

Stock Code: 5523

FONG CHIEN CONSTRUCTION CO., LTD.

# 2023 ANNUAL REPORT

**Printed on: May 7 2024**

**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,

The past year has undoubtedly been filled with challenges and changes. Here, we will review the company's operational activities, market performance, and outlook for the future.

1. Operational Overview

In 2023, Fong Chien Company completed several significant projects, including the completion and delivery of projects such as "Hsinchu VITA" and "Taichung Forest Cube". Additionally, the company launched the "Chien 18" project in Taichung City, demonstrating our continuous improvement and commitment to quality across various projects, which has been recognized by customers. The operating revenue of Fong Chien Company reached NT\$3.3 billion in 2023, showing a significant increase from the previous year's revenue of NT\$210 million. This year's performance reflects the company's steadfast commitment to quality, with its projects receiving recognition in the market.

2. Financial Performance

In 2023, the operating income was NT\$570 million. Despite facing various challenges such as rising international raw material costs and reforms in government policies regarding real estate, Fong Chien Company has upheld strategies to optimize operational efficiency and control costs, ensuring a stable financial performance.

3. Market and Development

Facing rapid changes and competition in the real estate market, the company continues to optimize product planning and enhance designs that resonate with residents, while selecting prime locations. The aim is to ensure that future projects will continue to meet market demands. In 2024, plans are underway to launch projects in the Renping and Zhenfu sections of Beitun and Nantun District in Taichung City, aiming to build upon the successful sales performance of 2023.

4. Risks and Challenges

Labor shortages in the domestic construction industry and fluctuations in raw material prices due to factors such as the Ukraine-Russia conflict remain primary risks faced by the construction sector. The company will continue to closely monitor these risk factors and implement appropriate risk management measures. Additionally, the government has implemented various measures to regulate the real estate market, such as property hoarding taxes, lending restrictions, and upcoming policies like virtual floor area reform. The company maintains a cautious yet optimistic attitude, actively addressing challenges with diligence and integrity as the guiding principles of our brand spirit. By continuing to deliver high-quality building products and achieving operational goals, the company also aims for a sound and positive development in the real estate industry.

5. Gratitude and Expectations

We express gratitude to all shareholders for their support and trust. Looking ahead, the management team is confident that through the concerted efforts of the team and the execution of strategic plans, Fong Chien Company will be able to create greater value for shareholders.

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

**Fong Chien Construction Co., LTD**

Chairperson: Yu-Qi, Yuan

CEO: Rui-Lin, Liu

Accounting Manager: Qiong-Fei, Chen

## 1. 2023 Business overview

### (1) Implementation results of business plan

Consolidated revenue reached NT\$3,331,795 thousands in 2023, a increase of 1432.25% over NT\$217,444 thousands in the previous year. Net income was NT\$578,594 thousands, a increase of 23.07% over NT\$470,136 thousands in the previous year. The earnings per share were NT\$3.73, a increase of 23.10% over NT\$3.03 in the previous year. Overall, the company's operating performance was good.

### (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 2023.

### (3) Analysis of financial income and expenditure and profitability

#### A. Analysis of financial income and expenditure

In thousands of NT\$					
Items	2023	%	2022	%	Difference
Operating revenues	3,331,795	100%	217,444	100%	1432.25%
Gross profit	754,244	22%	65,734	30%	1047.42%
Operating expenses	176,182	5%	48,334	21%	264.51%
Operating income	578,062	17%	17,400	9%	3222.20%
Net income	578,518	17%	469,636	216%	23.18%

#### B. Analysis of profitability

Items	2023	2022
Return on assets	10.64%	8.00%
Return on equity	19.33%	17.24%
Pretax income / Capital (%)	37.07%	32.03%
Profit margin	17.36%	215.98%
Earnings per share (NT\$)	3.73	3.03

### (4) Research and development

#### A. Lifestyle:

By repositioning the use of space, we are able to integrate and define each space. Through implementing extreme simplicity, we prioritize "people" as the focal point of the 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. Using light grey tones, we create a comfortable and airy visual experience for both the building and interior spaces.

## **2. 2024 Business plan**

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

#### A. Sales of existing projects:

- a. "Forest Cube" located in 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. All units were delivered in the first quarter of 2024.
- b. "Chien 18" located in East District, Taichung City, with a base area of 950 pings, planned for 3 basement floors and 22 above-ground floors, and 123 residential units. The entire project was sold for approximately 3 billion, and presale began in October 2023. It is expected to be completed in 2026.

#### B. Planned projects to be launched and developed in 2024:

- a. "Zhenfu section, Nantun District, Taichung City", with a base area of approximately 1,321 pings, planned for 2 basement floors and 17 above-ground floors, and 93 residential units. The entire project is expected to be sold for approximately 3 billion, and presale will begin in 2024..
- b. "Renping section, Beitun District, Taichung City", with a base area of approximately 953 pings, planned for 2 basement floors and 15 above-ground floors, and 83 residential units. The entire project is expected to be sold for approximately 2.8 billion, and presale will begin in the first half of 2024.

### (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 hold community events and 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 Property Hoarding Tax, 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

Inflationary pressures have eased in major global economies, but core inflation remains sticky. The Red Sea crisis could disrupt supply chain stability, limiting central bank flexibility in monetary policy. Further escalation of the Russia-Ukraine conflict and tensions in the Middle East could lead to disruptions in oil supply and significant increases in commodity prices, dampening confidence among businesses and consumers. Since 2022, European and American countries have initiated interest rate rising cycle to control inflation rates, coupled with the gradual withdrawal of fiscal support plans implemented in response to the pandemic, weakening economic growth momentum in 2024.

Domestic economy continues to recover steadily, driven by the prosperous business opportunities in AI applications, which have boosted export volumes. However, global economic conditions remain weak due to inflation and high interest rates, leading to weakened end demand.

While the global economy may struggle to overcome its current state of weakness in the short term, the ongoing expansion of emerging technology applications and the gradual clearance of supply chain inventories are expected to effectively boost our export momentum. Coupled with sustained private consumption and gradual investment recovery, it is anticipated that in 2024, growth momentum will be lifted through consumption, investment, and exports, thereby revitalizing the real estate industry.

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>

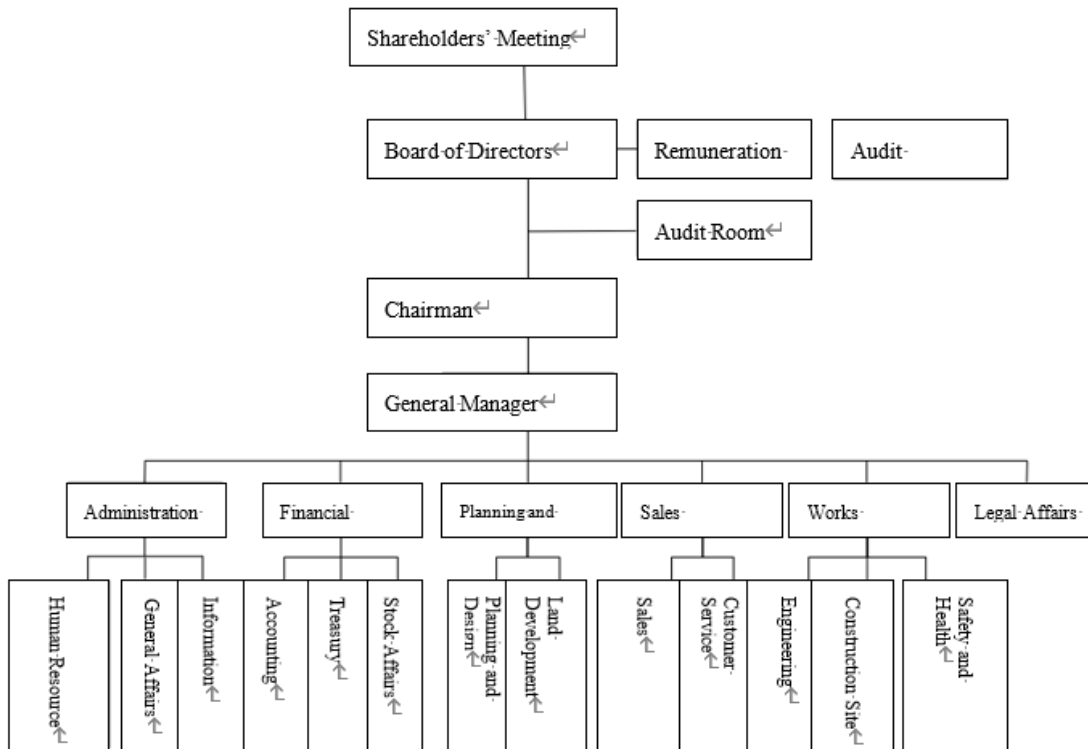
	<p>Railway Development Projects)" to initiate the tourism business.</p> <ul style="list-style-type: none"> <li>▪ On June 19, the signing process of the "Ali. Mountain B.O.T. (Ali. Mountain Forest Railway Development Projects)" was completed with the Council of Agriculture of Executive Yuan.</li> <li>▪ "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>▪ In July, the "Forest Cube " project completed.</li> <li>▪ In October, the launch of pre-sale for the "Chien 18" project in the East District of Taichung City.</li> <li>▪ In the Construction Quality Category, "VITA" was bestowed with a Golden Award during the 25th edition of The National Golden Award for Architecture.</li> </ul>
2024	<ul style="list-style-type: none"> <li>▪ The project in the Renping section of Beitun District, Taichung City is scheduled for pre-sale in the first half of the year.</li> <li>▪ The project in the Zhenfu section of Nantun District, Taichung City is scheduled for pre-sale in the second half of the year.</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

March 31, 2024

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	2023.05.31	3 Years	2011.06.13	34,411,027	22.20%	34,411,027	22.20%	-	-	-	-	-	-	-	-	-	
		Representative: Yuan, Yu-Chi	Male 50 to 60	2023.05.31	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. •Director, Fong Suei Construction Co., Ltd.	None	None	None	
Director	Republic of China (Taiwan)	MORNING HONOR INVESTMENT CO., LTD.	N/A	2023.05.31	3 Years	2011.06.13	34,411,027	22.20%	34,411,027	22.20%	-	-	-	-	-	-	-	-	-	
		Representative: Liu, Yu-Lin	Male 30 to 40	2023.05.31	N/A	N/A	-	-	247,000	0.16%	30,000	0.02%	-	-	•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, Fong Suei Construction Co., Ltd.	None	None	None	
Independent Director	Republic of China (Taiwan)	Liao, Fu-Pen	Male 70 to 80	2023.05.31	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	2023.05.31	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, Yan-Wen	Male 70 to 80	2023.05.31	3 Years	2023.05.31	-	-	-	-	-	-	-	-	-	•Bachelor of Laws from National Chung Hsing University •Judge of the Supreme Court •Director-General of the Civil Division of the Judicial Yuan •President of the Taichung District Court •Chief Clerk of the Supreme Court •President of the Kaohsiung Branch of the Taiwan High Court •President of the Taiwan High Court	•Independent Director.. Rayzher Industrial Co.,Ltd.	None	None	None

(2) Major Shareholders of Corporate Shareholders

March 31, 2024

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%)

(3) Major shareholders of the Company’s major institutional shareholders

March 31, 2024

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%)



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

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

March 31, 2024

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
<p>MORNING HONOR INVESTMENT CO., LTD. Representative: Yuan, Yu-Chi</p>	<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, Chairman of the Company and Director of Fong Swei Construction Co., Ltd.</li> <li>▪None of the circumstances specified in Article 30 of the Company Act.</li> </ul>		None
<p>MORNING HONOR INVESTMENT CO., LTD. Representative: Liu, Yu-Lin</p>	<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. and Director of Fong Swei Construction Co., Ltd.</li> <li>▪None of the circumstances specified in Article 30 of the Company Act.</li> </ul>		None
<p>Liao, Fu-Pen</p>	<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
<p>Lin, Li-Hsuan</p>	<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, Yan-Wen	<ul style="list-style-type: none"> <li>▪Has work experience in legal affairs.</li> <li>▪Previously served Judge of the Supreme Court, Director-General of the Civil Division of the Judicial Yuan, President of the Taichung District Court, Chief Clerk of the Supreme Court, President of the Kaohsiung Branch of the Taiwan and High Court and President of the Taiwan High Court.</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
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\* On May 31, 2023, a complete Board of Directors election was held, and the individual was elected as a member of the 15th 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, To achieve gender equality objectives, it is anticipated that at least one female Director will be elected during the upcoming term of Director elections.

#### ■Status of Accomplishment:

The current Board of Directors consists of 5 members, including 3 independent

directors. All directors hold Taiwanese nationality, and employee directors account for 20% of the total, while independent directors account for 60%. Three independent directors have served for 1 to 6 years. The board also pays attention to gender equality in the composition of the Board of Directors, it is anticipated that at least one female Director will be elected during the upcoming term of Director elections.

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	Liu, Jui-Lin	Taiwan	Male		✓						✓	✓	✓	✓	✓	✓	✓	
Independent Director	Liao, Fu-Pen	Taiwan	Male					✓		✓	✓	✓	✓	✓	✓	✓	✓	
Independent Director	Lin, Li-Hsuan	Taiwan	Male				✓			✓	✓	✓	✓	✓	✓	✓	✓	
Independent Director	Li, Yan-Wen	Taiwan	Male					✓	✓		✓		✓	✓	✓	✓	✓	

(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 zero 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

March 31, 2024

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%	693,000	0.45%	-	-	<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).

### 3. Remuneration to Directors, General Manager, and Assistant General Managers

#### (1) Remuneration to Ordinary Directors and Independent Directors

December 31, 2023

Unit: NT\$ thousands

Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net profit after-tax		Remuneration received by directors for concurrent service as an employ								Sum of A+B+C+D+E+F+ G and ratio to net profit after-tax		Remuneration received from subsidiaries other than re-invested enterprises or from the parent company				
		Base compensat ion (A)		Retirement pays and pension (B)		Director profit – sharing compensation (C) (Note 1)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pays pension (F)		Employee profit – sharing compensation (Note 2)										
		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	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							
Chairman	MORNING HONOR INVESTMENT CO., LTD. Representative: Yuan, Yu-Chi (note)	-	-	-	-	3,621	3,621	240	240	3,861	3,861	0.67%	0.67%	4,200	4,200	-	-	120	-	120	-	8,181	8,181	1.41%	1.41%	80
Director	MORNING HONOR INVESTMENT CO., LTD. Representative: Liu, Yu-Lin (note)	-	-	-	-	724	724	70	70	794	794	0.14%	0.14%	-	-	-	-	-	-	-	-	794	794	0.14%	0.14%	None
Director	MORNING HONOR INVESTMENT CO., LTD. Representative: Chao, Chia-Ming	-	-	-	-	488	488	50	170	538	658	0.09%	0.11%	-	-	-	-	-	-	-	-	538	658	0.09%	0.11%	None
Director	PIN SHIAN INVESTMENT CO., LTD. Representative: Wang, Ya-Ling	-	-	-	-	163	163	50	50	213	213	0.04%	0.04%	-	-	-	-	-	-	-	-	213	213	0.04%	0.04%	None
Director	Liu, Jui-Lin	-	-	-	-	325	325	50	50	375	375	0.06%	0.06%	2,475	2,475	-	-	80	-	80	-	2,930	2,930	0.51%	0.51%	None

Director	Liu, Yu-Lin	-	-	-	-	-	-	50	50	50	50	-	-	-	-	-	-	-	-	50	50	None
Director	Fullness Construction Co., Ltd. Representative: Chang, Hsiu-Feng	-	-	-	-	488	488	50	50	538	538	-	-	-	-	-	-	-	-	538	538	None
Independent Director	Liao, Fu-Pen (note)	-	-	-	-	-	-	500	500	500	500	-	-	-	-	-	-	-	-	500	500	None
Independent Director	Lin, Li-Hsuan (note)	-	-	-	-	-	-	500	500	500	500	-	-	-	-	-	-	-	-	500	500	None
Independent Director	Li, Ming-Chian	-	-	-	-	-	-	150	150	150	150	-	-	-	-	-	-	-	-	150	150	None
Independent Director	Li, Yan-Wen (note)	-	-	-	-	-	-	704	704	704	704	-	-	-	-	-	-	-	-	704	704	None

Note: Member of 15<sup>th</sup> Board of Directors, serves from May 31, 2023 to May 30, 2026.

1. Please describe the policy, system, standards, and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration. According to our company's regulations, independent directors do not participate in the annual distribution of director remuneration, and only receive general business execution expenses.
2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non – employee consultant to the parent company /any consolidated entities / invested enterprises) : None.

Note 1: The amount of director's remuneration distributed by the Board of Directors before the 2023 shareholders' meeting for profit distribution is an estimated figure calculated based on the actual distribution amount ratio of the previous year.

Note 2: The amount of employee remuneration distributed by the Board of Directors before the 2023 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.

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

December 31, 2023

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	-	-	675	675	80	-	80	-	2,555 0.44%	2,555 0.44%	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 2023 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, 2023  
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	0.03%
	General Manager	Liu, Jui-Lin				
	Manager	Chen, Chiung-Fei				

Note : The amount of employee remuneration distributed by the Board of Directors before the 2023 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	2023 Total remuneration paid to Directors and General Manager to net income ratio		2022 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	15,098 2.61%	15,218 2.63%	13,135 2.80%	13,255 2.82%
General Manager	2,555 0.45%	2,555 0.45%	2,350 0.50%	2,350 0.50%
Net income after tax	578,518	578,518	469,636	469,636

#### Description for Analysis:

The remuneration of directors and general managers increased in 2023 compared this was due to the increase in net income after tax in 2022 which resulted in a relative increase in the total remuneration provision.

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

##### (1) The policies, standards, and portfolios for the payment of remuneration :

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.

(2) The procedures for determining remuneration :

The annual assessment of the remuneration and salary compensation of directors and executives is conducted in accordance with the Performance Appraisal Method and Board of Directors' Performance Evaluation Method. This evaluation is predicated on critical performance indicators, including operational performance, pre-tax profit, gross profit, and business plans. The distribution of compensation is determined by the overall evaluation outcomes, which are weighted. Furthermore, as a result of their participation in substantial organizational determinations, the Chairman and CEO hold a marginally greater influence in the allocation of compensation than regular directors. Following careful consideration and deliberation by the Remuneration Committee, the Board of Directors is presented with the proposal for its approval.

(3) The correlation with risks and business performance :

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 6 meetings (A) in the last fiscal year (3 meetings in the 14th session and 3 meetings in the 15th 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	6	0	100%	Re-elected on 2023.05.31
Director	MORNING HONOR INVESTMENT CO., LTD. Representative: Liu, Yu-Lin	2	0	66.67%	Re-elected on 2023.05.31
Director	MORNING HONOR INVESTMENT CO., LTD. Representative: Chao, Chia-Ming	3	0	100%	Resign on 2023.05.31
Director	PIN SHIAN INVESTMENT CO., LTD. Representative: Wang, Ya-Ling	2	0	66.67%	Resign on 2023.05.31
Director	Liu, Jui-Lin	3	0	100%	Resign on 2023.05.31
Director	Liu, Yu-Lin	2	0	66.67%	Resign on 2023.05.31
Director	Fullness Construction Co., Ltd. Representative: Chang, Hsiu-Feng	3	0	100%	Resign on 2023.05.31
Independent Director	Liao, Fu-Pen	6	0	100%	Re-elected on 2023.05.31
Independent Director	Lin, Li-Hsuan	6	0	100%	Re-elected on 2023.05.31
Independent Director	Li, Ming-Chiang	1	0	33.33%	Resign on 2023.05.31
Independent Director	Li, Yan-Wen	3	0	100%	Newly appointed on 2023.05.31

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
2023/03/15 18th meeting 14th Term	<ul style="list-style-type: none"> <li>▪ "Measures for Financial Statement Preparation Process Management" were revised by the Company.</li> <li>▪ Alteration and appointment of CPA.</li> <li>▪ The "Cyber Security Management Measures" were added.</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 No.809 of Guangfu Section, Hsinchu City.</li> </ul>	Unanimously approved.
2023/05/23 20th meeting 14th Term	<ul style="list-style-type: none"> <li>▪ Contribute 30% to the formation of a company, as announced by the "National Housing and Urban Regeneration Center": "A new company jointly funded by Fong Chien Construction Co., Ltd." and Da Mei Investment Co., Ltd."</li> <li>▪ Act as a bank credit endorsement guarantee for the implementer announced by the "National Housing and Urban Regeneration Center": "A new company jointly funded by Da Mei Investment Co., Ltd. and Fong Chien Construction Co., Ltd."</li> </ul>	
2023/05/31 1st meeting 15th Term	<ul style="list-style-type: none"> <li>▪ The remuneration expenses for Independent Directors of the Company.</li> </ul>	
2023/08/08 2ed meeting 15th Term	<ul style="list-style-type: none"> <li>▪ The Company's East District project "Chien 18" engaged the related party, Grace Hospitality Management Co., Ltd., to provide pre-sale housing indemnity.</li> </ul>	
2023/11/07 3rd meeting 15th Term	<ul style="list-style-type: none"> <li>▪ The Company plans to outsource the hypothetical engineering of the "Chien 18" project in the East District of Taichung to the related party, Hung Yeu Construction.</li> <li>▪ The remuneration of the Accountant for the Company.</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: Remuneration expenses for Independent Directors of the Company.
- Reason for Abstention: Independent Directors Liao, Fu-Pen, Lin, Li-Hsuan, and Li, Yan-wen, among others, have conflicts of interest with this matter and therefore abstained from discussion and voting.
- Voting Results: Apart from the Independent Directors who abstained due to conflicts of interest, after consulting with the chairman and receiving no objections from attending directors, the proposal was passed as presented.

