



Hua Yu Lien Development Co., Ltd.

2022

Annual Report

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<https://www.huakai.com.tw>

I. The Company's Spokesperson and Deputy Spokesperson :

Spokesperson: Wu, Chia-Te
Title: Executive Vice President
Tel: (07)780-1381
Email: peterwu@huakai.com.tw
Deputy Spokesperson: Lin, Shao-Hsiang
Title: CFO
Tel: (07)780-1381
Email: steven@huakai.com.tw

II. Location of Headquarters:

Address: 11F., No. 85, Wenlong Rd., Fengshan Dist.,
Kaohsiung City 830009, Taiwan (R.O.C.)
Tel: (07)780-1381

III. Stock Registration Office :

Name: Transfer Agency Department of Yuanta
Securities Co., Ltd.
Address: B1, No. 210, Sec. 3, Chengde Rd., Datong
Dist., Taipei City 103432, Taiwan (R.O.C.)
Website: www.yuanta.com.tw
Tel: (02)2586-5859

IV. CPA for Financial Statement Auditing for the Most Recent Year :

Name of CPAs: Liu, Yu-Hsiang, Hsu, Jui-Hsuan
Accounting Firm: Deloitte & Touche
Address: 20F., No. 100, Songren Rd., Xinyi Dist.,
Taipei City 110016, Taiwan (R.O.C.)
Website: www.deloitte.com.tw
Tel: (02)2725-9988

V. Overseas Securities Exchange Where Securities are Listed and Method of Inquiry:
N/A

VI. Website: <https://www.huakai.com.tw>

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Chapter 1 Letter to Shareholders

Dear shareholders:

With inflation and hawkish interest rate hikes by central banks of major countries, global demand has cooled markedly, which further impacts Taiwan's exports. Both the Directorate General of Budget, Accounting and Statistics (“DGBAS”) of the Executive Yuan and the Central Bank of the R.O.C. have predicted that it would be difficult for Taiwan's economic growth to "maintain 3%" in 2023. The former estimated that it would be 2.12%. Currently, the domestic housing market is facing eight major negative factors, including: policy crackdown on housing speculation, declining economic growth rate, continuous interest rate hikes on housing loans, ebbing funds, failure of wage inflation to keep up with housing prices, high housing pain index, upcoming presidential election, and the approval of the Equalization of Land Rights Act. Under the influence of unfavorable factors, there is inevitable downward pressure on the price and volume of the domestic real estate market in 2023, which has entered the consolidation period.

The Ministry of the Interior stated that in order to guide the normal development of the real estate market and prevent speculation by private legal persons, fictitious pricing, and deed resale for profit, the Equalization of Land Rights Act was amended. In addition to restrictions on the resale of pre-sale houses and newly built houses, the permit system for private legal persons to purchase houses was formulated. Besides, real estate speculation and penalties were clearly defined and a bonus system for reporting violations was established to improve audit efficiency and curb real estate speculation, in the hope to maintain the order of market transactions and protect the rights of consumers.

The housing market in Taiwan has significantly cooled down in 2022, with around 318,000 houses being sold and transferred, marking a three-year low and the first decline in six years. Sharp price cuts and concessions in the housing market are less common with the decline in economic growth in 2023, the interest rate hike and the implementation of selective credit control by the Central Bank of the R.O.C., the government's regulation policy on the real estate market, and high costs for land acquisition and construction. Owner-occupiers, hence, turn to sit on the sidelines. It is expected that the real estate market will maintain a “declining transaction volume with gradual price adjustments” this year.

The company has prepared early for this, so it has not planned to purchase any land in the past two years. At the same time, it has accelerated the completion of existing construction projects and the handover of completed construction projects to recognize income. Moreover, it has slowed down the commencement of construction projects, maintaining a stable number of construction projects to commence every year and adjusting it flexibly according to the market response. The sales clientele is still mainly owner-occupiers and home exchangers. The Company has controlled the ping and total prices of the houses so that the buyers can afford them. In addition, it has made efforts to ensure effective construction cost control and brand optimization by adopting the principle of sound and prudent operation and implementing cash control, to alleviate the uncertain risks caused by the Central Bank's tightening of funds.

Buyers in Kaohsiung are mostly first-time buyers and home exchangers. At present, the low interest rate and the high loan ratio of banks are favorable for first-time home buyers, and the market demand remains quite stable under the TSMC's factory effect and global inflation. If the Company launches small and medium-sized products, they will be accepted by consumers for meeting the market demand. In 2023, the Company plans to sell two residential construction projects continuously in Xiaogang District, Kaohsiung City, and Guomao Section, Zuoying District, Kaohsiung City, respectively, with the planned floor areas of 22 to 48 pings. Similarly, these products will be targeted at first-time buyers and first-time exchangers, so we expect to maintain stable sales this year. Additionally, we are actively promoting the leasing of our land and building assets in Taipei City and New Taipei City, and are actively selling our land in Yangmei District, Taoyuan City, in the hope to activate our assets and generate more profits for our shareholders.

I wish all shareholders, ladies and gentlemen,
good health and all the best!

Chairman: Lu, Chao-Ting

I. 2022 Business Performance:

(I) Performance of the Business Plan

The following table summarizes the Company's operational performance of in 2022, which have been audited by CPAs Liu, Yu-Hsiang and Hsu, Jui-Hsuan of Deloitte & Touche.

Unit: NT\$1,000

Item \ Year	2022	2021
Operating Revenue	3,939,725	2,579,156
Gross Profit	1,263,480	855,819
Operating Income	862,988	536,977
Income after Tax	630,641	486,380
Basic earnings per share (NT\$)	6.54	5.08

(II) Budget implementation details

In accordance with the current laws and regulations, the Company has not disclosed its financial forecast for 2022. The overall actual operational performance was largely the same as the business plan.

(III) Financial revenue and profitability analysis

1. Financial revenue and expenditure

Unit: NT\$1,000

Item \ Year	2022	2021
Net cash flows generated from (used in) operating activities	1,633,119	(1,345,849)
Net cash flows generated from (used in) investing activities	(16,096)	40,726
Net cash flows generated from (used in) financing activities	(1,240,663)	1,449,718
Increase in cash	376,360	144,595
Cash at beginning of year	530,554	385,959
Cash at end of year	906,914	530,554

2. Profitability analysis

Item \ Year	2022	2021
Return on assets (%)	5.24	4.29
Return on equity (%)	20.02	16.98
Ratio of income before tax to paid-in capital (%)	82.12	51.04
Net profit margin (%)	16.01	18.86
Earnings per share (NT\$)	6.54	5.08

(IV) The state of research and development

The Company is in the construction industry without R&D plans or expenses in 2022.

II. Outline of 2023 Business Plan:

(I) Business policy

1. Since 2022, the sharp decline in global trade volume and China's lockdown measures have badly affected Taiwan's exports, with the economy growing by only 2.45% last year. Due to a severe recession in exports, the estimated economic growth rate is 2.12% this year, barely above two percent, with the lowest record in eight years.
2. Land purchase strategy: The Central Bank of the R.O.C. raised interest rates by 0.125 % in March, driving the mortgage rates to pass the 2% mark. The fourth blue light of the Monitoring Indicators continues to light up, the cross-Strait relations are highly uncertain, and the global financial markets are facing default risk in banking. With an uncertain economic outlook, the housing market will be variable this year, so we cannot be over-optimistic. At present, the low interest rate and the high loan ratio of banks are favorable for first-time home buyers. As a result, we aim to purchase land for first-time home buyers and accelerate the development of the Company's existing land to avoid areas with oversupply, make effective product positioning, and differentiate our target markets.

Product pricing strategy: We control the total price and payment terms targeting owner-occupiers and home exchangers to make the house more affordable.

3. We will strengthen the organizational transformation, enhance the professionalism and competitiveness of employees, improve customer service and quality control to shape the Company's brand image and establish the Company's excellent corporate image.
4. We will keep abreast of market dynamics, pay attention to changes in government policies and price increases, and take cost control measures to reduce the risk of uncertainty in our operations.
5. Development of the government's BOT bids: Affected by the government's policy of controlling real estate, sales in the market are shrinking and prices are unstable in the short term. Currently, the government is actively developing public land. If

suitable land and development conditions are available, the Company will evaluate and participate in BOT bids to enhance the flexibility of the Company's operations and create cash flow.

(II) Anticipated sales and important production and marketing policies

1. Based on the assessment of market planning, the Company leases and sells its existing real estate, including the shopping mall buildings located in Tucheng District, New Taipei City (2,365 pings), land for construction of factories in a specific agricultural area in Yangmei District, Taoyuan City (15,811 pings), and the storefronts at 1F, Sec. 4, Chengde Rd., Taipei City (185 pings).
2. In line with the business direction of quality living architect, we will launch several quality residences in Kaohsiung City and Tainan City.

Construction project	Site area	Date of estimated/actual commencement	Date of estimated/actual completion	Number of households
Building 177, Guomao Sec., Zuoying Dist., Kaohsiung City	1,724.55 pings	July 2018	March 2022	499
Building 113-4, Buhou Sec., Zuoying Dist., Kaohsiung City	1,029.41 pings	June 2019	March 2022	159
Building 466, Dashan Sec., South Dist., Tainan City	2,326.09 pings	October 2020	November 2023	298
Building 177-9, Guomao Sec., Zuoying Dist., Kaohsiung City	1,979.86 pings	May 2020	December 2023	497
Building 61 and 67, Pingsong Sec., Xiaogang Dist., Kaohsiung City	1,880.14 pings	July 2021	September 2024	452
Building at Lot 5, Yuanzhong Sec. 1, Nanzi Dist., Kaohsiung City	1,513.55 pings	May 2022	August 2025	229
Building 215-7, Guomao Sec., Zuoying Dist., Kaohsiung City	1,597.20 pings	June 2022	April 2026	212

3. The products are developed with a focus on reasonably priced quality residences, targeting first-time buyers and first-time home exchangers.

(III) Future development strategy and vision of the Company

1. We will continue to operate in the mainstream residential market, target the rigid demand for owner-occupancy and home exchange, meet the market demand, operate prudently, and control costs strictly to create profits for the Company. Besides, we will also select land in prime areas prudently, strengthen overall development and planning capabilities, and make sure to evaluate investment benefits, so as to create a win-win strategy for both customers and the Company.
2. We stress service rather business and focus on after-sales customer service and quality control to improve the efficiency of employees. We aim to build up the

Company's corporate image and form a local reputation to establish the Company's excellent brand. In addition, we will develop the APP sales service system as an important operating strategy.

3. Strengthen the circulation of inventory: We will actively sell completed new houses and activate assets to reduce the debt ratio, alleviate interest burden of the Company, and create maximum value for shareholders.

(IV) Overall assessment of the influence of the business environment

1. Influence of external competitive environment

According to the DGBAS of the Executive Yuan, global economic growth has slowed down as many countries tighten their currencies to combat inflation, coupled with the negative impact of the stalemate in the Russia-Ukraine war, weakened end-consumer demand, and continuous inventory adjustment in industrial supply chains. With the slowing foreign trade momentum, the DGBAS forecasts the commodity exports will be US\$451.5 billion in 2023, a decrease of 5.84% year on year, the largest decline since 2016. Looking ahead to 2023, the DGBAS forecasts that Taiwan's GDP will exceed US\$23 trillion and the economic growth rate will reach 2.12%, a downward revision of 0.63% from last November's forecast, with a per capita GDP of US\$33,044.

If the government's policy to crack down on housing intensifies, market sentiment is expected to shrink slowly in the second half of 2023, but it will provide opportunities for home buyers to purchase houses at lower prices. The housing market's structure has shifted dramatically, with a growth in the number of unmarried, childless, divorced, and single elderly individuals, increasing the number of single-person households. In the future, the elderly will support themselves in their old age with their houses, and the young people will have less ability to buy houses, leading to small flats becoming the mainstream in the housing market. In addition, Taiwan's demographic structure is changing, with the number of newborns falling from more than 400,000 per year to around 160,000 at the moment, and some Taiwanese even work abroad, implying a possible reduction in housing demand in the medium and long-term.

We must have a more accurate judgment of the industry trend and case product positioning in the future. To survive in the competitive market, we focus on project location, combined with superior architectural planning and design, to increase product value and price competitiveness while keeping the number of projects under control.

2. Influence of environment

The current situation and future of the housing market in Taiwan: Despite the declining basic needs (fewer births and population outflow), low economic growth, stagnant income and wages, and few investment demands (impact of the tax system), there remain millions of vacant houses in Taiwan. In the short term, the possibility of the housing market recreating prosperity and experiencing a surge in housing prices is extremely low. At present, the overall transaction momentum is slowing down and the price and volume performance has not improved except for first-time purchase products, coupled with the large number of projects proposed last year due to the optimism about the future housing market in the industry, resulting in an oversupply in the market and a sharp increase in construction costs. Under the current uncertainty of the economic outlook with several negative impacts, it is difficult for housing prices to rise. In the future, we must closely observe the supply and demand of the real estate market and return to the basic market of owner-occupied demand to pursue stable and profitable opportunities.

3. Influence of the overall business environment

The big variables in the real estate market this year are the government's control policies on the construction industry and the pressure to raise interest rates, which will cause a major reshuffle in the construction industry. For the housing market, due to the Central Bank's policy to crack down on housing in the first half of the year, home buyers remain on the sidelines, which may extend the period of real estate transactions. Furthermore, there is high uncertainty in cross-Strait relations and the global financial market is facing the default risk in banking. With an uncertain economic outlook, the housing market will be variable this year, so we cannot be over-optimistic.

Looking ahead to the southern real estate market in 2023, with the uncertain influence of TSMC's investment, the implementation of the "Equalization of Land Rights Act", and the impact of the economy, interest rate hikes, and housing market-related policies, the heat for housing market transactions in Kaohsiung has obviously fallen into a slump and investors have suspended their trading. It is estimated that Kaohsiung and Tainan will show a market trend of "falling in price and shrinking in volume". "Brand building, strict cost control, marketing innovation, and prudent operation" will be the key business policy of the Company in the future.

Chapter 2 Company Profile

I. Date of Incorporation: January 31, 1967

II. Company History:

1. The Company was incorporated by the Chairman Mr. Su, Tien-Tsai in January 1967, with a paid-in capital of NT\$4,000,000.
2. In 1970, the Company invested NT\$36 million to set up a cotton spinning mill with 10,400 spindles and a textile mill with 200 looms in Yangmei Township, Taoyuan County.
3. During 1972 and 1973, the capital was increased to NT\$50 million, the spindles were increased to 22,000 in the cotton mill, and the looms were increased to 400 in the textile mill.
4. From 1974 to 1978, in order to expand the operation scale, the capital was increased several times to NT\$200 million. The equipment was expanded to 44,000 ring spindles, 1,000 air spindles, and 550 looms.
5. In 1981, the capital was increased several times to NT\$300 million and two phases of replacement and update programs were promoted to expand the equipment to 54,000 spindles.
6. In 1987, the capital was increased to NT\$500 million. The original traditional textile mill was upgraded to an automated shuttle-free textile factory and 220 air-jet weaving machines were introduced.
7. In 1988, the Company's shares are publicly traded on the market. In the same year, in order to improve production and quality, the Company built a second spinning plant and purchased 40,000 new automated spinning machines and equipment. The whole company's spindles were increased to 100,000 and the capital was increased to NT\$750 million.
8. In 1989, in order to improve the financial structure and purchase land in Tucheng District for the construction of commercial buildings and residential buildings, the capital was increased to NT\$1.2 billion, which enabled the Company to diversify its operations.
9. In 1990, the capital was increased to NT\$1.68 billion to purchase land for construction and to invest in financial business.

