Company for system access permission, which is approved by the supervisor. The information provider will then provide the user with an account and password and set access rights based on the application items.
- When an employee leaves the Company or takes a leave of absence without pay, the information system will delete their account or temporarily suspend their access.

#### 1.4 Virus Protection Management:

- Servers and employee computers have anti-virus software installed that automatically updates virus codes and detects them in real-time to prevent malicious viruses from invading.
- The anti-virus software will isolate and delete detected viruses and send a system warning notification to the information personnel's email for them to take responsive measures.

1.5 Backup and Recovery Management:

- Computer data is automatically backed up daily by the cloud backup system to facilitate data security management.

(b) Personal Cyber Security Management:

- 2.1 Sensitive or confidential data should be encrypted and stored primarily on office desktop computers, with physical isolation being considered and avoiding storing such data on portable storage devices.
- 2.2 If it is necessary to bring official computer data home for processing, sensitive or confidential data in portable storage devices should be deleted first to maintain security.
- 2.3 Colleagues who download files via the Internet or use USB drives should immediately perform virus scans to confirm that they are safe and virus-free before use.

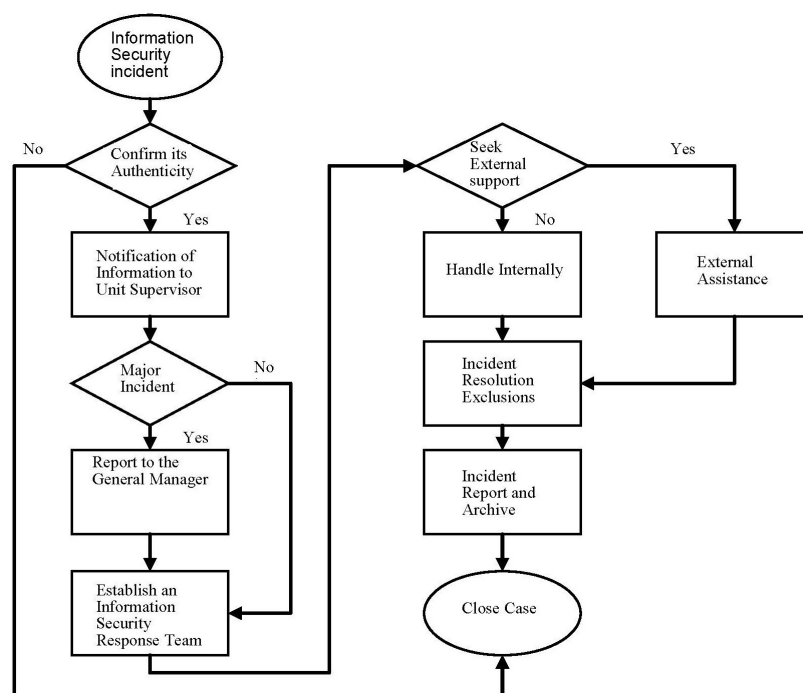
(c) Investment in Information and Communication Security Management Resources:

(d) Reporting and Handling of Company Cyber Security Incidents:

- 4.1 Verification of the authenticity of cyber security incidents.
- 4.2 Notification of information and security management.
- 4.3 Determine whether to report to the general manager based on the severity of the incident.
- 4.4 Handling the incident on one's own or seeking external support.
- 4.4 Archiving records and reports of cyber security incidents.

(e) Attachment

5.1 Figure 1: Cyber Security Incident Process Flowchart.



3. Investment in Information and Communication Security Management Resources:

3.1 Hardware: Firewall, UPS uninterrupted power system, regular updates of computers and related equipment.

3.2 Software: Anti-virus software, cloud backup system, regular updates of relevant software.

3.3 Personnel: Cyber security education and training, regular internal audits, daily checking of the equipment in the machine room, review of firewall information reports, permission settings, anti-virus software updates and detection reports, and data backup status.

(2) List of losses, potential impacts, and response measures suffered due to significant information and communication security incidents up until the date of publication of the latest annual report. If unable to estimate reasonably, it should be explained that such estimation is not possible:

The Company has not experienced or discovered any significant cyber security or cyber-attacks incidents in the latest fiscal year and up until the date of publication of the annual report.

7. Important Contracts: The following are the parties, main contents, limitation clauses, and start and end dates of the supply and sales contracts, technical cooperation contracts, engineering contracts, long-term loan contracts, and other important contracts that are still valid and have expired in the most recent year as of the date of the annual report.

Contract Nature	Parties Involved	Contract Period	Main Contents	Limitation Clauses
Engineering Contract	Blessing & Praise Construction Corp.	2020/10/12~Completion	Construction of VITA Residential Complex in Zhubei City, Hsinchu County	None
Engineering Contract	Blessing & Praise Construction Corp.	2021/04/08~Completion	Construction of SenLiFang Residential Complex in Beitun District, Taichung City	None
Long-term Loan Contract	Land Bank of Taiwan, Nantun Branch	2017/04/19-2032/04/19	Fixed Assets (investment real estate) and working capital in Chiayi	None
Long-term Loan Contract	Land Bank of Taiwan, Nantun Branch	2017/08/11-2032/08/11	Fixed Assets (Investment properties) in Chiayi	None
Long-term Loan Contract	First Commercial Bank, Chung-Kang Branch	2021/07/13-2025/01/13	Construction land at No. 49, Jhenfu Section, Nantun District, Taichung City	None
Long-term Loan Contract	First Commercial Bank, Chung-Kang Branch	2022/04/27-2025/01/13	Construction land at No. 52 and 55, Jhenfu Section, Nantun District, Taichung City	None
Long-term Loan Contract	Chang Hwa Commercial Bank, Chung-Kang Branch	2022/06/09-2027/06/09	Construction land at Dingqiaozitou Section, East District, Taichung City	None
Long-term Loan Contract	Chang Hwa Commercial Bank, Chung-Kang Branch	2022/11/14-2027/06/09	Contiguous relocation land at Dingqiaozitou Section, East District, Taichung City	None
Long-term Loan Contract	Chang Hwa Commercial Bank, Chung-Kang Branch	2023/01/18-2027/06/09	Construction land at Dingqiaozitou Section, Dong District, Taichung City	None
Long-term Loan Contract	Chang Hwa Commercial Bank, Chung-Kang Branch	2023/03/15-2028/03/15	Construction land at Renping Section, Beitun District, Taichung City	None
Short-term Loan Contract	Land Bank of Taiwan, Nantun Branch	2019/05/22-2024/05/22	Construction land at Pingtian Section, Taichung City	None
Short-term Loan Contract	Land Bank of Taiwan, Nantun Branch	2021/02/09-2026/02/09	Construction project at Pingtian Section, Taichung City	None

## VI. Financial Profile

### 1. Condensed balance sheet and statement of comprehensive income for the past five fiscal years

#### (1) Condensed balance sheet and comprehensive income statement

##### A. Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Year		Financial analysis for the past five years (Note 1)					Financial information as of March 31, 2023 for the current fiscal year (Note 1)
		2018	2019	2020	2021	2022	
Item							
Current assets		2,983,913	4,309,600	5,177,629	5,096,539	6,037,550	5,694,361
Property, plant and equipment		2,313	2,023	1,692	36,277	43,266	42,790
Right-of-use Asset		-	686	229	-	-	-
Net investment properties		111,631	111,098	110,565	110,032	109,499	109,366
Intangible assets		6,837	3,438	1,610	314,277	-	-
Other assets		5,019	5,300	9,774	389	389	21,046
Total assets		3,109,713	4,432,145	5,301,499	5,557,514	6,190,704	5,867,563
Current liabilities	Before distribution	715,124	876,576	2,518,917	2,552,388	2,380,540	1,971,727
	After distribution	715,124	876,576	2,518,917	2,552,388	2,613,042 (Note 2)	1,971,727 (Note 3)
Non-current liabilities		678,228	1,847,376	1,075,034	365,562	980,197	1,122,930
Total liabilities	Before distribution	1,393,352	2,723,952	3,593,951	2,917,950	3,360,737	3,094,657
	After distribution	1,393,352	2,723,952	3,593,951	2,917,950	3,593,239 (Note 2)	3,094,657 (Note 3)
Equity attributable to shareholders of the parent		1,805,299	1,802,252	1,806,309	2,628,904	2,819,537	2,762,615
Capital stock		1,550,015	1,550,015	1,550,015	1,550,015	1,550,015	1,550,015
Capital reserve		3,954	3,954	3,954	5,226	5,226	5,226
Retained earnings	Before distribution	251,330	248,283	252,340	1,073,663	1,264,296	1,207,374
	After distribution	251,330	248,283	252,340	1,073,663	1,031,794 (Note 2)	1,207,374 (Note 3)
Other equity interest		-	-	-	-	-	-
Treasury stock		-	-	-	-	-	-
Non-controlling equity		(88,938)	(94,059)	(98,761)	10,660	10,430	10,291
Total equity	Before distribution	1,716,361	1,708,193	1,707,548	2,639,564	2,829,967	2,772,906
	After distribution	1,716,361	1,708,193	1,707,548	2,639,564	2,597,465 (Note 2)	2,772,906 (Note 3)

Note 1: The auditor reviewed and approved the financial data for the first quarter of fiscal year 2023 presented in this annual report before the printing date of May 11, 2023.

Note 2: The distribution amount approved by the Board of Directors on March 15, 2023 will be reported to the shareholders' meeting.

Note 3: The company distributes profits annually.

## B. Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Year Item	Financial analysis for the past five years (Note 1)					Financial information as of March 31, 2023 for the current fiscal year (Note 1)
	2018	2019	2020	2021	2022	
Operating revenue	970,314	231,624	660,371	3,063,768	217,444	935,122
Operating margin	229,669	86,012	114,260	876,793	65,734	194,717
Operating income(loss)	134,901	39,096	46,269	691,709	17,400	156,198
Non-operating income and expenses	(16,719)	(7,955)	(143)	355,305	479,054	(1,262)
Income before income tax	118,182	31,141	46,126	1,047,014	496,454	154,936
Net income of continuing business units	113,713	22,832	45,855	1,004,474	470,136	175,591
Loss of suspended business unit	-	-	-	-	-	-
Net income (loss)	113,713	22,832	45,855	1,004,474	470,136	175,591
Other comprehensive income (Net income after tax)	164	-	-	-	-	-
Total comprehensive income	113,877	22,832	45,855	1,004,474	470,136	175,591
Net income attributable to shareholders of the parent	118,468	27,953	50,557	916,440	469,636	175,580
Net income attributable to non-controlling interests	(4,755)	(5,121)	(4,702)	88,034	500	11
Total comprehensive income attributable to stockholders of the parent	118,632	27,953	50,557	916,440	469,636	175,580
Total comprehensive income attributable to non-controlling interests	(4,755)	(5,121)	(4,702)	88,034	500	11
Earnings per share	0.76	0.18	0.33	5.91	3.03	1.13

Note 1: The auditor reviewed and approved the financial data for the first quarter of fiscal year 2023 presented in this annual report before the printing date of May 11, 2023.