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 2023 internal evaluation of the Board of Directors, self-evaluation of directors, and evaluation of functional committees were "Great and 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	2023.01.01 to 2023.12.31	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	2023.01.01 to 2023.12.31	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	2023.01.01 to 2023.12.31	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	2023.01.01 to 2023.12.31	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 2023.

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 6 meetings (A) in the last fiscal year (3 meetings in the 1th session and 3 meetings in the 2th session), 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	6	0	100%	Re-elected on 2023.05.31
Independent Director	Lin, Li-Hsuan	6	0	100%	Re-elected on 2023.05.31
Independent Director	Li, Yan-Wen	3	0	100%	Newly-appointed on 2023.05.31
Independent Director	Li, Ming-Chiang	1	0	33.33%	Resign on 2023.05.31

Annual Work Focus and Duties of the Audit Committee:

#### 1. Annual Work Focus:

- (1) The review of the 2023 business report, financial statements, and profit distribution plan was completed on March 5, 2024, 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 Wang, Yu-Chuan and Hung, Shu-Hua from PwC, and an audit report was issued.
- (2) Reviewing the risks of major assets, capital loans, and endorsements and guarantees.

#### 2. Duties:

- (1) Developing or revising internal control systems.
- (2) Assessing the effectiveness of internal control systems.
- (3) Developing or revising procedures for significant financial transactions, such as asset acquisition or disposal, derivative transactions, fund lending, endorsements, or guarantees.
- (4) Matters related to the interests of directors.
- (5) Significant asset or derivative transactions.
- (6) Significant fund lending, endorsements, or guarantees.
- (7) Issuing, offering, or privately placing equity securities.
- (8) Appointment, dismissal, or compensation of signing certified public accountants.
- (9) Appointment or dismissal of financial, accounting, or internal audit supervisors.
- (10) Annual and semi-annual financial reports.
- (11) Other significant matters as required by other companies or regulatory authorities.

Other mentionable items:

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:

- (1) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Date of Audit Committee meeting	Contents of motions	Independent Directors' Resolution
2023/03/15 16th meeting 1th Term	<ul style="list-style-type: none"> <li>▪ The proposal for the business report, individual financial statements, and consolidated financial statements for 2022.</li> <li>▪ The 2022 internal control system statement.</li> <li>▪ "Measures for Financial Statement Preparation Process Management" were revised by the Company.</li> <li>▪ Alteration and appointment of CPA.</li> <li>▪ The "Cyber Security Management Measures" were</li> </ul>	Unanimously approved.

	<p>added.</p> <ul style="list-style-type: none"> <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 No.809 of Guangfu Section, Hsinchu City.</li> </ul>	
2023/05/23 18th meeting 1th Term	<ul style="list-style-type: none"> <li>▪ Contribute 30% to the formation of a company, as announced by the "National Housing and Urban Regeneration Center": "A new company jointly funded by Fong Chien Construction Co., Ltd." and Da Mei Investment Co., Ltd."</li> <li>▪ Act as a bank credit endorsement guarantee for the implementer announced by the "National Housing and Urban Regeneration Center": "A new company jointly funded by Da Mei Investment Co., Ltd. and Fong Chien Construction Co., Ltd."</li> </ul>	
2023/08/08 2ed meeting 2th Term	<ul style="list-style-type: none"> <li>▪ The proposal for the second quarter consolidated financial statements for 2023.</li> </ul>	
2023/11/07 3rd meeting 2th Term	<ul style="list-style-type: none"> <li>▪ The Company plans to outsource the hypothetical engineering of the "Chien 18" project in the East District of Taichung to the related party, Hung Yeu Construction.</li> <li>▪ The remuneration of the Accountant for the Company.</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
2023/03/15 Communication with the accountants and the independent directors	Independent Director, Liao, Fu-Pen Independent Director, Lin, Li-Hsuan Independent Director, Li, Ming-Chiang 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. 5.Information sharing.	No comments were made in this meeting.
2023/03/15 Communication with the accountants and 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	1.2022 internal audit implementation status 2.Report on the status of work implementation in November and December of the fiscal year 2022, as well as the first quarter audit work. 3.Announcement regarding the self-assessment audit report and declaration of the effectiveness of the internal control system for 2022	No other suggestions were made. All issues were referred to the Board of Directors for resolution.
2023/05/03 Audit Committee	Independent Director, Liao, Fu-Pen Independent Director, Lin, Li-Hsuan Independent Director, Li, Ming-Chiang(Absent) Audit Supervisor, Lin, Hsiu-Wen	1.March and April audit's implementation. 2.Summary report for 2022 on the improvement of internal control deficiencies and abnormal incidents. 3.Statement of a 2022 internal control system.	No other suggestions were made. All issues were referred to the Board of Directors for resolution.
2023/08/08 Audit Committee	Independent Director, Liao, Fu-Pen Independent Director, Lin, Li-Hsuan Independent Director, Li, Yan-Wen Audit Supervisor, Lin, Hsiu-Wen	1.Audit work status for May, June and July. 2.Status of deficiency monitoring and improvement.	No other suggestions were made. All issues were referred to the Board of Directors for resolution.
2023/11/07 Audit Committee	Independent Director, Liao, Fu-Pen Independent Director, Lin, Li-Hsuan Independent Director, Li, Yan-Wen Audit Supervisor, Lin, Hsiu-Wen	1.Audit work status for August, September and October. 2.Describe the auditing strategy for 2024.	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". (please refer to page 16) The Company's Board of Directors diversification policy and its implementation: (a) The Board of Directors of the Company is made up of five members, including three independent directors, who have diverse expertise in various fields. Directors	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>with financial expertise include Yuan, Yu-Chi, Lin, Li-Hsuan, and Liu, Yu-Lin, Directors with management expertise include Liao Fu-Ben, and Li ,Yan-Wen.</p> <p>(b) 20% of the board members are employee directors, 60% are independent directors, The board also works to achieve gender equality, three independent directors serving for less than seven years, the next election of board members will include female directors.</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 2023, 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 5, 2024, 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, the 5 major dimensions and 13 indicators of Audit Quality Indicators (AQIs) are routinely utilized to evaluate the signing accountant's independence and suitability on an annual basis. For 2023, the auditor's independence statement (Note 1) In 2023, the auditor's independence statement was obtained has been acquired and formally presented to the Board of Directors on March 5, 2024.</p> <p>Assessment of Significant Matters:</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			(1) Referring to the 5 major dimensions and 13 indicators of Audit Quality Indicators (AQIs). (2) The signing accountant has not provided audit services to the Company for 7 consecutive years. (3) Compliance with the provisions of Article 10 of the Code of Ethics for Certified Public Accountants regarding independence.	
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.	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	✓ ✓ ✓		(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.	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>spokesman system, webcasting investor conferences)?</p> <p>(3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?</p>			<p>(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.</p>	
<p>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>			<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. All newly appointed directors for 2023. have successfully completed the mandatory three-hour course, as mandated by the appropriate authorities.</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	
			<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> <p>(7) The Company has purchased director's liability insurance for 2024 and reported it to the Board of Directors on March 5, 2024.</p>	

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) 1.9 Has the Company uploaded the English version of the meeting notice, agenda, and supplementary materials for the shareholders' meeting 30 days before the meeting?	Uploaded.
(2) 1.11 Has the Company uploaded the English version of the annual report 16 days before the shareholders' meeting?	Uploaded.
(3) 2.24 Has the Company established a framework for managing cyber security risks, formulated cyber security policies, specific management plans, and allocated resources for ICT security management, and disclosed them on the Company's website or in the annual report?	Disclosed.
(4) 3.5 Has the Company uploaded the annual financial report disclosed in English 16 days before the shareholders' meeting?	Uploaded.
(5) 4.11 Has the Company disclosed the annual greenhouse gas emissions, water usage, and total waste weight for the past two years?	Disclosed.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(6) 4.12 Has the Company formulated policies for reducing greenhouse gas emissions, reducing water usage, or managing other waste, including reduction targets, promotion measures, and achievements?			Disclosed.	
(7) 4.14 Has the Company's website or annual report disclosed the identities of identified stakeholders, their concerns, communication channels, and response methods?			Disclosed.	
(8) 4.16 Has the company established and disclosed on its website a whistle-blowing system for reporting illegal (including corrupt) and unethical behavior by internal and external personnel?			Disclosed.	
Expected Improvement Items for Corporate Governance Evaluation				Explanation
(1) 1.18Is the Company recording important content of shareholder inquiries and company responses in the minutes of shareholder meetings?				Expected improvement in 2024.
(2) 2.6Does the Company's Board of Directors include at least one female director?				Expected improvement in 2026's Board of Directors election.
(3)4.3 Is the Company regularly disclosing specific implementation plans and effectiveness of corporate sustainable development (ESG) on its website, annual report, or sustainability report?				Expected improvement in 2025.
(4) 4.17Does the Company's website, annual report, or sustainability report disclose the formulated supplier management policy, requiring suppliers to adhere to relevant standards in environmental protection, occupational safety and health, or labor rights, and explain the implementation status?				Expected improvement in 2025.

### Note 1: 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, 2023

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 12.		0
Independent Director	Li, Yan-Wen	Please refer to Table 1 Information on Directors' (1) on page 12.		1
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, Yan-Wen was newly appointed on May 31st, 2023.

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 12 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, The content of the performance evaluation standards is disclosed in the annual report.



(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 term of office of the current committee members is from May 31, 2023 to May 30, 2026. In the current year, the Remuneration Committee held four meetings (A) until December 31, 2023. 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	3	0	100%	Re-elected on 2023.05.31
Committee Member	Li, Yan-Wen	1	0	100%	Newly appointed on 2023.05.31
Committee Member	Chen, Hsiu-Ling	3	0	100%	Re-elected on 2023.05.31
Committee Member	Li, Ming-Chiang	3	0	100%	Resign on 2023.05.31
Other mentionable items:					
<p>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):</p> <p>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.</p> <p>3. Discussion topics and resolutions of the Remuneration Committee:</p>					
Date of Remuneration Committee Meeting		Agenda		Members' Opinions	
2023/01/10 (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.	
2023/02/22 (2nd meeting of the year) 4th Term		<ul style="list-style-type: none"> <li>■ Allocation of director and employee remuneration for the year 2022.</li> </ul>		Passed without objection.	
2023/03/15 (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> <li>■ The appointment of the Company's governance supervisor.</li> </ul>		Passed without objection.	
2023/05/31 (4th meeting of the year) 5th Term		<ul style="list-style-type: none"> <li>■ Election of the fifth convener of the Board of Directors.</li> <li>■ Regarding the payment of Director's remuneration.</li> <li>■ The remuneration expenses for Independent Directors of the Company.</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>	✓		<p>There is no sustainability report from the Company; however, it has made every effort to achieve this goal by 2025.</p>	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>				

Climate-Related Information of TWSE/TPEX Listed Company

1. Implementation of Climate-Related Information

Item	Implementation Status
<ol style="list-style-type: none"> <li>1. Describe the Board of Directors' and management's oversight and governance of climate-related risks and opportunities.</li> <li>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term)</li> <li>3. Describe the financial impact of extreme weather events and transformative actions.</li> <li>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</li> <li>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.</li> <li>6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</li> <li>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</li> <li>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</li> <li>9. Greenhouse gas inventory and assurance status (separately fill out in point 1-1 and 1-2 below).</li> </ol>	<p>Items 1-8:</p> <p>The Company is obligated to compile and deliver a sustainability report for the year 2024, completed by 2025. In addition, the Board of Directors has been provided with the schedule for greenhouse gas inventory and verification, in accordance with the competent authority's Corporate Governance 3.0 for Sustainable Development implementation plan.</p> <p>The Company is proactively incorporating the ramifications of climate issues into its business operations this year. It is the responsibility of management to supervise and compile pertinent data, as well as to identify significant climate risks and opportunities.</p> <p>An annual sustainability report will be presented to the Board of Directors, providing a comprehensive overview of noteworthy issues.</p> <p>Item 9: Not applicable.</p>

## 1-1. Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

### 1-1-1. Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO <sub>2</sub> e), intensity (metric tons CO <sub>2</sub> e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.
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Not applicable.
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Note 1: Direct emissions (scope 1, i.e., emissions directly from sources owned or controlled by the Company), indirect energy emissions (scope 2, i.e., indirect greenhouse gas emissions from electricity, heat, or steam) and other indirect emissions (scope 3, i.e., emissions from Company activities that are not indirect energy emissions, but originate from sources owned or controlled by other companies).

Note 2: The data coverage scope for direct emissions and indirect energy emissions shall comply with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT\$1 million) shall be disclosed.

### 1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.
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Not applicable.
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Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. If the Company has not obtained a complete greenhouse gas assurance opinion by the date of printing of the annual report, it shall note that "Complete assurance information will be disclosed in the sustainability report." If the Company does not prepare a sustainability report, it shall note that "Complete assurance information will be disclosed on the Market Observation Post System (MOPS)," and shall disclose the complete assurance information in the annual report of the following fiscal year.

Note 2: The assurance institutions shall meet the directions regarding assurance of sustainability reports prescribed by the TWSE and the TPEX.

Note 3: When preparing the disclosure content, the Company may refer to the best practice reference examples on the TWSE Corporate Governance Center website.

## 1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.
Not applicable.

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations.

Note 2: The base year shall be the fiscal year in which the greenhouse gas inventory is completed based on the consolidated financial reporting boundary. For example, under the order issued under Article 10, paragraph 2 of the Regulations, a company with capital of NT\$10 billion shall complete the inventory for its fiscal 2024 annual consolidated financial report in 2025, so the base year will be 2024.

If a company has disclosed its inventory in its consolidated financial report in an earlier year, it may take the earlier fiscal year as its base year. Also, the data for the base year may be calculated based on a single fiscal year or the average of multiple fiscal years.

Note 3: When preparing the disclosure content, the Company may refer to the best practice reference examples on the TWSE Corporate Governance Center website.

(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 instituted standards that are routinely reviewed and revised, including 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 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 5, 2024

The internal control system of the Company for the fiscal year 2023 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, 2023, 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 5, 2024. None of the five directors present opposed the statement, and all five 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
	<ul style="list-style-type: none"> <li>The approval of the 2022 fiscal year business report and financial statements.</li> </ul>	Adhere to the resolution.
	<ul style="list-style-type: none"> <li>Approval of the 2022 profit distribution.</li> </ul> Implementation Status: The ex-dividend base date is June 7, 2023, and the cash distribution date is July 5, 2023. A total of NT\$232,502,196 in cash dividends (NT\$1.5 per share) will be distributed.	Adhere to the resolution.
2023/05/31	<ul style="list-style-type: none"> <li>Amendment of the Company's "Procedures for Election of Directors."</li> </ul> Implementation Status: To facilitate investor comprehension in accordance with the revised "Procedure for Election of Director," the Company has amended its procedures and published the governing regulations on its website. <ul style="list-style-type: none"> <li>To hold the election for all of the 15th Board of Directors:</li> </ul> List of elected directors: Morning Honor Investment CO., LTD. (Representative: Yuan ,Yu-Qi, Liu Yu-Lin,) List of elected Independent directors: Liao, Fu-Pen, Lin,Li-Xuan and Li,Yan-Wen. Implementation Status: On June 13, 2023, the registration was granted approval by the Ministry of Economic Affairs. <ul style="list-style-type: none"> <li>To lift Restrictions on Competition for Newly Elected Directors</li> </ul>	Adhere to the resolution.

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

Date:	Major Resolutions
2023/05/03	<ul style="list-style-type: none"> <li>The Company's consolidated financial statements for the first quarter of 2023</li> </ul>
2023/05/23	<ul style="list-style-type: none"> <li>Contribute 30% to the formation of a company, as announced by the "National Housing and Urban Regeneration Center": "A new company jointly funded by Fong Chien Construction Co., Ltd." and Da Mei Investment Co., Ltd."</li> <li>Act as a bank credit endorsement guarantee for the implementer announced by the "National Housing and Urban Regeneration Center": "A new company jointly funded by Da Mei Investment Co., Ltd. and Fong Chien Construction Co., Ltd."</li> </ul>
2023/05/31	<ul style="list-style-type: none"> <li>Proposal of the Chairman election of the 15th Board of Directors of the Company.</li> <li>Proposal of the appointment of the Remuneration Committee.</li> <li>Remuneration for Independent Directors of the Company.</li> </ul>
2023/08/08	<ul style="list-style-type: none"> <li>The Company's consolidated financial statements for the second quarter of 2023 were approved.</li> <li>The Company's East District project "Chien 18" engaged the related party, Grace Hospitality Management Co., Ltd., to provide pre-sale housing indemnity.</li> <li>Distribution of remuneration for directors for the fiscal year 2022 was approved.</li> </ul>

2023/11/07	<ul style="list-style-type: none"> <li>▪ The Company's consolidated financial statements for the third quarter of 2023 were approved.</li> <li>▪ The Company's 2023 budget Implementation Status and 2024 business plan for the parent-subsiary annual budget were approved.</li> <li>▪ The audit plan for the fiscal year 2024 was approved.</li> <li>▪ Proposal for outsourcing the hypothetical engineering of the "Chien 18" project in the East District of Taichung to the related party, Hung Yeu Construction.</li> <li>▪ Remuneration of the company's certified accountants.</li> </ul>
2024/03/05	<ul style="list-style-type: none"> <li>▪ Review of the 2023 individual financial statement, consolidated financial statement, and business report.</li> <li>▪ The remuneration for directors and employees and distributional weight for 2023.</li> <li>▪ The profit distribution plan for 2023.</li> <li>▪ The Company's internal control systems Statement for 2023.</li> <li>▪ Matters related to the 2024 annual general meeting were discussed.</li> <li>▪ Proposal for outsourcing the "Chien 18" project in the East District of Taichung City to BLESSING &amp; PRAISE CONSTRUCTION CORP.</li> <li>▪ Amendment to the Company's "Regulations on Leave Management."</li> <li>▪ Proposal to manage affairs pertaining to the "jointly and severally liability of peer industries" mechanism utilized by FONG YI CONSTRUCTION CO., LTD. to ensure the presale performance of the "Senhuo" project.</li> </ul>

(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, 2024

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	Wang, Yu-Chuan Hung, Shu-Hua	2023.01.01 to 2023.12.31	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	CPA	The Company
	Status		
	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	v	
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	2023		As of March 31, 2024	
		Shareholding Increase/(Decrease)	Pledged share Increase/(Decrease)	Shareholding Increase/(Decrease)	Pledged share Increase/(Decrease)
Chairman (Note)	MORNING HONOR INVESTMENT CO., LTD. Representative: Yuan, Yu-Chi	-	-	-	-
Director	MORNING HONOR INVESTMENT CO., LTD. Representative: Chao, Chia-Ming	-	-	-	-
Director (Note)	MORNING HONOR INVESTMENT CO., LTD. Representative: Liu, Yu-Lin	30,000	-	-	-
Director	PIN SHIAN INVESTMENT CO., LTD. Representative: Wang, Ya-Ling	-	-	-	-
Director	Liu, Jui-Lin	-3,000	-	-	-
Director	Liu, Yu-Lin	-	-	-	-
Director	Fullness Construction Co., Ltd. Representative: Chang, Hsiu-Feng	-	-	-	-
Independent Director (Note)	Liao, Fu-Pen	-	-	-	-



Independent Director (Note)	Lin, Li-Hsuan	-	-	-	-
Independent Director	Li, Ming-Chiang	-	-	-	-
Independent Director (Note)	Li, Yan-Wen	-	-	-	-
General Manager	Liu, Jui-Lin	656,000-	-	-	-
Finance Manager	Chen, Chiung-Fei	-	-	-	-
Major Shareholder	Blessing & Praise Construction Corp.	-	-	-	-

Note: Acquired the position of director on May 31, 2023, during a comprehensive director election.