10. In 1995, the capital increased by NT\$720 million in cash to NT\$2.4 billion to expand into the entertainment business.
11. In 1996, the capital was further increased to NT\$2.64 billion to build a large shopping and entertainment center.
12. In May 1997, the Company entered the department store and entertainment business with the opening of Shopping and Entertainment Center A.
13. In 1997, the capital was increased to NT\$2,904 million.
14. In 1998, the capital was increased by capital surplus and the paid-in capital was NT\$3,194.4 million after the capital increase.
15. In 1999, the Company purchased land for construction in Shilin District, Taipei City to build residential and office buildings.
16. In 2000, the construction project of Zangfeng in Shilin District was commenced.
17. In 2001, the Company's capital was reduced due to the buyback of treasury stock, and the paid-in capital was NT\$3 billion after the reduction.
18. In 2002, the construction project of Zangfeng in Shilin District was completed.
19. In 2003, the capital was increased by capital surplus and the paid-in capital was NT\$3.3 billion after the capital increase.
20. In 2005 and 2006, the capital was reduced by the buyback of the Company's shares and the paid-in capital was NT\$3.07 billion after the capital reduction.
21. In 2007, the capital was increased by capital surplus and the paid-in capital was NT\$3,377 million after the capital increase.
22. In 2008, the Company bought back its shares, and in 2009, it underwent a capital reduction, after which its paid-in capital amounted to NT\$3.3 billion.
23. In 2011, the capital was increased by retained earnings and the paid-in capital was NT\$3,306.19 million after the capital increase.
24. In 2015, the capital was reduced by cash and the paid-in capital was NT\$600 million after the capital reduction.
25. On October 23, 2012, the Corporate Director of the Company, Fu Kuan Investment Co., Ltd., the Corporate Supervisor, Chien Ming Investment Co., Ltd., the majority shareholder, Sheng Hui Co., Ltd., the Chairman, Su, Tien-Tsai, and the Representative of the Corporate Supervisor Chien Ming Investment Co., Ltd., Su, Chao-Hua, transferred their

shareholdings to the public acquirers (total 6, including Hong Zhong Investment Limited, Gold King Investment Company Limited, Lu, Chao-Ting, Lu, Chao-Wen, Huang, Tsui-Hsun and Chang, Chin-Cheng). The Company's Corporate Director, Fu Kuan Investment Co., Ltd., and the Corporate Supervisor, Chien Ming Investment Co., Ltd., were dismissed from their posts as a result of the transfer of shares in excess of one-half of the shares held at the time of election.

26. On February 19, 2013, the Company held an extraordinary shareholders' meeting to elect new directors and supervisors.
27. The Company was approved by the Ministry of Economic Affairs on June 18, 2013 to change its name as "Hua Yu Lien Development Co., Ltd.". The Company's original abbreviation "Fu I" was changed to "Hua Yu Lien".
28. Fu Jung Investment Co., Ltd., a subsidiary of the Company, was liquidated on August 31, 2012 and was permitted by the Taiwan Taipei District Court on December 31, 2013.
29. At the end of 2013, the construction project of Star Moon Bay in Dashan Section, Tainan City, was completed.
30. In April 2014, the construction project of Wen Hua Hui in Huafeng Section, Kaohsiung City, was completed.
31. In May 2015, we invested in a 100% owned subsidiary, Hua Ching Construction Ltd.
32. In July 2015, the construction project of LeMore in Fushan Section, Kaohsiung City, was completed.
33. In 2015, the capital was increased by retained earnings and the paid-in capital was NT\$690 million after the capital increase.
34. In November 2015, the construction project of H Park in Huafeng Section, Kaohsiung City, was completed.
35. In April 2016, the construction project of Po Wen in Dafeng Section, Kaohsiung City, was completed.
36. In August 2016, the construction project of Hua Yueh in Huafeng Section, Kaohsiung City, was completed.
37. In September 2015, the capital was increased by retained earnings and the paid-in capital was NT\$759 million after the capital increase.

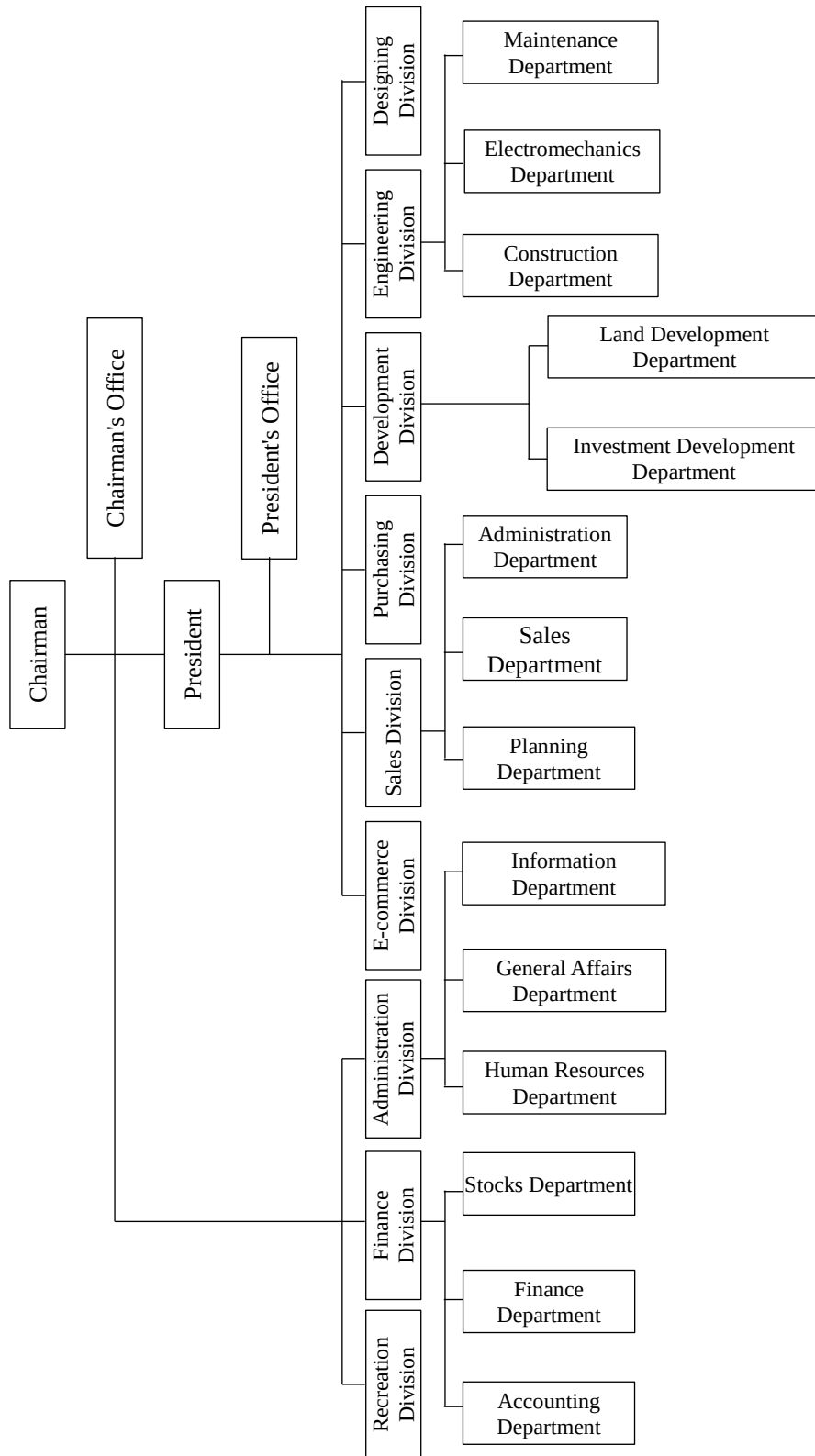
38. In November 2017, the construction project of Palm Bay in Dashan Section, Tainan City, was completed.
39. In January 2018, the construction project of Happiness JIA in Dashan Section, Tainan City, was completed.
40. In August 2018, the construction project of Shu Lin in Huafeng Section, Kaohsiung City, was completed.
41. In September 2018, the capital was increased by retained earnings and the paid-in capital was NT\$796.95 million after the capital increase.
42. In September 2019, the capital was increased by retained earnings and the paid-in capital was NT\$956.34 million after the capital increase.
43. In September 2019, the construction project of Sen Lin in Huafeng Section, Kaohsiung City, was completed.
44. In January 2020, our first domestic guaranteed convertible bonds were issued.
45. In June 2020, the construction project of IN H in Dagang Section, Kaohsiung City, was completed.
46. In December 2020, our second domestic guaranteed convertible bonds were issued.
47. In April 2021, the construction project of E GO in Dashan Section, Tainan City, was completed.
48. In May 2021, the construction project of Maple Garden in Bagua Section, Kaohsiung City, was completed.
49. In June 2021, our first domestic guaranteed ordinary corporate bonds were issued.
50. On July 15, 2021, approved by the Ministry of Economic Affairs, the headquarters was moved from “14F., No. 22, Aiguo E. Rd., Zhongzheng Dist., Taipei City 100408, Taiwan (R.O.C.)” to “11F., No. 85, Wenlong Rd., Fengshan Dist., Kaohsiung City 830009, Taiwan (R.O.C.)”.
51. In May 2022, the construction project of I World in Guomao Section, Kaohsiung City, was completed.
52. In May 2022, the construction project of H TIME in Buhou Section, Kaohsiung City, was completed.
53. In February 2023, Hua Ching Development Co., Ltd., a subsidiary of the Company, was established by entering into a joint venture with Mitsui & Co., (Taiwan), Ltd.

Chapter 3

Corporate Governance Report

I. Organizational Chart

(I) Organization Chart



(II) Department functions:

Name of division	Job description
Audit Committee	Assist the Board of Directors in overseeing the quality of the Company's performance with respect to finance, accounting, internal control and significant transactions.
Remuneration Committee	In charge of the evaluation of directors and managerial officers and the establishment of remuneration policies, systems, standards and structures, as well as the regular review and assessment of such matters.
Auditing Office	Standardize, integrate, review and correct internal control operations. Carry out audit operations, prepare audit reports, as well as follow up and improve audit deficiency. Assist and tutor departments and offices with self-assessment of internal control; conduct education and training of internal control and internal audit knowledge. Submit audit reports and specify the implementation results to the Audit Committee and the Board of Directors on a regular basis.
Chairman's Office (Board affairs, legal affairs and cost control)	Make recommendations to the Company's management vision, goals, and policies. Review and evaluate each department's work. Archive the process, proposals, and minutes of the meetings of the Board of Directors. Draft agreements, pleadings and correspondence. Review contract documents, collect laws and regulations, research legal issues, collect data, and prepare for the archives. Analyze quantity and unit price to conduct cost control.
President's Office	Responsible for the consolidation and integrated planning of the Company's rules and regulations. Integrate vertically and horizontally the operations in all departments and offices of the Company. Publicize the Company's culture and the decision makers' management philosophy. Draft the Company's management vision, goals, and policies. Integrate the Company's management systems and assist in the formulation of the Company's rules and regulations. Analyze the investment value and feasibility of new business. Handle investor relations affairs. Develop software.
Recreation Division	Assess the investment planning, such as comprehensive health villages, elderly residences, hotels and restaurants. Make strategic recommendations and investment analysis of land development related to recreation. Coordinate the operation and management of recreation.

Name of division	Job description
Administration Division (Human resources, general affairs and information)	Plan the business of the Division to meet the Company's requirements based on its goals and policies. Responsible for manpower demand, recruitment, salary, appraisal, welfare, education and training. Human Resources Department is responsible for the administrative affairs of the Remuneration Committee and the provision of related information and reports. Responsible for the management of general affairs and household articles. Activate asset management. Coordinate the progress and effect of computerization; propose and sign off on operation plans. Responsible for the planning, design, management, and security maintenance of software and hardware equipment.
Finance Division (Finance, accounting and stocks)	Handle accounting, financial and tax reporting activities. In charge of financial analysis and annual budget compilation. Responsible for payment collection, disbursement, and capital management. Responsible for corporate financing planning and contacting banks for financing arrangements. Prepare external announcements on the Stock Exchange. Convene the shareholders' meeting and in charge of general stock affairs.
Sales Division (Planning, sales and administration)	Evaluate the sales agencies and set sales targets. In charge of pre-project activities, sales, and advertising strategy development. Propose price adjustments, sign comprehensive sales contracts, collect payments, check collateral for bank loans, allocate funds, deliver houses, and transfer property rights. Prevent and deal with relevant business crises; handle customer complaints. Hold the inaugural meeting of the Administration Committee and assists customers with loan processing. Execute digital marketing, integrate marketing planning, and implement customer activities.
Development Division (Investment development and land development)	Make strategic recommendations, investment analysis, and R&D of land development; collect information on the market and land. Comprehensively manage the signing, payment, transfer, and tax payment of land transactions and joint construction projects.
Engineering Division (Construction, electromechanics and maintenance)	In charge of construction management, quality and progress control, as well as safety and health management. In charge of electromechanical engineering planning, equipment maintenance, and temporary utility applications. Assist customers with maintenance. In charge of sampling, inspection, and acceptance of materials for construction projects. Track the progress of maintenance for customers.

Name of division	Job description
Purchasing Division	Contract purchase of construction engineering and materials Analyze quantity and unit price to conduct cost control. Select colors and styles for building materials. Develop new manufacturers and building materials.
Designing Division	In charge of the integrated design, license application, construction declaration, management and verification, acceptance, and budget compilation of individual construction projects. In charge of the landscape and public facility design drawings, model house design drawings and contracting, contracting and procurement of interior spaces design of public facilities, and client design changes of the construction projects.
E-commerce Division	Analyze consumer information and channel market intelligence. Make strategies for public relations activities.