## C. Concise Individual Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Year Item		Financial analysis for the past five years (Note 1)					Financial Information as of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Current assets		3,001,311	4,312,207	5,179,999	4,260,692	5,762,829	Not Applicable
Property, plant and equipment		1,455	1,210	924	522	42,887	
Right-of-use Asset		-	686	229	-	-	
Net investment properties		111,631	111,098	110,565	110,032	109,499	
Intangible assets		-	-	-	-	-	
Other assets		335,279	339,684	347,751	414,247	258,932	
Total assets		3,449,676	4,764,885	5,639,468	4,785,493	6,174,147	
Current liabilities	Before distribution	835,884	935,152	2,581,728	1,791,027	2,374,413	
	After distribution	835,884	935,152	2,581,728	1,791,027	2,606,915 (Note 1)	
Non-current liabilities		808,493	2,027,481	1,251,431	365,562	980,197	
Total liabilities	Before distribution	1,644,377	2,962,633	3,833,159	2,156,589	3,354,610	
	After distribution	1,644,377	2,962,633	3,833,159	2,156,589	3,587,112 (Note 1)	
Equity attributable to shareholders of the parent		1,805,299	1,802,252	1,806,309	2,628,904	2,819,537	
Capital stock		1,550,015	1,550,015	1,550,015	1,550,015	1,550,015	
Capital reserve		3,954	3,954	3,954	5,226	5,226	
Retained earnings	Before distribution	251,330	248,283	252,340	1,073,663	1,264,296	
	After distribution	251,330	248,283	252,340	1,073,663	1,031,794 (Note 1)	
Other equity interest		-	-	-	-	-	
Treasury stock		-	-	-	-	-	
Non-controlling equity		-	-	-	-	-	
Total equity	Before distribution	1,805,299	1,802,252	1,806,309	2,628,904	2,819,537	
	After distribution	1,805,299	1,802,252	1,806,309	2,628,904	2,587,035 (Note 1)	

Note 1: The distribution amount approved by the Board of Directors on March 15, 2023 will be reported to the shareholders' meeting.

D. Individual condensed statement of comprehensive  
income – Based on IFRS

Unit: NT\$ thousands

Year Item	Financial analysis for the past five years (Note 1)					Financial Information as of March 31, 2023
	2018	2019	2020	2021	2022	
Operating Revenue	970,348	231,658	660,405	3,063,802	217,455	Not Applicable
Operating margin	218,420	84,542	113,919	876,827	65,745	
Operating income	133,790	46,279	53,094	703,054	19,386	
Non-operating income and expenses	(10,853)	(10,058)	(2,426)	255,926	476,568	
Net Income before income tax	122,937	36,221	50,668	958,980	495,954	
Net income of continuing business units	118,468	27,953	50,557	916,440	469,636	
Loss of suspended business unit	-	-	-	-	-	
Net income (loss)	118,468	27,953	50,557	916,440	469,636	
Other comprehensive income (Net income after tax)	164	-	-	-	-	
Total comprehensive income	118,632	27,953	50,557	916,440	469,636	
Net income attributable to shareholders of the parent	118,632	27,953	50,557	916,440	469,636	
Net income attributable to non-controlling interest	-	-	-	-	-	
Total comprehensive income attributable to stockholders of the parent	118,632	27,953	50,557	916,440	469,636	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share	0.76	0.18	0.33	5.91	3.03	

(2) Auditors' Name and Audit Opinions for the past five fiscal years

Year	Name of Accounting Firm and Accountant	Audit opinion
2022	PricewaterhouseCoopers Taiwan Liu, Mei-Lan; Hung, Shu-Hua	Unqualified opinion
2021	PricewaterhouseCoopers Taiwan Liu, Mei-Lan; Hung, Shu-Hua	Unqualified opinion and emphasis of matter
2020	PricewaterhouseCoopers Taiwan Liu, Mei-Lan; Hung, Shu-Hua	Unqualified opinion and emphasis of matter
2019	PricewaterhouseCoopers Taiwan Wang, Yu-Chuan; Hung, Shu-Hua	Unqualified opinion and emphasis of matter
2018	PricewaterhouseCoopers Taiwan Wang, Yu-Chuan; Hung, Shu-Hua	Unqualified opinion and emphasis of matter



## 2. Financial Analysis for The Past Five Fiscal Years

### (1) Consolidated financial ratio analysis – Based on IFRS

Item		Year	Financial Analysis for the Last Five Years (Note)					As of March 31, 2023 (No)
		2018	2019	2020	2021	2022		
Financial structure (%)	Debt to asset ratio	44.81	61.46	67.79	52.50	54.29	52.74	
	Ratio of long-term capital to property, plant and equipment	107,372.55	180,406.72	170,292.14	8,254.45	8,782.26	9,080.50	
Solvency (%)	Current ratio	417.26	491.64	205.55	199.68	253.62	288.80	
	Quick ratio	26.80	19	17.31	65.22	24.88	47.96	
	Interest coverage ratio (times)	7.32	2.58	5.93	185.89	27,581.78	68.92	
Operating performance	Accounts receivable turnover (times)	141.72	50.44	114.96	217.88	14.58	114.70	
	Average cash recovery day	2.57	7.23	3.17	1.67	25.03	3.18	
	Inventory turnover (times)	0.26	0.04	0.12	0.53	0.03	0.15	
	Accounts payable turnover (times)	8.85	2.30	2.35	9.00	0.73	13.04	
	Average days in sales	1,403.84	9,125	3,041.66	688.67	12,166.66	2,433.33	
	Property, plant and equipment turnover (times)	513.94	106.84	355.52	161.38	5.47	21.73	
	Total assets turnover (times)	0.31	0.06	0.14	0.56	0.04	0.16	
Profitability	Return on total assets (%)	4.25	1.16	1.19	16.96	8.00	2.94	
	Return on stockholders' equity (%)	6.73	1.55	2.80	41.33	17.24	6.29	
	Pre-tax income to paid-in capital ratio (%) (Note 7)	7.62	2.01	2.98	67.55	32.03	10.00	
	Net profit margin (%)	12.21	12.07	7.66	29.91	215.98	18.78	

	Earnings per share (NT\$)	0.76	0.18	0.33	5.91	3.03	1.13
Cash flow	Cash flow ratio (%)	25.82	Not Applicable	2.80	62.40	(64.98)	50.65
	Cash flow adequacy ratio (%)	Not Applicable	Not Applicable	Not Applicable	(3,435.52)	(28.41)	20.11
	Cash reinvestment ratio (%)	6.65	Not Applicable	0.89	57.92	(49.30)	20.22
Leverage	Operating leverage	1.03	1.11	1.06	1.01	1.10	1.00
	Financial leverage	1.16	2.01	1.25	1.01	1.00	1.01

Note: The above-mentioned financial statements from 2018 to 2022 have been checked and certified by accountants, and the financial data of the first quarter of 2023 have been reviewed by accountants.

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. Current ratio: mainly due to the increase in inventory.
2. Quick ratio: mainly due to the cash outflow from the purchase of construction land.
3. Interest coverage ratio: mainly due to the decrease in pre-tax income and interest expenses.
4. Accounts receivable turnover ratio, average collection days: mainly due to the decrease in net sales.
5. Inventory turnover, accounts payable turnover, average days in sales: mainly due to the decrease in cost of sales from the purchase of construction land.
6. Property, plant and equipment turnover, total asset turnover: mainly due to the decrease in net sales.
7. Return on assets: mainly due to the decrease in after-tax income.
8. Return on stockholders' equity: mainly due to the decrease in after-tax income.
9. Pre-tax income to paid-in capital ratio: mainly due to the decrease in pre-tax income.
10. Net profit margin: mainly due to the gain from disposal of intangible assets.
11. Earnings per share: mainly due to the decrease in after-tax income.
12. Cash flow ratio, Cash flow adequacy ratio, Cash reinvestment ratio: mainly due to the net cash outflow from operating activities.

## (2) Individual Financial Analysis - Based on IFRS

Item		Financial Analysis for the Last Five Years (Note)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to asset ratio	47.67	62.18	67.97	45.07	54.33
	Long term capital to property, plant and equipment ratio	179,642.06	316,506.86	330,924.24	573,652.49	8,859.87
Solvency (%)	Current ratio	359.06	461.12	200.64	237.89	242.71
	Quick ratio	24.83	18.08	16.99	46.29	13.39
	Interest Coverage Ratio (times)	7.57	2.84	6.42	170.34	27,554.00
Operating performance	Accounts receivable turnover (times)	147.48	53.56	114.96	218.27	14.63
	Average cash recovery day	2.47	6.81	3.17	1.67	24.94
	Inventory turnover (times)	0.26	0.04	0.12	0.53	0.03
	Accounts receivable turnover (times)	3.64	0.94	1.85	8.01	0.75
	Average days in sales	1,403.85	9,125	3,041.66	688.67	12,166.66
	Property, plant and equipment turnover (times)	964.56	173.85	618.94	4,237.62	10.02
	Total asset turnover (times)	0.28	0.06	0.13	0.59	0.04
Profitability	Return on total assets (%)	3.84	1.06	1.12	17.67	8.57
	Return on equity (%)	6.73	1.55	2.80	41.33	17.24
	Ratio of income before tax to paid-in capital (%) (Note 7)	7.93	2.34	3.27	61.87	32.00
	Net profit margin (%)	12.21	12.07	7.66	29.91	215.97
	Earnings per share (NT\$)	0.76	0.18	0.33	5.91	3.03
Cash Flow	Cash flow ratio (%)	21.43	Not Applicable	2.99	82.99	(63.76)
	Cash flow adequacy ratio (%)	Not Applicable	Not Applicable	Not Applicable	(1,691.62)	(33.74)
	Cash reinvestment ratio (%)	6.45	Not Applicable	1.12	48.79	(48.55)
Leverage	Operating leverage	1.01	1.02	1.02	1.00	1.05
	Financial leverage	1.16	1.74	1.21	1.01	1.00

Note: The financial statements for 2018 to 2022 have been certified by an accountant.

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. Debt to Asset Ratio: Mainly due to an increase in long (short)-term loan.
2. Long term capital to property, plant and equipment ratio: Mainly due to the purchase of property, plant, and equipment.
3. Quick Ratio: Mainly due to cash outflows from the purchase of land for construction.
4. Interest Coverage Ratio: Mainly due to a decrease in pre-tax earnings and interest expenses.
5. Accounts Receivable Turnover, Average cash recovery day: Mainly due to a decrease in net sales.
6. Inventory Turnover Ratio, Accounts Payable Turnover Ratio, Days Inventory Outstanding: Mainly due to a decrease in the purchase of land for construction and cost of goods sold.
7. Fixed Asset Turnover Ratio, Total Asset Turnover Ratio: Mainly due to a decrease in net sales.
8. Return on Assets: Mainly due to a decrease in after-tax earnings.
9. Return on Equity: Mainly due to a decrease in after-tax earnings.
10. Net Profit Margin: Mainly due to gains from the disposal of intangible assets.
11. Net Profit Margin: Mainly due to gains from the disposal of intangible assets.
12. Earnings Per Share: Mainly due to a decrease in after-tax earnings.
13. Cash flow ratio, Cash flow adequacy ratio, Cash Reinvestment Ratio: Mainly due to net cash outflows from operating activities.

Note 1: The following formulas for the calculation of the financial ratios shall be listed below this table in the annual report.

Note 2: Due to negative net cash flow from operating activities, no statement will be made.

Note 3: This table shows the formulas for financial analysis:

1. Financial structure

- (1) Debt to assets ratio = total liabilities / total assets.
- (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

- (1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).
- (2) Average collection days = 365 / accounts receivable turnover.
- (3) Inventory turnover = cost of goods sold / average inventory.
- (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
- (5) Average days in sales = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on total assets = (net income + interest expenses \* (1 - effective tax rate)) / average total assets.
- (2) Return on equity = net income after tax / average total equity.
- (3) Net profit ratio = net income after tax / net sales.
- (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)

5. Cash Flow

- (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
- (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)

6. Leverage

- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 6).
- (2) Financial leverage = operating income / (operating income – interest expenses).

Note 4: Special attention should be paid to the following when calculating earnings per share by the above equation:

1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax, and no adjustment is required if there is a loss.