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: March 31, 2024

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.	34,411,027	22.20%	-	-	-	-	None		
MORNING HONOR INVESTMENT CO., LTD. Responsible Person: Liu, Jui-Lin							MORNING HONOR INVESTMENT CO., LTD. Representative: Liu, Yu-Lin-	Brother	
							DaMei Investment Co., Ltd. Responsible Person: Huang, Shu-Mei	The first degree relative	
							JingCi Development Co., Ltd. Responsible Person: Liu, Jui-Lin -	Responsible person same	
							Truth Investment Co., Ltd. Responsible Person: Liu, Shu-Chu	The first degree relative	
MORNING HONOR	-	-	-	-	-	-	None		

INVESTMENT CO., LTD. Representative: Yuan, Yu-Chi									
MORNING HONOR INVESTMENT CO., LTD. Representative: Liu, Yu-Lin-								MORNING HONOR INVESTMENT CO., LTD. Responsible Person: Liu, Jui-Lin	Brother
								DaMei Investment Co., Ltd. Responsible Person: Huang, Shu-Mei	The first degree relative
								JingCi Development Co., Ltd. Responsible Person: Liu, Jui-Lin -	Brother
								Truth Investment Co., Ltd. Responsible Person: Liu, Shu-Chu	The first degree relative
Blessing & Praise Construction Corp. Responsible Person: Chang, Ya-Ching	29,696,536	19.16%	-	-	-	-	-	None	
								None	
Cornerstone Investment Co., Ltd. Responsible Person: Chang, Ya-Ching	7,663,752	4.94%	-	-	-	-	-	None	
								None	
DaMei Investment Co., Ltd.	7,537,407	4.86%	-	-	-	-	-	None	
DaMei Investment Co., Ltd. Responsible Person: Huang, Shu-Mei								MORNING HONOR INVESTMENT CO., LTD. Responsible Person: Liu, Jui-Lin	The first degree relative
								MORNING HONOR INVESTMENT CO., LTD. Representative: Liu, Yu-Lin-	The first degree relative
								JingCi Development Co., Ltd. Responsible Person: Liu, Jui-Lin -	The first degree relative
								Truth Investment Co., Ltd. Responsible Person: Liu, Shu-Chu	Spouse
Ting, Cheng-Fu	6,192,593	4.00%	-	-	-	-	-	None	
Wang, Sen-Sheng	4,067,000	2.62%	-	-	-	-	-	None	
JingCi Development Co., Ltd.	3,364,000	2.17%	-	-	-	-	-	None	
JingCi Development Co., Ltd.	-	-	-	-	-	-	-	MORNING HONOR INVESTMENT	Responsible person same

Responsible Person: Liu, Jui-Lin -								CO., LTD. Responsible Person: Liu, Jui-Lin	
								MORNING HONOR INVESTMENT CO., LTD. Representative: Liu, Yu-Lin-	Brother
								DaMei Investment Co., Ltd. Responsible Person: Huang, Shu-Mei	The first degree relative
								Truth Investment Co., Ltd. Responsible Person: Liu, Shu-Chu	The first degree relative
Wu, Ming-Hsin	3,259,672	2.10%	-	-	-	-	-	None	
Truth Investment Co., Ltd.	3,000,000	1.94%	-	-	-	-	-	None	
Truth Investment Co., Ltd. Responsible Person: Liu, Shu-Chu								MORNING HONOR INVESTMENT CO., LTD. Responsible Person: Liu, Jui-Lin	The first degree relative
								MORNING HONOR INVESTMENT CO., LTD. Representative: Liu, Yu-Lin-	The first degree relative
								DaMei Investment Co., Ltd. Responsible Person: Huang, Shu-Mei	Spouse
								JingCi Development Co., Ltd. Responsible Person: Liu, Jui-Lin -	The first degree relative
Liu, Kuan-Ming	2,713,506	1.75%	-	-	-	-	-	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

March 31, 2024 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 liquidation was completed with the approval of Chiayi District Court on May 5, 2023.					
Hung Yeu Construction CO.,LTD.	22,000,000	92.83%	-	-	22,000,000	92.83%
Fong Suei Construction CO.,LTD.	18,000,000	30.00%			18,000,000	30.00%

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

March 31, 2024

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

March 31, 2024

Status of Shareholders / Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	1	28	3,679	11	3,719
Shareholding (shares)	-	21,000	99,343,172	55,497,881	139,411	155,001,464
Shareholding Percentage	-	0.01%	64.09%	35.81%	0.09%	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

March 31, 2024

Shareholding Tiers	No. of Shareholders	Shareholding	Shareholding Ratio
1 to 999	2,017	404,314	0.26%
1,000 to 5,000	1,130	2,327,584	1.50%
5,001 to 10,000	213	1,669,238	1.08%
10,001 to 15,000	73	933,918	0.60%
15,001 to 20,000	51	919,787	0.59%
20,001 to 30,000	55	1,361,837	0.88%
30,001 to 50,000	56	2,227,106	1.44%
50,001 to 100,000	46	3,247,024	2.09%
100,001 to 200,000	23	3,187,769	2.06%
200,001 to 400,000	17	4,797,920	3.10%
400,001 to 600,000	9	4,750,692	3.06%
600,001 to 800,000	4	2,585,509	1.67%

800,001 to 1,000,000	2	1,659,477	1.07%
1,000,001 or over	23	124,929,289	80.60%
Total	3,719	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: March 31, 2024

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%
Cornerstone Investment Co., Ltd.		7,663,752	4.94%
DaMei Investment Co., Ltd.		7,537,407	4.86%
Ting, Cheng-Fu		6,192,593	4.00%
Wang, Sen-Sheng		4,067,000	2.62%
JingCi Development Co., Ltd.		3,364,000	2.17%
Wu, Ming-Hsin		3,259,672	2.10%
Truth Investment Co., Ltd.		3,000,000	1.94%
Liu, Kuan-Ming		2,713,506	1.75%

(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	2022	2023	As of April 16, 2024 (Note 8)
Market Price per Share (Note 1)	Highest		29.80	28.45	29.75
	Lowest		23.00	24.40	26.15
	Average		26.57	25.73	27.67
Net Worth per Share (Note 2)	Before Distribution		18.19	20.42	19.54
	After Distribution		18.19	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)		30.03	3.73	0.61
Dividends per Share	Cash Dividends		1.5	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)		8.77	6.90	Not Applicable
	Price / Dividend Ratio (Note 6)		17.71	17.15	Not Applicable
	Cash Dividend Yield Rate (Note 7)		0.06	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 2023 on March 5, 2024, and it will be submitted to the annual general meeting on May 29, 2024. 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 2023, which will be submitted to the 2024 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 2023 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 5, 2024, 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 2023 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 5, 2024, the Board of Directors approved the distribution of NT\$580,943 in employee compensation and NT\$5,809,432 in director remuneration in cash, which is consistent with the amounts reported in the 2023 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 May 31, 2023, approved the distribution of employee compensation of NT\$501,470 and director remuneration of NT\$5,014,699 in cash, which the Board of Directors approved on March 15, 2023, 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.

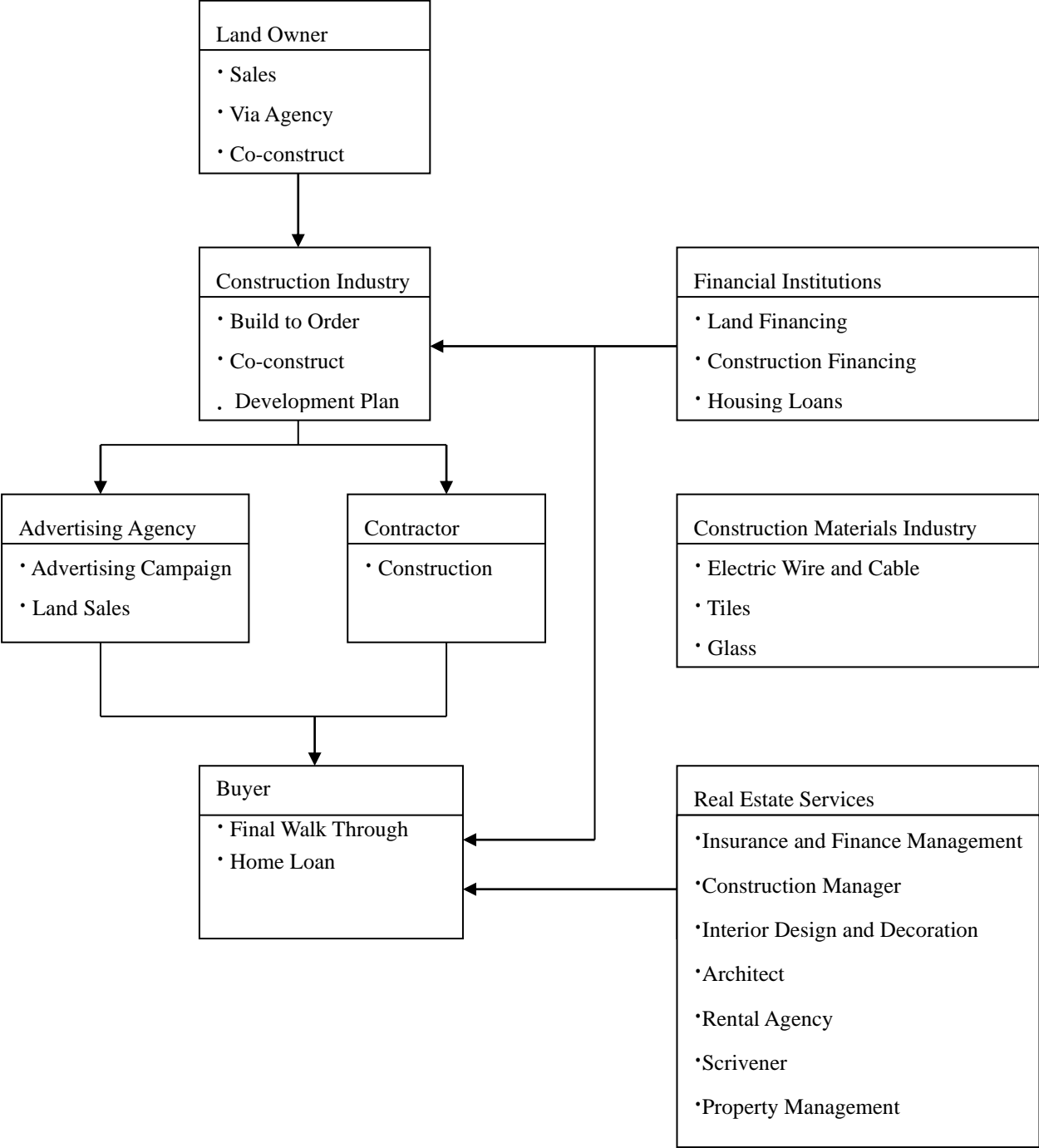
#### (2) Industry Overview

##### A. Industry Status and Development

The average interest rate on new home purchase loans provided by the leading five banks during the fourth quarter of 2023 was 2.06%. Furthermore, it is anticipated that the implementation of the "Preferential Housing Loans for the Youth" will further stimulate the demand for residential real estate acquisitions. The government's sensible housing market control measures, typical land rights laws, the establishment of a single tax system for real estate and land, and prohibition on contract exchange and transfer of pre-sale houses 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: The Dingqiaozitou section in the East District was sold in 2023, and it is anticipated that the 14th phase of Renping and the Zhenfu section in the Nantun District will be sold in 2024. Each unit of the " Forest Cube " project in the Beitun District was delivered in the first quarter of 2024, marking its complete sale.
- (b) Hsinchu: In the first half of 2023, all VITA units were delivered and is now completely sold out.

##### 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 2024, 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

Based on data provided by the Land Administration Bureau, of the 6 major cities, the total number of properties transferred in Taichung for 2023Q4. This amounted to 4,299 units, reflecting a monthly growth rate of 15.5% and an annual increase of 0.3%. A grand total of 23,413 units were transferred among the 6 major cities, representing the most substantial increase in growth rate observed this year. This is partially attributable to the low base effect brought about by anti-speculation policies, as well as the fourth-quarter support of the market through the "Preferential Housing Loans for the Youth" policy and the robust buying season of 2023Q4, which bolstered demand for self-use properties and contributed to a slight warming trend.

Considering the total number of building transactions in the six municipalities over the previous five years, it plummeted precipitously from a near five-year high of 2021Q4. Transaction volume reached its lowest point in 2023Q1, which was influenced by both government

anti-speculation policies and the customary off-season. Nonetheless, as labor and material shortages exhibited a gradual alleviation, fresh housing deliveries commenced to manifest in diverse urban regions.

(b) Demand

The predominant housing products on the market in 2023 were still small and medium-sized units. The market returned to equilibrium between supply and demand in August, when the "Preferential Housing Loans for the Youth" preferential loan program was implemented. Self-use demand emerged as the primary driver of this recovery, while transaction volume stabilized. Beitun District was the most active trading district in the 2023Q3, followed by Xitun District. Beitun District exhibited the highest transaction values, exceeding NT\$31.17 billion, which accounted for an estimated 18.1% of the overall transactions in the city. This signifies a surge in the demand within the market. Homebuyers and those seeking to upgrade their existing residences have dominated the real estate market in recent years, with a gradual reduction in property size and an emphasis on moderate to low total prices. Property unit prices continue to increase in each district because of inflation and land price increases. As a result of exorbitant price hikes, the aggregate cost of standard properties has surpassed the means of purchase for purchasers with intentions of self-use. As a result, the continued reduction of property sizes is anticipated to be the supply trend of the future. In 2024, 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.

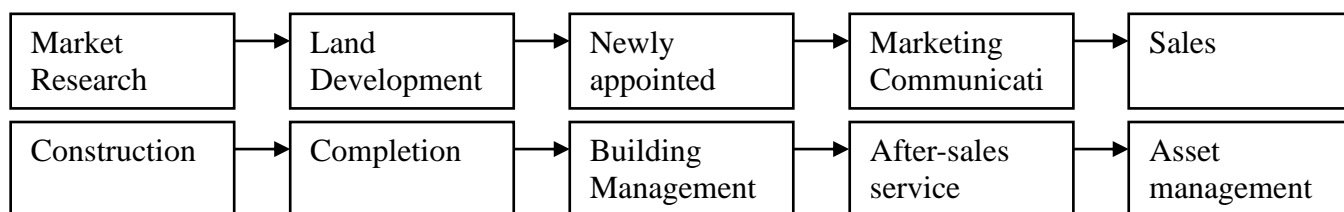


(2) Production Procedures of Main Products

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

		2022			2023				As of the end of the previous quarter of 2024			
Item	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.	695,716	32.37	None	Blessing & Praise Construction Corp.	236,425	50.83	None	Hundredfold Development CO., LTD	5,236	32.13	None
2	Yeh, ○○ Tseng, ○○	234,984	10.93	None	Urban Development Bureau, Taichung City Government	168,530	36.23	None	Lu, Tsung-Hsiu Architects Office	4,122	25.30	None
3	Others	1,218,581	56.70	None	Others	60,181	12.94	None	Others	6,938	42.57	None
	Net Total Supplies	2,149,281	100		Net Total Supplies	465,136	100		Net Total Supplies	16,296	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.
- Urban Development Bureau, Taichung City Government: No.448, Renping Section, Beitun District, Taichung and 5 other land parcels' substitutive fee for transfer of development rights.

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

Unit: NT\$ thousands

		2022			2023				As of the end of the previous quarter of 2024			
Item	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	Others	217,444	100	None	Others	3,331,795	100	None	Others	505,567	100	None
	Net sales	217,444	100		Net sales	3,331,795	100		Net sales	505,567	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 2024Q1.

(5) Production volume in the Last Two Years

Production Volume Main products (Or by departments)	Year	2022			2023		
		Capacity (units)	Quantity (units) Note 1	Value (NT\$ thousands) Note 2	Capacity (units)	Quantity (units) Note 1	Value (NT\$ thousands) Note 2
Housing		-	-	-	-	258	2,922,669
Total		-	-	-	-	258	2,922,669

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	2022		2023	
		Sales Volume (Note 1)	Sales Value	Sales Volume (Note 1)	Sales Value
Housing (Including parking slots)		21	213,169	226	3,318,252
parking slots		-	-	6	5,195
Land for roads		-	-	-	3,539
Rental Revenue		-	4,275	-	4,809
Total		21	217,444	232	3,331,795

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		2022	2023	As of March 31, 2024 (Note)
No. of Employ ees	Employees	16	16	16
	Total	16	16	16
Average Age		38.63	39.5	39.63
Average Years of Service		4.77	5.76	6.01
Educati on	Masters	18.75%	18.75%	18.75%
	Bachelor’s Degree	75.00%	75.00%	75.00%
	Vocational School	6.25%	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 order to promote employee welfare and ensure the long-term viability of the business, the Company has formed an Employee Welfare Committee. The committee members are elected on a recurring basis by the employees in order to oversee the implementation of a range of welfare initiatives. Consistent gatherings are conducted to organize staff welfare initiatives, which are accessible to every employee. The Employee Welfare Committee administers the funds allocated from the Company's operating revenue for these activities, which provides employees with a portion of the Company's profits. The principal measures of welfare and their execution are as follows:
  - ① Year-end bonuses
  - ② Birthday gifts
  - ③ Regular and irregular gatherings for meals
  - ④ Annual group travel activities and individual travel subsidies
  - ⑤ Subsidies for weddings, funerals, and other celebrations
  - ⑥ Annual health check-ups
  - ⑦ Monthly afternoon tea gatherings to facilitate employee communication.
- Education and Training: The Company fosters employee engagement in a variety of training courses as a means to cultivate talent and uphold the foundational tenets of

education and training. The training program encompasses a wide range of topics, such as employee orientation, general education, professional skills development, teaching management, and financial assistance for additional education. In order to generate added value and guarantee that personnel are equipped with training that is beneficial to their professional growth, periodic invitations are extended to expert speakers to deliver seminars.

**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.

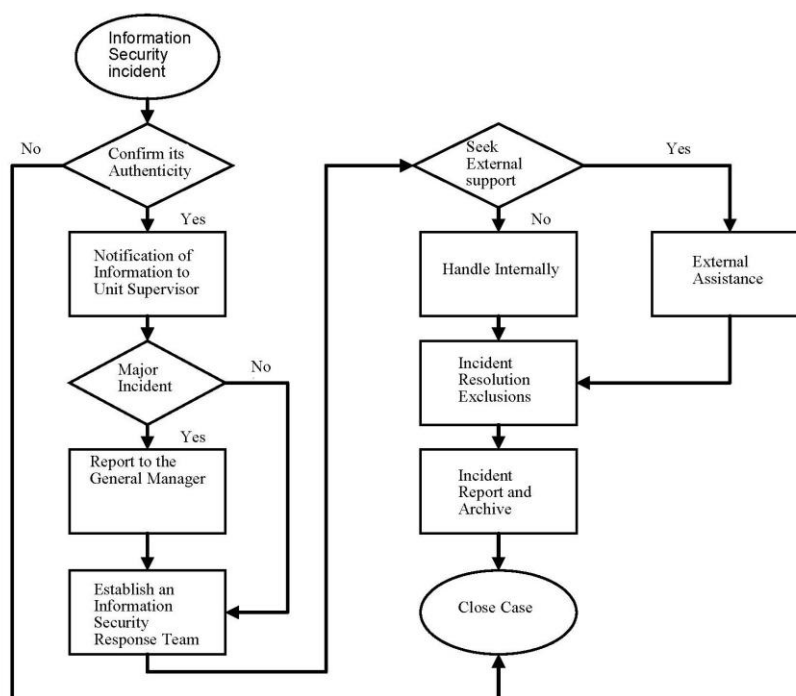
(c)Investment in Information and Communication Security Management Resources:

(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
Engineering Contract	Blessing & Praise Construction Corp.	2024/03/06~Completion	Construction of Chien 18, located in the East District of Taichung.	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
Short-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
Short-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
Short-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

## 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 Item		Financial analysis for the past five years (Note 1)					Financial information as of March 31, 2024 for the current fiscal year (Note 1)
		2019	2020	2021	2022	2023	
Current assets		4,309,600	5,177,629	5,096,539	6,037,550	4,494,101	4,429,305
Property, plant and equipment		2,023	1,692	36,277	43,266	41,750	41,348
Right-of-use Asset		686	229	-	-	-	-
Net investment properties		111,098	110,565	110,032	109,499	108,966	108,833
Intangible assets		3,438	1,610	314,277	-	-	-
Other assets		5,300	9,774	389	389	194,619	180,655
Total assets		4,432,145	5,301,499	5,557,514	6,190,704	4,839,436	4,760,141
Current liabilities	Before distribution	876,576	2,518,917	2,552,388	2,380,540	904,627	1,441,120
	After distribution	876,576	2,518,917	2,552,388	2,613,042	1,137,129 (Note 2)	1,441,120 (Note 3)
Non-current liabilities		1,847,376	1,075,034	365,562	980,197	758,900	280,540
Total liabilities	Before distribution	2,723,952	3,593,951	2,917,950	3,360,737	1,663,527	1,721,660
	After distribution	2,723,952	3,593,951	2,917,950	3,593,239	1,896,029 (Note 2)	1,721,660 (Note 3)
Equity attributable to shareholders of the parent		1,802,252	1,806,309	2,628,904	2,819,537	3,165,553	3,028,101
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	5,226	5,226	5,226	5,226
Retained earnings	Before distribution	248,283	252,340	1,073,663	1,264,296	1,610,312	1,472,860
	After distribution	248,283	252,340	1,073,663	1,031,794	1,377,810 (Note 2)	1,472,860 (Note 3)
Other equity interest		-	-	-	-	-	-
Treasury stock		-	-	-	-	-	-
Non-controlling equity		(94,059)	(98,761)	10,660	10,430	10,356	10,380
Total equity	Before distribution	1,708,193	1,707,548	2,639,564	2,829,967	3,175,909	3,038,481
	After distribution	1,708,193	1,707,548	2,639,564	2,597,465	2,943,407 (Note 2)	3,038,481 (Note 3)

Note 1: The auditor reviewed and approved the financial data for the first quarter of fiscal year 2024 presented in this annual report before the printing date of May 7, 2024.

Note 2: The distribution amount approved by the Board of Directors on March 5, 2024 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, 2024 for the current fiscal year (Note 1)
	2019	2020	2021	2022	2023	
Operating revenue	231,624	660,371	3,063,768	217,444	3,331,795	505,567
Operating margin	86,012	114,260	876,793	65,734	754,244	142,787
Operating income(loss)	39,096	46,269	691,709	17,400	578,062	106,891
Non-operating income and expenses	(7,955)	(143)	355,305	479,054	(3,433)	1,989
Income before income tax	31,141	46,126	1,047,014	496,454	574,629	108,880
Net income of continuing business units	22,832	45,855	1,004,474	470,136	578,594	95,074
Loss of suspended business unit	-	-	-	-	-	-
Net income (loss)	22,832	45,855	1,004,474	470,136	578,594	95,074
Other comprehensive income (Net income after tax)	-	-	-	-	-	-
Total comprehensive income	22,832	45,855	1,004,474	470,136	578,594	95,074
Net income attributable to shareholders of the parent	27,953	50,557	916,440	469,636	578,518	95,050
Net income attributable to non-controlling interests	(5,121)	(4,702)	88,034	500	76	24
Total comprehensive income attributable to stockholders of the parent	27,953	50,557	916,440	469,636	578,518	95,050
Total comprehensive income attributable to non-controlling interests	(5,121)	(4,702)	88,034	500	76	24
Earnings per share	0.18	0.33	5.91	3.03	3.73	0.61

Note 1: The auditor reviewed and approved the financial data for the first quarter of fiscal year 2024 presented in this annual report before the printing date of May 7, 2024.