II. Information on the Directors, President, Vice Presidents, Assistant Vice Presidents, and Executives of Divisions and Branch Units

(I) Information on Directors

1. Information on directors (1)

April 23, 2023

Title	Nationality/Place of Registration	Name	Gender	Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other positions concurrently held at the Company and other companies	Executives or Directors who are spouses or relatives within the second degree of kinship		
								Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relationship
Chairman	R.O.C.	Hong Zhong Investment Limited	—	—	2022.6.23	3 years	2013.2.19	15,939,000	20.00	19,126,800	19.67	—	—	—	—	—	—	—	—	—
		Representative Lu, Chao-Ting (Note 2)	Male	31–40 years old	2022.6.23	3 years	2013.2.19	3,984,750	5.00	4,781,700	4.92	—	—	—	—	Master of Information Management, National Kaohsiung University of Applied Sciences Director of Hua Yu Lien Urban Land Consolidation Co., Ltd. Director of Cheng Tai Urban Land Consolidation Co., Ltd. Director of Hua Yu Lien Recreation Co., Ltd. Director of the Real Estate Development Association of Kaohsiung	President of Hua Yu Lien Development Co., Ltd. Chairman of Hua Ching Development Co., Ltd. Director of Hua Yu Lien Construction Co., Ltd. Director of Hua Yu Chuan Construction Co., Ltd. Director of Hong Zhong Investment Limited Director of Lien Feng Development Co., Ltd. Chairman of Chang Feng Enterprise Company	—	—	—
Director	R.O.C.	Hong Zhong Investment Limited	—	—	2022.6.23	3 years	2013.2.19	15,939,000	20.00	19,126,800	19.67	—	—	—	—	—	—	—	—	—

Title	Nationality/Place of Registration	Name	Gender	Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other positions concurrently held at the Company and other companies	Executives or Directors who are spouses or relatives within the second degree of kinship		
								Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relationship
		Representative Chang, Jou-Yuan	Male	61–70 years old	2022.6.23	3 years	2018.09.10	—	—	—	—	—	—	—	—	Feng Chia University Regional Center Manager, Region 6, Land Bank of Taiwan Regional Center Manager, Region 5, Land Bank of Taiwan	—	—	—	—
Director	R.O.C.	Hong Zhong Investment Limited	—	—	2022.6.23	3 years	2013.2.19	15,939,000	20.00	19,126,800	19.67	—	—	—	—	—	—	—	—	—
		Representative Chien, Wen-Kung	Male	61–70 years old	2022.6.23	3 years	2020.1.2	—	—	—	—	—	—	—	—	Department of Business Administration, Shu-Te University Head of the Correctional Agency under the Ministry of Justice	—	—	—	—
Director	R.O.C.	Intelligence International Limited	—	—	2022.6.23	3 years	2016.6.24	644,490	0.81	773,388	0.80	—	—	—	—	—	—	—	—	—
		Representative Chiang, Kuo-Chuan	Male	71–80 years old	2022.6.23	3 years	2016.6.24	171,864	0.22	206,236	0.21	—	—	—	—	Department of Public Administration, Tamkang University	Director of Evermount Enterprise Ltd. Director of Lutong Enterprise Corp. Supervisor of Ming Shui Holdings Co., Ltd. Director of Agricultural Association of Xinzhuang District	—	—	—
Director	R.O.C.	Chen, Liang-Han (Note 3)	Male	61–70 years old	2022.6.23	3 years	2013.2.19	—	—	—	—	—	—	—	—	Graduate School of Civil Engineering and Disaster Prevention, National Taipei University of Technology	—	—	—	—

Title	Nationality/Place of Registration	Name	Gender	Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other positions concurrently held at the Company and other companies	Executives or Directors who are spouses or relatives within the second degree of kinship		
								Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relationship
Director	R.O.C.	Chao, Pei-Hung	Male	61–70 years old	2022.6.23	3 years	2013.2.19	—	—	—	—	—	—	—	—	LLM, University of Houston, USA	Independent Director of Vedan International (Holdings) Limited Independent Director of Force Mos Technology Co., Ltd.	—	—	—
Independent Director	R.O.C.	Lin, Jen-I	Male	61–70 years old	2022.6.23	3 years	2016.6.24	—	—	—	—	—	—	—	—	Ph.D. in Civil and Construction Engineering, Graduate School of Engineering Technology, National Taiwan University of Science and Technology Director of Ho Fa Development Co., Ltd.	Chairman of Metal Industries Research & Development Centre	—	—	—
Independent Director	R.O.C.	Tseng, Wen-Che	Male	61–70 years old	2022.6.23	3 years	2018.6.21	—	—	—	—	—	—	—	—	EMBA of College of Management, National Cheng Kung University Representative of Corporate Director of Bank of Kaohsiung Co., Ltd Independent Director, member of the Audit Committee and the Remuneration Committee of Wei Chih Steel Industrial Co.,Ltd. Executive Vice President of the Tax Department, Deloitte & Touche Director of Deloitte & Touche Supervisor of Taiwan Fu Hsing Industrial Co., Ltd.	Independent Director, member of the Audit Committee and the Remuneration Committee of Catcher Technology Co., Ltd. Independent Director, member of the Audit Committee and the Remuneration Committee of Goldsun Building Materials Co., Ltd. Independent Director, member of the Audit Committee and the Remuneration Committee of KMC (Kuei Meng) International Inc.	—	—	—

Title	Nationality/Place of Registration	Name	Gender	Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other positions concurrently held at the Company and other companies	Executives or Directors who are spouses or relatives within the second degree of kinship		
								Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relationship
Independent Director	R.O.C.	Hung, Chi-Shan	Male	61–70 years old	2022.6.23	3 years	2019.6.21	—	—	—	—	—	—	—	—	Graduate Institute for Legal Sciences, National Cheng Kung University Director of the National Taxation Bureau of Kaohsiung, Ministry of Finance Director of the National Taxation Bureau of the Southern Area, Ministry of Finance Deputy Director of the Taxation Administration, Ministry of Finance Independent Director, member of the Audit Committee of Hi Scene World Enterprise Co., Ltd.	Independent Director, member of the Audit Committee and the Remuneration Committee of Ping Ho Environmental Technology Co., Ltd. Independent Director, member of the Audit Committee and the Remuneration Committee of Power Wind Health Industry Inc. Independent Director, member of the Audit Committee and the Remuneration Committee of Chung Tai Resource Technology Corp. Director of Flexium Interconnect, Inc.	—	—	—
Independent Director	R.O.C.	Ke, Po-Chang	Male	51–60 years old	2022.6.23	3 years	2016.6.24	—	—	—	—	—	—	—	—	Ph.D.in Information Management, National Central University Vice President of National Kaohsiung University of Science and Technology Dean of School of Management, National Kaohsiung University of Applied Sciences Professor, Department of Intelligent Commerce, National Kaohsiung University of Science and Technology	—	—	—	—

Note 1: The term of office of the 20th term's directors of the Company is three years, from June 23, 2022 to June 22, 2025.

Note 2: The reasons, reasonableness, necessity, and response measures for the fact that the Chairman and the President of the Company are the same person are specified as follows:

1. Reasons, reasonableness and necessity

The President of the Company is in charge of the planning and implementation of the Company's strategies for sustainable management and long-term development. In the event of a material decision, apart from taking into account the recommendations of professionals (such as CPAs and lawyers), the President and the Senior Management (Executive Vice President

and CFO) discuss the direction of decision-making, coordinate the management team, and report to the Board of Directors, in order to clearly delineate the authority of the Chairman and the President. With the Company's actual performance in recent years, he has been proven to be competent enough to serve as the President and be trusted and supported by the Board of Directors.

Furthermore, the Chairman of the Company is a young man of Generation Y with a flexible and active leadership style. The Company's products currently target first-time buyers, with the average customers aged around 25 to 45. As a result, the marketing strategies can be closer to consumer groups when the Chairman and the President are the same person. For example, the Company provides year-end paint services and develops an online software application to provide customers with online instant services, which can better increase the adhesion and satisfaction with customers.

2. Response measures

The Company added an independent director at the 2022 Annual General Meeting of Shareholders. Up to the date of publication of the annual report, none of the Board members, except the Chairman, is an employee or managerial officer in order to strengthen the independence of the Board of Directors.

Note 3: On June 23, 2022, the Company's General Meeting of Shareholders re-elected all directors. Director Chen, Liang-Han's term of office has not been renewed upon expiration and Mr. Ke, Po-Chang was elected as an independent director.

Table 1: Major Shareholders of Corporate Shareholders

April 23, 2023

Name of corporate shareholders (Note 1)	Major shareholders of corporate shareholders (Note 2)	
	Name	Shareholding Ratio (%)
Hong Zhong Investment Limited	Lu, Chao-Ting	100.00
Intelligence International Limited	Chiang, Po-Yen	62.04
	Chiang, Kuo-Chuan	28.73
	Chiang, Yueh-Han	9.23

Note 1: If the director is a representative of a corporate shareholder, the name of the corporate shareholder shall be filled in.

Note 2: Fill in the names of major shareholders of corporate shareholders (top ten in terms of shareholding) and their shareholding ratios.

If the major shareholder is a corporation, the following table 2 shall be filled in.

Note 3: If the corporate shareholder is not a corporate organization, the name of the shareholder and the shareholding ratio disclosed in the above shall be the name of the contributor or donor (please refer to the announcement of the Judicial Yuan for details) and the proportion of his or her contribution. If the donor has passed away, please mark "deceased".

Table 2: Major shareholders of corporate shareholders with corporations as their major shareholders: None.

2. Information on directors (2)

(1) Disclosure of information as professional qualifications and independence of Directors and Independent Directors:

Qualifications Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual concurrently serves as an Independent Director
Chairman Lu, Chao-Ting	I. Previous experience in the following positions in <u>business and corporate operations</u>. 1. Director of Hua Yu Lien Urban Land Consolidation Co., Ltd. 2. Director of Cheng Tai Urban Land Consolidation Co., Ltd. 3. Director of Hua Yu Lien Recreation Co., Ltd. 4. Director of the Real Estate Development Association of Kaohsiung. II. Not under any of the categories stated in Article 30 of the Company Act.	1. Not a spouse or a relative within the second degree of kinship to any director of the Company.	0
Director Chang, Jou-Yuan	I. Previous experience in the following positions in <u>financial expertise</u>. 1. Regional Center Manager, Region 6, Land Bank of Taiwan 2. Regional Center Manager, Region 5, Land Bank of Taiwan. II. Not under any of the categories stated in Article 30 of the Company Act.	1. Not a spouse or a relative within the second degree of kinship to any director of the Company. 2. Not a director, independent director, supervisor or employee of the Company or its subsidiaries.	0

Qualifications Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual concurrently serves as an Independent Director
Director Chien, Wen- Kung	I. Previous experience in the following positions in <u>legal expertise</u> . 1. Head of the Correctional Agency under the Ministry of Justice. II. Not under any of the categories stated in Article 30 of the Company Act.	1. Not a spouse or a relative within the second degree of kinship to any director of the Company. 2. Not a director, independent director, supervisor or employee of the Company or its subsidiaries.	0
Director Chiang, Kuo- Chuan	I. Previous experience in the following positions in <u>business and corporate operations</u> . 1. Director of Evermount Enterprise Ltd. II. Not under any of the categories stated in Article 30 of the Company Act.	1. Not a spouse or a relative within the second degree of kinship to any director of the Company. 2. Not a director, independent director, supervisor or employee of the Company or its subsidiaries.	0
Director Chen, Liang- Han (Note 3)	I. Previous experience in the following positions in <u>business and corporate operations</u> . 1. Independent Director of Lead Data Inc. (term of office expired). II. Not under any of the categories stated in Article 30 of the Company Act. III. Elected as a natural person, not as a government worker, legal person or its representative.	1. Not a spouse or a relative within the second degree of kinship to any director of the Company. 2. Not a director, independent director, supervisor or employee of the Company or its subsidiaries.	0
Director Chao, Pei- Hung	I. <u>Qualified as a lawyer</u> . II. Previous experience in the following positions in <u>legal expertise, business and corporate operations</u> .	1. Not a spouse or a relative within the second degree of kinship to any director of the Company. 2. Not a director, independent director, supervisor or employee of the Company or its subsidiaries.	2

Qualifications Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual concurrently serves as an Independent Director
	1. Attorney of Jurisprudence Attorneys-at-Law. 2. Independent Director of Vedan International (Holdings) Limited(current position). 3. Independent Director of Force Mos Technology Co., Ltd. (current position). III. Not under any of the categories stated in Article 30 of the Company Act. IV. Elected as a natural person, not as a government worker, legal person or its representative.		
Independent Director Lin, Jen-I	I. Former professor in the Department of Civil Engineering, National Kaohsiung University of Applied Sciences (now National Kaohsiung University of Science and Technology) (currently not holding a teaching position), with <u>professional qualification required by the Company's business</u>. II. Serve as a member of the Audit Committee of the Company. III. Not under any of the categories stated in Article 30 of the Company Act.	1. Whether the member, spouse and relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its related companies: None, meeting the independence requirement. 2. Number and proportion of shares in the Company held by the member, spouse, and relatives within a second degree of kinship (or in the name of others): None, meeting the independence requirement. 3. Whether the member serves as director, supervisor, or employee of the companies with a specific relationship of the Company: None, meeting the independence requirement.	0

Qualifications Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual concurrently serves as an Independent Director
	IV. Elected as a natural person, not as a government worker, legal person or its representative.	4. Provide the Company or its related companies with corporate, legal, financial, accounting, and other related services and receive salary in recent two years: None, meeting the independence requirement.	
Independent Director Tseng, Wen- Che	I. Former Director and Executive Vice President of the Tax Department, Deloitte & Touche, with <u>expertise in finance, accounting and law.</u> II. Serve as the Convener of the Audit Committee of the Company. III. Not under any of the categories stated in Article 30 of the Company Act. IV. Elected as a natural person, not as a government worker, legal person or its representative.	1. Whether the member, spouse and relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its related companies: None, meeting the independence requirement. 2. Number and proportion of shares in the Company held by the member, spouse, and relatives within a second degree of kinship (or in the name of others): None, meeting the independence requirement. 3. Whether the member serves as director, supervisor, or employee of the companies with a specific relationship of the Company: Independent Director Tseng Wen-Che also serves as an Independent Director of Goldsun Building Materials Co., Ltd., which has financial or business relations with the Company, but its products are not the raw materials of the Company's main products, meeting the independence requirement. 4. Provide the Company or its related companies with corporate, legal, financial, accounting, and other	3

Qualifications Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual concurrently serves as an Independent Director
		related services and receive salary in recent two years: None, meeting the independence requirement.	
Independent Director Hung, Chi-Shan	I. Former Director of the National Taxation Bureau of Kaohsiung, Director of the National Taxation Bureau of the Southern Area, and Deputy Director of the Taxation Administration, Ministry of Finance, with <u>expertise in tax and law</u> . II. Serve as a member of the Audit Committee of the Company. III. Not under any of the categories stated in Article 30 of the Company Act. IV. Elected as a natural person, not as a government worker, legal person or its representative.	1. Whether the member, spouse and relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its related companies: None, meeting the independence requirement. 2. Number and proportion of shares in the Company held by the member, spouse, and relatives within a second degree of kinship (or in the name of others): None, meeting the independence requirement. 3. Whether the member serves as director, supervisor, or employee of the companies with a specific relationship of the Company: None, meeting the independence requirement. 4. Provide the Company or its related companies with corporate, legal, financial, accounting, and other related services and receive salary in recent two years: None, meeting the independence requirement.	3
Independent Director Ke, Po-Chang (Note 3)	I. Previous experience in the following positions in <u>business and corporate operations</u> . 1. Independent Director of Hua Yu Lien Development Co., Ltd.	1. Whether the member, spouse and relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its related companies: None, meeting the independence requirement.	0

Qualifications Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of other public companies where the individual concurrently serves as an Independent Director
	2. Professor, Department of Intelligent Commerce, National Kaohsiung University of Science and Technology. II. Serve as a member of the Audit Committee of the Company. III. Not under any of the categories stated in Article 30 of the Company Act. IV. Elected as a natural person, not as a government worker, legal person or its representative.	2. Number and proportion of shares in the Company held by the member, spouse, and relatives within a second degree of kinship (or in the name of others): None, meeting the independence requirement. 3. Whether the member serves as director, supervisor, or employee of the companies with a specific relationship of the Company: None, meeting the independence requirement. 4. Provide the Company or its related companies with corporate, legal, financial, accounting, and other related services and receive salary in recent two years: None, meeting the independence requirement.	