Note 5: Special attention shall be paid to the following when making the calculations for the cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
  2. Capital expenditures refer to the annual cash outflow used for capital investment.
  3. An increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
  4. Cash dividends include the cash dividends of common stock and preferred stock.
  5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction for accumulated depreciation.
- Note 6: The issuer shall categorize the operating costs and operating expenses into fixed and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensuring that it is done rationally and consistently.
- Note 7: If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

### 3. Audit Committee's Report for the Most Recent Fiscal Year's Financial Statement

## **FONG CHIEN CONSTRUCTION CO., LTD** **2022 Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for distribution of earnings. Of these items, the Financial Statements have been audited by external auditors Mei-Lan, Liu and Shu-Hua, Hong of PricewaterhouseCoopers Taiwan, and an opinion and report have been issued on the Financial Statements. The aforementioned proposal regarding Business Report, Financial Statements, and earnings distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Fong Chien Construction Company Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

### **Fong Chien Construction Company Limited** **2023 Shareholders' Meeting**

Fong Chien Construction Company Limited  
Chairman of the Audit Committee: Li, Ming-Ciang

March 15, 2023

#### 4. Most Recent Fiscal Year's Financial Statement

FONG CHIEN CONSTRUCTION COMPANY LIMITED  
REPRESENTATION LETTER

The entitles that are required to be included in the combined financial statements of Fong Chien Construction Company Limited as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10,"Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Fong Chien Construction Company Limited and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

COMPANY NAME:FONG CHIEN CONSTRUCTION COMPANY LIMITED

PRINCIPAL:YU QI YUAN

March 15, 2023

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
(2023) Ministry of Finance approved No. 22002310  
Fong Chien Construction Company Limited

### **Opinion**

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

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

### **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 Consolidated 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 consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

### **Valuation of Inventory**



### Matters description

Refer to Note IV(XXIX) to the consolidated 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.

### **Other Matter – the Parent Company Only Financial Statements**

We have also audited the parent company only financial statements of Fong Chien Construction Company Limited as of and for the year ended December 31, 2022 on which we have issued an unmodified opinion; We have also audited the parent company only financial statements of Fong Chien Construction Company Limited as of and for the year ended December 31, 2021 on which we have issued unmodified opinions and emphasis matter of paragraphs.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company consolidated Statements**

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

In preparing the consolidated 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 Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 consolidated 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 consolidated 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant

deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 and Subsidiaries  
CONSOLIDATED BALANCE SHEETS  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

ASSET	NOTE	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 285,665	5	\$ 1,280,673	23
1136	Financial assets at amortized cost – current	6(2)	52,000	1	177,000	3
1150	Notes receivable, net	6(3)	225	-	1,426	-
1170	Accounts receivable, net	6(3)	9,126	-	19,055	-
1200	Other receivables	6(4)and 9(1)	45,646	1	23,794	1
1220	Current tax assets		590	-	570	-
130X	Inventories	6(4)and 8	5,441,780	88	3,431,346	62
1470	Other current assets	6(5)	202,518	3	162,675	3
11XX	<b>Total current assets</b>		<u>6,037,550</u>	<u>98</u>	<u>5,096,539</u>	<u>92</u>
<b>Noncurrent assets</b>						
1600	Property, plant and equipment	6(6)	43,266	-	36,277	-
1760	Investment property, net	6(8)and 8	109,499	2	110,032	2
1780	Intangible assets	6(9)	-	-	314,277	6
1900	Other noncurrent assets		389	-	389	-
15XX	<b>Total noncurrent assets</b>		<u>153,154</u>	<u>2</u>	<u>460,975</u>	<u>8</u>
1XXX	<b>Total assets</b>		<u>\$ 6,190,704</u>	<u>100</u>	<u>\$ 5,557,514</u>	<u>100</u>

(Continued on next page)

Fong Chien Construction Company Limited and Subsidiaries  
CONSOLIDATED 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(11) and 8	\$ 1,240,550	20	\$ 945,700	17
2130	Contract liabilities- current	6(19)	724,201	12	427,036	8
2150	Notes payable		590	-	495	-
2170	Accounts payable		320,510	5	93,055	2
2200	Other accounts payable		34,539	1	85,398	1
2230	Current tax liabilities		26,039	-	-	-
2310	Receipts in advance	6(12)	86	-	721,709	13
2320	Long-term liabilities-current portion	6(14)	4,076	-	270,941	5
2399	Other current liabilities- others		29,949	-	8,054	-
21XX	<b>Total current liabilities</b>		<u>2,380,540</u>	<u>38</u>	<u>2,552,388</u>	<u>46</u>
<b>Noncurrent liabilities</b>						
2540	Long-term debt payable	6(14) and 8	978,885	16	364,358	6
2600	Other noncurrent liabilities		1,312	-	1,204	-
25XX	<b>Total noncurrent liabilities</b>		<u>980,197</u>	<u>16</u>	<u>365,562</u>	<u>6</u>
2XXX	<b>Total liabilities</b>		<u>3,360,737</u>	<u>54</u>	<u>2,917,950</u>	<u>52</u>
<b>Equity attributable to shareholders of the parent</b>						
	Share capital	6(16)				
3110	Capital stock		1,550,015	25	1,550,015	28
	Capital surplus	6(17)				
3200	Capital surplus		5,226	-	5,226	-
	Retained earnings	6(18)				
3310	Appropriated as legal capital reserve		200,649	4	109,005	2
3350	Unappropriated earnings		1,063,647	17	964,658	18
31XX	<b>Equity attributable to shareholders of the parent</b>		<u>2,819,537</u>	<u>46</u>	<u>2,628,904</u>	<u>48</u>
36XX	<b>Non-controlling interests</b>		<u>10,430</u>	<u>-</u>	<u>10,660</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>2,829,967</u>	<u>46</u>	<u>2,639,564</u>	<u>48</u>
	Significant contingent liabilities and not recognized contract commitment	9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 6,190,704</u>	<u>100</u>	<u>\$ 5,557,514</u>	<u>100</u>

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

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong Pei Zhen

Fong Chien Construction Company Limited and Subsidiaries  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
December 31, 2022 and 2021

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

ITEM	NOTE	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6(19)	\$ 217,444	100	\$ 3,063,768	100
5000 Operating cost	6(4)(23)	( 151,710)	( 70)	( 2,186,975)	( 72)
5900 Gross profit		<u>65,734</u>	<u>30</u>	<u>876,793</u>	<u>28</u>
Operating expenses	6(23) and 7 (2)				
6100 Selling expenses		( 17,225)	( 8)	( 135,397)	( 4)
6200 General and administrative		( 31,109)	( 13)	( 49,687)	( 2)
6000 Total operating expenses		( 48,334)	( 21)	( 185,084)	( 6)
6900 Operating income		<u>17,400</u>	<u>9</u>	<u>691,709</u>	<u>22</u>
Non-operating income and expenses					
7100 Interest income		6,919	3	1,067	-
7010 Other income	6(4)(20)	19,501	9	18,803	1
7020 Other gains and losses	6(21)	452,652	207	341,098	11
7050 Finance costs	6(22)	( 18)	-	( 5,663)	-
7000 Total non-operating income and expense		<u>479,054</u>	<u>219</u>	<u>355,305</u>	<u>12</u>
7900 <b>Income before income tax</b>		<u>496,454</u>	<u>228</u>	<u>1,047,014</u>	<u>34</u>
7950 Income tax expenses	6(24)	( 26,318)	( 12)	( 42,540)	( 1)
8000 <b>Profit from continuing operations</b>		<u>470,136</u>	<u>216</u>	<u>1,004,474</u>	<u>33</u>
8500 <b>Total comprehensive income</b>		<u>\$ 470,136</u>	<u>216</u>	<u>\$ 1,004,474</u>	<u>33</u>
Net income attributed to:					
8610 Stockholders of the company		\$ 469,636	216	\$ 916,440	30
8620 Non-controlling interest		500	-	88,034	3
		<u>\$ 470,136</u>	<u>216</u>	<u>\$ 1,004,474</u>	<u>33</u>
Comprehensive income attributed to:					
8710 Stockholders of the company		\$ 469,636	216	\$ 916,440	30
8720 Non-controlling interest		500	-	88,034	3
		<u>\$ 470,136</u>	<u>216</u>	<u>\$ 1,004,474</u>	<u>33</u>
Earnings per share	6(25)				
9750 Basis earnings per share		<u>\$</u>	<u>3.03</u>	<u>\$</u>	<u>5.91</u>
Diluted earnings per share	6(25)				
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 consolidated financial statements.

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong Pei Zhen

Fong Chien Construction Company Limited and Subsidiaries  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	NOTE	Equity Attributable to Shareholders of the Parent					Total	Non-controlling Interests	Total Equity
		Capital- Common Stock	Capital Surplus	Legal Capital Reserve	Special 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	(\$ 98,761 )	\$ 1,707,548
Net Income		-	-	-	-	916,440	916,440	88,034	1,004,474
Total comprehensive income		-	-	-	-	916,440	916,440	88,034	1,004,474
Restricted and appropriated earnings, 2020	6(18)								
Legal capital reserve		-	-	5,056	-	( 5,056 )	-	-	-
Cash dividends		-	-	-	-	( 77,501 )	( 77,501 )	-	( 77,501 )
Reversal special capital reserve	6(18)	-	-	-	( 3,723 )	3,723	-	-	-
From difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal	6(18)(26)	-	-	-	-	( 17,616 )	( 17,616 )	21,387	3,771
From share of changes in equities of subsidiaries	6(17)	-	1,272	-	-	-	1,272	-	1,272
Balance, December 31, 2021		\$ 1,550,015	\$ 5,226	\$ 109,005	\$ -	\$ 964,658	\$ 2,628,904	\$ 10,660	\$ 2,639,564
<u>2022</u>									
Balance, January 1, 2022		\$ 1,550,015	\$ 5,226	\$ 109,005	\$ -	\$ 964,658	\$ 2,628,904	\$ 10,660	\$ 2,639,564
Net income		-	-	-	-	469,636	469,636	500	470,136
Total comprehensive income		-	-	-	-	469,636	469,636	500	470,136
From share of changes in equities of subsidiaries	6(26)	-	-	-	-	-	-	( 270 )	( 270 )
Cash dividends received by its subsidiaries		-	-	-	-	-	-	( 460 )	( 460 )
Restricted and appropriated earnings, 2021	6(18)								
Legal capital reserve		-	-	91,644	-	( 91,644 )	-	-	-
Cash dividends		-	-	-	-	( 279,003 )	( 279,003 )	-	( 279,003 )
Balance, December 31, 2022		\$ 1,550,015	\$ 5,226	\$ 200,649	\$ -	\$ 1,063,647	\$ 2,819,537	\$ 10,430	\$ 2,829,967

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

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong Pei Zhen

Fong Chien Construction Company Limited and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	NOTE	January 1to December 31, 2022	January 1to December 31, 2021
<u>Cash flows from operating activities</u>			
Income before income tax		\$ 496,454	\$ 1,047,014
Adjustments for			
Adjustments for reconcile profit (loss)			
Depreciation expense	6(6)(8)		
	(23)	1,752	1,802
Amortization expense	6(9)(23)	-	3,244
Interest expense	6(22)	18	5,663
Interest income		( 6,919 )	( 1,067 )
Profit on disposal of intangible assets	6(21)	( 452,652 )	-
Reversal of impairment loss on financial assets	6(21)	-	( 26,987 )
Reversal of impairment loss on non-financial assets	6(21)	-	( 315,911 )
Accrued expenses transfer other income	6(20)	( 595 )	( 2,573 )
Other loss	6(21)	-	1,800
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		1,201	574
Accounts Receivable		9,929	( 13,412 )
Others receivables		( 17,896 )	( 13 )
Inventories		( 1,972,444 )	1,338,132
Other current assets		( 66,768 )	77,525
Other non-current assets		-	3,396
Changes in operating liabilities			
Contract liabilities- current		297,165	( 210,038 )
Notes payable		95	( 497 )
Accounts payable		227,455	( 298,578 )
Other accounts payable		( 51,509 )	60,175
Amounts received in advance		59	( 14 )
Other current liabilities		21,895	( 1,457 )
Cash generated from (used in) operations		( 1,512,760 )	1,668,778
Interest received		2,963	985
Interest paid		( 36,763 )	( 34,021 )
Income taxes paid		( 299 )	( 43,110 )
Net cash generated by (used in) operating activities		( 1,546,859 )	1,592,632