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

Unit: NT\$ thousands

Year		Financial analysis for the past five years (Note 1)					Financial Information as of March 31, 2024 (Note 1)
Item		2019	2020	2021	2022	2023	
Current assets		4,312,207	5,179,999	4,260,692	5,762,829	4,344,947	
Property, plant and equipment		1,210	924	522	42,887	41,373	
Right-of-use Asset		686	229	-	-	-	
Net investment properties		111,098	110,565	110,032	109,499	108,966	
Intangible assets		-	-	-	-	-	
Other assets		339,684	347,751	414,247	258,932	328,705	
Total assets		4,764,885	5,639,468	4,785,493	6,174,147	4,823,991	
Current liabilities	Before distribution	935,152	2,581,728	1,791,027	2,374,413	899,538	
	After distribution	935,152	2,581,728	1,791,027	2,606,915	1,132,040	(Note 1)
Non-current liabilities		2,027,481	1,251,431	365,562	980,197	758,900	
Total liabilities	Before distribution	2,962,633	3,833,159	2,156,589	3,354,610	1,658,438	
	After distribution	2,962,633	3,833,159	2,156,589	3,587,112	1,890,940	(Note 1)
Equity attributable to shareholders of the parent		1,802,252	1,806,309	2,628,904	2,819,537	3,165,553	Not Applicable
Capital stock		1,550,015	1,550,015	1,550,015	1,550,015	1,550,015	
Capital reserve		3,954	3,954	5,226	5,226	5,226	
Retained earnings	Before distribution	248,283	252,340	1,073,663	1,264,296	1,610,312	
	After distribution	248,283	252,340	1,073,663	1,031,794	1,377,810	(Note 1)
Other equity interest		-	-	-	-	-	
Treasury stock		-	-	-	-	-	
Non-controlling equity		-	-	-	-	-	
Total equity	Before distribution	1,802,252	1,806,309	2,628,904	2,819,537	3,165,553	
	After distribution	1,802,252	1,806,309	2,628,904	2,587,035	2,933,051	(Note 1)

Note 1: The distribution amount approved by the Board of Directors on March 5, 2024 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, 2024
	2019	2020	2021	2022	2023	
Operating Revenue	231,658	660,405	3,063,802	217,455	3,331,795	Not Applicable
Operating margin	84,542	113,919	876,827	65,745	754,244	
Operating income	46,279	53,094	703,054	19,386	578,838	
Non-operating income and expenses	(10,058)	(2,426)	255,926	476,568	(4,285)	
Net Income before income tax	36,221	50,668	958,980	495,954	574,553	
Net income of continuing business units	27,953	50,557	916,440	469,636	578,518	
Loss of suspended business unit	-	-	-	-	-	
Net income (loss)	27,953	50,557	916,440	469,636	578,518	
Other comprehensive income (Net income after tax)	-	-	-	-	-	
Total comprehensive income	27,953	50,557	916,440	469,636	578,518	
Net income attributable to shareholders of the parent	27,953	50,557	916,440	469,636	578,518	
Net income attributable to non-controlling interest	-	-	-	-	-	
Total comprehensive income attributable to stockholders of the parent	27,953	50,557	916,440	469,636	578,518	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share	0.18	0.33	5.91	3.03	3.73	

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

Year	Name of Accounting Firm and Accountant	Audit opinion
2023	PricewaterhouseCoopers Taiwan Wang, Yu-Chuan; Hung, Shu-Hua	Unqualified opinion and other of matter
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

## 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, 2024 (No)
		2019	2020	2021	2022	2023		
Financial structure (%)	Debt to asset ratio	61.46	67.79	52.50	54.29	34.37	36.17	
	Ratio of long-term capital to property, plant and equipment	180,406.72	170,292.14	8,254.45	8,782.26	9,399.89	8,001.94	
Solvency (%)	Current ratio	491.64	205.55	199.68	253.62	496.79	307.35	
	Quick ratio	19	17.31	65.22	24.88	129.30	100.71	
	Interest coverage ratio (times)	2.58	5.93	185.89	27,581.78	56.21	352.23	
Operating performance	Accounts receivable turnover (times)	50.44	114.96	217.88	14.58	202.94	41.62	
	Average cash recovery day	7.23	3.17	1.67	25.03	1.79	2.16	
	Inventory turnover (times)	0.04	0.12	0.53	0.03	0.59	0.11	
	Accounts payable turnover (times)	2.30	2.35	9.00	0.73	13.49	28.32	
	Average days in sales	9,125	3,041.66	688.67	12,166.66	618.64	818.18	
	Property, plant and equipment turnover (times)	106.84	355.52	161.38	5.47	78.38	12.17	
	Total assets turnover (times)	0.06	0.14	0.56	0.04	0.60	0.11	
Profitability	Return on total assets (%)	1.16	1.19	16.96	8.00	10.64	1.99	
	Return on stockholders' equity (%)	1.55	2.80	41.33	17.24	19.33	3.07	
	Pre-tax income to paid-in capital ratio (%) (Note 7)	2.01	2.98	67.55	32.03	37.07	7.02	
	Net profit margin (%)	12.07	7.66	29.91	215.98	17.36	18.80	

	Earnings per share (NT\$)	0.18	0.33	5.91	3.03	3.73	0.61
Cash flow	Cash flow ratio (%)	Not Applicable	2.80	62.40	(64.98)	231.37	23.48
	Cash flow adequacy ratio (%)	Not Applicable	Not Applicable	(3,435.52)	(28.41)	104.39	193.26
	Cash reinvestment ratio (%)	Not Applicable	0.89	57.92	(49.30)	48.75	10.52
Leverage	Operating leverage	1.11	1.06	1.01	1.10	1.00	1.01
	Financial leverage	2.01	1.25	1.01	1.00	1.02	1.00

Note: The above-mentioned financial statements from 2019 to 2023 have been checked and certified by accountants, and the financial data of the first quarter of 2024 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. Debt to asset ratio: mainly due to the decrease in long (short) term borrowings and contract liability.
2. Current ratio: mainly influenced by inventory disposal and repayment of short-term borrowings.
3. Quick ratio: mainly due to the cash inflow from inventory disposal.
4. Interest coverage ratio: mainly due to the increase in pre-tax income and interest expenses.
5. Accounts receivable turnover ratio, average collection days: mainly due to the increase in net sales.
6. Inventory turnover, accounts payable turnover, average days in sales: mainly due to inventory disposal and the increase in cost of sales.
7. Property, plant and equipment turnover, total asset turnover: mainly due to the increase in net sales.
8. Return on assets: mainly due to the increase in after-tax income.
9. Pre-tax income to paid-in capital ratio: mainly due to the increase in pre-tax income.
10. Net profit margin: mainly due to the decrease in net sales last year and the disposal of intangible assets.
11. Earnings per share: mainly due to the increase in after-tax income.
12. Cash flow ratio, Cash flow adequacy ratio, Cash reinvestment ratio: mainly due to the net cash inflow from operating activities.

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

Item		Financial Analysis for the Last Five Years (Note)				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to asset ratio	62.18	67.97	45.07	54.33	34.38
	Long term capital to property, plant and equipment ratio	316,506.86	330,924.24	573,652.49	8,859.87	9,485.54
Solvency (%)	Current ratio	461.12	200.64	237.89	242.71	483.02
	Quick ratio	18.08	16.99	46.29	13.39	113.00
	Interest Coverage Ratio (times)	2.84	6.42	170.34	27,554.00	56.20
Operating performance	Accounts receivable turnover (times)	53.56	114.96	218.27	14.63	203.57
	Average cash recovery day	6.81	3.17	1.67	24.94	1.79
	Inventory turnover (times)	0.04	0.12	0.53	0.03	0.59
	Accounts receivable turnover (times)	0.94	1.85	8.01	0.75	13.84
	Average days in sales	9,125	3,041.66	688.67	12,166.66	618.64
	Property, plant and equipment turnover (times)	173.85	618.94	4,237.62	10.02	79.08
	Total asset turnover (times)	0.06	0.13	0.59	0.04	0.61
Profitability	Return on total assets (%)	1.06	1.12	17.67	8.57	10.67
	Return on equity (%)	1.55	2.80	41.33	17.24	19.33
	Ratio of income before tax to paid-in capital (%) (Note 7)	2.34	3.27	61.87	32.00	37.07
	Net profit margin (%)	12.07	7.66	29.91	215.97	17.36
	Earnings per share (NT\$)	0.18	0.33	5.91	3.03	3.73
Cash Flow	Cash flow ratio (%)	Not Applicable	2.99	82.99	(63.76)	232.17
	Cash flow adequacy ratio (%)	Not Applicable	Not Applicable	(1,691.62)	(33.74)	17.03
	Cash reinvestment ratio (%)	Not Applicable	1.12	48.79	(48.55)	48.76
Leverage	Operating leverage	1.02	1.02	1.00	1.05	1.00
	Financial leverage	1.74	1.21	1.01	1.00	1.02

Note: The financial statements for 2019 to 2023 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 the decrease in long (short) term borrowings and contract liability.
2. Current ratio: mainly influenced by inventory disposal and repayment of short-term borrowings.
3. Quick ratio: mainly due to the cash inflow from inventory disposal.
4. Interest coverage ratio: mainly due to the increase in pre-tax income and interest expenses.
5. Accounts receivable turnover ratio, average collection days: mainly due to the increase in net sales.
6. Inventory turnover, accounts payable turnover, average days in sales: mainly due to inventory disposal and the increase in cost of sales.
7. Property, plant and equipment turnover, total asset turnover: mainly due to the increase in net sales.
8. Return on assets: mainly due to the increase in after-tax income.
9. Pre-tax income to paid-in capital ratio: mainly due to the increase in pre-tax income.
10. Net profit margin: mainly due to the decrease in net sales last year and the disposal of intangible assets.
11. Earnings per share: mainly due to the increase in after-tax income.
12. Cash flow ratio, Cash flow adequacy ratio, Cash reinvestment ratio: mainly due to the net cash inflow 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**

### **2023 Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements, and proposal for distribution of earnings. Of these items, the Financial Statements have been audited by external auditors Wang, Yu-Chuan 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** **2024 Shareholders' Meeting**

Fong Chien Construction Company Limited  
Chairman of the Audit Committee: Li, Yan-Wen

March 5, 2024

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

FONG CHIEN CONSTRUCTION COMPANY LIMITED  
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, 2023, 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 5, 2024

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
(2024) Ministry of Finance approved No. 23004047  
Fong Chien Construction Company Limited

### **Opinion**

We have audited accompanying consolidated financial statements of Fong Chien Construction Company Limited and its subsidiaries (hereinafter the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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, according to our audit result and other auditors' report (Please refer to "Other Matter" paragraph.), the accompanying consolidated financial statements present fairly, in all material respects, the accompanying consolidated financial position of the Company as of December 31, 2023 and 2022, 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 entrusted by the Group 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. According to our audit result and other auditors' report, 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, 2023. 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 matters for the Company's consolidated financial statements for the year ended December 31, 2023 are as follows:

## **Cut-off of revenue from sales of buildings and land**

### Matters description

Refer to Note 4(24) to the consolidated financial statements for accounting policies regarding sales revenue. Refer to Note 6(16) to the consolidated financial statements for the explanation of accounting items. The revenue from sales of buildings and land of Fong Chien Construction Company Limited for the year ended December 31, 2023 amounted to NT\$3,326,986 thousand, accounting for 99.86% of operating revenue.

Revenue from sales of buildings and land in construction industry is recognized when the ownership of the real estate is transferred and the buildings are actually delivered. As the buildings and land sold to numerous counterparties, sales revenue shall be recognized after checking the status of ownership transfer and property handover documents on a case-by-case basis, which involves many manual operating procedures and tends to result in inappropriateness of the time point to recognized revenue near the end the of the reporting period. Therefore, we list cut-off of revenue from sales of buildings and land as one of the most significant issues 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. Obtain an understanding and evaluate the internal control procedures about revenue recognition of sales of buildings and land adopted by the management, and test whether the processes at the point of time recognizing revenue from sales of buildings and land are implemented effectively, including verifying the date of the ownership transfers and the related property handover documents, to evaluate the correctness of the time point of bookkeeping.
2. Implement cut-off test to the transactions of sales of buildings and land during a certain period before and after the end of the reporting day, including verifying the date of ownership transfer indicated on the land registration transcript and the land ownership certificate and the date on agreement to hand over the building, and other supporting documents, to confirm revenue from sales of buildings and land has been recorded in the appropriate period.

## **Valuation of Inventory**

### Matters description

Refer to Note 4(12) to the consolidated financial statements for accounting policies regarding inventory; Refer to Note 5 for critical accounting estimates and assumptions regarding inventory valuation. Refer to Note 6(4) for the explanation of allowance to reduce inventory to market. The inventory balance and allowance to reduce inventory to market of the Group are the amount of NT\$3,335,151 thousand and NT\$11,283 thousand on December 31, 2023, respectively.

Inventories of the Group 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 the Group 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 adopt.
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 – Reference to work of other auditors**

The financial statements of the investees accounted for using equity method included in the consolidated financial statements of the Group were not audited by us, but by other auditors. Therefore, the amounts related to the financial statements of those companies in our opinions indicated in the aforementioned consolidated financial statements were based on other auditors' report. As of December 31, 2023, the investments in aforementioned companies accounted for using equity method amounted to NT\$179,518 thousand, accounting for 3.71% of total assets. The comprehensive losses recognized for the aforementioned companies for the year ended December 31, 2023 amounted to NT\$482 thousand, accounted for (0.08%) of total comprehensive income.

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

We have also audited the parent company only financial statements of the Group as of and for the year ended December 31, 2023 on which we have issued an unqualified opinion with other matter paragraph; We have also audited the parent company only financial statements of the Group as of and for the year ended December 31, 2022 on which we have issued an unqualified opinion, for your reference.

#### **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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either

intends to liquidate the 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 Group'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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 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 Wang, Yu-Juan and Hong, Shu Hua.

Financial Supervisory Commission

Reference Number of the Approval letter: No. Financial-Supervisory-Securities-Auditing -1020028992

Former Securities Commission, Ministry of Finance

Reference Number of the Approval letter: No. (85)Taiwan-Finance-Securities-VI-68701

PwC  
Taipei, Taiwan  
Republic of China  
March 5, 2024

Fong Chien Construction Company Limited and Subsidiaries  
CONSOLIDATED BALANCE SHEETS  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

ASSET	NOTE	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 913,588	19	\$ 285,665	5
1136	Financial assets at amortized cost – current	6(2)	197,000	4	52,000	1
1150	Notes receivable, net	6(3)	123	-	225	-
1170	Accounts receivable, net	6(3)	23,361	-	9,126	-
1200	Other receivables	6(4) and 7(2)	385	-	45,646	1
1220	Current tax assets		-	-	590	-
130X	Inventories	6(4) and 8	3,323,868	69	5,441,780	88
1470	Other current assets	6(5)	35,776	1	202,518	3
11XX	<b>Total current assets</b>		<u>4,494,101</u>	<u>93</u>	<u>6,037,550</u>	<u>98</u>
<b>Noncurrent assets</b>						
1550	Investments accounted for using equity method	6(6)	179,518	4	-	-
1600	Property, plant and equipment	6(7)	41,750	1	43,266	-
1760	Investment property, net	6(9) and 8	108,966	2	109,499	2
1840	Deferred tax assets	6(22)	14,081	-	-	-
1900	Other noncurrent assets		1,020	-	389	-
15XX	<b>Total noncurrent assets</b>		<u>345,335</u>	<u>7</u>	<u>153,154</u>	<u>2</u>
1XXX	<b>Total assets</b>		<u>\$ 4,839,436</u>	<u>100</u>	<u>\$ 6,190,704</u>	<u>100</u>

(Continued on next page)

Fong Chien Construction Company Limited and Subsidiaries  
CONSOLIDATED BALANCE SHEETS  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTE	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10) and 8	\$ 556,800	12	\$ 1,240,550	20
2130	Contract liabilities- current	6(16)	227,431	5	724,201	12
2150	Notes payables		1,190	-	590	-
2170	Accounts payables		59,815	1	320,510	5
2200	Other payables	7(2)	32,690	1	34,539	1
2230	Current tax liabilities	6(22)	9,290	-	26,039	-
2320	Long-term liabilities-current portion	6(11)	4,177	-	4,076	-
2399	Other current liabilities- others		13,234	-	30,035	-
21XX	<b>Total current liabilities</b>		<u>904,627</u>	<u>19</u>	<u>2,380,540</u>	<u>38</u>
<b>Noncurrent liabilities</b>						
2540	Long-term debt payable	6(11) and 8	757,696	15	978,885	16
2600	Other noncurrent liabilities		1,204	-	1,312	-
25XX	<b>Total noncurrent liabilities</b>		<u>758,900</u>	<u>15</u>	<u>980,197</u>	<u>16</u>
2XXX	<b>Total liabilities</b>		<u>1,663,527</u>	<u>34</u>	<u>3,360,737</u>	<u>54</u>
<b>Equity attributable to shareholders of the parent</b>						
Share capital						
3110	Ordinary shares	6(13)	1,550,015	32	1,550,015	25
Capital surplus						
3200	Capital surplus	6(14)	5,226	-	5,226	-
Retained earnings						
3310	Appropriated as legal capital reserve	6(15)	247,613	5	200,649	4
3350	Unappropriated earnings		1,362,699	29	1,063,647	17
31XX	<b>Equity attributable to shareholders of the parent</b>		<u>3,165,553</u>	<u>66</u>	<u>2,819,537</u>	<u>46</u>
36XX	<b>Non-controlling interests</b>		<u>10,356</u>	<u>-</u>	<u>10,430</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>3,175,909</u>	<u>66</u>	<u>2,829,967</u>	<u>46</u>
Significant contingent liabilities and not recognized contract commitment						
3X2X	<b>Total liabilities and equity</b>	9	<u>\$ 4,839,436</u>	<u>100</u>	<u>\$ 6,190,704</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 Fei Chen

Fong Chien Construction Company Limited and Subsidiaries  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
December 31, 2023 and 2022

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

ITEM	NOTE	2023		2022	
		Amount	%	Amount	%
4000	Operating revenue	6(16) \$ 3,331,795	100	\$ 217,444	100
5000	Operating cost	6(4)(21) ( 2,577,551)	( 78)	( 151,710)	( 70)
5900	Gross profit	754,244	22	65,734	30
	Operating expenses	6(21) and 7(2)			
6100	Selling expenses	( 142,072)	( 4)	( 17,225)	( 8)
6200	General and administrative	( 34,110)	( 1)	( 31,109)	( 13)
6000	Total operating expenses	( 176,182)	( 5)	( 48,334)	( 21)
6900	Operating income	578,062	17	17,400	9
	Non-operating income and expenses				
7100	Interest income	6(17) 6,997	-	6,919	3
7010	Other income	6(18) and 7(2) 460	-	19,501	9
7020	Other gains and losses	6(19) -	-	452,652	207
7050	Finance costs	6(20) ( 10,408)	-	( 18)	-
7060	Share of profit or loss of associates and joint ventures accounted for using equity method	6(6) ( 482)	-	-	-
7000	Total non-operating income and expense	( 3,433)	-	479,054	219
7900	<b>Income before income tax</b>	574,629	17	496,454	228
7950	Income tax benefits (expenses)	6(22) 3,965	-	( 26,318)	( 12)
8000	<b>Profit from continuing operations</b>	578,594	17	470,136	216
8500	<b>Total comprehensive income</b>	\$ 578,594	17	\$ 470,136	216
	Net income (loss) attributed to:				
8610	Stockholders of the company	\$ 578,518	17	\$ 469,636	216
8620	Non-controlling interest	76	-	500	-
		\$ 578,594	17	\$ 470,136	216
	Comprehensive income attributed to:				
8710	Stockholders of the company	\$ 578,518	17	\$ 469,636	216
8720	Non-controlling interest	76	-	500	-
		\$ 578,594	17	\$ 470,136	216
	Earnings per share	6(23)			
9750	Basis earnings per share	\$ 3.73		\$ 3.03	
	Diluted earnings per share	6(23)			
9850	Diluted earnings per share	\$ 3.73		\$ 3.03	

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

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong Fei Chen

Fong Chien Construction Company Limited and Subsidiaries  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	NOTE	Equity Attributable to Owners of the Parent Company					Non-controlling Interests	Total Equity	
		Ordinary Shares	Capital Surplus	Legal Capital Reserve	Unappropriated earnings	Total			
		<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	
Changes in ownership interests in subsidiaries	6(24)	-	-	-	-	-	( 270 )	( 270 )	
Cash dividends paid by subsidiaries		-	-	-	-	-	( 460 )	( 460 )	
Appropriation and distribution of earnings, 2021	6(15)								
Legal capital reserve		-	-	91,644	( 91,644 )	-	-	-	
Cash dividends		-	-	-	( 279,003 )	( 279,003 )	-	( 279,003 )	
Balance, December 31, 2022		<u>\$ 1,550,015</u>	<u>\$ 5,226</u>	<u>\$ 200,649</u>	<u>\$ 1,063,647</u>	<u>\$ 2,819,537</u>	<u>\$ 10,430</u>	<u>\$ 2,829,967</u>	
		<u>2023</u>							
Balance, January 1, 2023		\$ 1,550,015	\$ 5,226	\$ 200,649	\$ 1,063,647	\$ 2,819,537	\$ 10,430	\$ 2,829,967	
Net income		-	-	-	578,518	578,518	76	578,594	
Total comprehensive income		-	-	-	578,518	578,518	76	578,594	
Changes in ownership interests in subsidiaries	6(24)	-	-	-	-	-	( 150 )	( 150 )	
Appropriation and distribution of earnings, 2022	6(15)								
Legal capital reserve		-	-	46,964	( 46,964 )	-	-	-	
Cash dividends		-	-	-	( 232,502 )	( 232,502 )	-	( 232,502 )	
Balance, December 31, 2023		<u>\$ 1,550,015</u>	<u>\$ 5,226</u>	<u>\$ 247,613</u>	<u>\$ 1,362,699</u>	<u>\$ 3,165,553</u>	<u>\$ 10,356</u>	<u>\$ 3,175,909</u>	