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of individual directors. If they are members of the Audit Committee and have expertise in accounting or finance, their accounting or financial background and work experience shall be specified. In addition, describe whether they are not under any of the categories stated in Article 30 of the Company Act.

Note 2: Independent directors shall specify the compliance of independence, including but not limited to whether the members, their spouses, and relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliates; the number and proportion of shares in the Company held by the members, spouses, and relatives within a second degree of kinship (or in the name of others); whether the members serve as directors, supervisors, or employees of the companies with a specific relationship of the Company (refer to the provisions of Subparagraphs 5 to 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); the remuneration received from the Company or its affiliates for providing business, legal, financial, accounting and other services in recent two years.

Note 3: On June 23, 2022, the Company's General Meeting of Shareholders re-elected all directors. Director Chen, Liang-Han's term of office has not been renewed upon expiration and Mr. Ke, Po-Chang was elected as an independent director.

(2) Diversity and independence of the Board of Directors:

- A. The Company has formulated relevant regulations in the “Corporate Governance Best Practice Principles” that the composition of the Company’s Board of Directors is diversified, including but not limited to gender, age, nationality and culture, professional background, professional skills and industrial experience.
- B. Diversity of the Board of Directors:
- The composition of the Company’s Board of Directors meets requirements such as the Company’s operational structure, business development direction, and future development trends. Besides, various diversified aspects are evaluated, such as industry experience (e.g., real estate, law, banking, accounting, tax) and professional skills (e.g., business management, decision-making, and crisis management).
 - A diverse board of directors with a variety of perspectives and insights will enhance the quality of decision making and benefit the Company's shareholders and other stakeholders.
 - The Board of Directors and management value inclusiveness and diversity in keeping with the Company's values. The gender, age, nationality, employee status, and proportion of independent directors are also diversity goals for the Company's board of directors.

◎ Specific management objectives of the Board of Directors’ diversity policies:

No.	Diversity	Specific management objectives
1	Industry experience and professional skills	The Directors of the Company have rich industry experience and professional skills. Their diverse professional skills cover real estate, law, banking, accounting, and tax. Besides, the Directors are all capable of business management, decision-making, and crisis management to provide professional advice on major decisions.
2	Gender	The Company is in the construction industry, which is dominated by men with industry experience, so there are no female directors. In the future, we will continue to pay attention to female directors with industry knowledge and increase the number of female directors, depending on the needs of the Company.
3	Age	The majority of our directors are aged 61 to 70. In 2022, one director aged 41 to 60 was added to the Board of Directors, which has achieved age diversity.
4	Nationality	The Company is in the construction industry, which has strong local ties to Taiwan, so there are no foreign directors. In the future, we will continue to pay attention to foreign directors who are familiar with

No.	Diversity	Specific management objectives
		Taiwan's construction industry and recruit foreign directors, depending on the needs of the Company.
5	Number and proportion of Independent Directors	The Company has 9 directors, of which 4 are independent directors, accounting for 44.44% of the total number of directors. Adjust the number of independent directors in the future, depending on the development of the Company, laws and regulations.
6	Proportion of directors as employees	The Chairman is also the President of the Company, and the proportion of directors as employees is 11.11%, with a target of 1 seat or less, in order to enhance corporate governance and the independence of the Board of Directors.

◎ The Board of Directors' diversity goals and the achievement status are described below:

No.	Diversity	Description	Diversity goal	Diversification rate (%)
1	Industry experience (real estate)	Chairman Lu, Chao-Ting, Independent Director Lin, Jen-I, Director Chang, Jou-Yuan, and Director Chiang, Kuo-Chuan have professional experience in <u>real estate</u> . For details of their professional qualifications, please refer to “information on directors (2)”.	3	133%
2	Industry experience (law)	Director Chao, Pei-Hung, Independent Director Tseng, Wen-Che, Director Hung, Chi-Shan and Director Chien, Wen-Kung have professional experience in <u>law</u> . For details of their professional qualifications, please refer to “information on directors (2)”.	1	400%
3	Industry experience (banking)	Director Chang, Jou-Yuan has professional experience in <u>banking</u> . For details of his professional qualifications, please refer to “information on directors (2)”.	1	100%
4	Industry experience (accounting)	Independent Director Tseng, Wen-Che has professional experience in <u>accounting</u> . For details of his professional qualifications, please refer to “information on directors (2)”.	1	100%

No.	Diversity	Description	Diversity goal	Diversification rate (%)
5	Industry experience (tax)	Independent Director Hung, Chi-Shan and Independent Director Tseng, Wen-Che have professional experience in <u>tax</u> . For details of their professional qualifications, please refer to “information on directors (2)”.	1	200%
6	Professional skill (business management)	Chairman Lu, Chao-Ting, Director Chang, Jou-Yuan, Director Chien, Wen-Kung, Director Chiang, Kuo-Chuan, Director Chao, Pei-Hung, Independent Director Lin, Jen-I, Independent Director Tseng, Wen-Che, Independent Director Hung, Chi-Shan and Independent Director Ke, Po-Chang have all served as Directors/Independent Directors of the Company with business management capabilities.	5	180%
7	Professional skill (decision-making)	Chairman Lu, Chao-Ting, Director Chang, Jou-Yuan, Director Chien, Wen-Kung, Director Chiang, Kuo-Chuan, Director Chao, Pei-Hung, Independent Director Lin, Jen-I, Independent Director Tseng, Wen-Che, Independent Director Hung, Chi-Shan and Independent Director Ke, Po-Chang have all served as Directors/Independent Directors of the Company with decision-making capabilities.	3	300%
8	Professional skill (crisis management)	Chairman Lu, Chao-Ting, Director Chang, Jou-Yuan, Director Chien, Wen-Kung, Director Chiang, Kuo-Chuan, Director Chao, Pei-Hung, Independent Director Lin, Jen-I, Independent Director Tseng, Wen-Che, Independent Director Hung, Chi-Shan and Independent Director Ke, Po-Chang have all served as Directors/Independent Directors of the Company with crisis management capabilities.	3	300%
9	Gender	All 9 Directors are male.	Increasing the number of	0%

No.	Diversity	Description	Diversity goal	Diversification rate (%)
			female directors in the future, depending on the needs of the Company	
10	Age	31–40 years old: 1, 41-60years old: 1, 61–70 years old: 6 and 71–80 years old: 1.	Distribution of ages	100%
11	Nationality	All Directors are citizens of the R.O.C.	Increasing the number of foreign directors in the future, depending on the needs of the Company	0%
12	Proportion of directors as employees	Chairman Lu, Chao-Ting also concurrently serves as the President of the Company.	Below 1	100%
13	Proportion of independent directors	The Company has 9 directors, of which 4 are independent directors, accounting for 44.44% of the total number of directors.	4 Independent Directors	100%

C. Independence of the Board of Directors:

No.	Independence aspect	Independence description
1	Number and proportion of Independent Directors	The Company has 9 directors, of which 4 are independent directors, accounting for 44.44% of the total number of directors. The Audit Committee is composed of the 4 independent directors. Independent Directors Lin, Jen-I, Tseng, Wen-Che, and Hung, Chi-Shan constitute the Remuneration Committee. The independent directors perform their duties in accordance with the law and the Board of Directors of the Company is independent.
2	Proportion of directors as employees	The Chairman is also the President of the Company, and the proportion of directors as employees is 11.11%. Except for the Chairman, other directors do not serve as directors, independent directors, supervisors, or employees of the Company or its subsidiaries.
3	Term of office of Independent Director	1. Independent Director Lin, Jen-I has served as the 18th, 19th and 20th Independent Director of the Company. 2. Independent Director Tseng, Wen-Che has served as the 18th, 19th and 20th Independent Director of the Company. 3. Independent Director Hung, Chi-Shan has served as the 19th and 20th Independent Director of the Company. 4. Independent Director Ke, Po-Chang has served as the 20th Independent Director of the Company. The above-mentioned Independent Directors have not served more than three consecutive terms in accordance with the law, meeting the independence requirements of laws and regulations.
4	Number of other companies where the individual concurrently serves as an Independent Director	1. Independent Director Lin, Jen-I does not concurrently serve as an Independent Director of other public companies. 2. Independent Director Tseng, Wen-Che also serves as an Independent Director of Catcher Technology Co., Ltd., Goldsun Building Materials Co., Ltd., and KMC (Kuei Meng) International Inc. 3. Independent Director Hung, Chi-Shan also serves as an Independent Director of Ping Ho Environmental Technology Co., Ltd., Power Wind Health Industry Inc., and Chung Tai Resource Technology Corp.

No.	Independence aspect	Independence description
		4. Independent Director Ke, Po-Chang does not concurrently serve as an Independent Director of other public companies. The number of other companies where the above-mentioned Independent Directors concurrently serve as Independent Directors does not exceed three in accordance with the law, meeting the independence requirements of laws and regulations.
5	Matters set forth in Items 3 and 4, Article 26-3 of the Securities and Exchange Act	1. Not a spouse or a relative within the second degree of kinship to any director of the Company. 2. The Company has no supervisors, so there is no such relationship between supervisors or between supervisors and directors as described above. In summary, the Board of Directors of the Company is not involved in any of the matters set forth in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act, meeting the independence requirements of laws and regulations.

(II) Information on the President, Vice Presidents, Assistant Vice Presidents, and Executives of Divisions and Branch Units

April 23, 2023

Title (Note 1)	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (education) (Note 2)	Position concurrently held at other companies	Managerial officers who are the individual's spouses or relatives within the second degree of kinship			Remark (Note 3)
					Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relationship	
President	R.O.C.	Lu, Chao-Ting	Male	2015.3.16	4,781,700	4.91	—	—	—	—	Master of Information Management, National Kaohsiung University of Applied Sciences Director of Hua Yu Lien Urban Land Consolidation Co., Ltd. Director of Cheng Tai Urban Land Consolidation Co., Ltd. Director of Hua Yu Lien Recreation Co., Ltd. Director of the Real Estate Development Association of Kaohsiung	Chairman of Hua Ching Development Co., Ltd. Director of Hua Yu Lien Construction Co., Ltd. Director of Hua Yu Chuan Construction Co., Ltd. Director of Hong Zhong Investment Limited Director of Lien Feng Development Co., Ltd. Chairman of Chang Feng Enterprise Company	—	—	—	The President and the Chairman are the same person.
Executive Vice President	R.O.C.	Wu, Chia-Te	Male	2016.01.30	—	—	—	—	—	—	Master of Management, Sun Yat-sen University	Director of Hua Ching Construction Ltd. Director of Hua Ching Development Co., Ltd.	—	—	—	—
CFO	R.O.C.	Lin, Shao-Hsiang	Male	2013.08.01	6,593	0.01	5,000	0.01	—	—	Accounting Director of Advanced Semiconductor Engineering, Inc. Department of Accounting, Tamkang University	Director of Hua Ching Development Co., Ltd.	—	—	—	—
Vice President of Designing Division	R.O.C.	Su, Ching-Hsiu	Female	2019.09.05	2,000	0.00	—	—	—	—	Assistant Vice President of Designing Division of Hua Yu Lien Development Co., Ltd. Master of Architecture, Shu-Te University	None	—	—	—	—

Title (Note 1)	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (education) (Note 2)	Position concurrently held at other companies	Managerial officers who are the individual's spouses or relatives within the second degree of kinship			Remark (Note 3)
					Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relationship	
Vice President of Sales Division	R.O.C.	Huang, Ya-Min	Female	2019.09.05	8,187	0.01	—	—	—	—	Assistant Vice President of Sales Division of Hua Yu Lien Development Co., Ltd. Department of Land Management and Development, Chang Jung Christian University	None	—	—	—	—
Vice President of Finance Division	R.O.C.	Wu, Yu-Chen	Female	2020.05.07	—	—	—	—	—	—	Manager of the Audit Department, Deloitte & Touche Assistant Vice President of Finance Division of Hua Yu Lien Development Co., Ltd. Department of Accounting, Chinese Culture University	Supervisor of Hua Ching Development Co., Ltd.	—	—	—	—
Assistant Vice President of Finance Division	R.O.C.	Lin, Yung-Fu (Note 4)	Male	2020.05.07	60	0.00	—	—	—	—	Finance Manager of Panjit International Inc. Manager of Finance Division of Hua Yu Lien Development Co., Ltd. Department of Financial Operations, National Institute of Technology at Kaohsiung	None	—	—	—	—
Assistant Vice President of Maintenance Department	R.O.C.	Tsai, Teng-Fu	Male	2022.03.24	—	—	8,491	0.01	—	—	Manager of Maintenance Department, Hua Yu Lien Development Co., Ltd. Department of Civil Engineering, Minghsin University of Science and Technology	None	—	—	—	—
Corporate Governance Officer	R.O.C.	Kung, I-Ching	Female	2020.08.11	—	—	—	—	—	—	Junior Manager of the Underwriting Department, Entrust Securities Co., Ltd. Manager of Auditing Office of Hua Yu Lien Development Co., Ltd. Department of Accounting, Chung Yuan Christian University	None	—	—	—	—

- Note 1: Information on the President, Vice Presidents, Assistant Vice Presidents, and Executives of Divisions and Branch Units shall be included. Additionally, any position equivalent to President, Vice Presidents, or Assistant Vice Presidents, regardless of title, shall also be disclosed.
- Note 2: Experience relevant to the current position. If any person has worked for the auditing certified public accounting firm or affiliates of the Company during the preceding period, his/her title and responsibilities shall be specified.
- Note 3: The President or equivalent (top manager) and the Chairman are the same person.
1. Reasons, reasonableness and necessity
The President of the Company is in charge of the planning and implementation of the Company's strategies for sustainable management and long-term development. In the event of a material decision, apart from taking into account the recommendations of professionals (such as CPAs and lawyers), the President and the Senior Management (Executive Vice President and CFO) discuss the direction of decision-making, coordinate the management team, and report to the Board of Directors, in order to clearly delineate the authority of the Chairman and the President. With the Company's actual performance in recent years, he has been proven to be competent enough to serve as the President and be trusted and supported by the Board of Directors.
Furthermore, the Chairman of the Company is a young man of Generation Y with a flexible and active leadership style. The Company's products currently target first-time buyers, with the average customers aged around 25 to 45. As a result, the marketing strategies can be closer to consumer groups when the Chairman and the President are the same person. For example, the Company provides year-end paint services and develops an online software application to provide customers with online instant services, which can better increase the adhesion and satisfaction with customers.
 2. Response measures
The Company added an independent director at the 2022 Annual General Meeting of Shareholders. Up to the date of publication of the annual report, none of the Board members, except the Chairman, is an employee or managerial officer in order to strengthen the independence of the Board of Directors.
- Note 4: Lin, Yung-Fu, Assistant Vice President of Finance Division, resigned as manager on November 14, 2022.