(Continued on next page)



Fong Chien Construction Company Limited and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	NOTE	January 1to December 31, 2022	January 1to December 31, 2021
<u>Cash flows from investing activities</u>			
Financial assets from amortized cost decrease (increase)		\$ 125,000	(\$ 177,000 )
Property, plant and equipment	6(6)	( 8,208 )	( 35,625 )
Refundable deposits paid		( 35,062 )	-
Refundable deposits refunded		61,987	4,224
Intangible assets	6(9)(10)		
	(27)	<u>45,247</u>	<u>721,682</u>
Net cash generated by investing activities		<u>188,964</u>	<u>513,281</u>
<u>Cash flows from financing activities</u>			
Increase in short-term loans	6(28)	294,850	193,750
Decrease in short-term loans	6(28)	-	( 1,042,000 )
Proceeds from long-term loans	6(28)	635,300	305,000
Repayment in long-term loans	6(28)	( 287,638 )	( 401,405 )
Guarantee deposits increase	6(28)	108	-
Repayment of the principal portion of lease liabilities	6(28)	-	( 234 )
Expense cash dividends	6(18)		
	(28)	( 279,003 )	( 77,501 )
Change in non-controlling interests	6(26)	( 270 )	-
Subsidiaries expense cash dividends to non-controlling interests		( 460 )	-
Net cash generated by(used in) financing activities		<u>362,887</u>	<u>( 1,022,390 )</u>
Increase (decrease) in cash and cash equivalents		( 995,008 )	1,083,523
Cash and cash equivalents, beginning of year		<u>1,280,673</u>	<u>197,150</u>
Cash and cash equivalents, end of year		<u>\$ 285,665</u>	<u>\$ 1,280,673</u>

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

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong Pei Zhen

Fong-Chien Construction Co.,LTD. and Subsidiaries  
NOTES TO THE CONSOLIDATED 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 consolidated financial statements.

The consolidated financial statements for the years ended December 31, 2022 and 2021 of the Company and subsidiaries (the “Group) 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 Group 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 Group 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 Group 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 Group 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 Group 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 consolidated financial statements are explained below. Except as otherwise explained, the policies are consistently applicable in all reporting periods.

- 1) Statement of compliance

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

3) Basis of consolidation

1. Basis of preparation of consolidated financial statements

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) All intra-group balances, transactions, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full. Appropriate adjustments of accounting policies of the subsidiaries have been made to be uniform with the accounting policies of the Group.
- (c) Components of profit or loss and other comprehensive income of subsidiaries are attributed to the shareholders of the parent company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (ig. transactions with non-controlling interests) are equity transactions, which are transactions with owners in their capacity as owners. The differences between the adjustment amount of non-controlling interests and the fair value of consideration paid or received are recognized in equity.
- (e) If the Group losses control of a subsidiary, the retained investments in the former subsidiary shall be remeasured at fair value and recognized as the fair value of financial assets at initial recognition, or the cost of investments in associates or joint ventures at initial recognition. The differences between the fair value and the carrying amount shall be recognized in profit or loss. The Group shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group shall reclassify the gain or loss from equity to profit or loss when it loses control of the subsidiary.

2. Subsidiaries included in the consolidated financial statements are as follows:

<u>Investor</u>	<u>Subsidiary</u>	<u>Main business</u>	<u>Percentage of ownership</u>		<u>Note</u>
			<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Fong-Chien Construction Co.,LTD.	Hung Yeu Construction Co., Ltd. (Hung Yeu Company)	Comprehensive construction, trading of properties, developments and leases of residences and buildings	92.83	92.83	
Fong-Chien Construction Co.,LTD.	Hungtu Alishan International Development Co., Ltd. (Hungtu Alishan)	Operation of hotel and restaurant business	99.87	99.87	Note 1. Note 2
Hung Yeu Construction Co., Ltd.	Hungtu Alishan International Development Co., Ltd. (Hungtu Alishan)	Operation of hotel and restaurant business	0.01	0.01	Note 1. Note 2

Note 1: The Company has converted all the preferred shares of Hungtu Alishan held into 22,500 thousands of ordinary shares on December 1, 2021. After the conversion, the percentages of ownership of the Company and Hung Yeu Company to Hungtu Alishan are 99.87% and 0.01%, respectively.

Note 2: 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 financial statements are issued, the court is implementing the procedures of completion of liquidation.

3. Subsidiaries excluded from the consolidated financial statements: None.

4. Adjustments and treatments for subsidiaries with different balance sheet dates: None.

5. Significant restrictions: None.

6. Details of subsidiaries that have material non-controlling interests: None.

4) Translation of foreign currencies

The items included in the entities of the Group's financial statements are measured by the currency used in the primary economic environment where the entities operate (functional currency). The consolidated financial statements are expressed in the Company's functional currency, "New Taiwan Dollar."

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

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

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

6) 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 Group holds them for the purpose of short-term cash commitment in operation, they are classified as cash equivalents.

7) 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 Group 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

8) 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.

9) Impairment of financial assets

At each balance sheet date, the Group shall assess whether the credit risk on financial assets at amortized cost has increased significantly since initial recognition. The Group 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 Group 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 Group 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 Group shall measure the loss allowance at an amount equal to lifetime expected credit losses.

10) Derecognition of financial assets

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

11) Lease of lessor – operating lease

The Group 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.

12) 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.

13) 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 Group, 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.

14) 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.

15) Intangible assets

A separately acquired chartered right shall be measured initially at cost. Chartered rights are assets with finite useful life, shall be amortized by straight-line method over their useful lives of 3~27 years.

- 16) Impairment of non-financial assets  
The Group shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication is present, the Group 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.
- 17) 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.
- 18) 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.
- 19) Derecognition of financial liabilities  
The Group shall derecognize a financial liability from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.
- 20) 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.
- 21) 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 Group shall not recognize the deferred tax liabilities for temporary differences associated with investments in subsidiaries, if the Group 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.
- 22) 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.
- 23) 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.
- 24) Revenue recognition
1. Sales of properties
    - (a) The Group is primarily engage in the construction and sales of properties. The Group 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 Group. And the Group 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 Group 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 Group 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 Group 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 Group negotiates with customers to delay the payment, but the delays do not exceed 12 month. As the Group 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 Group 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.

25) Segment information

The segment information shall be reported by the same way as the internal management report provided to the chief operating decision maker. The operations results of operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. And the discrete financial information of operating segments is available.

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

When preparing the Group's consolidated 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 Group 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 and revolving funds	\$ 33	\$ 26
Checking and demand deposits	235,632	954,847
Time deposits	50,000	275,800
Bonds with repurchase agreements	-	50,000
Total	<u>\$ 285,665</u>	<u>\$ 1,280,673</u>

1. As the correspondent banks are credible and the Group has several correspondent banks to diversify the credit risk, the probability of default is expected to be very low.
2. The Group 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\$52,000 thousand and NT\$177,000 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>\$ 52,000</u>	<u>\$ 177,000</u>

1. The profit or loss arising from financial assets at amortized cost recognized is as follows:

<u>Item</u>	<u>2022</u>	<u>2021</u>
Interest revenue	<u>\$ 1,760</u>	<u>\$ 364</u>

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. As the counterparties of the investments in demand deposits are credible financial institutions, the probability of default is expected to be very low.

3) Notes and accounts receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivables	<u>\$ 225</u>	<u>\$ 1,426</u>
Accounts receivables	<u>\$ 9,126</u>	<u>\$ 19,055</u>

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	<u>\$ 9,126</u>	<u>\$ 225</u>	<u>\$ 19,055</u>	<u>\$ 1,426</u>

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	<u>\$ 5,447,672</u>	<u>(\$ 5,892)</u>	<u>\$ 5,441,780</u>

	<u>December 31, 2021</u>		
	<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	582,433	(4,333)	578,100
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	616,804	-
	<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	3,052	-
	<u>\$ 1,486,211</u>	<u>\$ 663,766</u>

4. Please refer to Note 6.22 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 consolidated 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	25,338
Performance bonds	62	26,987
Other current assets-others	<u>4,552</u>	<u>5,311</u>
	<u>\$ 202,518</u>	<u>\$ 162,675</u>

The Group has settled the litigation on July 29, 2021. As the recoverable amount of performance bonds is higher than its carrying amount, and the circumstances for recognizing impairment loss for the asset in prior years no longer exist, NT\$26,987 thousand of reversals of impairment losses on financial assets was recognized in 2021. Please refer to Note 6.10 for explanations.

6) Property, plant and equipment

	<u>January 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>December 31, 2022</u>
<u>Cost</u>					
Land	\$ 18,078	\$ -	\$ -	\$ -	\$ 18,078
Buildings and structures	17,872	-	( 845)	-	17,027
Auxiliary equipment	29,900	8,208	( 30,138)	147	8,117
Other equipment	5,294	-	( 2,174)	-	3,120
Unfinished construction and equipment under acceptance	<u>147</u>	<u>-</u>	<u>-</u>	<u>( 147)</u>	<u>-</u>
	<u>\$ 71,291</u>	<u>\$ 8,208</u>	<u>(\$ 33,157)</u>	<u>\$ -</u>	<u>\$ 46,342</u>

Accumulated depreciation

Buildings and structures	(\$ 340)	(\$ 603)	\$ 845	\$ -	(\$ 98)
Auxiliary equipment	( 29,900)	( 244)	30,138	-	( 6)
Other equipment	<u>( 4,774)</u>	<u>( 372)</u>	<u>2,174</u>	<u>-</u>	<u>( 2,972)</u>
	<u>(\$ 35,014)</u>	<u>(\$ 1,219)</u>	<u>\$ 33,157</u>	<u>\$ -</u>	<u>(\$ 3,076)</u>
	<u>\$ 36,277</u>				<u>\$ 43,266</u>

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>December 31, 2021</u>
<u>Cost</u>					
Land	\$ 339	\$ 17,739	\$ -	\$ -	\$ 18,078
Buildings and structures	133	17,739	-	-	17,872
Auxiliary equipment	29,900	-	-	-	29,900
Other equipment	5,294	-	-	-	5,294
Unfinished construction and equipment under acceptance	<u>-</u>	<u>147</u>	<u>-</u>	<u>-</u>	<u>147</u>
	<u>\$ 35,666</u>	<u>\$ 35,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,291</u>
<u>Accumulated depreciation</u>					
Buildings and structures	(\$ 85)	(\$ 255)	\$ -	\$ -	(\$ 340)
Auxiliary equipment	( 11,927)	( 383)	-	( 17,590)	( 29,900)
Other equipment	<u>( 4,345)</u>	<u>( 402)</u>	<u>-</u>	<u>( 27)</u>	<u>( 4,774)</u>
	<u>(\$ 16,357)</u>	<u>(\$ 1,040)</u>	<u>\$ -</u>	<u>(\$ 17,617)</u>	<u>(\$ 35,014)</u>
Accumulated impairment	<u>( 17,617)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,617</u>	<u>-</u>
	<u>\$ 1,692</u>				<u>\$ 36,277</u>

Please refer to Note 6.10 for the impairment of property, plant and equipment.