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

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong  
Fei Chen

Fong Chien Construction Company Limited and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	NOTE	For the year ended December 31, 2023	For the year ended December 31, 2022
<u>Cash flows from operating activities</u>			
Income before income tax		\$ 574,629	\$ 496,454
Adjustments for			
Adjustments for reconcile profit (loss)			
Depreciation expense	6(7)(9)(21)	2,236	1,752
Interest expense	6(20)	10,408	18
Interest income	6(17)	( 6,997 )	( 6,919 )
Share of loss from associates accounted for using equity method	6(6)	482	-
Loss on disposal of intangible assets	6(19)	-	( 452,652 )
Unpaid payables transferred to other income		-	( 595 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		102	1,201
Accounts Receivable		( 14,235 )	9,929
Others receivables (including related parties)		41,562	( 17,896 )
Inventories		2,149,778	( 1,972,444 )
Actual payments of capitalized interests	6(4)(20)	( 31,866 )	( 36,745 )
Other current assets		168,398	( 66,768 )
Changes in operating liabilities			
Contract liabilities- current		( 496,770 )	297,165
Notes payable		600	95
Accounts payable		( 260,695 )	227,455
Other payable		( 780 )	( 51,509 )
Other current liabilities		( 16,801 )	21,954
Cash generated from (used in) operations		2,120,051	( 1,549,505 )
Interest received		10,697	2,963
Interest paid		( 11,477 )	( 18 )
Income taxes paid		( 26,275 )	( 299 )
Net cash generated by (used in) operating activities		<u>2,092,996</u>	<u>( 1,546,859 )</u>

(Continued on next page)

Fong Chien Construction Company Limited and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	NOTE	For the year ended December 31, 2023	For the year ended December 31, 2022
<u>Cash flows from investing activities</u>			
Increase in financial assets at amortized cost		(\$ 145,000)	\$ 125,000
Acquisition of investments accounted for using equity method	6(6)	( 180,000 )	-
Acquisition of property, plant and equipment	6(7)	( 187 )	( 8,208 )
Increase in guaranteed deposits paid		( 2,647 )	( 35,062 )
Decrease in guaranteed deposits paid		359	61,987
Proceeds from disposal of intangible assets	6(25)	-	45,247
		-	45,247
Net cash generated by (used in) investing activities		( 327,475 )	188,964
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6(26)	147,220	294,850
Decrease in short-term borrowings	6(26)	( 1,387,770 )	-
Proceeds from long-term borrowings	6(26)	339,800	635,300
Repayment in long-term borrowings	6(26)	( 4,088 )	( 287,638 )
Increase (decrease) in guaranteed deposits received	6(26)	( 108 )	108
Distribution of cash dividends	6(15)(26)	( 232,502 )	( 279,003 )
Change in non-controlling interests	6(24)	( 150 )	( 270 )
Cash dividends paid to non-controlling interest by subsidiaries		-	( 460 )
Net cash generated by (used in) financing activities		( 1,137,598 )	362,887
Increase (decrease) in cash and cash equivalents		627,923	( 995,008 )
Cash and cash equivalents, beginning of year		285,665	1,280,673
Cash and cash equivalents, end of year		\$ 913,588	\$ 285,665

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

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong Fei Chen

Fong-Chien Construction Co.,LTD. and Subsidiaries  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2023 and 2022

(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.
- (2) Approval date and procedures of the consolidated financial statements.  
 The consolidated financial statements for the years ended December 31, 2023 and 2022 of the Company and subsidiaries (the “Group”) were authorized for issue by the Board of Directors on March 5, 2024.
- (3) New standards, amendments and interpretations adopted

- 1) The accounting standards, including 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 accounting standards, including 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
Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules”	May 23, 2023

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



- 2) The accounting standards, including 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 accounting standards, including new, revised, and amended standards and interpretations, which have been endorsed by the FSC, effective for annual period beginning on January 1, 2024:

<u>New, Revised, or Amended Standards or Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	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.

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

The following summarizes the IFRSs accounting standards 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
IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

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 estimate values. 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, 2023</u>	<u>December 31, 2022</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	Note
Hung Yeu Construction Co., Ltd.	Hungtu Alishan International Development Co., Ltd. (Hungtu Alishan)	Operation of hotel and restaurant business	-	0.01	Note

Note: As Hungtu Alishan has no longer substantively operated, the dissolution and liquidation have been resolved by the shareholders meeting on April 27, 2022. The completion of liquidation has been approved on May 5, 2023 by Chiayi District Court.

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:
  - (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
  - (b) The Group holds the asset primarily for the purpose of trading;
  - (c) The Group 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 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 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) Investments accounted for using equity method – associates

1. An associate is an entity over which the Group has significant influence, but does not control. Generally, the Group directly or indirectly holds over 20% of ownership with voting rights of associates' shares. Investments in associates shall be accounted for by equity method, and recognized by cost at acquisition.
2. An investment in an associate is adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate in profit or loss and other comprehensive income accordingly. If the Group's share of losses of an associate equal or exceed its interest in the associate (including any other receivables without guarantees), the Group discontinues recognizing its share of further losses. After the Company's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.
3. If the changes in equity of associates not due to profit or loss and other comprehensive income, and the changes have no influence to the Company's percentage of ownership to the associates, the Company shall recognize the relevant changes in equity by percentage of ownership into "capital surplus."
4. The Group's share of unrealized profits or losses arising from transactions between the Group and associates are eliminated. Unless transactions provide evidence of an impairment loss of the assets transferred, the unrealized losses shall be eliminated as well. Appropriate adjustments of accounting policies of the associates have been made to be uniform with the accounting policies of the Group.
5. When the Group disposes an associate, if the Group loses significant influence of the associate, the amount previously recognized in other comprehensive income which relates to the associate, the accounting treatment shall be the same as disposal of the related assets and liabilities. That is, if a gain or loss previously recognized in other comprehensive income by the Group would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss to profit or loss. If the Group still has significant influence over the associate, the Group shall only reclassify to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest.

14) 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.
- 15) 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.
- 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), and does not give rise to equal taxable and deductible temporary differences. The Group shall not recognize the deferred tax liabilities for temporary differences associated with investments in subsidiaries and associates, 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

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 estimate values 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, 2023, the carrying amount of inventories amounted to NT\$3,323,868 thousand.



(6) Explanation of significant accounts

1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 33	\$ 33
Checking and demand deposits	463,555	235,632
Time deposits	450,000	50,000
Total	<u>\$ 913,588</u>	<u>\$ 285,665</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, 2023 and 2022, the item amounted to NT\$197,000 thousand and NT\$52,000 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, 2023</u>	<u>December 31, 2022</u>
Current items:		
Time deposits with original maturity over 3 months	<u>\$ 197,000</u>	<u>\$ 52,000</u>

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

<u>Item</u>	<u>2023</u>	<u>2022</u>
Interest revenue	<u>\$ 1,779</u>	<u>\$ 1,760</u>

2. Without consider the collaterals held and other credit enhancement, as of December 31, 2023 and 2022, 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, 2023</u>	<u>December 31, 2022</u>
Notes receivables	<u>\$ 123</u>	<u>\$ 225</u>
Accounts receivables	<u>\$ 23,361</u>	<u>\$ 9,126</u>

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Accounts receivables</u>	<u>Notes receivables</u>	<u>Accounts receivables</u>	<u>Notes receivables</u>
Undue	<u>\$ 23,361</u>	<u>\$ 123</u>	<u>\$ 9,126</u>	<u>\$ 225</u>

The aging analysis is based on the days of overdue.

2. As of December 31, 2023 and 2022 the balances of accounts receivables are arising from contracts with customers. And as of January 1, 2022, the balance of accounts receivables amounted to NT\$20,481 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, 2023 and 2022, 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, 2023</u>		
	<u>Cost</u>	<u>Allowance for price decline</u>	<u>Carrying amount</u>
Buildings and land held for sale	\$ 471,859	(\$ 6,950)	\$ 464,909
Land under construction	2,212,772	-	2,212,772
Construction work in process	66,861	-	66,861
Land for building	<u>583,659</u>	<u>( 4,333)</u>	<u>579,326</u>
Total	<u>\$ 3,335,151</u>	<u>(\$ 11,283)</u>	<u>\$ 3,323,868</u>
	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for price decline</u>	<u>Carrying amount</u>
Buildings and land held for sale	\$ 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	<u>583,046</u>	<u>( 4,333)</u>	<u>578,713</u>
Total	<u>\$ 5,447,672</u>	<u>(\$ 5,892)</u>	<u>\$ 5,441,780</u>

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

	<u>2023</u>	<u>2022</u>
Costs of buildings and land sold	\$ 2,571,627	\$ 151,177
Losses on inventory valuation	<u>5,391</u>	<u>-</u>
	<u>\$ 2,577,018</u>	<u>\$ 151,177</u>

2. Buildings and land held for sale are as follow:

<u>Name of buildings and land</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taichung City (Senlifang)	\$ 359,408	\$ -
Taichung City (Mizhidi)	37,511	37,511
Taoyuan City(Jingyinghui)	30,545	35,949
Chiayi City(Chongwentianxia)	29,900	29,900
Houjhuang Section, Duanzhu Section, Tongxing Section	13,500	13,500
Taichung City (Shidaijingying)	<u>995</u>	<u>995</u>
	<u>\$ 471,859</u>	<u>\$ 117,855</u>

3. Land under construction is as follows:

<u>Name of construction site</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Aixing section , Zhubei City (VITA)	\$ -	\$ 720,914
Pingtian section, Taichung City (Senlifang)	-	494,729
Zhenfu section, Taichung City	709,671	709,671
Dingqiaozitou section, Taichung City (Chien 18)	716,043	718,442

Renping section, Taichung City	787,058	616,804
	<u>\$ 2,212,772</u>	<u>\$ 3,260,560</u>

4. Construction work in process is as follows:

Name of construction site	December 31, 2023	December 31, 2022
Aixing section , Zhubei City (VITA)	\$ -	\$ 943,254
Pingtian section, Taichung City (Senlifang)	-	511,013
Zhenfu section, Taichung City	30,274	20,195
Dingqiao zitou section, Taichung City (Chien 18)	28,853	8,697
Renping section, Taichung City	7,734	3,052
	<u>\$ 66,861</u>	<u>\$ 1,486,211</u>

5. Land held for construction is as follows:

Name of construction site	December 31, 2023	December 31, 2022
Neiweng Section	\$ 547,259	\$ 546,658
Pingxin Section	24,797	24,785
Renyitan hotel	11,603	11,603
	<u>\$ 583,659</u>	<u>\$ 583,046</u>

6. Please refer to Note 6(19) for the capitalized amount of the interests of inventories for the years ended December 31, 2023 and 2022. The interest rate intervals used for calculating the capitalization of interests are 2.29%~2.62% and 1.76%~2.28%.

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

8. 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 of considerations, NT\$17,662 thousand of liquidated damages, NT\$370 thousand of court costs, and NT\$3,971 thousand of legal interests accrued until December 31, 2022. The total amount is NT\$45,453 thousand (recognized as other receivables). The Company has applied to the court to distraint the land of No. 46 on Zhenfu section, Taichung City on July 11, 2022, and the proceeds from the distraint of NT\$46,272 thousand (including the legal interests accrued from January 1 to March 9, 2023 of NT\$393 thousand and the expense of execution of NT\$336 thousand) has been distributed by the letter from the court on April 6, 2023. The payment has been collected in full on May 10, 2023.

5) Other current assets

<u>December 31,</u>	<u>December 31,</u>
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	<u>2023</u>	<u>2022</u>
Current incremental costs of obtaining contracts	\$ 26,807	\$ 150,550
Taxes overpaid retained for offsetting the future tax payables	5,175	47,354
Performance bonds	1,720	62
Other current assets-others	2,074	4,552
	<u>\$ 35,776</u>	<u>\$ 202,518</u>

6) Investments accounted for using equity method

	<u>2023</u>	<u>2022</u>
January 1	\$ -	\$ -
Increase in investments accounted for using equity method	180,000	-
Share of profit or loss of investments accounted for using equity method	( 482)	-
December 31	<u>\$ 179,518</u>	<u>\$ -</u>

1. The Company resolved by the board of directors on March 15, 2023 to participate in the “Urban Renewal Project in the Renewal Area in Southern Side of Chien Kung Senior High School, Hsinchu City” by business alliance with DaMei Investment Co., Ltd. and jointly establish “Fong Suei Construction Co., Ltd.” The Company invested NT\$180,000 thousand, and acquired 30% of ownership. As the Company has significant influence over the investee, it is recognized as investments accounted for using equity method.

2. The share of profit or loss of associates accounted for using equity method is as follows:

<u>Investee</u>	<u>2023</u>
Fong Suei Construction Co., Ltd.	<u>(\$ 482)</u>

The aforementioned share of profit or loss of associates accounted for using equity method has been recognized based on the financial statements in the same period audited and attested by other auditors.

7) Property, plant and equipment

	<u>January 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>December 31, 2023</u>
<u>Cost</u>					
Land	\$ 18,078	\$ -	\$ -	\$ -	\$ 18,078
Buildings and structures	17,027	-	-	-	17,027
Auxiliary equipment	8,117	-	-	-	8,117
Other equipment	3,120	187	-	-	3,307
	<u>\$ 46,342</u>	<u>\$ 187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,529</u>

Accumulated depreciation

Buildings and structures	(\$ 98)	(\$ 806)	\$ -	-\$ -	(\$ 904)
Auxiliary equipment	( 6)	( 738)	-	-( 744)	( 744)
Other equipment	( 2,972)	( 159)	-	-( 3,131)	( 3,131)
	<u>(\$ 3,076)</u>	<u>(\$ 1,703)</u>	<u>\$ -</u>	<u>-\$ -</u>	<u>(\$ 4,779)</u>
	<u>\$ 43,266</u>				<u>\$ 41,750</u>

	<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	147	-	-	( 147)	-
	<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)	( 6)
Other equipment	( 4,774)	( 372)	2,174	-( 2,972)	( 2,972)
	<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>

8) 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, 2023 and 2022 amounted to NT\$4,809 thousand and NT\$4,275 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, 2023</u>	<u>December 31, 2022</u>
1 year	\$ 3,407	\$ 4,767
1~5 years	<u>62</u>	<u>3,291</u>
Total	<u>\$ 3,469</u>	<u>\$ 8,058</u>

9) Investment properties

	<u>January 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2023</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	(\$ 10,914)	(\$ 533)	\$ -	(\$ 11,447)
	<u>\$ 109,499</u>			<u>\$ 108,966</u>
	<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	(\$ 10,381)	(\$ 533)	\$ -	(\$ 10,914)
	<u>\$ 110,032</u>			<u>\$ 109,499</u>

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

	<u>2023</u>	<u>2022</u>
Rental income from investment properties	<u>\$ 4,129</u>	<u>\$ 4,121</u>
Direct operating expenses incurred by the investment properties with current rental income	<u>\$ 656</u>	<u>\$ 766</u>

2. The fair value of the investment properties amounted to NT\$126,870 thousand and NT\$124,652 thousand for the years ended December 31, 2023 and 2022, 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, 2023</u>
Bank loan				
Secured loans	June 9, 2022~ June 9, 2027	2.300%	Inventories – land under construction	\$ 435,000
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Unsecured loans	November 14, 2022~ June 9, 2027	2.550%	None	28,000
	Interests shall be paid monthly, and the principal			

Secured loans	shall be repaid at maturity. January 18, 2023~ June 9, 2027 Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.400%	Inventories – land under construction	93,800
				<u>\$ 556,800</u>
<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
				<u>\$ 1,240,550</u>

1. Inventories were pledged as collaterals for the aforementioned borrowings as of December 31, 2023 and 2022 and key management also provided guarantees. Please refer to Note 7.2.
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, 2023</u>
Long-term bank loans				
Secured loans	April 19, 2017~ April 19, 2032	2.380%	Inventories-buildings and land held for sale, investment properties	\$ 26,088
	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	2.380%	Investment properties	12,485
	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	2.450%	Inventories-land under construction	305,000
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Secured loans	April 27, 2022~January 13, 2025	2.550%	Inventories-land under construction	172,300
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Secured loans	March 15, 2023~ March 15, 2028	2.550%	Inventories-land under construction	246,000
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Subtotal				<u>761,873</u>
Less: current portion of long-term borrowings				<u>( 4,177)</u>
Total				<u>\$ 757,696</u>

<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	2.130%	Inventories-buildings and land held for sale, investment properties	\$ 28,890
	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	2.130%	Investment properties	13,771
	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	2.325%	Inventories-land under construction	305,000
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Secured loans	April 27, 2022~January 13, 2025	2.425%	Inventories-land under construction	172,300
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Secured loans	June 9, 2022~ June 9, 2027	2.175%	Inventories-land under construction	435,000
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Unsecured loans	November 14, 2022~June 9, 2027	2.425%	None	28,000
	Interests shall be paid monthly, and the principal shall be repaid at maturity.			
Subtotal				<u>982,961</u>
Less: current portion of long-term borrowings				<u>( 4,076)</u>
Total				<u>\$ 978,885</u>

(The remainder is intentionally left blank.)



1. Inventories and investment properties were pledged as collaterals for the aforementioned borrowings as of December 31, 2023 and 2022, and key management also provided guarantees. Please refer to Note 7.2.
2. Please refer to Note 8 for the assets pledge 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\$634 thousand and NT\$599 thousand for the years ended December 31, 2023 and 2022, respectively.

13) Share capital

The Company had authorized capital of NT\$2,000,000 thousand as of December 31, 2023, 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):

	2023	2022
Number of shares as of January 1 and December 31	155,001	155,001

14) Capital surplus

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.

15) Retained earnings

1. According to the Articles of Incorporation, if there is any net profit 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, there to 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 2021 has been resolved by the physical shareholder's meeting held on June 8, 2022. The earnings distribution proposal of 2022 has been resolved by the board of directors on March 15, 2023, and submitted to shareholders meeting on May 31, 2023. The distribution proposals are as follows:

	2022		2021	
	Amount	Dividend per share	Amount	Dividend per share
Legal reserve	\$ 46,964		\$ 91,644	
Cash dividend	232,502	\$ 1.5	279,003	\$ 1.8
Total	<u>\$ 279,466</u>		<u>\$ 370,647</u>	

The earnings distribution proposal for the year ended December 31, 2021 is the same as the board of directors' proposals proposed on March 16, 2022.

5. The earnings distribution for the year ended December 31, 2023 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 5, 2024.

#### 16) Operating revenue

	2023	2022
Revenue from contracts with customers	\$ 3,326,986	\$ 213,169
Others-Rental income of buildings	4,809	4,275
Total	<u>\$ 3,331,795</u>	<u>\$ 217,444</u>

#### 1. Classification of revenue from contracts with customers

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

2023	Construction division			Total
	South area	Central area	North area	
Segment revenue	<u>\$ -</u>	<u>\$ 1,159,540</u>	<u>\$ 2,167,446</u>	<u>\$ 3,326,986</u>
Time of revenue recognition				
Revenue recognized at a point in time				<u>\$ 3,326,986</u>
2022	Construction division			Total
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>

2. As of December 31, 2023 and 2022, 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, 2023</u>	<u>December 31, 2022</u>
Contract amount of signed contracts	\$ 756,920	\$ 3,914,720
Expected years of revenue recognition	2024~2026	2023~2024

### 3. Contract liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities	\$ 227,431	\$ 724,201	\$ 427,036

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

	<u>2023</u>	<u>2022</u>
Revenue arising from contract liabilities in the beginning of the period recognized in the current period	\$ 645,601	\$ 2,058

#### 17) Interest revenue

	<u>2023</u>	<u>2022</u>
Interests from bank deposits	\$ 4,800	\$ 1,178
Interest revenue from financial assets at amortized cost	1,779	1,760
Other interest revenue	418	3,981
	<u>\$ 6,997</u>	<u>\$ 6,919</u>

#### 18) Other revenue

	<u>2023</u>	<u>2022</u>
Other commission income	\$ 18	\$ 69
Unpaid payables transferred to other revenue	-	595
Income from liquidated damages (Note)	-	17,662
Other revenue – others	442	1,175
	<u>\$ 460</u>	<u>\$ 19,501</u>

Note: Please refer to Note 6.4.8 for the explanation of the recognition based on the judgment of litigation.

#### 19) Other gains and losses

	<u>2023</u>	<u>2022</u>
Gains on disposal of intangible assets	\$ -	\$ 452,652

The gains on disposal of intangible assets for the year ended December 31, 2022 arose from 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.

20) Financial costs

	<u>2023</u>	<u>2022</u>
Interest expenses:		
Bank loans	\$ 38,370	\$ 37,990
Others	<u>3,904</u>	<u>18</u>
	42,274	38,008
Less: interests eligible for capitalization		
	( 31,866)	( 37,990)
Financial costs	<u>\$ 10,408</u>	<u>\$ 18</u>

21) Additional information on nature of expenses

	<u>2023</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefits expenses			
Payroll expenses	\$ -	\$ 16,946	\$ 16,946
Labor and health insurance expenses	-	1,382	1,382
Pension expenses	-	634	634
Directors' remuneration	-	8,343	8,343
Other employee benefits expenses	<u>-</u>	<u>2,363</u>	<u>2,363</u>
Total	<u>\$ -</u>	<u>\$ 29,668</u>	<u>\$ 29,668</u>
Depreciation expenses of property, plant and equipment	<u>\$ -</u>	<u>\$ 1,703</u>	<u>\$ 1,703</u>
Depreciation expenses of investment properties	<u>\$ 533</u>	<u>\$ -</u>	<u>\$ 533</u>
	<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	<u>-</u>	<u>773</u>	<u>773</u>
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>

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:

	2023	2022
Employees' remuneration	\$ 581	\$ 501
Directors' remuneration	5,809	5,015
	<u>\$ 6,390</u>	<u>\$ 5,516</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, 2023 and 2022 were accrued by the ratios as follows:

	2023	2022
Employees' remuneration ratio	1‰	1‰
Directors' remuneration ratio	1%	1%

The amounts resolved by the board of directors are the same as the employees' and directors' remunerations amounts recognized in the financial statements of 2022. 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.