(III) Remuneration Paid During the Most Recent Fiscal Year to Directors, President, and Vice Presidents

1. Remuneration paid to general and independent directors (disclosure of names and ways at appropriate intervals individually and in aggregate)

December 31, 2022 Unit: NT\$1,000; share; %

Title		Name	Remuneration paid to Directors								Ratio of total remuneration (A+B+C+D) to net income		Relevant remuneration received by Directors who are also employees								Ratio of total remuneration (A+B+C+D+E+F+G) to net income		Remuneration from invested companies other than subsidiaries or the parent company				
			Base compensation (A)		Severance pay and pension (B)		Directors (C)		Business execution expenses (D)				Salary, bonus, and allowance (E)		Severance pay and pension (F)		Employee compensation (G)										
			The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements					
Cash Amount	Stock Amount	Cash Amount															Stock Amount										
Director	Chairman	Hong Zhong Investment Limited Representative: Lu, Chao-Ting	-	-	-	-	16,800	16,800	33	33	16,833	16,833	2.67%	2.67%	5,756	5,756	-	-	33	-	33	-	22,621	22,621	3.59%	3.59%	-
	Director	Hong Zhong Investment Limited Representative: Chang, Jou-Yuan																									
	Director	Hong Zhong Investment Limited Representative: Chien, Wen-Kung	-	-	-	-	3,561	3,561	153	153	3,714	3,714	0.59%	0.59%	-	-	-	-	-	-	-	-	3,714	3,714	0.59%	0.59%	-
	Director	Chao, Pei-Hung																									
	Director	Chen, Liang-Han (Note 3)																									
	Director	Intelligence International Limited Representative: Chiang, Kuo-Chuan																									

Title		Name	Remuneration paid to Directors								Ratio of total remuneration (A+B+C+D) to net income		Relevant remuneration received by Directors who are also employees								Ratio of total remuneration (A+B+C+D+E+F+G) to net income		Remuneration from invested companies other than subsidiaries or the parent company		
			Base compensation (A)		Severance pay and pension (B)		Directors (C)		Business execution expenses (D)				Salary, bonus, and allowance (E)		Severance pay and pension (F)		Employee compensation (G)								
			The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements			
Cash Amount	Stock Amount	Cash Amount															Stock Amount								
Independent Director	Independent Director	Lin, Jen-I	-	-	-	-	4,199	4,199	116	116	4,315	4,315	0.68%	0.68%	-	-	-	-	-	-	4,315	4,315	0.68%	0.68%	-
	Independent Director	Tseng, Wen-Che																							
	Independent Director	Hung, Chi-Shan																							
	Independent Director	Ke, Po-Chang (Note 3)																							
1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance between the amount of remuneration and the factors including responsibilities, risks, the time spent by the individual: The remuneration of independent directors includes travel expenses, earnings distribution, and business execution expenses. The remuneration of earnings distribution is clearly stipulated in the Company's Articles of Incorporation. In accordance with Article 25 of the Articles of Incorporation, the Company shall remunerate the directors at a rate of not more than 3% of the annual profit, and shall provide reasonable remuneration to the directors taking into account the results of the Company's operations and their contributions to the Company's performance. 2. Other than disclosures in the above table, remuneration paid to Directors for providing services (e.g., providing consulting services as a non-employee of parent company/all companies in consolidated financial statements /invested companies) for all companies in the financial statements in the most recent year: None.																									

- Note 1: On March 16, 2023, the Board of Directors approved the distribution of remuneration to directors and employees for 2022 (all in cash), which was reported to the shareholders in accordance with the law.
- Note 2: For the linkage between the evaluation of directors' performance and remuneration, please refer to the specification of "Remuneration policies, standards, and packages, procedures for determining remuneration, and linkage thereof to operating performance and future risk exposure" in the Annual Report.
- Note 3: On June 23, 2022, the Company's General Meeting of Shareholders re-elected all directors. Director Chen, Liang-Han's term of office has not been renewed upon expiration and Mr. Ke, Po-Chang was elected as an independent director.

Range of Remuneration

Range of remuneration paid to Directors	Name of Director			
	Total amount of remuneration (A+B+C+D)		Total amount of remuneration (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statements (H)	The Company	All companies in the financial statements (H)
Less than NT\$1,000,000	Representative of Hong Zhong Investment Limited: Chang, Jou-Yuan, representative of Hong Zhong Investment Limited: Chien, Wen-Kung, Chao, Pei-Hung, Chen, Liang-Han, and Ke, Po-Chang	Representative of Hong Zhong Investment Limited: Chang, Jou-Yuan, representative of Hong Zhong Investment Limited: Chien, Wen-Kung, Chao, Pei-Hung, Chen, Liang-Han, and Ke, Po-Chang	Representative of Hong Zhong Investment Limited: Chang, Jou-Yuan, representative of Hong Zhong Investment Limited: Chien, Wen-Kung, Chao, Pei-Hung, Chen, Liang-Han, and Ke, Po-Chang	Representative of Hong Zhong Investment Limited: Chang, Jou-Yuan, representative of Hong Zhong Investment Limited: Chien, Wen-Kung, Chao, Pei-Hung, Chen, Liang-Han, and Ke, Po-Chang
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Representative of Intelligence International Limited: Chiang, Kuo-Chuan, Lin, Jen-I, Tseng, Wen-Che, and Hung, Chi-Shan	Representative of Intelligence International Limited: Chiang, Kuo-Chuan, Lin, Jen-I, Tseng, Wen-Che, and Hung, Chi-Shan	Representative of Intelligence International Limited: Chiang, Kuo-Chuan, Lin, Jen-I, Tseng, Wen-Che, and Hung, Chi-Shan	Representative of Intelligence International Limited: Chiang, Kuo-Chuan, Lin, Jen-I, Tseng, Wen-Che, and Hung, Chi-Shan
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	-	-	-	-
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	Representative of Hong Zhong Investment Limited: Lu, Chao-Ting	Representative of Hong Zhong Investment Limited: Lu, Chao-Ting	Representative of Hong Zhong Investment Limited: Lu, Chao-Ting	Representative of Hong Zhong Investment Limited: Lu, Chao-Ting
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	10	10	10	10

2. Remuneration paid to the President, and Vice Presidents (disclosure of names and ways at appropriate intervals in aggregate)

December 31, 2022 Unit: NT\$1,000;
share; %

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and allowance (C)		Employee Compensation (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Remuneration from Invested Companies Other than Subsidiaries of the Parent Company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Lu, Chao-Ting	7,666	7,666	-	-	7,683	7,683	141	-	141	-	15,490	15,490	-
Executive Vice President	Wu, Chia-Te													
CFO	Lin, Shao-Hsiang													
Vice President	Su, Ching-Hsiu													
Vice President	Huang, Ya-Min													
Vice President	Wu, Yu-Chen (Note 2)													

Note 1: On March 16, 2023, the Board of Directors approved the distribution of remuneration to directors and employees for 2022 (all in cash), which was reported to the shareholders in accordance with the law.

Note 2: At the 3rd Session of the 20th Board of Directors held on November 10, 2022, the Company approved the promotion of Assistant Vice President Wu, Yu-Chen to Vice President.

Note 3: For the linkage between the evaluation of managerial Officers' performance and remuneration, please refer to the specification of "Remuneration policies, standards, and packages, procedures for determining remuneration, and linkage thereof to operating performance and future risk exposure" in the Annual Report.

Range of Remuneration		
Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company	All companies in the financial statements (E)
Less than NT\$1,000,000	Wu, Yu-Chen	Wu, Yu-Chen
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Wu, Chia-Te	Wu, Chia-Te
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Lin, Shao-Hsiang, Su, Ching-Hsiu, and Huang, Ya-Min	Lin, Shao-Hsiang, Su, Ching-Hsiu, and Huang, Ya-Min
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Lu, Chao-Ting	Lu, Chao-Ting
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-
Total	6	6

3. Name of the managers received remuneration and the distribution of remuneration:

December 31, 2022 ; Unit: NT\$1,000

Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income (%)
President	Lu, Chao-Ting	-	166	166	0.02
Vice President	Wu, Chia-Te				
Vice President	Lin, Shao-Hsiang				
Vice President	Su, Ching-Hsiu				
Vice President	Huang, Ya-Min				
Vice President	Wu, Yu-Chen				
Assistant Vice President	Tsai, Teng-Fu				
Corporate Governance Officer	Kung, I-Ching				

Note 1: On March 16, 2023, the Board of Directors approved the distribution of remuneration to directors and employees for 2022 (all in cash), which was reported to the shareholders in accordance with the law.

4. Remuneration of the top five highest-paid executives of the TWSE/TPEX listed companies: Not applicable.

(IV) Comparison and analysis of the ratio of the total remuneration paid to the Company's Directors, President, and Vice Presidents to net income after tax between the Company and all companies in consolidated financial statements in recent two years, and the specification of remuneration policies, standards, and packages, procedures for determining remuneration, and linkage thereof to operating performance and future risk exposure: The Company's Directors receive travel expenses for attending the meetings of Board of Directors. The remuneration of the President and Vice Presidents is paid in accordance with the personnel regulations. The total remuneration paid to the Company's directors and President in recent two years is hereby specified as follows:

1. Analysis of the ratio of the total remuneration paid to the Company's directors, President, and Vice Presidents to net income after tax in recent two years

Title	2022				2021			
	Amount of the Company (NT\$1,000)	Proportion of net income after tax (%)	Amount of all companies in the financial statements (NT\$1,000)	Proportion of net income after tax (%)	Amount of the Company (NT\$1,000)	Proportion of net income after tax (%)	Amount of all companies in the financial statements (NT\$1,000)	Proportion of net income after tax (%)
Director	24,861	3.95	24,861	3.95	15,397	3.17	15,397	3.17
President	5,789	0.92	5,789	0.92	4,746	0.98	4,746	0.98
Vice President	9,701	1.54	9,701	1.54	5,466	1.13	5,466	1.13

The increase in total remuneration of Directors, President and Vice Presidents in 2022 compared to 2021 was mainly due to the increase in net income after tax in 2022.

2. Remuneration policies, standards, and packages, procedures for determining remuneration, and linkage thereof to operating performance and future risk exposure
 - (1) Director

The remuneration of directors includes travel expenses, earnings distribution, and business execution expenses. The remuneration of earnings distribution is clearly stipulated in the Company's Articles of Incorporation. In accordance with Article 25 of the Articles of Incorporation, the Company shall remunerate the directors at a rate of not more than 3% of the annual profit, and shall provide reasonable remuneration to the directors taking into account the results of the Company's operations and their contributions to the Company's performance. The reasonableness of the relevant remuneration have been reviewed by the Remuneration Committee.

The Company has established standards and methods to evaluate the performance of the Board of Directors and conducted self-evaluation of the Board of Directors' performance on a regular basis every year, which includes participation in the

Company's operations, improvement in the quality of the Board of Directors' decision-making, composition and structure of the Board of Directors, election and continuing education of the directors, internal control, and the attendance rate of the meetings of the Board of Directors. According to the evaluation results in 2022, the Board of Directors performed well. The relevant performance evaluation has been reviewed by the Board of Directors.

(2) Managerial officers of the Company

The remuneration policy for the Company's managerial officers is in accordance with the "Measures for the Remuneration of Directors and Managerial Officers" of the Company. Salaries and bonuses are determined based on their positions, responsibilities, and contributions to the Company's operational goals, with reference to general standards in the industry. The results of the annual performance evaluation conducted by the Company in accordance with the "Management Methods for Employee Performance" are used as a reference for the managerial officers' bonus payment.

The Company's managerial officers' performance objectives are combined with risk control to ensure that possible risks within the scope of responsibility can be managed and prevented. The actual performance evaluation levels of various indicators, such as performance, leadership, subordinates' morale, and the development of subordinates, are linked to relevant human resources and remuneration policies. The important decisions of the Company's management are made after balancing various risk factors, the performance of relevant decisions is reflected in the profitability of the Company, and the remuneration of the management is related to the performance of risk control.

(3) Procedures for determining remuneration

1) The Company regularly evaluates the remuneration of directors and managerial officers based on the evaluation results of the "Evaluation Methods for the Board of Directors" and the "Management Methods for Employee Performance" applicable to managerial officers and employees, respectively. In addition, the remuneration of the Chairman and the President is determined in accordance with the Company's "Measures for the Remuneration of Directors and Managerial Officers" and is linked to the Company's operating performance indicators, and has been submitted to the Board of Directors for approval. In order to fully demonstrate the achievement of the operating performance indicators, the performance of the Chairman is measured based on the results of the Company's annual

operating indicators related to the operating, governance, and financial results. The evaluation of Directors' remuneration includes four indicators: earnings per share, the proportion of joint and several guarantee liability, customer satisfaction with after-sales service, and corporate social responsibility. The evaluation of the President's performance includes major performance targets related to responsibilities, such as operational risk management, supervision of the implementation of financial plans, revenue management, promotion of the customer-friendly application for sales services, improvement in internal control, and implementation of work safety and management.

- 2) In 2022, the results of the self-evaluation of the Board of Directors as well as members of the Board of Directors and the functional committees all significantly exceeded the standards. Despite the severe overall economic environment resulting from COVID-19 in 2022, the Company managed to prevent the epidemic to quickly and soundly meet the challenges and create a safe working environment for employees. Its revenues have hit record highs since the third quarter. According to the evaluation results of the Company's managerial officers' performance in 2022, all managerial officers met or exceeded their targets. Furthermore, the evaluation results of the Company's annual operating indicators have reached the highest.

(4) Linkage to operating performance and future risks

The Company established the Remuneration Committee in December 2011. In accordance with Article 7 of the "Remuneration Committee Charter", the Remuneration Committee shall meet at least twice a year to review the performance evaluation of directors and managerial officers as well as the policies, systems, standards, and structures of remuneration, in order to evaluate and set up the remuneration for directors and managerial officers, with reference to the general level of remuneration in the industry, coupled with the reasonableness of the relationship with individual performance, the Company's operating performance, and the future operating risks and development trends of the industry. The Remuneration Committee makes recommendations on the evaluation results and submits them to the Board of Directors for discussion. Furthermore, it reviews the remuneration system in a timely manner based on the actual operating and relevant laws and regulations, in order to strike a balance between sustainable development and risk control of the Company.

III. Implementation of Corporate Governance

(I) Practices of Board of Directors

Information on practices of Board of Directors

The Board of Directors held 6 meetings (A) in the most recent year (2022). The attendance of the directors is as follows:

Title	Name (Note 1)	Attendance in person (B)	Attendance by proxy	Attendance Rate (B/A)(Note 2)	Remark
Chairman	Hong Zhong Investment Limited Representative Lu, Chao-Ting	6	0	100%	Re-elected on June 23, 2022 upon expiration of term of office.
Director	Hong Zhong Investment Limited Representative Chang, Jou-Yuan	6	0	100%	Re-elected on June 23, 2022 upon expiration of term of office.
Director	Hong Zhong Investment Limited Representative Chien, Wen-Kung	6	0	100%	Re-elected on June 23, 2022 upon expiration of term of office.
Director	Intelligence International Limited Representative Chiang, Kuo-Chuan	6	0	100%	Re-elected on June 23, 2022 upon expiration of term of office.
Director	Chen, Liang-Han	3	0	100%	Term of office expired on June 23, 2022 (Note 3)
Director	Chao, Pei-Hung	6	0	100%	Re-elected on June 23, 2022 upon expiration of term of office.
Independent Director	Lin, Jen-I	6	0	100%	Re-elected on June 23, 2022 upon expiration of term of office.
Independent Director	Tseng, Wen-Che	6	0	100%	Re-elected on June 23, 2022 upon expiration of term of office.
Independent Director	Hung, Chi-Shan	6	0	100%	Re-elected on June 23, 2022 upon expiration of term of office.
Independent Director	Ke, Po-Chang	3	0	100%	Newly elected on June 23, 2022 (Note 3)
Total		54	0	100%	

Note 1: If the director is a corporate, the name of the corporate shareholder and its representative shall be disclosed.