7) Lease transactions—lessor

1. The underlying assets of the lease transactions that the Group 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 Group usually requests the lessees not to use the lease assets as collaterals, or to provide guarantees for residual values.
2. The operating revenue-rental income of buildings from operating leases for the years ended December 31, 2022 and 2021 amounted to NT\$4,275 thousand and NT\$4,085 thousand, respectively, and other revenue-rental income amounted to NT\$0 thousand and NT\$634 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>

8) Investment properties

	<u>January 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2022</u>
<u>Cost</u>				
Land	\$ 92,700	\$ -	\$ -	\$ 92,700
Buildings and structures	<u>27,713</u>	<u>-</u>	<u>-</u>	<u>27,713</u>
	<u>\$ 120,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,413</u>
<u>Accumulated depreciation</u>				
Buildings and structures	<u>(\$ 10,381)</u>	<u>(\$ 533)</u>	<u>\$ -</u>	<u>(\$ 10,914)</u>
	<u>\$ 110,032</u>			<u>\$ 109,499</u>
	<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>-</u>	<u>-</u>	<u>27,713</u>
	<u>\$ 120,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,413</u>
<u>Accumulated depreciation</u>				
Buildings and structures	<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.

9) Intangible assets

	<u>January 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>December 31, 2022</u>
<u>Cost</u>					
Franchise-BOT	<u>\$ 764,710</u>	<u>\$ -</u>	<u>(\$764,710)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Accumulated amortization</u>					
Franchise -BOT	<u>(\$ 450,433)</u>	<u>\$ -</u>	<u>\$450,433</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 314,277</u>				<u>\$ -</u>
	<u>January 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>December 31, 2021</u>
<u>Cost</u>					
Franchise-BOT	<u>\$ 714,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 764,710</u>
<u>Accumulated amortization</u>					
Franchise -BOT	<u>(\$ 133,598)</u>	<u>(\$ 3,244)</u>	<u>\$ -</u>	<u>(\$313,591)</u>	<u>(\$ 450,433)</u>
Accumulated impairment	<u>( 579,502)</u>	<u>\$ -</u>	<u>\$288,821</u>	<u>\$290,681</u>	<u>-</u>
	<u>\$ 1,610</u>				<u>\$ 314,277</u>



1. Intangible assets are amortized as follows:

	2022	2021
Administrative expenses	\$ -	\$ 3,244

2. Please refer to Note 6.10 for the impairment and reversal of intangible assets.

3. The litigation has been settled on July 29, 2021. As the recoverable amount of intangible assets is higher than the carrying amount, and the circumstances for recognizing impairment loss for the assets in prior years no longer exist, the assets shall be recognized as the carrying amount without impairment losses less the accumulated amortization. NT\$288,821 thousand of gains on reversal of impairment losses have been recognized and NT\$290,681 thousand of accumulated impairment has been transferred to accumulated amortization. The balance of development royalty was 0 for recognizing the entire amount as impairment. The gains on reversal for litigation settlement amounted to NT\$27,090 thousand. Therefore, the book costs of NT\$50,000 thousand and the accumulated amortization of NT\$22,910 thousand have been adjusted.

As of December 31, 2021, the Group has applied the registration of cancellation of the superficies of Beimen Railway Station Hotel and transfer the ownership to the Forestry Bureau. And the Forestry Bureau has paid for the considerations of the paid transfer and maintenance expenses with the amount of NT\$757,766 thousand (with VAT). As the properties of Beimen Railway Station Hotel have been delivered and confirmed, the control of intangible assets has been transferred, and gain on disposal of intangible assets recognized amounted to NT\$452,652 thousand. The Group has received the refund of development royalty of NT\$45,247 thousand and the performance bonds of NT\$26,987 thousand. The total amount is NT\$72,234 thousand.

10) Impairment of non-financial assets

1. The Group has recognized reversal of impairment losses by the amount of NT\$315,911 thousand in 2021. There is no recognitions relevant to impairment in 2022. The details are as follows:

	2022	2021
	Recognized in profit or loss	Recognized in profit or loss
Reversal of impairment losses—franchise BOT	\$ -	\$ 288,821
Reversal of impairment losses—franchise BOT-development royalty	-	27,090
	<u>\$ -</u>	<u>\$ 315,911</u>

2. The gains on reversal of impairment losses disclosed by segment are as follows:

	2022	2021
	Recognized in profit or loss	Recognized in profit or loss
Hotel and restaurant segment	\$ -	\$ 315,911

3. The subsidiary of the Group, 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, COA, Executive Yuan. 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).

11) 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>
Bank loan				
Secured loans	May 31, 2019~ May 31, 2024 Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.350%	Inventories – land under construction	\$ 576,700
Secured loans	May 22, 2019~ May 22, 2024 Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.350%	Inventories – land under construction	369,000
Secured loans	August 21, 2020~ August 21, 2025 Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.500%	Inventories – construction work in process	160,650
Secured loans	February 9, 2021~ February 9, 2026 Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.400%	Inventories – construction work in process	134,200
				\$ 1,240,550

<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 Interests shall be paid monthly, and the principal shall be repaid at maturity.	1.850%	Inventories – land under construction	\$ 576,700
Secured loans	May 22, 2019~ May 22, 2024 Interests shall be paid monthly, and the principal shall be repaid at maturity.	1.850%	Inventories – land under construction	369,000
				<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.

12) Receipts in advance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receipts in advance	<u>\$ 86</u>	<u>\$ 721,709</u>

The litigation has been settled on July 29, 2021. The Forestry Bureau has noticed Hungtu Alishan to apply the registration of cancellation of the superficies of Beimen Railway Station Hotel and transfer the ownership to the Forestry Bureau, and has paid Hungtu Alishan for the considerations of the paid transfer and maintenance expenses with the amount of NT\$757,766 thousand (with VAT). As the delivery of properties of Beimen Railway Station Hotel has not been confirmed, the aforementioned payment was recognized as receipts in advance. As of December 31, 2022, the aforementioned receipts in advance has used to write of the intangible assets and gains on disposal of intangible assets. Please refer to Note 6.9 and 6.21.

13) Preferred shares liabilities

The subsidiary, Hungtu Alishan International Development Co., Ltd., has issued preferred shares in registered form on August 26, 2013, and the terms of the issuance are as follows:

1. Total amount issued and par value per share:

Total amount issued is NT\$225 million, and par value per share is NT\$10.

2. Issuance period:

The issued period is 10 years, from August 26, 2013 to August 26, 2023.

3. Issuance interest rate:

The annual dividend rate is 5%, calculated by the par value of shares. The dividends and earnings distribution of preferred shares shall be not lower than 6% of annual interest rate, calculated by the par value. If there is no earning or the earnings are not enough to distribute the aforementioned 6%, the amount shall be accumulated and compensated preferentially in the years with enough earnings.

4. Issuance terms:

The shares are mature after 10 years from the date of issuance. Holders of the preferred shares may apply for conversion into ordinary shares after holding for 1 month, and may request the issuer to redeem by par value after holding for 5 years.

5. Conversion rights: The shares may be converted at any time after holding 1 month, and one preferred share can be converted into one ordinary share.

6. Rights of redemption: None.

7. Put option:After 5 years, investors may sell back to the issuer by the par value every year.

8. Reset rights:None.

The entire aforementioned preferred shares were subscribed by the Company, and the Company has transferred the entire preferred shares of the subsidiary into ordinary shares on December 1, 2021, and the registration of changes has been completed. The accounting treatments relevant to the preferred shares liabilities have been eliminated in the consolidated financial statements.

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

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 pledge as collaterals for the long-term borrowings.

15) 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\$599 thousand and NT\$598 thousand for the years ended December 31, 2022 and 2021, respectively.

16) 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):

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

17) 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 disposal equity of subsidiaries. The investments accounted for using equity method have been eliminated in the consolidated financial statements.

18) 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	
	Amount	Dividend per share	Amount	Dividend per share
Legal reserve	\$ 91,644		\$ 5,056	
Cash dividend	279,003	\$ 1.8	77,501	\$ 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.
- 19) Operating revenue

	2022	2021
Revenue from contracts with customers	\$ 213,169	\$ 3,059,683
Others-Rental income of buildings	4,275	4,085
Total	<u>\$ 217,444</u>	<u>\$ 3,063,768</u>

1. Classification of revenue from contracts with customers

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

2022	Construction division			Total
	South area	Central area	North area	
Segment revenue	\$ -	\$ 1,266	\$ 211,903	\$ 213,169
Time of revenue recognition				
Revenue recognized at a point in time				\$ 213,169
2021	Construction division			Total
Segment revenue	\$ 500,000	\$ 2,039,607	\$ 520,076	\$ 3,059,683
Time of revenue recognition				
Revenue recognized at a point in time				\$ 3,059,683

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>
20) <u>Other revenue</u>		
	<u>2022</u>	<u>2021</u>
Rental income	\$ -	\$ 634
Other commission income	69	144
Unpaid payables transferred to other revenue	595	2,573
Income from liquidated damages (Note)	17,662	-
Other revenue—others	<u>1,175</u>	<u>15,452</u>
	<u>\$ 19,501</u>	<u>\$ 18,803</u>

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

21) Other gains and losses

	<u>2022</u>	<u>2021</u>
Gains on disposal of intangible assets	\$ 452,652	\$ -
Gains on reversal of impairment		
Gains on reversal of impairment of financial assets	-	26,987
Gains on reversal of impairment of intangible assets	-	315,911
Other losses	<u>-</u>	<u>(1,800)</u>
	<u>\$ 452,652</u>	<u>\$ 341,098</u>

Please refer to Note 6.9 for the gains on disposal of intangible assets in 2022, Note 6.10 for the gains on reversal of impairment in 2021.



22) Financial costs

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

23) Additional information on nature of expenses

	<u>2022</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefits expenses			
Payroll expenses	\$ -	\$ 15,445	\$ 15,445
Labor and health insurance expenses	-	1,450	1,450
Pension expenses	-	599	599
Directors' remuneration	-	7,055	7,055
Other employee benefits expenses	-	773	773
Total	<u>\$ -</u>	<u>\$ 25,322</u>	<u>\$ 25,322</u>
Depreciation expenses of property, plant and equipment	<u>\$ -</u>	<u>\$ 1,219</u>	<u>\$ 1,219</u>
Depreciation expenses of investment properties	<u>\$ 533</u>	<u>\$ -</u>	<u>\$ 533</u>
	<u>2021</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefits expenses			
Payroll expenses	\$ -	\$ 21,206	\$ 21,206
Labor and health insurance expenses	-	1,321	1,321
Pension expenses	-	598	598
Directors' remuneration	-	11,736	11,736
Other employee benefits expenses	-	2,451	2,451
Total	<u>\$ -</u>	<u>\$ 37,312</u>	<u>\$ 37,312</u>
Depreciation expenses of property, plant and equipment	<u>\$ -</u>	<u>\$ 1,040</u>	<u>\$ 1,040</u>
Depreciation expenses of right-of-use assets	<u>\$ -</u>	<u>\$ 229</u>	<u>\$ 229</u>
Depreciation expenses of investment properties	<u>\$ 553</u>	<u>\$ -</u>	<u>\$ 533</u>
Amortization expenses	<u>\$ -</u>	<u>\$ 3,244</u>	<u>\$ 3,244</u>

1. 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.

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

	<u>2022</u>	<u>2021</u>
Employees' remuneration	\$ 501	\$ 970

Directors' remuneration	<u>5,015</u>	<u>9,696</u>
	<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.