22) Income tax

1. Income tax expenses (benefits)

Composition of income tax expenses (benefits):

	2023	2022
Current income tax:		
Current income tax charge	\$ -	\$ -
Land Value Increment Tax	519	279
Additional tax on unappropriated earnings	9,508	26,039
Underestimation of income tax of prior periods	89	-
Total current income tax charge	<u>10,116</u>	<u>26,318</u>
Deferred income tax		
Origination and reversal of temporary differences	(14,081)	-
Total deferred income tax	<u>(14,081)</u>	<u>-</u>
Income tax expenses (benefits)	<u>(\$ 3,965)</u>	<u>\$ 26,318</u>

2. The relationship between income tax expenses and accounting profit

	<u>2023</u>	<u>2022</u>
Tax payables calculated by profit before tax multiplying the enacted tax rates	\$ 115,125	\$ 99,069
Tax exempt income based on tax laws (Additional tax on unappropriated earnings)	( 477)	( 93,715)
Effect of Land Value Increment Tax	9,508	26,039
Unrecognized deferred tax assets arising from temporary differences	519	279
Unrecognized deferred tax assets arising from tax losses	-	( 1,021)
Evaluation changes in the realizability of deferred tax assets	-	123
Underestimation of income tax of prior periods	( 128,729)	( 4,456)
	<u>89</u>	<u>-</u>
Income tax expenses (benefits)	<u>(\$ 3,965)</u>	<u>\$ 26,318</u>

3. The amounts of deferred income tax assets arising from temporary differences are as follows:

	<u>2023</u>	<u>Recognized in</u>	<u>December 31</u>
	<u>January 1</u>	<u>profit or loss</u>	<u>December 31</u>
Deferred income tax assets:			
-Temporary differences :			
Allowances for inventory valuation losses	\$ -	\$ 412	\$ 412
Unrealized gross profit in the current period	-	13,643	13,643
Capitalized interests under new system	-	26	26
Total	<u>\$ -</u>	<u>\$ 14,081</u>	<u>\$ 14,081</u>

2022: None.

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

<u>December 31, 2023</u>						
<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	Fong-Chien	Verified amount	\$ 21,489	\$ 21,489		2028

<u>December 31, 2022</u>						
<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	\$ 1,029	\$ 1,029		2028
2019	Hung Yeu	Verified amount	129	129		2029
2021	Hung Yeu	Verified amount	488	488		2031
2022	Hung Yeu	Declared amount	615	615		2032
		Total	<u>\$ 2,261</u>	<u>\$ 2,261</u>		
		Total	<u>\$ 23,750</u>	<u>\$ 23,750</u>		

<u>December 31, 2022</u>						
<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>	

5. Deductible temporary differences of unrecognized deferred tax assets:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	\$ <u>9,225</u>	\$ <u>79,231</u>

6. 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>2021</u>	<u>2021</u>	<u>2022</u>

23) Earnings per share

	2023		
	<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	\$ 578,518	155,001	\$ 3.73
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	578,518	155,001	
Effect of diluted potential ordinary shares			
Employees' remuneration	-	25	
Profit attributable to ordinary shareholders of the parent plus the effect of potential ordinary shares	\$ 578,518	155,026	\$ 3.73
		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

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) Transactions with non-controlling interests

1. The subsidiary of the Group, Hungtu Alishan, has resolved the distribution of residual properties by extraordinary shareholders meeting on January 11, 2023. The transaction decreased the amount of non-controlling interests by NT\$150 thousand.
2. 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.



25) Supplementary information of cash flows

Investing activities involve only partial cash receipts:

	2023	2022
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	-	-
Cash receipts in the current period	<u>\$ -</u>	<u>\$ 45,247</u>

26) Changes in the liabilities arising from financing activities

	January 1, 2023	<u>Changes in cash</u>			December 31, 2023
		<u>flows from</u> financing activities	<u>Non-cash</u> flow increase	<u>Non-cash</u> flow transfers	
Short-term borrowings	\$ 1,240,550	(\$ 1,240,550)	\$ 556,800	\$ -	\$ 556,800
Long-term borrowings (including the current portion)	982,961	335,712	-	( 556,800)	761,873
Dividends payables	-	( 232,502)	232,502	-	-
Guaranteed deposits received	1,312	( 108)	-	-	1,204
Total liabilities arising from financing activities	<u>\$ 2,224,823</u>	<u>(\$ 1,137,448)</u>	<u>\$ 789,302</u>	<u>(\$ 556,800)</u>	<u>\$ 1,319,877</u>

	January 1, 2022	<u>Changes in cash</u>			December 31, 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>

(7) Related party transactions

1) Related party names and relationships

<u>Related party name</u>	<u>Relationship with the Group</u>
Fong Suei Construction Co., Ltd. (Fong Suei Construction)	Associate
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
Grace Hospitality Management Co., Ltd. (Grace Hospitality)	The chairman is the second 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, Shu-Chu	The first degree relative of the general manager of the Company

2) Significant transactions with related parties

1. 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

	2023	2022
Holy Grace Construction	\$ -	\$ 165

2. Jointly and severally liability of peer industries — commission expenses

	2023	2022
Jing Chi Development	\$ -	\$ 201
Grace Hospitality	30	-
	\$ 30	\$ 201

3. Commission income

	2023	2022
Grace Hospitality	\$ 18	\$ -

The commission income arose from the subsidiary of the Group, Hung Yeu, providing joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act in the same industry for Grace Hospitality.

4. Other receivables

	2023	2022
Grace Hospitality	\$ 19	\$ -

5. Other payables

	2023	2022
Grace Hospitality	\$ 32	\$ -

6. Details of guarantees

(a) The Group provided endorsement and guarantee for other related parties as follows:

a. As of December 31, 2023 and 2022, 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. 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. As of December 31, 2023 and 2022, 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 as follows:

a. As of December 31, 2023 and 2022, 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, to the related party, Jing Chi Development Co., Ltd., provided jointly and severally liability of peer industries for the Company’s construction project “Senlifang”

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. As the construction project has received the user license on July 28, 2023, the performance guarantee expired automatically.

- b. The board of directors resolved on August 8, 2023 that the related party, Grace Hospitality provides 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, to the Company's construction project "Chien 18", by the amount of NT\$311,906 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.
- (c) The Group provided endorsement and guarantee for associates as follows:  
The board of directors resolved on May 23, 2023 to become the joint guarantor for the bank loans of associate, Fong Swei Construction Co., Ltd., based on the 30% of shareholding ratio. The loan amount is NT\$1,086,000 thousand, and the credit line has been received on November 20, 2023.

7. Others

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

3) Information on key management personnel compensation

	2023	2022
Short-term employee benefits	\$ 15,018	\$ 13,055

Short-term employee benefits include the accrued directors' remuneration. Please refer to Note 6.20.2 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, 2023</u>	<u>December 31, 2022</u>	
Inventories	\$ 2,242,672	\$ 4,127,923	Long-term and short-term bank loans
Investment properties	108,966	109,499	Long-term bank loans
	<u>\$ 2,351,638</u>	<u>\$ 4,237,422</u>	

(9) Significant contingencies and unrecognized contract commitments

1) Contingencies

- Please refer to Note 7.2 for guarantees for related parties.
- The board of directors resolved on January 25, 2022 that Hung Yeu provides 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, to Hundredfold Development CO., LTD., by the amount of NT\$215,508 thousand, which is the construction costs on the construction license. The cancellation of the guarantee has been approved by Taoyuan Real Estate Development Association on May 10, 2022.

2) Commitments

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land for construction	\$ -	\$ 47,200
Construction work in process	46,324	450,362
Total	<u>\$ 46,324</u>	<u>\$ 497,562</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, 2023 and 2022, the debt to capital ratio of the Group's asset is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total borrowings	\$ 1,318,673	\$ 2,223,511
Less: cash and cash equivalents	<u>( 913,588)</u>	<u>( 285,665)</u>
Net debt	405,085	1,937,846
Total equity	3,175,909	2,829,967
Total capital	<u>\$ 3,580,994</u>	<u>\$ 4,767,813</u>
Debt to capital ratio	11.31%	40.64%

2) Financial instruments

1. Types of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 913,588	\$ 285,665
Current financial assets at amortized cost	197,000	52,000
Notes receivables	123	225
Accounts receivables	23,361	9,126
Other receivables (including related parties)	385	45,646
Refundable deposits (Recognized as other current and non-current assets)	2,739	451
	<u>\$ 1,137,196</u>	<u>\$ 393,113</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		

Short-term borrowings	\$	556,800	\$	1,240,550
Notes payables		1,190		590
Accounts payables		59,815		320,510
Other payables (including related parties)		32,690		34,539
Long-term borrowings (including current portion)		761,873		982,961
Guaranteed deposits received		1,204		1,312
	\$	<u>1,413,572</u>	\$	<u>2,580,462</u>

## 2. Risk management policies

- (a) The Group'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 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, 2023 and 2022, the borrowings at floating interest rate are primarily denominated in New Taiwan Dollars.
- B. As of December 31, 2023 and 2022, 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\$10,549 thousand and NT\$17,788 thousand for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023</u>	<u>December 31, 2022</u>
Due within 1 year	\$ -	\$ 56,020
Due over 1 year	-	246,000
	<u>\$ -</u>	<u>\$ 302,020</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, 2023	<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	6,485	\$ 6,485	\$ 12,970	\$ 575,499	\$ 601,439
Notes payables	1,190	-	-	-	1,190
Accounts payables	44,963	101	14,751	-	59,815
Other payables	29,661	2,443	586	-	32,690
Long-term borrowings (including current portion)	11,595	11,595	489,038	292,360	804,690
Guaranteed deposits received	-	-	1,204	-	1,204

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

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. 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 (including related parties), refundable deposits, short-term borrowings, notes payables, accounts payables, other payables (including related parties), 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: None.

2. Provision of endorsements and guarantees to others: Please refer to Table 1.

3. Holding of marketable securities at the end of the period (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: None.

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 2.

3) Information on investees in Mainland China

None.

4) Information on major shareholders

Information on major shareholders: Please refer to Table 3.

(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:

2023	Construction division	Hotel and restaurant division	Adjustments and write-offs	Total
Revenue				
Revenue from external customers	\$ 3,331,795	\$ -	\$ -	\$ 3,331,795
Segment profit or loss	\$ 574,629	\$ -	\$ -	\$ 574,629
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

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.

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, 2023 and 2022. There is no item to be reconciled.

	2023	2022
Revenue of reportable operating segments before adjustments	\$ 3,331,795	\$ 217,455
Elimination of inter-segment revenue	-	( 11)
Revenue of reportable operating segments	<u>\$ 3,331,795</u>	<u>\$ 217,444</u>



2. The profit or loss before tax is the same as the revenue from continuous operating segments for the years ended December 31, 2023 and 2022. There is no item to be reconciled.

	<u>2023</u>	<u>2022</u>
Profit or loss before tax of reportable operating segments before adjustments	\$ 574,629	\$ 496,454
Elimination of inter-segment profit or loss	<u>-</u>	<u>-</u>
Profit or loss before tax of reportable operating segments	<u>\$ 574,629</u>	<u>\$ 496,454</u>

5) Geographic information

The geographic information of the Group for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	<u>\$ 3,331,795</u>	<u>\$ 151,736</u>	<u>\$ 217,444</u>	<u>\$ 153,154</u>

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Fong-Chien Construction Co.,LTD. and Subsidiaries  
Provision of endorsements and guarantees to others  
For the Year Ended December 31,2023

Table 1

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

<u>Guarantee and endorsee</u>														
<u>No.</u>	<u>Name of endorser and guarantor</u>	<u>Company name</u>	<u>Relationship (Note 3)</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 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>	<u>Note</u>
0	Fong-Chien Construction Co.,LTD.	Fong Yi Construction CO., LTD. Cornerstone Inverstant Co., Ltd.	7	\$ 6,331,106	\$ 425,690	\$ 425,690	\$ 425,690	\$ -	13.45%	\$ 6,331,106	N	N	N	Note 2, Note 5
0	Fong-Chien Construction Co.,LTD.	Fong Suei Construction Co.,LTD	6	6,331,106	1,086,000	1,086,000	1,086,000	-	34.31%	6,331,106	N	N	N	Note 2
1	Hung Yeu Construction Co., Ltd.	Grace Hospitality Management Co., Ltd.	7	1,444,415	159,101	159,101	159,101	-	110.15%	1,444,415	N	N	N	Note 4, Note 5

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

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 31,2023

Table 2

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

<u>Investor company</u>	<u>Investee company</u>	<u>Location</u>	<u>Main business</u>	<u>Original investment amount</u>		<u>Ownership as of December 31, 2023</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>December 31, 2023</u>	<u>December 31, 2022</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	\$ 134,086	\$ 1,069	\$ 992	
Fong-Chien Construction Co.,LTD.	Hungtu Alishan International Development Co., Ltd.	Taiwan	Operation of hotel and restaurant business	-	668,665	-	-	-	-	-	Note 1
Hung Yeu Construction Co., Ltd.	Hungtu Alishan International Development Co., Ltd.	Taiwan	Operation of hotel and restaurant business	-	14,985	-	-	-	-	-	Note 1
Fong-Chien Construction Co.,LTD.	Fong Suei Construction Co.,LTD.	Taiwan	Comprehensive construction, trading of properties, developments and leases of residences and buildings etc.	180,000	-	18,000,000	30.00	179,518	( 1,609)	( 482)	

Note 1: The completion of liquidation has been approved by Chiayi District Court on May 5, 2023.

Fong-Chien Construction Co.,LTD. and Subsidiaries

Information on major shareholders

December 31,2023

Table 3

	<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  
(2024) Ministry of Finance approved No. 23003427  
Fong Chien Construction Company Limited

#### Opinion

We have audited accompanying parent company only financial statements of Fong Chien Construction Company Limited (hereinafter “the Company”), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, 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, according to our audit result and other auditors' report (Please refer to “Other Matter” paragraph.), 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, 2023 and 2022, 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 entrusted by the Company 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. According to our audit result and other auditors' report, 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, 2023. 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 matters for the Company's parent company only financial statements for the year ended December 31, 2023 are as follows:

### **Cut-off of revenue from sales of buildings and land**

#### Matters description

Refer to Note 4(22) to the consolidated financial statements for accounting policies regarding sales revenue. Refer to Note 6(16) to the consolidated financial statements for the explanation of accounting items. The revenue from sales of buildings and land of the Company for the year ended December 31, 2023 amounted to NT\$3,326,986 thousand, accounting for 99.86% of operating revenue.

Revenue from sales of buildings and land in construction industry is recognized when the ownership of the real estate is transferred and the buildings are actually delivered. As the buildings and land are sold to numerous counterparties, sales revenue shall be recognized after checking the status of ownership transfer and property handover documents on a case-by-case basis, which involves many manual operating procedures and tends to result in inappropriateness of the time point to recognized revenue near the end the of the reporting period. Therefore, we list cut-off of revenue from sales of buildings and land as one of the most significant issues 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. Obtain an understanding and evaluate the internal control procedures about revenue recognition of sales of buildings and land adopted by the management, and test whether the processes at the point of time recognizing revenue from sales of buildings and land are implemented effectively, including verifying the date of the ownership transfers and the related property handover documents, to evaluate the correctness of the time point of bookkeeping.
2. Implement cut-off test to the transactions of sales of buildings and land during a certain period before and after the end of the reporting day, including verifying the date of ownership transfer indicated on the land registration transcript and the land ownership certificate and the date on agreement to hand over the building, and other supporting documents, to confirm revenue from sales of buildings and land has been recorded in the appropriate period.

### **Valuation of Inventory**

### Matters description

Refer to Note 4(10) to the parent company only financial statements for accounting policies regarding inventory; Refer to Note 5 for critical accounting estimates and assumptions regarding inventory valuation. Refer to Note 6(4) for the explanation of allowance to reduce inventory to market. The inventory balance and allowance to reduce inventory to market of the Company are the amount of NT 3,339,437 thousand and 11,283 thousand on December 31, 2023, respectively.

Inventories of the Company 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 the Company 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 adopt.
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– Reference to work of other auditors**

The financial statements of the investees accounted for using equity method included in the consolidated financial statements of the Company were not audited by us, but by other auditors. Therefore, the amounts related to the financial statements of those companies in our opinions indicated in the aforementioned consolidated financial statements were based on other auditors' report. As of December 31, 2023, the investments in aforementioned companies accounted for using equity method amounted to NT\$179,518 thousand, accounting for 3.72% of total assets. The comprehensive losses recognized for the aforementioned companies for the year ended December 31, 2023 amounted to NT\$482 thousand, accounted for (0.08%) of total comprehensive income.

### **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 Company 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, 2023 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 Wang, Yu-Juan and Hong, Shu Hua.

Financial Supervisory Commission  
Reference Number of the Approval letter: No.  
Financial-Supervisory-Securities-Auditing -1020028992  
Former Securities Commission, Ministry of Finance  
Reference Number of the Approval letter: No. (85)  
Taiwan-Finance-Securities-VI-68701

PwC  
Taipei, Taiwan  
Republic of China  
March 5, 2024

Fong Chien Construction Company Limited  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
<b>Current Assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 857,568	18	\$ 63,613	1
1136	Financial assets at amortized cost	6(2)	100,000	2	-	-
1150	Notes receivable, net	6(3)	123	-	225	-
1170	Accounts receivable, net	6(3)	23,310	-	9,075	-
1200	Other receivables	6(4) and 9(1)	263	-	45,579	1
1220	Current tax assets	6(21)	-	-	266	-
130X	Inventories	6(4), 7(2) and 8	3,328,154	69	5,441,780	88
1470	Other current assets	6(5)	35,529	1	202,291	3
11XX	<b>Total current assets</b>		<u>4,344,947</u>	<u>90</u>	<u>5,762,829</u>	<u>93</u>
<b>Noncurrent assets</b>						
1550	Investments accounted for using equity method	6(6)	313,604	7	258,543	4
1600	Property, plant and equipment	6(7) and 7(2)	41,373	1	42,887	1
1760	Investment property, net	6(9) and 8	108,966	2	109,499	2
1840	Deferred income tax assets	6(21)	14,081	-	-	-
1900	Other noncurrent assets		1,020	-	389	-
15XX	<b>Total noncurrent assets</b>		<u>479,044</u>	<u>10</u>	<u>411,318</u>	<u>7</u>
1XXX	<b>Total assets</b>		<u>\$ 4,823,991</u>	<u>100</u>	<u>\$ 6,174,147</u>	<u>100</u>

(Continued on next page)

Fong Chien Construction Company Limited  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTE	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term loans	6(10) and 8	\$ 556,800	11	\$ 1,240,550	20
2130	Contract liabilities-current	6(16)	227,431	5	724,201	12
2150	Notes payable		1,136	-	545	-
2170	Accounts payable		55,047	1	315,697	5
2200	Other accounts payable	7(2)	32,449	1	33,296	1
2230	Current tax liabilities	6(21)	9,290	-	26,039	-
2320	Long-term liabilities-current portion	6(11)	4,177	-	4,076	-
2399	Other current liabilities-others		13,208	-	30,009	-
21XX	<b>Total current liabilities</b>		<u>899,538</u>	<u>18</u>	<u>2,374,413</u>	<u>38</u>
<b>Noncurrent liabilities</b>						
2540	Long-term debt payable	6(11) and 8	757,696	16	978,885	16
2600	Other noncurrent liabilities		1,204	-	1,312	-
25XX	<b>Total noncurrent liabilities</b>		<u>758,900</u>	<u>16</u>	<u>980,197</u>	<u>16</u>
2XXX	<b>Total liabilities</b>		<u>1,658,438</u>	<u>34</u>	<u>3,354,610</u>	<u>54</u>
<b>Equity attributable to shareholders of the parent</b>						
Capital stock						
3110	Capital common stock	6(13)	1,550,015	32	1,550,015	25
Capital surplus						
3200	Capital surplus	6(14)	5,226	-	5,226	-
Retained earnings						
3310	Appropriated as legal capital reserve	6(15)	247,613	5	200,649	4
3350	Unappropriated earnings		1,362,699	29	1,063,647	17
3XXX	<b>Total equity</b>		<u>3,165,553</u>	<u>66</u>	<u>2,819,537</u>	<u>46</u>
Significant contingent liabilities and not recognized contract commitment						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 4,823,991</u>	<u>100</u>	<u>\$ 6,174,147</u>	<u>100</u>

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

Chairman: Yu Qi Yuan

Manager: Rui Lin Liu

Accounting supervisor: Qiong Fei Chen

**Fong Chien Construction Company Limited**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**December 31, 2023 and 2022**