Note 2: (1) The resignation date for any directors resigning before the end of the fiscal year shall be specified in the Remark column. The attendance rate (%) shall be calculated based on the number of meetings held by the Board of Directors and the attendance in person during the director's term of

office.

- (2) If directors are re-elected before the end of the fiscal year, the new and former directors shall be both listed and indicated as "former", "newly elected", or "re-elected" in the Remark column, as well as the date of re-election. The attendance rate (%) shall be calculated based on the number of meetings held by the Board of Directors and the attendance in person during the director's term of office.

Note 3: On June 23, 2022, the Company's General Meeting of Shareholders re-elected all directors. Director Chen, Liang-Han's term of office has not been renewed upon expiration and Mr. Ke, Po-Chang was elected as an independent director.

Other matters that require reporting:

I. If the Board of the Directors operates under any of the following circumstances, the dates and sessions of meetings of the Board of the Directors, the content of the proposals, all independent directors' opinions, and the Company's response to the independent directors' opinions shall be specified:

- (1) Matters set forth in Article 14-3 of the Securities and Exchange Act: no such matters that are recorded or prepared as a written declaration and with dissenting or qualified opinions from independent directors.

Date of the meeting (Session)	Proposal	Resolution	Independent Director's opinions	The Company's response to Independent Director's opinions
2022/03/24 The 19th Session of the 19th Board of Directors	1. The distribution of 2021 remuneration to directors and employees 2. The appointment and remuneration of the Company's CPAs. 3. The Company expected to dispose of the land located in Shangtian Section, Yangmei District, Taoyuan City. 4. The Company's intention to lease an office building from a related party. 5. Amendment to the Company's "Procedures for Acquisition or Disposal of Assets". 6. Amendment to the "Approval Authority Form" for the operations of the Company.	Adopted as it is	—	—
2022/05/11 The 20th Session of the 19th Board of Directors	1. The foundation related project of the Company's new construction project of Lot 5, Yuanzhong Sec. 1, Nanzi Dist., Kaohsiung City was contracted to the subsidiary Hua Ching Construction Ltd. 2. Amendment to the Company's "Internal Control System" and "Internal Audit Implementation Rules".	Adopted as it is	—	—
2022/06/10 The 21st Session of the 19th Board of Directors	1. Land tender for Lot 361, Lantian Middle Sec., Nanzi Dist., Kaohsiung City.	Adopted as it is	—	—
2022/08/11 The 2nd Session of	1. The Company's new building construction project of Lot 5, Yuanzhong Sec. 1, Nanzi Dist., Kaohsiung City was contracted to the	Adopted as it is	—	—

the 20th Board of Directors	subsidiary Hua Ching Construction Ltd. 2. The Company's new building construction project of Lot 215-7, Guomao Sec., Zuoying Dist., Kaohsiung City was contracted to the subsidiary Hua Ching Construction Ltd. 3. The Company's construction project of the shopping mall at Lot 259 and 259-10, Dashan Sec., South Dist., Tainan City was contracted to the subsidiary Hua Ching Construction Ltd. 4. Appointment of the Company to handle the after-sale housing services of Hua Yu Lien Construction Co., Ltd. and Hua Yu Chuan Construction Co., Ltd. 5. The appointment of the members of the Company's 6th Remuneration Committee. 6. The Company's participation in the selection of investors for the "New Construction Project of Urban Renewal in Anping Phase II Public Housing, Tainan City".			
2022/11/10 The 3rd Session of the 20th Board of Directors	1. The Company's annual bonus for managerial officer for 2022. 2. Amendment to the Company's "Internal Control System" and "Internal Audit Implementation Rules", and "Procedures for Handling Material Inside Information". 3. The Company's cooperation with Mitsui Fudosan Taiwan Co., Ltd. on investment. 4. The Company's investment in the establishment of a subsidiary.	Adopted as it is	—	—
2023/03/16 The 4th Session of the 20th Board of Directors	1. The Company's distribution of remuneration to directors and employees for 2022. 2. The appointment and remuneration of the Company's CPAs. 3. The Company's contract signing with its subsidiary Hua Ching Development Co., Ltd. 4. The proposal to release the Company's Corporate Director and its Representative from non-competition restrictions. 5. Proposal to release the Company's managerial officers from non-competition restrictions. 6. Amendment to the Company's "Procedures for Loaning of Funds to Others". 7. Amendment to the Company's "Procedures for Endorsements and Guarantees". 8. Amendment to the "Approval Authority	Adopted as it is	—	—

	Form" for the operations of the Company. 9. Amendment to the worksheet of the Company's "Internal Control System".			
2023/04/10 The 5th Session of the 20th Board of Directors	1. The Company resolved to dispose of the land located in Shangtian Section, Yangmei District, Taoyuan City and adjusted the price based on the market. 2. The Company's participation in the "New Business Transfer Project for the Parking 9 Land in Fengshan District, Kaohsiung City". 3. The Company's participation in the selection of investors for the "New Construction Project of Urban Renewal in Anping Phase II Public Housing, Tainan City" and adjustment to the return on investment due to changes in the market.	Adopted as it is	—	—

(2) In addition to the preceding matters, other resolutions of the Board of Directors on which independent directors have dissenting or qualified opinions, and that are recorded or prepared as a written declaration: None.

II. If a director abstains from a certain proposal for being a stakeholder, the name of the director, the content of the proposal, reasons for abstention, and the participation in voting shall be specified:

Date of the meeting (Session)	Name of Director	Proposal	Reasons for abstention	Participation in voting
2022/03/24 The 19th Session of the 19th Board of Directors	Lu, Chao-Ting	The Company's intention to lease an office building from a related party	Chairman Lu, Chao-Ting and Mr. Lu, Chao-Wen, Chairman of Hua Yu Lien Urban Land Consolidation Co., Ltd., are relatives within the second degree of kinship, which is involved in his own interest.	No participation in discussions and voting.
2022/08/11 The 2nd Session of the 20th Board of Directors	Lu, Chao-Ting	Appointment of the Company to handle the after-sale housing services of Hua Yu Lien Construction Co., Ltd. and Hua Yu Chuan Construction Co., Ltd.	Chairman Lu, Chao-Ting also concurrently serves as a Director of Hua Yu Lien Construction Co., Ltd. and Hua Yu Chuan Construction Co., Ltd., which is involved in his own interest.	No participation in discussions and voting.
2022/08/11 The 2nd Session of the 20th Board of Directors	Lin, Jen-I Tseng, Wen-Che Hung, Chi-Shan	Appointment of the members of the Company's 6th Remuneration Committee	Independent Directors Lin, Jen-I, Tseng, Wen-Che and Hung, Chi-Shan are involved in their own interests.	No participation in discussions and voting.
2022/11/10 The 3rd Session of the 20th Board of	Lu, Chao-Ting	The Company's annual bonus for managerial officer for 2022	Chairman Lu, Chao-Ting also concurrently serves as the President of the Company, which is involved in his own interest.	No participation in discussions and voting.

Directors				
112/03/16 The 4th Session of the 20th Board of Directors	Lu, Chao-Ting	Proposal to release the Company's Representative of Corporate Director from non-competition restrictions	Mr. Lu, Chao-Ting serves as the Chairman of the Company, which is involved in his own interest.	No participation in discussions and voting.
112/03/16 The 4th Session of the 20th Board of Directors	Lu, Chao-Ting	Proposal to release the Company's managerial officers from non-competition restrictions	Chairman Lu, Chao-Ting also concurrently serves as the President of the Company, which is involved in his own interest.	No participation in discussions and voting.

III. TWSE/TPEX listed companies should disclose information on the evaluation cycle, period, scope, method, and content of the self-evaluation (or evaluation from peers) of the Board of Directors:

Implementation of Evaluation for the Board of Directors

Frequency (Note 1)	Period (Note 2)	Scope (Note 3)	Method (Note 4)	Content (Note 5)
Once a year	2022/01/01 ~ 2022/12/31	Overall evaluation of the Board of Directors	Self-evaluation by the Board	Evaluation content includes: A. Participation of the Company's operation B. Improvement in the Board's decision making quality C. Composition and structure of the Board D. Election and continuing education of the directors E. Internal Control According to the evaluation results in 2022, the Board of Directors performed well.
Once a year	2022/01/01 ~ 2022/12/31	Evaluation of individual board members	Self-evaluation of directors	Evaluation content includes: A. Execution of the Company's goals and tasks B. Understanding of the director's roles and responsibilities C. Participation of the Company's operation D. Management and communication of the internal relations E. Expertise and continuing education of the directors F. Internal Control According to the evaluation results in 2022, the members of the Board of Directors had a good self-evaluation of performance.
Once a year	2022/01/01 ~ 2022/12/31	Evaluation of the Audit Committee	Self-evaluation of the Audit Committee	Evaluation content includes: A. Participation of the Company's operation B. Awareness of the duties of the functional committee C. Quality of decisions made by the functional committee D. Improvement of the composition of the functional committee and election of its members

				E. Internal Control According to the evaluation results in 2022, the Audit Committee performed well.
Once a year	2022/01/01 ~ 2022/12/31	Evaluation of the Remuneration Committee	Self-evaluation of the Remuneration Committee	Evaluation content includes: A. Participation of the Company's operation B. Awareness of the duties of the functional committee C. Quality of decisions made by the functional committee D. Improvement of the composition of the functional committee and election of its members E. Internal Control According to the evaluation results in 2022, the Remuneration Committee performed well.

Note 1: Fill in the implementation cycle of the Board of Directors' evaluation, for example, once a year.

Note 2: Fill in the period of the Board of Directors' evaluation, for example, January 1, 2022 to December 31, 2022.

Note 3: The scope of the evaluation covers the respective performances of the Board, individual directors, and functional committees.

Note 4: The evaluation methods include self-evaluation of the Board of Directors, self-evaluation of the Board members, peer evaluation, appointment of external professional institutions or experts, or other appropriate methods.

Note 5: The evaluation content shall include at least the following items in accordance with the evaluation scope:

- (1) Evaluation of the Board of Directors: at least includes participation in the Company's operations, the quality of the Board of Directors' decision-making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control.
- (2) Evaluation of the individual Board members: at least includes mastery of the Company's goals and tasks, awareness of directors' responsibilities, participation in the Company's operations, internal relationship management and communication, directors' professionalism and continuous training, and internal control.
- (3) Evaluation of the functional committee: participation in the Company's operations, awareness of the responsibilities of the functional committee, the quality of the functional committee's decision-making, composition of the functional committee and election of its members, and internal control.

IV. Measures taken to strengthen the functionality of the Board of Directors in the current and the most recent year (e.g. establishing the Audit Committee, enhancing information transparency) and their implementation:

- (1) The "Regulations Governing Procedures for the Meetings of the Board of Directors" were formulated by the Company on August 15, 2006. It has been implemented in accordance with the regulations since 2007, with timely amendments pursuant to laws and regulations, which can enhance the functions of the Board of Directors.
- (2) On June 24, 2016, the Company established independent directors, whose independence and professionalism can help to supervise the operations of the Company and strengthen its corporate governance. Independent directors are appointed for a continuous term of office of not more than nine years. The number and composition of the Board of Directors are in compliance with the regulations of the competent authorities. The matters discussed by the Board of Directors are fully discussed and resolved by the directors, of which the important resolutions are announced on the Company's website, annual report, and the Market Observation Post System as required by the competent authorities. Hence, information is transparent in the Company.

- (3) In 2017, the Company disclosed the implementation of the diversity policies of the members of the Board of Directors in the annual report and on the Company's website.
- (4) The Company discloses the communication among Independent Directors, Chief Internal Auditor, and the CPAs on the Company's website.
- (5) Not a spouse or a relative within the second degree of kinship among the directors of the Company.
- (6) In 2017, the Company formulated the "Evaluation Methods for the Board of Directors". The evaluation for the Board of Directors is carried out every year.
- (7) All directors (including independent directors) of the Company have completed their continuing education based on the hours set forth in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".
- (8) In order to strengthen the functions of the Board of Directors, the Company set up the Audit Committee earlier than the schedule planned in the new Corporate Governance Blueprint. In 2018, the Company amended its internal rules, measures, and Articles of Incorporation. At the General Meeting of Shareholders on June 21, 2019, the Audit Committee was formally set up to replace the Supervisors after the full re-election of directors.
- (9) The number of the Company's meetings of the Board of Directors were greater than the statutory number, mainly because the Board of Directors strengthened its function and reviewed relevant major proposals.
- (10) The Company has a Corporate Governance Officer to strengthen corporate governance and handle matters related to the board of directors and shareholders' meetings.
- (11) The operation of the Company's functional members (members of the Audit Committee and Remuneration Committee) is disclosed on the Company's website.
- (12) In order to enhance the independence of directors, the Company added an independent director in the full re-election at the General Meeting of Shareholders on June 23, 2022.
- (13) In 2022, the Company formulated the "Procedures for Handling Material Inside Information". The Procedures stipulate that directors are not permitted to trade their shares in their name or the name of others until "they are informed of the Company's financial reports or related results" or "the financial reports are announced", in order to prevent insider trading by directors.

(II) Operations of the Audit Committee:

Information on practices of the Audit Committee

Audit Committee held 5 meetings (A) in the most recent year (2022). The attendance of the Independent Director was as follows:

Title	Name	Attendance in Person (B)	Attendance by proxy	Attendance Rate (%) (B/A) (Note 1, Note 2)	Remark
Convener	Tseng, Wen-Che	5	0	100.00%	Re-elected on June 23, 2022 upon expiration of term of office.
Committee Member	Lin, Jen-I	5	0	100.00%	Re-elected on June 23, 2022 upon expiration of term of office.
Committee Member	Hung, Chi-Shan	5	0	100.00%	Re-elected on June 23, 2022 upon expiration of term of office.
Committee Member	Ke, Po-Chang	2	0	100.00%	Newly elected on June 23, 2022

Other matters that require reporting:

- I. If the Audit Committee operates under any of the following circumstances, the dates and sessions of the meetings of the Audit Committee, the content of the proposals, dissenting and qualified opinions, or material recommendations from independent directors, resolutions of the Audit Committee, and the Company's response to the Audit Committee's opinions shall be specified.