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

24) Income tax

1. Income tax expenses

(a) Composition of income tax expenses:

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

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

	<u>2022</u>	<u>2021</u>
Tax payables calculated by profit before tax multiplying the enacted tax rates	99,069	\$ 257,408
Expenses that shall be excluded based on tax laws	-	3,787
Tax exempt income based on tax laws	( 93,715)	( 215,482)
Additional tax on unappropriated earnings	26,039	-
Effect of Land Value Increment Tax	279	40,805
Unrecognized deferred tax assets arising from temporary differences	( 1,021)	( 6,000)
Unrecognized deferred tax assets arising from tax losses	123	97
Evaluation changes in the realizability of deferred tax assets	( 4,456)	( 39,810)
Underestimation of income tax of prior periods	-	<u>1,735</u>
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>Company name</u>	<u>Declared/verified amount</u>	<u>Undeducted amount</u>	<u>Amount of unrecognized deferred tax assets</u>	<u>Last deductible year</u>	
2013	Fong-Chien	Verified amount	\$ 514,995	\$ 514,995	2023	
2015	Fong-Chien	Verified amount	43,964	43,964	2025	
2016	Fong-Chien	Verified amount	26,666	26,666	2026	
2017	Fong-Chien	Verified amount	7,458	7,458	2027	
2018	Fong-Chien	Verified amount	53,155	53,155	2028	
Total			<u>\$ 646,238</u>	<u>\$ 646,238</u>		

December 31, 2022						
<u>Year of occurrence</u>	<u>Company name</u>	<u>Declared/verified amount</u>	<u>Undeducted amount</u>	<u>Amount of unrecognized deferred tax assets</u>	<u>Last deductible year</u>	
2018	Hung Yeu	Verified amount	\$ 2,098	\$ 2,098	2028	
2019	Hung Yeu	Verified amount	129	129	2029	
2021	Hung Yeu	Declared amount	488	488	2031	
2022	Hung Yeu	Expected declared amount	615	615	2032	
Total			<u>\$ 3,330</u>	<u>\$ 3,330</u>		

December 29, 2022 is the date of completion of liquidation of Hungtu Alishan. The court is implementing the procedures of completion of liquidation. Please refer to the explanation in Note 4.3.2.

December 31, 2022						
<u>Year of occurrence</u>	<u>Company name</u>	<u>Declared/verified amount</u>	<u>Undeducted amount</u>	<u>Amount of unrecognized deferred tax assets</u>	<u>Last deductible year</u>	
2013	Alishan	Verified amount	\$ 29,899	\$ 29,899	2023	
2014	Alishan	Verified amount	23,861	23,861	2024	
2015	Alishan	Verified amount	21,997	21,997	2025	
2016	Alishan	Verified amount	22,073	22,073	2026	
2017	Alishan	Verified amount	8,387	8,387	2027	
2018	Alishan	Verified amount	7,820	7,820	2028	
2019	Alishan	Verified amount	7,824	7,824	2029	
2020	Alishan	Verified amount	6,537	6,537	2030	
2022	Alishan	Verified amount	4,854	4,854	2032	
Total			<u>\$ 133,252</u>	<u>\$ 133,252</u>		
Total			<u>\$ 782,820</u>	<u>\$ 782,820</u>		

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

December 31, 2021						
<u>Year of occurrence</u>	<u>Company name</u>	<u>Declared/verified amount</u>	<u>Undeducted amount</u>	<u>Amount of unrecognized deferred tax assets</u>	<u>Last deductible year</u>	
2018	Hung Yeu	Verified amount	\$ 2,098	\$ 2,098	2028	
2019	Hung Yeu	Verified amount	129	129	2029	
2021	Hung Yeu	Expected declared amount	488	488	2031	
Total			<u>\$ 2,715</u>	<u>\$ 2,715</u>		

December 31, 2021						
<u>Year of occurrence</u>	<u>Company name</u>	<u>Declared/verified amount</u>	<u>Undeducted amount</u>	<u>Amount of unrecognized deferred tax assets</u>	<u>Last deductible year</u>	
2012	Alishan	Verified amount	\$ 63,502	\$ 63,502	2022	
2013	Alishan	Verified amount	29,899	29,899	2023	
2014	Alishan	Verified amount	23,861	23,861	2024	
2015	Alishan	Verified amount	21,997	21,997	2025	
2016	Alishan	Verified amount	22,073	22,073	2026	
2017	Alishan	Verified amount	8,387	8,387	2027	
2018	Alishan	Verified amount	7,820	7,820	2028	
2019	Alishan	Verified amount	7,824	7,824	2029	
2020	Alishan	Declared amount	6,537	6,537	2030	
		Total	<u>\$ 191,900</u>	<u>\$ 191,900</u>		
		Total	<u>\$ 863,132</u>	<u>\$ 863,132</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 Group have been verified by the tax collection authority until the years as follows:

	<u>Fong-Chien</u>	<u>Hung Yeu</u>	<u>Hungtu Alishan</u>
Verified year	<u>2020</u>	<u>2020</u>	<u>Final accounting of dissolution on April 27, 2022</u>

25) 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 attributable to ordinary shareholders of the parent	\$ 469,636	155,001	\$ 3.03
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	469,636	155,001	
Effect of diluted potential ordinary shares			
Employees' remuneration	-	27	
Profit attributable to ordinary shareholders of the parent plus the effect of potential ordinary shares	\$ 469,636	155,028	\$ 3.03
		2021	
	<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 attributable to ordinary shareholders of the parent	\$ 916,440	155,001	\$ 5.91
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	916,440	155,001	
Effect of diluted potential ordinary shares			
Employees' remuneration	-	33	
Profit attributable to ordinary shareholders of the parent plus the effect of potential ordinary shares	\$ 916,440	155,034	\$ 5.91

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.

26) Transactions with non-controlling interests

1. The refund of the payment for shares for capital reduction of the subsidiary of the Group, Hungtu Alishan, on February 23, 2022, amounted to NT\$225,000 thousand, which decreased the amount of non-controlling interests by NT\$270 thousand.
2. The subsidiary of the Group, Hungtu Alishan, implemented the conversion of the liabilities of convertible preferred shares on December 1, 2021. As the Group did not subscribe to additional shares at a percentage of its existing ownership percentage, the ownership percentage increased from 72.86% to 99.88%. As the aforementioned transaction does not involve the change in control to the subsidiary, it shall be treated as an equity transaction. The transaction increased the amount of non-controlling interests by NT\$21,387 thousand, and decreased the amount of the equity attributable to owners of the parent by NT\$16,344 thousand.

27) Supplementary information of cash flows

Investing activities involve only partial cash receipts:

	2022	2021
Disposal of intangible assets	\$ 314,277	\$ -
Gains on disposal of intangible assets	452,652	-
Proceeds from disposal of intangible assets	766,929	-
Less: receipts in advance in the beginning of the period (	721,682)	-
Add: receipts in advance in the end of the period	-	721,682
Cash receipts in the current period	<u>\$ 45,247</u>	<u>\$ 721,682</u>

28) Changes in the liabilities arising from financing activities

	<u>Changes in cash</u>				December 31, 2022
	January 1, 2022	<u>flows from</u> financing activities	<u>Non-cash</u> flow increase	<u>Non-cash</u> flow transfers	
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	1,204	108	-	-	1,312
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>Changes in cash</u>				December 31, 2021
	January 1, 2021	<u>flows from</u> financing activities	<u>Non-cash</u> flow increase	<u>Non-cash</u> flow transfers	
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	234	( 234)	-	-	-
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 Group</u>
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
Grace Hospitality Management Co., Ltd. (Grace Hospitality)	The chairman is the second degree relative of 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>

The transaction prices and payment terms of sales of buildings and land are not significantly different from the transactions with non-related parties.

2. Lease transactions – lessee

(a) The Group 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 are paid in every half year.

(b) Rental expenses

	<u>2022</u>	<u>2021</u>
Holy Grace Construction	\$ <u>      165</u>	\$ <u>      235</u>

3. Jointly and severally liability of peer industries – commission expenses

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

4. Commission income

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

5. Details of guarantees

(a) The Group 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 Inverstment Co., Ltd. by the amount of NT\$425,690 thousand, which is the construction costs on the construction license. In addition, Hung Yeu Company provided jointly and severally liability of peer industries for related parties, Grace Hospitality Management Co., Ltd., by the amount of NT\$159,101 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 Group' 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.

6. Others

The key management is the joint guarantor of the long-term and short-term loans. Please

refer to Note 6.11 and 6.14 for explanations.

3) Information on key management personnel compensation

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 13,055	\$ 20,302

Short-term employee benefits include the accrued directors' remuneration. Please refer to Note 6.20 for explanation.

(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 Group 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
Total	<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 Group'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 Group manages and adjusts the capital structure, probably by adjusting dividend payment, returning of capital, issuing new shares, or disposing assets. The Group utilized debt to capital ratio to monitor the Group'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 consolidated financial statements) less of cash and cash equivalents. And total capital is calculated by "equity" stated in the consolidated balance sheets plus net debt. As of December 31, 2022 and 2021, the debt to capital ratio of the Group'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	( 285,665)	( 1,280,673)



Net debt	1,937,846	300,326
Total equity	<u>2,829,967</u>	<u>2,639,564</u>
Total capital	<u>\$ 4,767,813</u>	<u>\$ 2,939,890</u>
Debt to capital ratio	40.64%	10.22%

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		
Cash and cash equivalents	\$ 285,665	\$ 1,280,673
Current financial assets at amortized cost	52,000	177,000
Notes receivables	225	1,426
Accounts receivables	9,126	19,055
Other receivables	45,646	23,794
Refundable deposits (Recognized as other current and non-current assets)	451	27,376
	<u>\$ 393,113</u>	<u>\$ 1,529,324</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 1,240,550	\$ 945,700
Notes payables	590	495
Accounts payables	320,510	93,055
Other payables	34,539	85,398
Long-term borrowings (including current portion)	982,961	635,299
Guaranteed deposits received	1,312	1,204
	<u>\$ 2,580,462</u>	<u>\$ 1,761,151</u>

2. Risk management policies

- The Group's operation is influence by several financial risks, including market risk (including interest rate risk), credit risk, and liquidity risk.
- Risk management is implemented by the finance department's cooperating with each operating unit in the Group, 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 Group's interest rate risk arises from short-term and long-term borrowings at floating interest rate. Borrowings at floating interest rates expose the Group 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 Group'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 Group. The Group 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 Group manages credit risk in terms of the Group. The Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group. 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 Group 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	<u>246,000</u>	<u>517,660</u>
	<u>\$ 302,020</u>	<u>\$ 571,360</u>

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

Non-derivative financial liabilities:

December 31, 2022	<u>Within 6 months</u>	<u>6 months-1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>	<u>Total</u>
Short-term borrowings	745,637	\$ 507,886	\$ -	\$ -	\$1,253,517
Notes payables	590	-	-	-	590
Accounts payables	292,290	15,760	12,460	-	320,510
Other payables	18,940	8,550	7,049	-	34,539
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

Non-derivative financial liabilities:

December 31, 2021	<u>Within 6 months</u>	<u>6 months-1 year</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	87,884	1,400	3,771	-	93,055
Other payables	70,522	9,696	5,180	-	85,398
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 6.8 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

1) General information

The management of the Group has identified the reportable segments by the reporting information used by the chief operating decision maker to make decisions.

The composition, basis of dividing segments, and the basis of measuring segment information of the Group do not significantly change in the current period.

2) Measurement of segment information

The Group evaluates the performance of operating segments by the adjusted profit or loss before tax.

3) Segment information

1. The reportable segment information provided to the chief operating decision maker is as follows:

2022	Construction division	Hotel and restaurant division	Adjustments and write-offs	Total
Revenue				
Revenue from external customers	\$ 217,455	\$ -	(\$ 11)	\$ 217,444
Segment profit or loss	\$ 43,199	\$ 453,255	\$ -	\$ 496,454
Segment profit or loss include:				
Other gains and losses	\$ -	\$ 452,652	\$ -	\$ 452,652
2021	Construction division	Hotel and restaurant division	Adjustments and write-offs	Total
Revenue				
Revenue from external customers	\$ 3,063,802	\$ -	(\$ 34)	\$ 3,063,768
Segment profit or loss	\$ 720,407	\$ 323,634	\$ 2,973	\$ 1,047,014

2. The reportable segments of the Group are classified by operating divisions from the business organization.
3. The revenue of the Group is primarily from operating of construction, hotels, and restaurants.
4. The Group does not allocate income tax expenses to reportable segments. The reported amounts are the same as those in the report used by the chief operating decision maker.
5. The accounting policies of operating segments are the same as the summary of significant accounting policies in Note 4 to the financial statements of the Company. The segment profit or loss of the Company is measured by profit or loss before tax, which is the basis to evaluate performance.