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

ITEM	NOTE	2023		2022	
		Amount	%	Amount	%
4000 Operating revenue	6(16) and 7 (2)	\$ 3,331,795	100	\$ 217,455	100
5000 Operating cost	6(4)(20)	( 2,577,551)	( 78)	( 151,710)	( 70)
5900 Gross profit		<u>754,244</u>	<u>22</u>	<u>65,745</u>	<u>30</u>
Operating expenses	6(20) and 7 (2)				
6100 Selling expenses		( 142,072)	( 4)	( 17,225)	( 8)
6200 General and administrative		( 33,334)	( 1)	( 29,134)	( 13)
6000 Total operating expenses		( 175,406)	( 5)	( 46,359)	( 21)
6900 Operating income non-operating income and expenses		<u>578,838</u>	<u>17</u>	<u>19,386</u>	<u>9</u>
7100 Interest income	6(17)	5,174	-	4,972	2
7010 Other income	6(4)(18)	439	-	19,501	9
7050 Finance costs	6(19)	( 10,408)	-	( 18)	-
7070 Share of profits of subsidiaries and associates	6(6)	<u>510</u>	<u>-</u>	<u>452,113</u>	<u>208</u>
7000 Total non-operating income and expense		( 4,285)	-	476,568	219
7900 <b>Income before income tax</b>		<u>574,553</u>	<u>17</u>	<u>495,954</u>	<u>228</u>
7950 Income tax benefits (expenses)	6(21)	<u>3,965</u>	<u>-</u>	( 26,318)	( 12)
8200 <b>Net income</b>		<u>\$ 578,518</u>	<u>17</u>	<u>\$ 469,636</u>	<u>216</u>
8500 <b>Total comprehensive income</b>		<u>\$ 578,518</u>	<u>17</u>	<u>\$ 469,636</u>	<u>216</u>
Earnings per share	6(22)				
9750 Basis earnings per share		<u>\$</u>	<u>3.73</u>	<u>\$</u>	<u>3.03</u>
Diluted earnings per share	6(22)				
9850 Diluted earnings per share		<u>\$</u>	<u>3.73</u>	<u>\$</u>	<u>3.03</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 Fei Chen

Fong Chien Construction Company Limited  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

NOTE	CAPITAL COMMON STOCK	CAPITAL SURPLUS	RETAINED EARNINGS		TOTAL EQUITY
			LEGAL CAPITAL RESERVE	UNAPPROPRIATED EARNINGS	
<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
Appropriation and distribution of earnings, 20216(15)					
Legal capital reserve	-	-	91,644	( 91,644 )	-
Cash dividends to shareholders	-	-	-	( 279,003 )	( 279,003 )
Balance, December 31, 2022	<u>\$ 1,550,015</u>	<u>\$ 5,226</u>	<u>\$ 200,649</u>	<u>\$ 1,063,647</u>	<u>\$ 2,819,537</u>
<u>2023</u>					
Balance, January 1, 2023	\$ 1,550,015	\$ 5,226	\$ 200,649	\$ 1,063,647	\$ 2,819,537
Net income	-	-	-	578,518	578,518
Total comprehensive income	-	-	-	578,518	578,518
Appropriation and distribution of earnings, 20226(15)					
Legal capital reserve	-	-	46,964	( 46,964 )	-
Cash dividends to shareholders	-	-	-	( 232,502 )	( 232,502 )
Balance, December 12, 2023	<u>\$ 1,550,015</u>	<u>\$ 5,226</u>	<u>\$ 247,613</u>	<u>\$ 1,362,699</u>	<u>\$ 3,165,553</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  
Fei Chen

Fong Chien Construction Company Limited  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	NOTE	2023	2022
<u>Cash flows from operating activities</u>			
Income before income tax		\$ 574,553	\$ 495,954
Adjustments for			
Adjustments for reconcile profit (loss)			
Depreciation expense	6(7)(9)(20)	2,234	917
Interest expense	6(19)	10,408	18
Interest income	6(17)	( 5,174 )	( 4,972 )
Share of profits of subsidiaries	6(6)	( 510 )	( 452,113 )
Accrued expenses transfer to other income	6(18)	-	( 595 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		102	1,201
Accounts receivable		( 14,235 )	9,929
Other receivables		41,580	( 17,896 )
Inventories		2,145,492	( 1,972,444 )
Actual payments of capitalized interests		( 31,866 )	( 36,745 )
Other current assets		168,418	( 66,756 )
Changes in operating liabilities			
Contract liabilities-current		( 496,770 )	297,165
Notes payable		591	50
Accounts payable		( 260,650 )	229,368
Other payables		263	( 20,460 )
Other accounts payables-related parties		( 41 )	72
Other current liabilities		( 16,801 )	22,517
Cash generated from (used in) operations		2,117,594	( 1,514,790 )
Interest received		8,910	1,065
Interest paid		( 11,477 )	( 18 )
Income taxes paid		( 26,598 )	( 294 )
Net cash generated by (used in) operating activities		2,088,429	( 1,514,037 )

(Continued on the next page)

Fong Chien Construction Company Limited  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	NOTE	2023	2022
<u>Cash flows from investing activities</u>			
Investments accounted for using equity method		(\$ 180,000 )	\$ -
Decrease (increase) in financial assets from amortized cost	6(2)	( 100,000 )	150,000
Acquisition of property, plant and equipment	6(7) and 7(2)	( 187 )	( 42,749 )
Increase in guaranteed deposits paid		( 2,647 )	( 35,062 )
Decrease in guaranteed deposits paid		359	35,000
Refund of capital decrease from subsidiaries		-	224,715
Cash dividends paid by subsidiaries		124,451	382,713
Refund of paid-up capital due to subsidiaries' liquidation		998	-
Net cash generated by (used in) investing activities		<u>157,026 )</u>	<u>714,617</u>
<u>Cash flows from financing activities</u>			
Increase in short-term loans	6(23)	147,220	294,850
Decrease in short-term loans	6(23)	1,387,770 )	-
Proceeds from long-term loans	6(23)	( 339,800	635,300
Repayment in long-term loans	6(23)	4,088 )	( 287,638
Increase (decrease) in guaranteed deposits received	6(23)	( 108 )	108 )
Distribution of cash dividends	6(15)(23)	( 232,502 )	( 279,003
Net cash generated by (used in) financing activities		<u>( 1,137,448 )</u>	<u>363,617 )</u>
Increase (decrease) in cash and cash equivalents		793,955	( 435,803 )
Cash and cash equivalents, beginning of year		63,613	499,416
Cash and cash equivalents, end of year		<u>\$ 857,568</u>	<u>\$ 63,613</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 Fei Chen

Fong-Chien Construction Co.,LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS  
ENDED DECEMBER 31, 2023 and 2022  
(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.

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

The parent company only financial statements for the years ended December 31, 2023 and 2022 of the Company were authorized for issue by the Board of Directors on March 5, 2024.

(3) New standards, amendments and interpretations adopted

1) The accounting standards, including 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 accounting standards, including 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
Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules”	May 23, 2023

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



- 2) The accounting standards, including 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 accounting standards, including new, revised, and amended standards and interpretations, which have been endorsed by the FSC, effective for annual period beginning on January 1, 2024:

<u>New, Revised, or Amended Standards or Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	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.

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

The following summarizes the IFRSs accounting standards 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
IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

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 3)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 3)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 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 and associates
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. An associate is an entity over which the Company has significant influence, but does not control. Generally, the Company directly or indirectly holds over 20% of ownership with voting rights of associates' shares. Investments in associates shall be accounted for by equity method, and recognized by cost at acquisition.
  5. An investment in an associate is adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate in profit or loss and other comprehensive income accordingly. If the Company's share of losses of an associate equal or exceed its interest in the associate (including any other receivables without guarantees), the Company discontinues recognizing its share of further losses. After the Company's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

6. If the changes in equity of associates not due to profit or loss and other comprehensive income, and the changes have no influence to the Company's percentage of ownership to the associates, the Company shall recognize the relevant changes in equity by percentage of ownership into "capital surplus."
7. The Company's share of unrealized profits or losses arising from transactions between the Company and associates are eliminated. Unless transactions provide evidence of an impairment loss of the assets transferred, the unrealized losses shall be eliminated as well. Appropriate adjustments of accounting policies of the associates have been made to be uniform with the accounting policies of the Company.
8. When the Company disposes an associate, if the Company loses significant influence of the associate, the amount previously recognized in other comprehensive income which relates to the associate, the accounting treatment shall be the same as disposal of the related assets and liabilities. That is, if a gain or loss previously recognized in other comprehensive income by the Company would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss to profit or loss. If the Company still has significant influence over the associate, the Company shall only reclassify to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest.
9. 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) ,and does not give rise to equal taxable and

deductible temporary differences. 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

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, 2023, the carrying amount of inventories amounted to NT\$3,328,154 thousand.

(6) Explanation of significant accounts

1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 30	\$ 30
Checking and demand deposits	457,538	63,583
Time deposits	400,000	-
	<u>\$ 857,568</u>	<u>\$ 63,613</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, 2023 and 2022, the item amounted to NT\$100,000 thousand and NT\$0 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, 2023</u>	<u>December 31, 2022</u>
Current items:		
Time deposits with original maturity over 3 months	<u>\$ 100,000</u>	<u>\$ -</u>

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

	<u>2023</u>	<u>2022</u>
Interest revenue		
Interest revenue from Time deposits with original maturity over 3 months	<u>\$ 543</u>	<u>\$ 312</u>

2. Without consider the collaterals held and other credit enhancement, as of December 31, 2023 and 2022, 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, 2023</u>	<u>December 31, 2022</u>
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Notes receivables	\$	123	\$	225
Accounts receivables	\$	23,310	\$	9,075

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Accounts receivables</u>	<u>Notes receivables</u>	<u>Accounts receivables</u>	<u>Notes receivables</u>
Undue	\$ 23,310	\$ 123	\$ 9,075	\$ 225

The aging analysis is based on the days of overdue.

2. As of December 31, 2023 and 2022 the balances of accounts receivables are arising from contracts with customers. And as of January 1, 2022, the balance of accounts receivables amounted to NT\$20,430 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, 2023 and 2022, 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, 2023</u>			
	<u>Cost</u>	<u>Allowance for price decline</u>	<u>Carrying amount</u>
Buildings and land held for sale	\$ 471,859	(\$ 6,950)	\$ 464,909
Land under construction	2,212,772	-	2,212,772
Construction work in process	71,147	-	71,147
Land for building	583,659	( 4,333)	579,326
Total	\$ 3,339,437	(\$ 11,283)	\$ 3,328,154

<u>December 31, 2022</u>			
	<u>Cost</u>	<u>Allowance for price decline</u>	<u>Carrying amount</u>
Buildings and land held for sale	\$ 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

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

	<u>2023</u>	<u>2022</u>
Costs of buildings and land sold	\$ 2,571,627	\$ 151,177



Inventory valuation losses	<u>5,391</u>	<u>-</u>
	<u>\$ 2,577,018</u>	<u>\$ 151,177</u>

2. Buildings and land held for sale are as follows:

<u>Name of buildings and land</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taichung City (Senlifang)	\$ 359,408	\$ -
Taichung City (Mizhidi)	37,511	37,511
Taoyuan City(Jingyinghui)	30,545	35,949
Chiayi City(Chongwentianxia)	29,900	29,900
Houjhuang Section, Duanzhu Section, Tongxing Section	13,500	13,500
Taichung City (Shidaijingying)	<u>995</u>	<u>995</u>
	<u>\$ 471,859</u>	<u>\$ 117,855</u>

3. Land under construction is as follows:

<u>Name of construction site</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Aixing section , Zhubei City (VITA)	\$ -	\$ 720,914
Pingtian section, Taichung City (Senlifang)	-	494,729
Zhenfu section, Taichung City	709,671	709,671
Dingqiaozitou section, Taichung City (Chien 18)	716,043	718,442
Renping section, Taichung City	<u>787,058</u>	<u>616,804</u>
	<u>\$ 2,212,772</u>	<u>\$ 3,260,560</u>

4. Construction work in process is as follows:

<u>Name of construction site</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Aixing section , Zhubei City (VITA)	\$ -	\$ 943,254
Pingtian section, Taichung City (Senlifang)	-	511,013
Zhenfu section, Taichung City	30,274	20,195
Dingqiaozitou section, Taichung City (Chien 18)	33,139	8,697
Renping section, Taichung City	<u>7,734</u>	<u>3,052</u>
	<u>\$ 71,147</u>	<u>\$ 1,486,211</u>

5. Land held for construction is as follows:

<u>Name of construction site</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Neiweng Section	\$ 547,259	\$ 546,658
Pingxin Section	24,797	24,785
Renyitan hotel	11,603	11,603
	<u>\$ 583,659</u>	<u>\$ 583,046</u>

6. Please refer to Note 6.19 for the capitalized amount of the interests of inventories for the years ended December 31, 2023 and 2022. The interest rate intervals used for calculating the capitalization of interests are 2.29%~2.62% and 1.76%~2.28%.
7. Please refer to Note 8 for the inventories pledged as collaterals.
8. 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 of considerations, NT\$17,662 thousand of liquidated damages, NT\$370 thousand of court costs, and NT\$3,971 thousand of legal interests accrued until December 31, 2022. The total amount is NT\$45,453 thousand (recognized as other receivables). The Company has applied to the court to distraint the land of No. 46 on Zhenfu section, Taichung City on July 11, 2022, and the proceeds from the distraint of NT\$46,272 thousand (including the legal interests accrued from January 1 to March 9, 2023 of NT\$393 thousand and the expense of execution of NT\$336 thousand) has been distributed by the letter from the court on April 6, 2023. They payment has been collected in full on May 10, 2023.

5) Other current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current incremental costs of obtaining contracts	\$ 26,807	\$ 150,550
Taxes overpaid retained for offsetting the future tax payables	5,175	47,354
Prepayments	277	3,150
Other current assets-others	<u>3,270</u>	<u>1,237</u>
	<u>\$ 35,529</u>	<u>\$ 202,291</u>

6) Investments accounted for using equity method

	<u>2023</u>	<u>2022</u>
January 1	\$ 258,543	\$ 413,858
Additions in investment accounted for using equity method	180,000	-
Share of profit or loss of investments accounted for using equity method	510	452,113
Capital reduction for share capital refund from investments accounted for using equity method	-	( 224,715)
Earnings distributions from investments accounted for using equity method	( 124,451)	( 382,713)
Refund of paid-up capital from liquidation of investments accounted for using equity method	<u>( 998)</u>	<u>-</u>
December 31	<u>\$ 313,604</u>	<u>\$ 258,543</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries:		
Hung Yeu Construction Co., Ltd.	\$ 134,086	\$ 133,094
Hungtu Alishan International Development Co., Ltd.	-	125,449
Associates:		
Fong Suei Construction Co., Ltd.	<u>179,518</u>	<u>-</u>
	<u>\$ 313,604</u>	<u>\$ 258,543</u>

1. Subsidiaries and associates

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, 2023</u>	<u>December 31, 2022</u>		
Hung Yeu Construction Co., Ltd.	Taiwan	92.83%	92.83%	Subsidiary	Equity method
Hungtu Alishan International Development Co., Ltd.	Taiwan	-%	99.87%	Subsidiary	Equity method
Fong Suei Construction Co., Ltd.	Taiwan	30.00%	-%	Associate	Equity method

- (a) As Hungtu Alishan has no longer substantively operated, the dissolution and liquidation have been resolved by the shareholders meeting on April 27, 2022. The completion of liquidation has been approved by Chiayi District Court on May 5, 2023.
- (b) The Company resolved by the board of directors on March 15, 2023 to participate in the “Urban Renewal Project in the Renewal Area in Southern Side of Chien Kung Senior High School, Hsinchu City” by business alliance with DaMei Investment Co., Ltd. and jointly establish “Fong Suei Construction Co., Ltd.” The Company

invested NT\$180,000 thousand, and acquired 30% of ownership. As the Company has significant influence over the investee, it is recognized as investments accounted for using equity method.

- The profit or loss of long-term equity investments accounted for using equity method for the years ended December 31, 2023 and 2022 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:

	2023	2022
Hung Yeu Construction Co., Ltd.	\$ 992	(\$ 566)
Hungtu Alishan International Development Co., Ltd.	-	452,679
Fong Suei Construction Co., Ltd.	(482)	-
	<u>\$ 510</u>	<u>\$ 452,113</u>

- 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, 2023 and 2022.

#### 7) Property, plant and equipment

	<u>January 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2023</u>
<u>Cost</u>				
Land	\$ 17,738	\$ -	\$ -	\$ 17,738
Buildings and structures	16,894	-	-	16,894
Auxiliary equipment	8,117	-	-	8,117
Other equipment	3,005	187	-	3,192
	<u>\$ 45,754</u>	<u>\$ 187</u>	<u>\$ -</u>	<u>\$ 45,941</u>

#### Accumulated depreciation

Buildings and structures	(\$ 6)	(\$ 804)	\$ -	(\$ 810)
Auxiliary equipment	(6)	(738)	-	(744)
Other equipment	(2,855)	(159)	-	(3,014)
	<u>(\$ 2,867)</u>	<u>(\$ 1,701)</u>	<u>\$ -</u>	<u>(\$ 4,568)</u>
	<u>\$ 42,887</u>			<u>\$ 41,373</u>

	<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>

#### Accumulated depreciation

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>

#### 8) Lease transactions — lessor

- 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.

- The rental income (recognized as operating revenue-rental income of buildings) from operating leases for the years ended December 31, 2023 and 2022 amounted to NT\$4,809 thousand and NT\$4,286 thousand, respectively. There is no variable lease payment.
- The maturity analysis of the lease payments of operating lease is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
1 year	\$ 3,407	\$ 4,767
1~5 years	<u>62</u>	<u>3,291</u>
Total	<u>\$ 3,469</u>	<u>\$ 8,058</u>

9) Investment properties

	<u>January 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2023</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	(\$ 10,914)	(\$ 533)	\$ -	(\$ 11,447)
	<u>(\$ 10,914)</u>	<u>(\$ 533)</u>	<u>\$ -</u>	<u>(\$ 11,447)</u>
	<u>\$ 109,499</u>			<u>\$ 108,966</u>
	<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>7,713</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	(\$ 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>

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

	<u>2023</u>	<u>2022</u>
Rental income from investment properties	<u>\$ 4,129</u>	<u>\$ 4,121</u>
Direct operating expenses incurred by the investment properties with current rental income	<u>\$ 656</u>	<u>\$ 766</u>

- The fair value of the investment properties amounted to NT\$126,870 thousand and NT\$124,652 thousand for the years ended December 31, 2023 and 2022, 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.
- 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, 2023</u>
Bank loan				
Secured loans	June 9, 2022~ June 9, 2027 Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.300%	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.	2.550%	None	28,000
Secured loans	January 18, 2023~ June 9, 2027 Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.400%	Inventories – land under construction	93,800
				\$ 556,800

<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

1. Inventories were pledged as collaterals for the aforementioned borrowings as of December 31, 2023 and 2022, and key management also provided guarantees. Please refer to Note 7.2.

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, 2023</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	2.380%	Inventories-buildings and land held for sale, investment properties	\$ 26,088

Secured loans	since the third year. August 11, 2017~ August 11, 2032 Interests shall be paid monthly, and the principal shall be repaid in installments since the third year.	2.380%	Investment properties	12,485
Secured loans	July 13, 2021~January 13, 2025 Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.450%	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.	2.550%	Inventories-land under construction	172,300
Secured loans	March 15, 2023~ March 15, 2028 Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.550%	Inventories-land under construction	246,000
Subtotal				761,873
Less: current portion of long-term borrowings				( 4,177)
Total				\$ 757,696

<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 held for sale, 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.)

- Inventories and investment properties were pledged as collaterals for the aforementioned borrowings as of December 31, 2023 and 2022, 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

- 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\$631 thousand and NT\$596 thousand for the years ended December 31, 2023 and 2022, respectively.

13) Share capital

The Company had authorized capital of NT\$2,000,000 thousand as of December 31, 2023, 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):

	2023	2022
Number of shares as of January 1 and December 31	155,001	155,001

14) Capital surplus

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.

15) Retained earnings

1. According to the Articles of Incorporation, if there is any net profit 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 2021 has been resolved by the physical shareholder's meeting held on June 8, 2022. The earnings distribution proposal of 2022



has been resolved by the board of directors on March 15, 2023, and submitted to shareholders meeting on May 31, 2023. The distribution proposals are as follows:

	2022		2021	
	<u>Amount</u>	<u>Dividend per share</u>	<u>Amount</u>	<u>Dividend per share</u>
Legal reserve	\$ 46,964		\$ 91,644	
Cash dividend	<u>232,502</u>	\$ 1.5	<u>279,003</u>	\$ 1.8
Total	<u>\$ 279,466</u>		<u>\$ 370,647</u>	

The earnings distribution proposal for the year ended December 31, 2021 is the same as the board of directors' proposals proposed on March 16, 2022.

5. The earnings distribution for the year ended December 31, 2023 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, 2024.

16) Operating revenue

	2023	2022
Revenue from contracts with customers	\$ 3,326,986	\$ 213,169
Others-Rental income of buildings	<u>4,809</u>	<u>4,286</u>
Total	<u>\$ 3,331,795</u>	<u>\$ 217,455</u>

1. Classification of revenue from contracts with customers

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

	<u>Construction division</u>			
	<u>2023</u>	<u>South area</u>	<u>Central area</u>	<u>North area</u>
Segment revenue	\$ -	\$ 1,159,540	\$ 2,167,446	\$ 3,326,986
Time of revenue recognition				
Revenue recognized at a point in time				<u>\$ 3,326,986</u>

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

2. As of December 31, 2023 and 2022, 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, 2023</u>	<u>December 31, 2022</u>
Contract amount of signed contracts	\$ 756,920	\$ 3,914,720
Expected years of revenue recognition	2024~2026	2023~2024

3. Contract liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities	<u>\$ 227,431</u>	<u>\$ 724,201</u>	<u>\$ 427,036</u>

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

	<u>2023</u>	<u>2022</u>
Revenue arising from contract liabilities in the beginning of the period recognized in the current period	<u>\$ 645,601</u>	<u>\$ 2,058</u>

17) Interest revenue

	<u>2023</u>	<u>2022</u>
Interest revenue from financial assets at amortized cost	\$ 543	\$ 312
Interests from bank savings	4,213	679
Other interest revenue	418	3,981
	<u>\$ 5,174</u>	<u>\$ 4,972</u>

18) Other revenue

	<u>2023</u>	<u>2022</u>
Other commission income	\$ -	\$ 69
Unpaid payables transferred to other revenue	-	595
Income from liquidated damages (Note)	-	17,662
Other revenue—others	439	1,175
	<u>\$ 439</u>	<u>\$ 19,501</u>

Note: Other revenue- others is the income from liquidated damages, which is recognized based on the judgment of litigation in 2022. Please refer to Note 6.4.8 for explanations.