(I) Matters set forth in Article 14-5 of the Securities and Exchange Act:

Date of the meeting (Session)	Proposal	Highlight	Dissenting and qualified opinions, or material recommendations from independent directors	Audit Committee's resolutions	The Company's Response to the Audit Committee's opinions
2022/03/24 The 17th Session of the 1st Audit Committee	- Approval of the 2021 "Statement of the Internal Control System" of the Company. - Approval of the 2021 Business Report and Financial Statements of the Company. - Approval of the appointment and remuneration of the Company's CPAs. - Approval of the Company's expected disposal of the land located in Shangtian Section, Yangmei District, Taoyuan City. - Approval of the Company's intention to lease an office building from a related party. - Approval of the amendment to the Company's "Procedures for Acquisition or Disposal of Assets".	- Assessment of the effectiveness of the internal control system. - Annual financial statements signed or sealed by the Chairman, Manager, and Accounting Manager. - The appointment and remuneration of the CPAs. - Material asset transactions. - Matters involving the directors' own interests. - Formulation of or amendment to the internal control system.	Adopted	Reported to the Board of Directors and approved by all the directors present.	2022/03/24 The 17th Session of the 1st Audit Committee

	7. Approval of the amendment to the "Approval Authority Form" for the operations of the Company.				
2022/05/11 The 18th Session of the 1st Audit Committee	1. Approval of the consolidated financial statements for the first quarter of 2022. 2. Approval of the proposal that the foundation related project of the Company's new construction project of Lot 5, Yuanzhong Sec. 1, Nanzi Dist., Kaohsiung City was contracted to the subsidiary Hua Ching Construction Ltd. 3. Approval of the amendment to the Company's "Internal Control System and "Internal Audit Implementation Rules".	1. Financial statements signed or sealed by the Chairman, Manager, and Accounting Manager. 2. Material asset transactions. 3. Formulation of or amendment to the internal control system.	Adopted	Reported to the Board of Directors and approved by all the directors present.	2022/05/11 The 18th Session of the 1st Audit Committee
2022/06/10 The 19th Session of the 1st Audit Committee	1. Approval of the land tender for Lot 361, Lantian Middle Sec., Nanzi Dist., Kaohsiung City.	1. Material asset transactions.	Adopted	Reported to the Board of Directors and approved by all the directors present.	2022/06/10 The 19th Session of the 1st Audit Committee
2022/08/11 The 1st Session of the 2nd Audit Committee	1. Approval of the consolidated financial statements for the second quarter of 2022. 2. Approval of the proposal that the Company's new building construction project of Lot 5, Yuanzhong Sec. 1, Nanzi Dist., Kaohsiung City was contracted to the subsidiary Hua Ching Construction Ltd. 3. Approval of the proposal that the Company's new building construction project of Lot 215-7, Guomao Sec., Zuoying Dist., Kaohsiung City was contracted to the subsidiary Hua Ching Construction Ltd. 4. Approval of the proposal that he Company's construction project of the shopping mall at Lot 259 and 259-10, Dashan Sec., South Dist., Tainan City was contracted to the subsidiary Hua Ching Construction Ltd. 5. Approval of the appointment of the Company to handle the after-sale housing services of Hua Yu Lien Construction Co., Ltd. and Hua Yu Chuan Construction Co., Ltd. 6. Approval of the Company's participation in the selection of investors for the "New Construction Project of Urban Renewal in Anping Phase II Public Housing, Tainan City".	1. Financial statements signed or sealed by the Chairman, Manager, and Accounting Manager. 2. Material asset transactions. 3. Matters involving the directors' own interests.	Adopted	Reported to the Board of Directors and approved by all the directors present.	2022/08/11 The 1st Session of the 2nd Audit Committee

2022/11/10 The 2nd Session of the 2nd Audit Committee	1. Approval of the consolidated financial statements for the third quarter of 2022. 2. Approval of the Company's 2023 Audit Plan. 3. Approval of the amendment to the Company's "Internal Control System", "Internal Audit Implementation Rules", and "Procedures for Handling Material Inside Information". 4. Approval of the Company's cooperation with Mitsui Fudosan Taiwan Co., Ltd. on investment. 5. Approval of the Company's intended investment in the establishment of a subsidiary.	1. Financial statements signed or sealed by the Chairman, Manager, and Accounting Manager. 2. Assessment of the effectiveness of the internal control system. 3. Formulation of or amendment to the internal control system. 4. Material asset transactions.	Adopted	Reported to the Board of Directors and approved by all the directors present.	2022/11/10 The 2nd Session of the 2nd Audit Committee
112/03/16 The 3rd Session of the 2nd Audit Committee	1. Approval of the 2022 "Statement of the Internal Control System" of the Company. 2. Approval of the 2022 Business Report and Financial Statements of the Company. 3. Approval of the appointment and remuneration of the Company's CPAs. 4. Approval of the Company's intended contract signing with its subsidiary Hua Ching Development Co., Ltd.	1. Assessment of the effectiveness of the internal control system. 2. Annual financial statements signed or sealed by the Chairman, Manager, and Accounting Manager. 3. The appointment and remuneration of the CPAs. 4. Material asset transactions. 5. 5. Matters involving the directors' own interests.	Adopted	Reported to the Board of Directors and approved by all the directors present.	112/03/16 The 3rd Session of the 2nd Audit Committee
112/03/16 The 3rd Session of the 2nd Audit Committee	1. Approval of the proposal to release the Company's Corporate Director and its Representative from non-competition restrictions. 2. Proposal to release the Company's managerial officers from non-competition restrictions. 3. Approval of the amendment to the Company's "Procedures for Loaning of Funds to Others". 4. Approval of the amendment to the Company's "Procedures for Endorsements and Guarantees". 5. Approval of the amendment to the "Approval Authority Form" for the operations of the Company. 6. Approval of the amendment to the worksheet of the Company's "Internal Control System".	1. Formulation of or amendment to the internal control system. 2. Amendment to the procedures for material financial business behavior involving the loaning of funds to others and making of endorsements/guarantees.	Adopted	Reported to the Board of Directors and approved by all the directors present.	112/03/16 The 3rd Session of the 2nd Audit Committee
112/04/10 The 4th Session of the 2nd	1. The Company resolved to dispose of the land located in Shangtian Section, Yangmei District, Taoyuan City and	1. Material asset transactions. 2. Matters involving the directors' own interests.	Adopted	Reported to the Board of Directors and approved by	112/04/10 The 4th Session of the 2nd

Audit Committee	intended to adjust the price based on the market. 2. The Company intended to participate in the "New Business Transfer Project for the Parking 9 Land in Fengshan District, Kaohsiung City". 3. The Company's participation in the selection of investors for the "New Construction Project of Urban Renewal in Anping Phase II Public Housing, Tainan City" and intended adjustment to the return on investment due to changes in the market.			all the directors present.	Audit Committee
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(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all Directors: None.

II. If an independent director abstains from a certain proposal for being a stakeholder, the name of the independent director, the content of the proposal, reasons for abstention, and the participation in voting shall be specified: None.

III. Communication between the Independent Directors, Chief Internal Auditor, and the CPAs (including the key items, methods, and results of audit of finances and operations):

1. The Chief Internal Auditor provides audit reports on a monthly basis and audit tracking improvement reports for independent directors irregularly.
2. The Chief Internal Auditor conducts regular reports on internal audit in the Audit Committee.
3. The CPAs present themselves at the meetings of the Audit Committee and report to the independent directors on the annual key audits, the direction and planning of the audits, the key of the audits, the audit results of the financial statements, and the impact of updates in the laws and regulations.

IV. Professional qualifications of the members of the Audit Committee:

The Audit Committee of the Company is composed of all independent directors. For information on the members of the Audit Committee, please refer to "information on directors (2)" in this Annual Report.

Note 1: The resignation date for any independent directors resigning before the end of the fiscal year shall be specified in the Remark column. The attendance rate (%) shall be calculated based on the number of meetings held by the Audit Committee and the attendance in person during the member's term of office.

Note 2: If independent directors are re-elected before the end of the fiscal year, the new and former independent directors shall be both listed and indicated as "former", "newly elected", or "re-elected" in the Remark column, as well as the date of re-election. The attendance rate (%) shall be calculated based on the number of meetings held by the Audit Committee and the attendance in person during the member's term of office.

(III) Implementation of Corporate Governance, Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the Company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, which has been approved by the Board of Directors and disclosed on the Company's website.	No material difference
II. Shareholding structure & shareholders' rights (I) Does the Company establish and implement internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations?	V		(I) The Company has a spokesperson, a proxy spokesperson, and the Stocks Department to handle shareholder recommendations or disputes.	No material difference
(II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		(II) The Company reports to the TWSE on changes in the shareholdings of its major shareholders in accordance with Article 25 of the Securities and Exchange Act on a monthly basis. Besides, it verifies the consistency between the register of shareholders and the reported information at the time of each book closure in order to keep track of the shareholdings of its major shareholders.	No material difference
(III) Does the Company establish and execute a risk management and firewall system within its affiliates?	V		(III) The Company has established and executed control for the supervision of its subsidiaries.	No material difference
(IV) Does the Company establish internal rules against insiders using undisclosed information to trade in securities?	V		(IV) The Company has formulated the "Procedures for Ethical Management and Guidelines for Conduct", the "Corporate Governance Best-practice Principles", and the "Procedures for Handling Material Inside Information" to prevent insider trading, and has announced the above-mentioned regulations on the Company's website. Besides, the Company organizes education and training for employees irregularly and strictly requires its	No material difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			internal staff to comply with relevant regulations. For the education and training, please refer to Note 1 of this table.	
III. Composition and responsibilities of the Board of Directors (I) Does the Board of Directors formulate and implement diversity policies and specific management objectives?	V		(I) The Company has formulated relevant regulations in the “Corporate Governance Best Practice Principles” that the composition of the Company’s Board of Directors is diversified, including but not limited to gender, age, nationality and culture, professional background, professional skills and industrial experience. The nine members of the 20th Board of Directors of the Company are all capable of business management, decision-making, industry knowledge and crisis management, and therefore each of them has provided a lot of guidance to the Company, which is helpful to the development and operation of the Company. For details of the Board of Directors' diversity policies, policies for specific management objectives, and the implementation, please refer to “information on directors (2)” in this Annual Report.	No material difference
(II) Does the Company voluntarily establish other functional committees in addition to the legally-required Remuneration Committee and Audit Committee?	V		(II) In addition to the legally-required Remuneration Committee, the Company fully re-elected its directors on June 23, 2022, of which all independent directors formed the Audit Committee. Each division is responsible for corporate governance based on its responsibilities. In the future, other functional committees may be evaluated to establish as needed.	No material difference
(III) Does the Company establish standards and methods to evaluate the performance of	V		(III) On March 21, 2019, the Board of Directors approved the "Evaluation Methods for the Board of Directors".	No material difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?			The Board of Directors shall conduct an internal performance evaluation at least once a year and implement the current evaluation at the end of the year. The Company reported the evaluation results of the performance to the Board of Directors on March 16, 2023. The evaluation of the Company's Board of Directors includes participation in the operation of the Company, improvement in the quality of the Board of Directors' decision-making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control. The evaluation methods include internal self-evaluation by the Board of Directors, self-evaluation by the members of the Board of Directors, or other appropriate methods. The evaluation information will be collected and recorded as a reference for the selection or nomination of directors; the evaluation results of individual directors will be used as a reference for setting their remuneration. The evaluation methods for the Board of Directors in 2022 were self-evaluation by the Board of Directors and self-evaluation by the members of the Board of Directors.	
(IV) Does the Company regularly evaluate the independence of the CPAs?	V		(IV) The Company's Finance Division conducts its own assessment of the independence of the CPAs once a year. The assessment results were submitted for review and approval at the meeting of the Board of Directors on November 10, 2022. The Board of Directors assessed the appointed CPAs on March 16, 2023 with reference to the audit quality indicators ("AQI") provided by the accounting firm. The	No material difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			Company has assessed the independence and suitability of CPAs Liu, Yu-Hsiang and Hsu, Jui-Hsuan of Deloitte & Touche with the criteria of AQI and both of them are qualified to serve as the Company's CPAs. For details of the evaluation standards of independence, please refer to Appendix 2 of this table. For the assessment of AQI, please refer to Note 3 of this table. For the statement issued by the accounting firm, please refer to Note 4 of this table. In addition, the certified accounting firm rotated the CPAs internally in 2023. The Company obtained the information of the successor accountant and submitted it to the Audit Committee and the Board of Directors for approval.	
IV. Does the TWSE/TPEX listed company assign suitable and appropriate number of corporate governance personnel and designate a corporate governance officer to be in charge of corporate governance-related matters (including but not limited to providing directors with required information for business execution, assisting directors in complying with laws and regulations, handling matters in relation to the meetings of Board of Directors and shareholders' meetings in accordance with the laws, and keeping minutes at the meetings of Board of Directors and shareholders' meetings)?	V		On August 11, 2020, depending on the size, business and management requirements of the Company, the Board of Directors approved the appointment of a dedicated Corporate Governance Officer, who is the top executive in charge of corporate governance-related matters and has been in charge of finance, stock or internal audit of a public company for more than three years, meeting the qualifications of the corporate governance officer as regulated by the Financial Supervisory Commission. The business implementation for 2022 included the following: 1. Organize the meetings of the Board of Directors and the Shareholders' meetings in accordance with the law. 2. Prepare the minutes of the meetings of the Board of Directors and the Shareholders' meetings. 3. Assist directors in assuming office and pursuing continuing education. 4. Provide directors with required information for business execution. 5. Assist directors in complying with the laws and regulations.	No material difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			6. Report to the Board of Directors on the reviewing results of the compliance of the independent directors' qualifications with the relevant laws and regulations at the time of their nomination, election and during their term of office. 7. Handle matters related to the change of directors. 8. Other matters stipulated in the Articles of Incorporation or contracts.	
V. Does the Company establish communication channels and a dedicated section on the Company's website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	V		The Company can communicate with stakeholders by telephone or conference at any time if necessary. It has established a dedicated section on the Company's website for stakeholders. The current communication is smooth, please refer to Note 5 of this table for details.	No material difference
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed the Transfer Agency Department of Yuanta Securities Co., Ltd. to provide professional services for shareholders and assist in related matters.	No material difference
VII. Information disclosure (I) Does the Company have a website to disclose the financial operations and corporate governance status?	V		(I) The Company has set up a website to disclose information related to the Company's profile, financial operations and corporate governance. (Website: https://www.huakai.com.tw)	No material difference
(II) Has the Company established any other information disclosure channels (such as maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' corporate presentations)?	V		(II) The Company has a designating person to handle information collection and disclosure. Besides, we appoint a spokesperson in accordance with the regulations and disclose the information on the corporate presentations on the Company's website.	No material difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Does the Company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?		V	(III) In accordance with laws and regulations, the Company announces and reports the first, second, and third quarter financial statements, the annual financial statements, and monthly operations.	No material difference
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of stakeholders, directors' continuing education, the implementation of risk management policies and risk-weighted yardstick, the implementation of customer relations policies, and purchase of liability insurance for directors)?	V		(I) Employee rights and employee care: The Company holds regular labor-management meetings, offers employee health checkups, holiday gifts, evening parties, education and training, as well as employee travels each year.	No material difference
	V		(II) Investor relations: The Company upholds the concept of sustainable development and considers shareholders' rights and interests in all decisions regarding the Company's operations. The Company's information is transparent and all relevant information is available on the Market Observation Post System and the Company's website. In addition, the Company has a spokesperson and investors can attend the annual corporate presentation upon invitation by the legal person, so that investors can understand the operations in a timely manner.	
	V		(III) Supplier relations: The Company collects credit reporting from suppliers in accordance with the relevant internal control system and maintains good relationships with them.	
	V		(IV) Rights of stakeholders: Stakeholders can communicate with the Company and make suggestions in order to protect their legitimate rights and interests. Besides, a stakeholder contact platform has been set up on the	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
	V		Company's website. Please refer to Note 5 of this table for details. (V) Management of related party transactions: The Company has formulated the "Regulations for Management of Related Party Transactions" and established related internal control system to manage related party transactions. Please refer to Note 6 of this table for details.	
	V		(VI) For details of the directors' continuing education, please refer to Note 7 of this table.	
	V		(VII) Implementation of risk management policies and risk-weighted yardstick: The Company has formulated risk management policies and measures to promote the implementation of various policies in accordance with relevant laws and regulations. Additionally, it has established various standard operating specifications and regularly reports to the Board of Directors on the implementation of risk management in order to reduce or avoid any possible risks. Please refer to Note 8 of this table for details.	
	V		(VIII) Implementation of consumer or customer protection policies: The Company establishes relevant departments to provide customer services and handle related issues in the promotion of each business. Moreover, we provide year-end paint services every year and develop an online software application to provide customers with online instant services in order to protect customers' rights.	
	V		(IX) Purchase of liability insurance for directors: The Company has purchased liability insurance for directors.	
IX. Please explain the improvement in the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan	V		Based on the corporate governance evaluation results of 2022, priority enhancements and measures for improvement and non-improvement are specified as follows:	No material difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
Stock Exchange Corporation in the most recent year, and propose priority enhancements and measures for those which have not yet been improved. (No need to fill in for companies not included in the appraised company)			1. Improvement: ◎ Indicator 1.15: The Company's website shall disclose the internal regulations that the Company's insiders are prohibited from trading securities using undisclosed information and specify the implementation. Improvement: The Company has formulated relevant regulations and disclosed them on the Company's website. The score has been reviewed in the 9th evaluation in 2022. ◎ Indicator 2.21: Appointment of a dedicated corporate governance officer. Improvement: The Company has appointed a dedicated Corporate Governance Officer. The score has been reviewed in the 9th evaluation in 2022. ◎ Indicator 4.17: Disclosure of supplier management policies and related regulations, as well as positive and specific requirements for suppliers in environmental protection, occupational safety and health, or labor human rights. Improvement: Relevant information has been disclosed. The score has been reviewed in the 9th evaluation in 2022. 2. Priority enhancements for the unimproved items: ◎ Indicators 1.9, 1.10, 1.11, 3.2, 3.5, 3.6: Disclosure of the shareholders' meeting notice, annual report of shareholders' meeting, manual of shareholders' meeting, material information, and financial report in English. ◎ Indicator 2.6: The Board of Directors shall include at least one female director.	