4) Information on reconciliation of segment profit or loss

1. The total revenue is the same as the revenue from continuous operating segments for the years ended December 31, 2022 and 2021. There is no item to be reconciled.

	2022	2021
Revenue of reportable operating segments before adjustments	\$ 217,455	\$ 3,063,802
Elimination of inter-segment revenue	( 11)	( 3)
Revenue of reportable operating segments	\$ 217,444	\$ 3,063,768

2. The profit or loss before tax is the same as the revenue from continuous operating segments for the years ended December 31, 2022 and 2021. There is no item to be reconciled.

	2022	2021
Profit or loss before tax of reportable operating segments before adjustments	\$ 496,454	\$ 1,044,041
Elimination of inter-segment profit or loss	-	2,973
Profit or loss before tax of reportable operating segments	\$ 496,454	\$ 1,047,014

5) Geographic information

The geographic information of the Group for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	<u>\$ 217,444</u>	<u>\$ 153,154</u>	<u>\$3,063,768</u>	<u>\$ 460,975</u>

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

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

Table 1

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	Interest rate interval	Nature of financing (Note 3)	Transaction amount between two parties	Reasons for short-term financing	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.

Fong-Chien Construction Co.,LTD. and Subsidiaries  
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.	<u>Guarantee and endorsee</u>		Relationship	<u>Limitation on amount of guarantees and endorsements for a specific enterprise</u>	<u>Highest balance for guarantee and endorsements during the period</u>	<u>Balance of guarantees and endorsements, end of year</u>	<u>Actual usage amount</u>	<u>Amount of property pledged for guarantee and endorsement</u>	<u>Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements</u>	<u>Maximum amount for guarantees and endorsements</u>	<u>Parent company endorsements/guarantees to subsidiary</u>	<u>Subsidiary endorsements/guarantees to the parent company</u>	<u>Endorsements/guarantees to third parties on behalf of companies in Mainland China</u>	Note
	<u>Name of endorser and guarantor</u>	<u>Company name</u>												
0	Fong-Chien Construction Co.,LTD.	Fong Yi Construction CO., LTD. Cornerstone Inverstmant 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 CO., 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.



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 acquired the real estate</u>	<u>Property name</u>	<u>Date of occurrence</u> (Note 2)	<u>Transactino amount</u>	<u>Payment condition</u>	<u>Counterparty</u>	<u>Relationshi p</u>	<u>Owner</u>	<u>For transactions with related parties, the information on prior transfers and the relationship</u>		<u>Reference of price determination</u>		<u>Usage</u>	<u>Acquisition purpose and other agreement</u>
								<u>Date of 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 Appraisement 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)

<u>Investor company</u>	<u>Investee company</u>		<u>Original investment amount</u>		<u>Ownership as of December 31, 2022</u>			<u>Profit (loss) of investees in the current period</u>	<u>Gain (loss) of investees recognized in the current period</u>	<u>Note</u>	
	<u>(Note 1, 2)</u>	<u>Location</u>	<u>Main business</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Number of shares</u>	<u>Percentage</u>				<u>Carrying amount</u>
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.

## 5. Financial Statement for the Most Recent Fiscal Year, Certified by a CPA

### 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						
3110	Capital common stock	6(13)	1,550,015	25	1,550,015	33
Capital surplus						
3200	Capital surplus	6(14)	5,226	-	5,226	-
Retained earnings						
3310	Appropriated as legal capital	6(15)				
	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						
	liabilities and not recognized	9				
	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.

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)

	<u>NOTE</u>	<u>2022</u>	<u>2021</u>
<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		714,617	( 143,776 )
<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)	( 279,003 )	( 77,501 )
Net cash generated by(used in) financing activities		363,617	( 1,022,390 )
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		\$ 63,613	\$ 499,416

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	\$ -	\$ 150,000
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	312	326
	<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.				
					\$ 1,240,550

<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.			
				\$ 945,700

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				\$ 978,885

(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:

2022	Construction division			Total
	South area	Central area	North area	
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	Construction division			
	South area	Central area	North area	Total
Segment revenue	\$ 500,000	\$ 2,039,607	\$ 520,076	\$3,059,683
Time of revenue recognition				
Revenue recognized at a point in time				\$3,059,683

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:

	December 31, 2022	December 31, 2021
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:

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

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

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

17) Interest revenue

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

18) Other revenue

	2022	2021
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
	\$ 19,501	\$ 13,528

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	-	<u>33</u>	
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

	January 1, 2022	<u>Changes in cash flows from</u>			December 31, 2022
		<u>financing activities</u>	<u>Non-cash flow increase</u>	<u>Non-cash flow transfers</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	657	-
Total	<u>\$ 822</u>	<u>\$ 235</u>

### 3. Financing receivables

	<u>2022</u>				
	<u>Maximum</u> <u>balance</u>	<u>Year and month of</u> <u>occurrence</u>	<u>Ending</u> <u>balance</u>	<u>Interest</u> <u>rate</u>	<u>Interest</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>balance</u>	<u>Year and month of</u> <u>occurrence</u>	<u>Ending</u> <u>balance</u>	<u>Interest</u> <u>rate</u>	<u>Interest</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.

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.	<u>Guarantee and endorsee</u>		<u>Relationship</u>	<u>Limitation on amount of guarantees and endorsements for a specific enterprise</u>	<u>Highest balance for guarantee and endorsements during the period</u>	<u>Balance of guarantees and endorsements end of year</u>	<u>Actual usage amount</u>	<u>Amount of property pledged for guarantee and endorsements</u>	<u>Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements</u>	<u>Maximum amount for guarantees and endorsements</u>	<u>Parent company endorsements/guarantees to subsidiary</u>	<u>Subsidiary endorsements/guarantees to the parent company</u>	<u>Endorsements/guarantees to third parties on behalf of companies in Mainland China</u>	<u>Note</u>
	<u>Name of endorser and guarantor</u>	<u>Company name</u>												
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.



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>Transactino</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.

6. If there were any financial difficulties during the most recent fiscal year or up until the date of printing of this annual report for the Company and its affiliated businesses, please describe their impact on the Company's financial standing: None.

## VII. Review and Analysis of Financial Status and Business Results and Risk Issues

### 1. Financial Status

In the past two fiscal years, the major reasons for significant changes in assets, liabilities, and equity, and their impacts on the Company should be explained. If there is a significant impact, future response plans should also be described:

Unit: NT\$ thousands

Financial Status Analysis of the Last Two Years					
Item	Year	2022	2021	Difference	
				Amount	%
Current assets		6,037,550	5,096,539	941,011	18.46
Property, plant and equipment		43,266	36,277	6,989	19.27
Net investment properties		109,499	110,032	(533)	(0.48)
Intangible assets		0	314,277	(314,277)	(100.00)
Other assets		389	389	0	0.00
Total assets		6,190,704	5,557,514	633,190	11.39
Current liabilities		2,380,540	2,552,388	(171,848)	(6.73)
Non-current liabilities		980,197	365,562	614,635	168.13
Total liabilities		3,360,737	2,917,950	442,787	15.17
Equity attributable to shareholders of the parent		2,819,537	2,628,904	190,633	7.25
Capital stock		1,550,015	1,550,015	0	0.00
Capital reserve		5,226	5,226	0	0.00
Retained earnings		1,264,296	1,073,663	190,633	17.76
Total equity		2,829,967	2,639,564	190,403	7.21

Note: Explain the main reasons for significant changes in the Company's assets, liabilities, and shareholders' equity in the past two years (changes in the percentage of 20% or more between the previous and current period, with a change in amount of NT\$10 million or more), their impact, and future plans to address them.

1. Analysis of Changes in Increase/Decrease Ratio (changes in percentage of 20% or more between the previous and current period, with a change in amount of NT\$10 million or more):

- Decrease in intangible assets: mainly due to the disposal of intangible assets by the subsidiary, Hungtu Alishan Company.
- Increase in non-current liabilities: mainly due to an increase in long-term loans.

2. Impact and Future Plans for Significant Changes: There is no impact on the financial position, and there is no need to formulate a response plan.

## 2. Financial Performance

Main reasons for significant changes in operating revenue, operating profit, and pre-tax profit in the past two years, expected sales quantity and its basis, and possible impacts and response plans on the Company's future financial operations.

- (1) Main reasons for major changes in operating income, operating net profit and pre-tax net profit in the last two years

Unit: NT\$ thousands

Analysis of the Financial Performance of the Last Two Years					
Item	Year	2022	2021	Difference	
				Amount	%
Operating revenue		217,444	3,063,768	(2,846,324)	(92.90)
Operating margin		65,734	876,793	(811,059)	(92.50)
Operating income		17,400	691,709	(674,309)	(97.48)
Non-operating income and expenses		479,054	355,305	123,749	34.83
Net income before income tax		496,454	1,047,014	(550,560)	(52.58)
Net income (loss)		470,136	1,004,474	(534,338)	(53.20)
Net income attributable to stockholders of the parent		469,636	916,440	(446,804)	(48.75)

Explanation of Significant Changes in Ratio Analysis (for changes of 20% or more and a change in amount of NT\$10 million or more between the current and prior period):

- Operating revenue, gross profit, operating profit or loss, profit before tax, profit for the period, and profit attributable to owners of the parent all decreased: mainly due to the lack of completed construction projects to be recognized, and only the sale of unsold units.
- Non-operating income and expenses increased: mainly due to the disposal of intangible assets by the subsidiary Hungtu Alishan Company.

- (2) Expected sales quantity and its basis, possible impact on the Company's future financial business, and response plan:

A. Please refer to the "Letter to Shareholders".

B. The Company has not disclosed the financial forecast for the year 2022, therefore we do not plan to disclose the expected sales quantity.

## 3. Cash Flow: Analysis of recent year's cash flow changes, improvement plan for insufficient liquidity, and analysis of cash flow for the next year:

- (1) Analysis of the Cash Liquidity of the Last Two Years

Item	Year	2022	2021	Increase (Decrease) Ratio (%)
Cash Flow Ratio (%)		(64.98)	62.40	(204.13)
Cash Flow Adequacy Ratio (%)		(28.41)	(3,435.52)	(99.17)
Cash Reinvestment Ratio (%)		(49.30)	57.92	(185.12)

Analysis of Changes in Increase/Decrease Ratios:  
Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio have all decreased: This is mainly due to the fact that no completed construction projects were recorded in this period, and funds were invested in the purchase of construction land, resulting in a net cash outflow from operating activities.

- (2) Improvement plan for insufficient liquidity: None.

- (3) Analysis of cash flow for the next year:

Unit: NT\$ thousands

Cash and	Net Cash Flow from	Net cash flow from	Cash surplus	Leverage of Cash Surplus
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Cash Equivalents, Beginning of Year (1)	Operating Activities of the Year (2)	investing and financing activities for the year (3)	(deficiency) (1)+(2)+(3)	(Deficit)	
				Investment Plans	Financing Plans
285,665	86,646	(65,772)	306,539	-	-
1. Analysis of expected cash flow changes for the next year: (1) Net cash inflow from operating activities: mainly due to the completion and delivery of properties under construction. (2) Net cash outflow from investing and financing activities: mainly due to cash dividends and bank loan repayments. 2. Remedial measures for expected cash deficiency and liquidity analysis: the expected cash surplus is NT\$306,539 thousand, so no remedial measures are needed.					

#### 4. Impact of Major Capital Expenditure in the Past Year on the Financial Status:

In 2022, we purchased land in East District, Taichung City and Renping Section, Beitun District, totaling NT\$1,331,390 thousand. The funding for this significant capital expenditure came from our the Company's funds and bank loans.