19) Financial costs

	2023	2022
Interest expenses:		
Bank loans	\$ 38,370	\$ 37,990
Others	3,904	18
	<u>42,274</u>	<u>38,008</u>
Less: interests eligible for capitalization	<u>( 31,866)</u>	<u>( 37,990)</u>
Financial costs	<u>\$ 10,408</u>	<u>\$ 18</u>

20) Additional information on nature of expenses

	2023		
	<u>Operating costs</u>	<u>Operating costs</u>	<u>total</u>
Employee benefits expenses			
Payroll expenses	\$ -	\$ 16,586	\$ 16,586
Labor and health insurance expenses	-	1,363	1,363
Pension expenses	-	631	631
Directors' remuneration	-	8,223	8,223
Other employment expenses	-	2,363	2,363
Total	<u>\$ -</u>	<u>\$ 29,166</u>	<u>\$ 29,166</u>
Depreciation expenses of property, plant and equipment	<u>\$ -</u>	<u>\$ 1,701</u>	<u>\$ 1,701</u>
Depreciation expenses of investment properties	<u>\$ 533</u>	<u>\$ -</u>	<u>\$ 533</u>
	2022		
	<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>

1. The average numbers of employees are 21 and 23 as of December 31, 2023 and 2022, respectively. Among them, the numbers of directors not serving as employees are 5 and 7, respectively.
2. The average employee benefit expenses amounted to NT\$1,309 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\$1,119 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 2023 and 2022, respectively.

3. The average payroll expenses amounted to NT\$1,037 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\$944 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 2023 and 2022, respectively.
4. The rate of changes in average payroll expenses is 9.85% ("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 directos' remuneration shall be only distributed in cash. Employees entitled to receive employees' remuneration in stock or in cash, may include the employees of affiliated companies meeting certain specific requirements.
7. The employees' and directors' remunerations are estimated as follows:

	2023	2022
Employees' remuneration	\$ 581	\$ 501
Directors' remuneration	5,809	5,015
	<u>\$ 6,390</u>	<u>\$ 5,516</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, 2023 and 2022 were accrued by the ratios as follows:

	2023	2022
Employees' remuneration ratio	1‰	1‰
Directors' remuneration ratio	1%	1%

The amounts resolved by the board of directors are the same as the employees' and directors' remunerations amounts recognized in the financial statements of 2022. 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.

21) Income tax

1. Income tax expenses

Composition of income tax expenses

	<u>2023</u>	<u>2022</u>
Current income tax:		
Current income tax charge	\$ 519	\$ 279
Additional tax on unappropriated earnings	9,508	26,039
Underestimation of income tax of prior periods	89	-
Total current income tax	<u>10,116</u>	<u>26,318</u>
Deferred income tax		
Origination and reversal of temporary differences	(14,081)	-
Total deferred income tax	<u>(14,081)</u>	<u>-</u>
Income tax expenses (benefits)	<u>(\$ 3,965)</u>	<u>\$ 26,318</u>

2. The relationship between income tax expenses and accounting profit

	<u>2023</u>	<u>2022</u>
Tax payables calculated by profit before tax multiplying the enacted tax rates	\$ 114,911	\$ 99,191
Revenue that should be included based on tax laws	24,890	-
Tax exempt income based on tax laws	(25,317)	(93,714)
Expenses that should be included based on tax laws	(50)	-
Additional tax on unappropriated earnings	9,508	26,039
Effect of Land Value Increment Tax	519	279
Unrecognized deferred tax assets arising from temporary differences	- (	1,021)
Evaluation changes in the realizability of deferred tax assets	(128,515)	(4,456)
Underestimation of income tax of prior periods	89	-
Income tax expenses (benefits)	<u>(\$ 3,965)</u>	<u>\$ 26,318</u>

3. The amounts of deferred income tax assets or liabilities arising from temporary differences are as follows:

	<u>2023</u>		
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>December 31</u>
Deferred income tax assets:			
-Temporary differences :			
Allowances for inventory valuation losses	\$ -	\$ 412	\$ 412
Unrealized gross profit in the current period	-	13,643	13,643
Capitalized interests under new system	-	26	26
Total	<u>\$ -</u>	<u>\$ 14,081</u>	<u>\$ 14,081</u>

2022: None.

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

<u>December 31, 2023</u>				
<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>
2018	Verified amount	\$ 21,489	\$ 21,489	2028
<u>December 31, 2022</u>				
<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
	Total	<u>\$ 646,238</u>	<u>\$ 646,238</u>	

5. Deductible temporary differences of unrecognized deferred tax assets:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	<u>\$ 9,225</u>	<u>\$ 79,231</u>

6. Profit-seeking Enterprise Income Taxes of the Company have been verified by the tax collection authority until 2021.

22) Earnings per share

	<u>2023</u>		
	<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>\$ 578,518</u>	<u>155,001</u>	<u>\$ 3.73</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	578,518	155,001	
Effect of diluted potential ordinary shares			
Employees' remuneration	-	25	
Profit attributable to ordinary shareholders plus the effect of potential ordinary shares	<u>\$ 578,518</u>	<u>155,026</u>	<u>\$ 3.73</u>
	<u>2022</u>		
	<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>

Diluted earnings per share

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>

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.

## 23) Changes in the liabilities arising from financing activities

	January 1, 2023	<u>Changes in cash</u>		December 31, 2023
		<u>flows from</u>	<u>Non-cash flow</u>	<u>Non-cash</u>
		<u>financing activities</u>	<u>increase</u>	<u>flow transfers</u>
Short-term borrowings	\$ 1,240,550	(\$ 1,240,550)	\$ 556,800	\$ - \$ 556,800
Long-term borrowings (including the current portion)	982,961	335,712	-	( 556,800) 761,873
Dividends payables	-	( 232,502)	232,502	- -
Guaranteed deposits received	<u>1,312</u>	<u>( 108)</u>	<u>-</u>	<u>-</u> <u>1,204</u>
Total liabilities arising from financing activities	<u>\$ 2,224,823</u>	<u>(\$ 1,137,448)</u>	<u>\$ 789,302</u>	<u>(\$ 556,800)</u> <u>\$ 1,319,877</u>

	January 1, 2022	<u>Changes in cash</u>		December 31, 2022
		<u>flows from</u>	<u>Non-cash flow</u>	<u>Non-cash</u>
		<u>financing</u>	<u>increase</u>	<u>flow transfers</u>
		<u>activities</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>-</u>	<u>-</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>

(7) Related party transactions1) 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 Suei Construction Co., Ltd. (Fong Suei Construction)	Associate 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
Grace Hospitality Management Co., Ltd. (Grace Hospitality)	The chairman is the second 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

2) Significant transactions with related parties1. Operating revenue

	<u>2023</u>	<u>2022</u>
Lease income:		
Hung Yeu Company	\$ <u>          -</u>	\$ <u>          11</u>

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.

2. Purchases and commitments

	<u>2023</u>	<u>2022</u>
Contract project:		
Hung Yeu Company	\$ <u>      4,286</u>	\$ <u>              -</u>

The aforementioned contract project was entrusted to Hung Yeu Company by the Company. The transaction price was negotiated by both parties. Based on the payment terms, the payment is made by the progress of the contract, which is not significantly different from the terms with non-related parties.

3. 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>2023</u>	<u>2022</u>
Holy Grace Construction	\$ <u>          -</u>	\$ <u>          165</u>
Hung Yeu Company	<u>          16</u>	<u>          657</u>
Total	<u>\$ <u>          16</u></u>	<u>\$ <u>          822</u></u>



#### 4. Other payables

	2023	2022
Hung Yeu Company	\$ -	\$ 72
Grace Hospitality	32	-
Total	<u>\$ 32</u>	<u>\$ 72</u>

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

	2023	2022
Jing Chi Development.	\$ -	\$ 201
Grace Hospitality	30	-
Total	<u>\$ 30</u>	<u>\$ 201</u>

#### 6. Property transactions

##### Acquisition of property, plant and equipment

	2023	2022
Hung Yeu Company	\$ -	\$ 42,749

#### 7. Details of guarantees

- (a) The Company provided endorsement and guarantee for other related parties as follows:
- a. As of December 31, 2023 and 2022, 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. 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 as follows:
- a. As of December 31, 2023 and 2022, 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, to the related party, Jing Chi Development Co., Ltd., provided jointly and severally liability of peer industries for the Company’s construction project “Senlifang” 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. As the construction project has received the user license on July 28, 2023, the performance guarantee expired automatically.
  - b. The board of directors resolved on August 8, 2023 that the related party, Grace Hospitality provides 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, to the Company’s construction project “Chien 18”, by the amount of NT\$311,906 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.
- (c) The Company provided endorsement and guarantee for associates as follows:

The board of directors resolved on May 23, 2023 to become the joint guarantor for the bank loans of associate, Fong Suei Construction Co., Ltd., based on the 30% of shareholding ratio. The loan amount is NT\$1,086,000 thousand, and the credit line has been received on November 20, 2023.

8. 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>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 14,898</u>	<u>\$ 12,935</u>

(8) Pledged assets

The assets pledge as collaterals are as follows:

<u>Assets</u>	<u>Carrying amount</u>		<u>Object</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Inventories	\$ 2,242,672	\$ 4,127,923	Long-term and short-term bank loans
Investment properties	<u>108,966</u>	<u>109,499</u>	Long-term bank loans
	<u>\$ 2,351,638</u>	<u>\$ 4,237,422</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 6.4.8 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, 2023</u>	<u>December 31, 2022</u>
Land for construction	\$ -	\$ 47,200
Construction work in process	<u>46,324</u>	<u>450,362</u>
	<u>\$ 46,324</u>	<u>\$ 497,562</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, 2023 and 2022, the debt to capital ratio of the Company's asset is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total borrowings	\$ 1,318,673	\$ 2,223,511
Less: cash and cash equivalents	( 857,568)	( 63,613)
Net debt	461,105	2,159,898
Total equity	<u>3,165,553</u>	<u>2,819,537</u>
Total capital	<u>\$ 3,626,658</u>	<u>\$ 4,979,435</u>
Debt to capital ratio	12.71%	43.38%

2) Financial instruments

1. Types of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 857,568	\$ 63,613
Current financial assets at amortized cost	100,000	-
Notes receivables	123	225
Accounts receivables	23,310	9,075
Other receivables	263	45,579
Refundable deposits (Recognized as other current and non-current assets)	<u>2,739</u>	<u>451</u>
	<u>\$ 984,003</u>	<u>\$ 118,943</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 556,800	\$ 1,240,550
Notes payables	1,136	545
Accounts payables	55,047	315,697
Other payables	32,449	33,296
Long-term borrowings (including current portion)	761,873	982,961
Guaranteed deposits received	<u>1,204</u>	<u>1,312</u>
	<u>\$ 1,408,509</u>	<u>\$ 2,574,361</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, 2023 and 2022, the borrowings at floating interest rate are primarily denominated in New Taiwan Dollars.
    - B. As of December 31, 2023 and 2022, 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\$10,549 thousand and NT\$17,788 thousand for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023</u>	<u>December 31, 2022</u>
Due within 1 year	\$ -	\$ 56,020
Due over 1 year	-	246,000
	<u>\$ -</u>	<u>\$ 302,020</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, 2023	<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	\$ 6,485	\$ 6,485	\$ 12,970	\$ 575,499	\$ 601,439
Notes payables	1,136	-	-	-	1,136
Accounts payables	44,962	101	9,984	-	55,047
Other payables	29,433	2,443	573	-	32,449
Long-term borrowings (including current portion)	11,595	11,595	489,038	292,360	804,588
Guaranteed deposits received	-	-	1,204	-	1,204

<u>Non-derivative financial liabilities:</u>					
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	\$ 745,631	\$ 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

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. 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. Part of the investments in derivative instruments, equity instruments without and active market, and 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: None.
2. Provision of endorsements and guarantees to others: Please refer to Table 1.
3. Holding of marketable securities at the end of the period (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: None.
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: 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 2.

3) Information on investees in Mainland China

None.

4) Information on major shareholders

Information on major shareholders: Please refer to Table 3.

(14) Segment information

N/A.

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Fong-Chien Construction Co.,LTD.  
Provision of endorsements and guarantees to others  
For the Year Ended December 31,2023

Table 1

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

<u>Guarantee and endorsee</u>														
<u>No.</u>	<u>Name of endorser and guarantor</u>	<u>Company name</u>	<u>Relationship (Note 3)</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 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>	<u>Note</u>
0	Fong-Chien Construction Co.,LTD.	Fong Yi Construction CO., LTD. Cornerstone Inverstmant Co., Ltd.	7	\$ 6,331,106	\$ 425,690	\$ 425,690	\$ 425,690	\$ -	13.45%	\$ 6,331,106	N	N	N	Note 2, Note 5
0	Fong-Chien Construction Co.,LTD.	Fong Suei Construction Co.,LTD.	6	6,331,106	1,086,000	1,086,000	1,086,000	-	34.31%	6,331,106	N	N	N	Note 2
1	Hung Yeu Construction Co., Ltd.	Grace Hospitality Management Co., Ltd.	7	1,444,415	159,101	159,101	159,101	-	110.15%	1,444,415	N	N	N	Note 4, Note 5

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



Fong-Chien Construction Co.,LTD.

The Information about company names, locations, etc. of Investees (excluding investees in Mainland China)

For the Year Ended December 31,2023

Table 2

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

<u>Investor company</u>	<u>Investee company</u>	<u>Location</u>	<u>Main business</u>	<u>Original investment amount</u>		<u>Ownership as of December 31, 2023</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>December 31, 2023</u>	<u>December 31, 2022</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	\$ 134,086	\$ 1,069	\$ 992	
Fong-Chien Construction Co.,LTD.	Hungtu Alishan International Development Co., Ltd.	Taiwan	Operation of hotel and restaurant business	-	668,665	-	-	-	-	-	Note 1
Hung Yeu Construction Co., Ltd.	Hungtu Alishan International Development Co., Ltd.	Taiwan	Operation of hotel and restaurant business	-	14,985	-	-	-	-	-	Note 1
Fong-Chien Construction Co.,LTD.	Fong Suei Construction Co.,LTD.	Taiwan	Comprehensive construction, trading of properties, developments and leases of residences and buildings etc.	180,000	-	18,000,000	30.00	179,518	( 1,609)	( 482)	

Note 1: The completion of liquidation has been approved by Chiayi District Court on May 5, 2023.

Fong-Chien Construction Co.,LTD.

Information on major shareholders

December 31,2023

Table 3

<u>Name of major shareholders</u>	<u>Number of shares held</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	2023	2022	Difference	
				Amount	%
Current assets		4,494,101	6,037,550	(1,543,449)	(25.56)
Property, plant and equipment		41,750	43,266	(1,516)	(3.50)
Net investment properties		108,966	109,499	(533)	(0.49)
Intangible assets		0	0	0	0.00
Other assets		194,619	389	194,230	49930.59
Total assets		4,839,436	6,190,704	(1,351,268)	(21.83)
Current liabilities		904,627	2,380,540	(1,475,913)	(62.00)
Non-current liabilities		758,900	980,197	(221,297)	(22.58)
Total liabilities		1,663,527	3,360,737	(1,697,210)	(50.50)
Equity attributable to shareholders of the parent		3,165,553	2,819,537	346,016	12.27
Capital stock		1,550,015	1,550,015	0	0.00
Capital reserve		5,226	5,226	0	0.00
Retained earnings		1,610,312	1,264,296	346,016	27.37
Total equity		3,175,909	2,829,967	345,942	12.22

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 Current assets : Mainly due to the recognition of income from the completion of projects "VITA" and "Forest Cube "’s inventory.
- Increase in other assets: Mainly due to the increase in investments using the equity method and deferred income tax assets.
- Decrease in Current Liabilities and Non-current Liabilities: Mainly due to the decrease in long-term and short-term borrowings and the reclassification of contract liabilities as income.
- Increase in Retained Earnings: Mainly due to the recognition of income from the completion of projects "VITA" and "Forest Cube".

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	2023	2022	Difference	
				Amount	%
Operating revenue		3,331,795	217,444	3,114,351	1,432.25
Operating margin		754,244	65,734	688,510	1,047.42
Operating income		578,062	17,400	560,662	3,222.20
Non-operating income and expenses		(3,433)	479,054	(482,487)	(100.72)
Net income before income tax		574,629	496,454	78,175	15.75
Net income (loss)		578,594	470,136	108,458	23.07
Net income attributable to stockholders of the parent		578,518	469,636	108,882	23.18

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):

- Increase in Operating Revenue, Gross Profit, Operating Profit (Loss), Net Profit for the Period, and Net Profit Attributable to Owners of the Parent Company: Mainly due to the recognition of income from the completion of projects "VITA" and "Forest Cube" during the period.
- Non-operating income and expenses decreased: 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	2023	2022	Increase (Decrease) Ratio (%)
Cash Flow Ratio (%)		231.37	(64.98)	(456.06)
Cash Flow Adequacy Ratio (%)		104.39	(28.41)	(467.44)
Cash Reinvestment Ratio (%)		48.75	(49.30)	(198.88)

Analysis of Changes in Increase/Decrease Ratios:  
Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio have all decreased: Mainly due to the recognition of income from the completion of projects during the period, resulting in a decrease in inventory levels and the repayment of short-term borrowings, leading to net cash inflows from operating activities.

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

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

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities of the Year (2)	Net cash flow from investing and financing activities for the year (3)	Cash surplus (deficiency) (1)+(2)+(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
913,588	(177,647)	238,973	974,914	-	-
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\$974,914 thousand, so no remedial measures are needed.					

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

The enterprise alliance between Da Mei Investment Co., Ltd. and the board of directors to participate in the "Hsinchu Hsinchu Chien Kung Senior High School South Side Urban Renewal Project" was approved on March 15, 2023. Consequently, "Fong Suei Construction Co., Ltd." was formed. NT\$180,000 thousands in total investments were funded internally by the Company, representing a substantial capital outlay for the current fiscal year.

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

(1) Main reasons for profit from reinvestment policy changes:

The distribution of surplus assets ensued from the liquidation of the investment in Hungtu Alishan Company which was authorized by the Chiayi District Court on May 5, 2023.

Hung Yeu Company was awarded NT\$9 thousand, while Fong Chien Company was awarded NT\$125,449 thousand.

Furthermore, for the current period, Fong Chien recorded a profit of NT\$992 thousand resulting from its investment in Hung Yeu Construction. In contrast, Fong Suei Company incurred a loss of NT\$482 thousand for the same period.

(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.
    - At its board meeting on March 5, 2024, Fong Chien decided to provide Fong Yi Construction with joint and several guarantees pertaining to the performance of pre-sale houses. The amount of the endorsed guarantee, which equated to NT\$692,204 thousand (the cost of acquiring the building permit for construction), expires immediately upon receipt of the occupancy 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 this guarantee lapsed automatically upon the issuance of the occupancy permit on July 28, 2023.
    - In accordance with consumer protection regulations, on August 8, 2023, at the board meeting of Fong Chien, a decision was made to furnish joint and several guarantees to Grace Hospitality Management Co., Ltd., a related party, for its participation in pre-sale house sales contracts. The guarantee amount for the "Chien 18" project was determined by adding the building permit construction cost to the total, which was NT\$311,906 thousand. The guarantee period lapsed automatically upon the completion of the occupancy permit for the project and the signing of the mutual insurance contract, association approval, and approval.
    - At its board meeting on May 23, 2023, Fong Chien made the decision to jointly guarantee the bank loan of Fong Suei Construction Co., Ltd., an affiliated company in which it holds a 30% shareholding ratio. This bank loan facility, for which NT\$1,086,000 thousand was guaranteed, was acquired on November 20, 2023.
  - 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:

There are currently no plans by the Company to expand the factory.
- (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 the estimated statutory interest as of December 31, 2022 was NT\$3,971 thousand, for a grand total of NT\$45,543 thousand. The Company filed an application with the court on July 11, 2022, seeking compulsory execution of the seller's land located at No. 46, Zhenfu Section, Nantun District, Taichung City. The compulsory execution price, amounting to NT\$46,272 thousand (NT\$393 thousand including statutory interest and NT\$336 thousand in execution fees for the period spanning January 1 to March 9, 2023), was disbursed by the court on April 6, 2023. Receivment of the sum occurred on May 10, 2023.

- (13) Other important risks and response measures:  
Please refer to "Cyber Security Management".

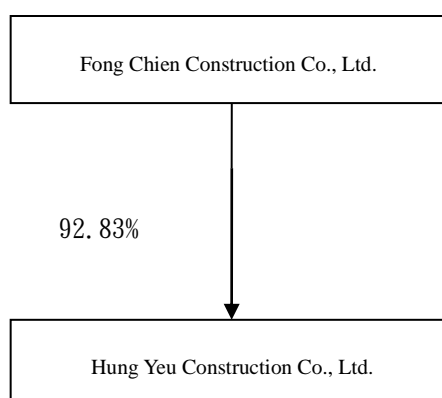
7. Other important matters: None.

## 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.

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
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, 2023

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	153,815	9,374	144,441	-	(791)	1,069	0.05

(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, 2023, 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 5, 2024

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**