#### 5. Recent investment policy changes, the main reasons for profit or loss, improvement plans, and future investment plans:

##### (1) Main reasons for profit from investment policy changes:

The investment in Hondo Alishan Company was affected by Typhoon Morakot on August 8, 2009. The Company reached a settlement agreement with the Forestry Bureau on July 29, 2021. Hungtu Alishan Company fulfilled the agreed-upon conditions by the end of 2021, and completed the cancellation of the registration of the land-use rights of the Beimen Station Hotel and the transfer of the ownership of the building to the Forestry Bureau. The Forestry Bureau paid a total of NT\$757,766 thousand (including tax) for the transfer price and maintenance expenses by the end of 2021. Both parties completed the transfer of all property of the Beimen Station Hotel, and the control of intangible assets had been transferred, and a gain on disposal of intangible assets of NT\$452,652 thousand was recognized. On January 14, 2022, the Company received the development rights fee refund for NT\$45,247 thousand and the performance bond refund from the Forestry Bureau for NT\$26,987 thousand, totaling NT\$72,234 thousand.

Regarding this matter, Fong Chien recognized a gain on investment in Hungtu Alishan Company of NT\$452,679 thousand and a loss on investment in Hung Yeu Company of -NT\$566 thousand. Hung Yeuu Company recognized a gain on investment in Hungtu Alishan Company of NT\$32 thousand.

##### (2) Improvement plan

The lawsuit has been settled.

##### (3) Investment plan for the coming year: None.

## 6. Risk assessment

- (1) Impact of interest rate, exchange rate fluctuations, and inflation on the Company's profitability and future response measures:
  - A. Interest rate: A portion of the financial liabilities borrowed by the Company has a floating interest rate, which will vary with market interest rates, causing fluctuations in cash flows. Domestic interest rate fluctuations are not significant and do not pose significant risks.
  - B. Exchange rate: The Company is in the domestic market industry, and exchange rate fluctuations have a minimal direct impact on real estate.
  - C. Inflation: Construction-related materials and wages are increasing, and the Company will seize appropriate procurement opportunities to control construction costs and maintain a good competitive advantage.
- (2) Policies, main reasons for profits or losses, and future response measures for engaging in high-risk, high-leverage investments, lending funds to others, endorsing guarantees, and derivative trading:
  - A. Engaging in high-risk, high-leverage investments and derivative trading: None.
  - B. Lending funds to others: None.
  - C. Endorsing guarantees:
    - On March 17, 2021, and September 30, 2021, the Board of Directors of Fong Chien Company passed a resolution to provide joint and several guarantees to Fong Yi Construction Company and Cornerstone Investment, guaranteeing their performance of pre-sale housing contracts. The endorsed guarantee amount was NT\$425,690 thousand (construction cost of the building permit), and the performance guarantee automatically expired after obtaining the use permit.
    - On May 23, 2022, the Board of Directors of Hung Yeu Company passed a resolution to provide joint and several guarantees to Grace Hospitality Management, guaranteeing their performance of pre-sale housing contracts. The endorsed guarantee amount was NT\$159,101 thousand (construction cost of the building permit), and the performance guarantee automatically expired after obtaining the use permit.
    - Related party, JingCi Development Co., Ltd. Company provided joint and several guarantees to Fong Chien Company, guaranteeing their performance of pre-sale housing contracts. The endorsed guarantee amount was NT\$257,965 thousands (construction cost of the building permit), and the performance guarantee automatically expired after obtaining the use permit.
  - D. Future response measures:

Control the endorsement evaluation process strictly, and the audit committee and the Board of Directors should review and approve the evaluation data before execution.
- (3) Future research and development plans and expected R&D expenses: Not applicable.
- (4) The impact of important domestic and foreign policies and legal changes on the Company's financial business and response measures:

The Company has sought opinions from relevant government agencies and certified public accountants on recent important domestic and foreign policies and legal changes and has taken appropriate measures to respond.
- (5) The impact of technological changes (including cybersecurity risks) and industry changes on the Company's financial business and response measures:
  - A. The Company has significantly emphasized cybersecurity risks in response to changing trends and has trained information personnel to strengthen cybersecurity protection and conduct network drills.
  - B. Response to industry changes:

The construction industry has been affected by short-term rapid increases in raw material and labor costs, which will not only affect profits but also lead to the central bank's repeated reduction in construction financing ratios, increasing the use of self-owned funds for land purchase and development, and future land purchases will be evaluated carefully for cash flow.
- (6) The impact of changes in corporate image on crisis management and response measures:



In the event of a crisis that affects changes in the company's corporate image, an emergency response team will be immediately established, and actions will be taken promptly to respond.

- (7) Expected benefits, possible risks, and response measures for mergers and acquisitions:

The Company currently has no plans for mergers and acquisitions.

- (8) Expected benefits, possible risks, and response measures for expanding factories:

In the 2022, the Company purchased self-use real estate and set it up as a business premises to solve the rental problem, and holding real estate long-term has value appreciation potential in the future.

- (9) Risks and response measures faced in centralized purchasing or sales:

The Company's purchase of goods from suppliers and payment for engineering fees are all based on the completion of project phases. The payment is made after the local government's construction management section and the architect inspect and confirm the completion of the project. Payment is generally made in a 50% cash and 50% promissory note format, and all construction projects have been financed by banks, requiring the contractor to abandon mortgage rights and register requests for rights, providing relative protection for the Company.

In addition, the Company's sales targets are the public, and there is no centralized sales situation.

- (10) The impact, risks, and response measures of the transfer or replacement of large shareholders holding more than 10% of the Company's shares:

The transfer of director's shareholding in the Company is carried out in accordance with the provisions of Article 22-2 and Article 25 of the Securities and Exchange Act, and the directors' shareholdings are maintained at the statutory shareholding ratio, with little variability.

- (11) The impact, risks, and response measures of changes in management control: Not applicable.

- (12) Lawsuits or non-litigation events involving the Company, company directors, general manager, substantial responsible person, shareholders holding more than 10% of the shares, and affiliated companies that have been judicially determined or are currently pending and may have a significant impact on shareholder equity or securities prices should disclose the disputed facts, amount involved, date of litigation, major litigants, and processing status as of the date of the annual report:

The Company signed a land sale and purchase contract with the seller of the land located at No. 46, Jhenfu Section, Nantun District, Taichung City on July 3, 2020. However, because the seller changed their seal at the land administration agency on September 10, 2020, the Company was unable to process the ownership transfer registration. The land was also temporarily restricted from registration due to the seller's son applying for an interim injunction from the Taichung District Court, making it impossible to transfer the ownership. The Company filed a lawsuit according to the contract to demand that the seller return the first installment of the contract fee and the second installment of the seal fee totaling NT\$23,540 thousand, as well as liquidated damages. The Taichung District Court rendered a civil judgment on June 30, 2022, stating that the seller should return the Company's price of NT\$23,540 thousand, pay liquidated damages of NT\$17,662 thousand, litigation fees of NT\$ 370 thousand, and 5% legal interest from January 27, 2021, until the date of full payment (interest income of NT\$ 3,971 thousand until December 31, 2022). The judgment has become final and binding.

The Company filed a request with the court on July 11, 2022, to enforce the forced sale of the land located at No. 46, Jhenfu Section, Nantun District, Taichung City by the seller. The court conducted the second public auction on March 2, 2022. The related receivables of NT\$ 45,543 thousand have not been recovered yet pending the court's allocation of the proceeds.

- (13) Other important risks and response measures:

Please refer to "Cyber Security Management".

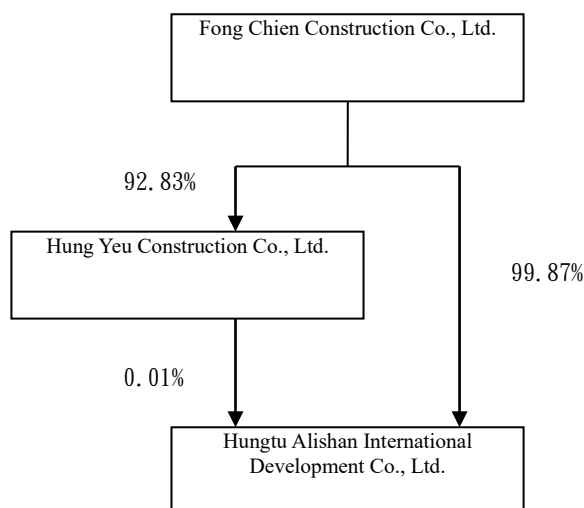
7. Other important matters: None.

## VIII. Special notes

### 1. Information about the Company's Affiliates

#### (1) Consolidated Business Report of Affiliates

##### A. Organizational chart of the affiliates



##### B. Information of Affiliated Companies

Unit: NT\$ thousands

Company Name	Establishment date	Address	Paid-in capital	Main Business Activities
Hung Yeu Construction CO.,LTD.	1980/07/29	25F-1, No.501, Sec. 2, Taiwan Blvd.,west Dist., Taichung City	237,000	Integrated construction services, real estate, residential and commercial building development for lease or sale, upholstery.
Hungtu Alishan International Development Co., Ltd.	2006/02/17 (Economic Ministry approved dissolution registration on 2022/05/10)	1-12F, No. 316, Chuiyang Rd., East Dist., Chiayi City	1,000	Hotel, catering, real estate rental and leasing.

C. Presumed controlling and subsidiary relationships among the shareholders: None.

D. Industries covered by the overall related business operations:

Residential and commercial building development for lease or sale, construction, civil engineering, real estate investment and development, hotel and catering services, etc.

E. Information on directors, supervisors, and general managers of each related company:

Unit: shares; %

Company Name	Title	Name or Representative	Shareholding	
			Shares	Shareholding ratio
Hungtu Alishan International Development Co., Ltd.	Director	<ul style="list-style-type: none"> <li>▪Resolved to dissolve by shareholders' meeting on April 27, 2022.</li> <li>▪Economic Ministry approved dissolution registration on May 10, 2022. (Director position no longer exists)</li> <li>▪December 29, 2022 is the date of liquidation completion, and the court is processing the liquidation completion procedure.</li> </ul>	99,873	99.873%
	Supervisor	Chang, Hsiu-Feng	0	0
Hung Yeu Construction CO.,LTD.	Director	Fong Chien Construction Co., Ltd. Representative: Chao, Chia-Ming	22,000,000	92.83%
	Director	Fong Chien Construction Co., Ltd. Representative: Yuan, Yu-Chi		
	Director	Fong Chien Construction Co., Ltd. Representative: Liu, Jui-Lin		
	Supervisor	Liao, Chun-Chieh	0	0

F. Operations Profile

Financial status and operating results of each affiliate company

Unit: NT\$ thousands  
December 31, 2022

Company Name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating Revenue	Operating net profit (loss)	Net income after tax	Earnings per share after tax (NT\$)
Hung Yeu Construction CO.,LTD.	237,000	149,137	5,764	143,373	-	(2,370)	(610)	(0.03)
Hungtu Alishan International Development Co., Ltd.	1,000	126,044	435	125,609	-	(522)	453,255	4,532.55

(2) Consolidated Financial Statements and Relationship Report of Affiliates:

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Fong Chien Construction Company Limited as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Fong Chien Construction Company Limited and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

COMPANY NAME:FONG CHIEN CONSTRUCTION COMPANY LIMITED

PRINCIPAL:YU QI YUAN

March 15, 2023

2. Private Securities in the Past Year and as of the Date of Publication of the Annual Report: None.
3. Holdings or disposals of the Company's shares by subsidiaries in the current fiscal year should be disclosed: None.
4. Other necessary supplementary information: None.

**IX. Occurrences under the second paragraph of Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act had a substantial influence on shareholder equity or securities prices during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report: None**

# Fong Chien Construction Co., Ltd.

**Chairman: Yuan, Yu-Chi**