Note: No matter whether the “implementation status” is marked “Yes” or “No”, it shall be specified in the “Description” column.

Note 1: Implementation of prevention of insider trading

- I. The Company has stipulated the prohibition of insider trading in Article 8 of the "Code of Ethical Conduct for Directors and Managers", Article 15 of the "Procedures for Ethical Management and Guidelines for Conduct", and the "Procedures for Handling Material Inside Information". Besides, it has stipulated the prevention of improper disclosure of information in the "Procedures for Handling Material Internal Information".
- II. The Company electronically informed the directors and insiders of the date of the meeting of the Board of Directors and the date of the financial report announcement for 2022. Additionally, it reminded the directors and insiders not to trade their shares before the news was made public or during the closed periods of 30 days before the annual financial report announcement and 15 days before the quarterly financial report announcement to comply with the laws and regulations.
- III. The details of the Company's insider trading education and training are as follows:

Trainee	Date	Topics	Hours	Attendance
Directors and managerial officers	2022/03/24 2022/05/11 2022/08/11 2022/11/10	Internal training: Promotion of Non-compliance Patterns in Declaration of Insider Equity Changes	0.5 hours	71
Director	2022/10/14	External Training: 2022 Annual Prevention of Insider Trading Promotion Conference	3 hours	2
Employees	2022/08/19	Internal training: Implementation of Integrity in Business (including "Prevention of Insider Trading" and "Insider Trading Case Study")	2 hours	27

Note 2: Evaluation standards of the CPAs' independence

- I. In order to ensure the independence of the Company's CPAs, the Board of Directors conducts an annual review of the CPAs' independence. In addition, the certified accounting firm provides a proclamation of independence to ensure its independence.
- II. The Company's evaluation standards of the CPAs' independence are as follows:

Evaluation Item	Result	Independence of the CPAs
1. Not currently employed by the Company in a regular capacity, on a fixed salary or as a director.	Yes	Yes
2. Not having served as a director, managerial officer, or in a position that has a direct and material impact on the audit of the Company and having left the Company for less than two years.	Yes	Yes
3. Not a spouse, a direct blood relative, a direct relative by marriage, or a collateral blood relative within the second degree of the Company's directors or managerial officers.	Yes	Yes
4. The CPAs do not have an investment or financial interest relationship with the Company.	Yes	Yes
5. The CPAs have no loan with the Company.	Yes	Yes
6. Not performing management consulting or other non-certification business of the Company which would affect independence.	Yes	Yes
7. The rotation of CPAs is conducted in accordance with the law and no circumstances that would affect independence.	Yes	Yes

Note 3: Assessment of audit quality indicator (AQI)

- I. Since 2022, the Company has assessed the suitability of the CPAs with reference to the Audit Quality Indicator Report (AQI Report) issued by the certified accounting firm. The assessment covers 5 major components, including "professionalism, quality control, independence, supervision, and innovation" and 13 indicators.
- II. The Board of Directors and the Audit Committee of the Company have reviewed the "Audit Quality Indicator Report (AQI Report)" and approved the independence and suitability of Deloitte & Touche in terms of the following evaluation items.

Evaluation item	Independence of the CPAs	Suitability of the CPAs
1. Professionalism	Yes	Yes
2. Quality control	Yes	Yes
3. Independence	Yes	Yes
4. Supervision	Yes	Yes
5. Innovation	Yes	Yes



勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

Qin-Gao No. 11100929 on August 15, 2022

Recipient: Hua Yu Lien Development Co., Ltd.

Subject: We have been engaged to audit the Company's 2022 financial statements. In accordance with the provisions of the No. 10 "Integrity, Impartiality, and Independence" of the "Code of Ethics" of The National Federation of CPA Associations of the R.O.C., the members of the audit team have declared that we have complied with the following regulations and that there has been no violation of independence.

Statement:

- I. The audit team members, their spouses, and dependents are not involved in the following matters:
 - (I) Hold a direct or indirect material financial interest in the Company.
 - (II) Have a business relationship with the Company or its directors or managerial officers that affects independence.
- II. During the audit, the audit team members, their spouses, and dependents have not served as the Company's directors, managerial officers, or in positions that have a direct and material impact on the audit of the Company.
- III. The audit team members are not spouses, direct blood relatives, direct relatives by marriage, or collateral blood relatives within the second degree of the Company's directors or managerial officers.
- IV. The audit team members have not received a gift or present of great value from the Company or its directors, managerial officers or major shareholders (the value of which does not exceed normal standards of social etiquette).
- V. The audit team members have performed the necessary independence/conflict of interest procedures and no breach of independence or unresolved conflict of interest has been identified.

Deloitte & Touche

CPA: Liu, Yu-Hsiang

CPA: Hsu, Jui-Hsuan

Note 5: Contact methods of stakeholders

The Administration Division of the Company reports the communication with some stakeholders to the Board of Directors on a quarterly basis.

Stakeholders	Key concerns	Contact/feedback methods		Communication with stakeholders in 2022
Investors and shareholders	- Operating performance and financial position - Corporate governance - Corporate image	Spokesperson: Executive Vice President Wu, Chia-Te Deputy Spokesperson: CFO Lin, Shao-Hsiang Address: 11F., No. 85, Wenlong Rd., Fengshan Dist., Kaohsiung City 830009, Taiwan (R.O.C.) Tel: (07) 780-1381 ext. 6038 E-mail : steven@huakai.com.tw	- Annual General Meeting of Shareholders. - Instant material information will be made public on the Market Observation Post System of the TWSE and the Company's website simultaneously. - An email mailbox and contact number have been set up on the Company's website to provide a smooth communication channel between investors and the Company, including the reporting of illegal (including corruption) and unethical practices.	- Attend the corporate presentation upon invitation 42 material information
Customers	- After-sales service - House renovation	Customer service hotline: 0800-268-588	Provide professional consultation with the customer service hotline.	- Developed an application through which the customers reported for maintenance, with 25,058 followers on Facebook, 5,652 friends on LINE, and 10,742 followers on Instagram. - Year-end paint services for free.
Employees	- Occupational health and safety - Labor-employment relationship - Employee benefits policies	Administration Division: Ms. Chen Tel: (07)780-1381	- The Executives of Divisions hold meetings and communicate with their colleagues irregularly. - Hold regular labor-management meetings. - Provide health checkups and consultation for employees for free every year.	- Quarterly labor-management meetings were held. - Employee dinner was organized. - Employee travel was organized. - Health checkups for employees are held. - Education and training for employee was organized.

Stakeholders	Key concerns	Contact/feedback methods		Communication with stakeholders in 2022
			Organize internal and external education and training to enhance professional skills.	
Internal and External Staff	Dishonest behavior	Whistle-blowing mailbox: LAC@huakai.com.tw		I. The whistle-blowing mailbox is for internal and external use of the Company. The whistle-blower shall provide at least the following information: - The name and ID number of the whistle-blower. It can also be reported anonymously with accessible address, telephone number, and e-mail where the whistle-blower can be reached. - The name or other information that identifies the person being prosecuted. - The specific facts that can be investigated. II. The company will keep the identity of the whistle-blower and the content of the report confidential in handling the whistle-blowing. Besides, it promises to protect the whistle-blower from being improper treatment due to the whistle-blowing. III. For detailed reporting procedures, please refer to the Company's "Measures for Handling Cases of Reporting Dishonest Behaviors".

Note 6: Management of related party transactions

In 2022, the Company formulated the "Procedures for Management of Related Party Transactions", which include import and export transactions, asset transactions and long-term equity investments, capital loans and endorsement/ guarantee transactions, and other transactions. It is also clearly stipulated that related party transactions are significant in nature and the actual transaction shall be reported to the latest shareholders' meeting at the end of the year upon resolution of the Board of Directors, except for the cases listed.

Note 7: Continuing education of directors

Title	Name	Date	Course Name	Training Hours	Total	Training Institution
Representative of Corporate Director	Lu, Chao-Ting	2022/02/25	Credit Certification Program for Directors and Supervisors - Corporate Governance Series	6	6.0	H
Representative of Corporate Director	Chang, Jou-Yuan	2022/10/13	Analysis of Business Performance and Risk Prevention from Financial Statements	6	6.0	E
Representative of Corporate Director	Chien, Wen-Kung	2022/07/13	Sustainable Development Road Map Industry Promotion Conference	2	8.0	A
		2022/09/20	"Intellectual Property Infringement" Cases and Legal Liability Analysis	3		C
		2022/10/14	2022 Annual Prevention of Insider Trading Promotion Conference	3		B
Representative of Corporate Director	Chiang, Kuo-Chuan	2022/10/12	2022 Insider Stock Trading Legal Compliance Promotion Seminar	3	6.0	B
		2022/10/14	2022 Annual Prevention of Insider Trading Promotion Conference	3		B

Title	Name	Date	Course Name	Training Hours	Total	Training Institution
Director	Chao, Pei-Hung	2022/07/28	Compliance with the Company's Regulations and Directors' Oversight Obligations	3	6.0	D
		2022/09/29	Release of Reference Guidelines for Independent Directors and the Audit Committee on the Exercise Authorities and the Promotion Conference of Directors and Supervisors	3		A
Independent Director	Lin, Jen-I	2022/05/12	International Twin Summits	2	7.0	A
		2022/07/13	Sustainable Development Road Map Industry Promotion Conference	2		A
		2022/10/07	Release of Reference Guidelines for Independent Directors and the Audit Committee on the Exercise Authorities and the Promotion Conference of Directors and Supervisors	3		A
Independent Director	Tseng, Wen-Che	2022/06/22	Seminar on Corporate Governance and Corporate Sustainable Development	3	15.0	G
		2022/06/22	ESG-related Legal Issues to Be Considered by the Board of Directors	3		D
		2022/08/05	Risks and Opportunities of Climate Change and Net Zero Emission Policy on Business Operation	3		B
		2022/08/24	Exploring the Core Competencies of the Next Generation in an Era of Dramatic Change	3		F
		2022/11/04	Corporate Governance and Securities Regulations	3		B
Independent Director	Hung, Chi-Shan	2022/09/12	Analysis of Common Deficiencies in "Financial Statement Review" and Important Internal Control Regulations	6	9.0	C
		2022/12/02	Corporate Governance and Securities Regulations	3		D
Independent Director	Ke, Po-Chang	2022/08/05	The latest "Amendment to the Internal Control Standards" and the "Cyber Security" Legal Compliance and Fraud Prevention Practice	6	6.0	C

Code	Training Institution
A	Taiwan Stock Exchange
B	Securities and Futures Institute
C	Accounting Research and Development Foundation of the Republic of China
D	Taiwan Corporate Governance Association
E	Internal Audit Association of the Republic of China
F	Taiwan Institute of Directors
G	Taiwan Academy of Banking and Finance
H	Taiwan Investor Relations Institute

Note 8: Risk management operations

◎ **Risk management policies and procedures**

- I. On November 11, 2020, the Board of Directors resolved to formulate the "Risk Management Policies" to strengthen the Company's governance and establish sound risk management to control the risks that may arise from various businesses within a tolerable range, so as to reasonably ensure the achievement of the Company's objectives.
- II. The Company's risk management policies cover organization authority and responsibility, risk analysis, risk types, risk management process, information and communication.
- III. The Company has established a risk management organization to distinguish risk management authorities and responsibilities. Each department must analyze and identify risks in order to effectively identify, measure, and control each of the Company's risks and keep them within acceptable range.

◎ **Risk management scope and organizational structure**

- I. The risk management of the Company includes the management of "market risk", "investment risk", "credit risk", "hazard risk", "operational risk", "legal risk" and "other risks", as described below:
 1. Market risk: Including the impact on the Company's finance and business due to domestic and foreign economic as well as technological and industrial changes, and the risk of financial loss resulting from changes in the value of financial assets and liabilities (including assets and liabilities on- and off-the statement of financial position) due to fluctuations in market risk factors (interest rates, exchange rates, stock prices and commodity prices).
 2. Investment risk: Including fluctuations in the market price of short-term investments such as derivative transactions and financial wealth management; the operation and management of long-term investee companies.
 3. Credit risk: refers to risks that customers, suppliers and counter-parties may fail to fulfill their contracts or obligations, resulting in losses.
 4. Hazard risk: Safety protection and emergency response, referring to the risk of occurrence of major hazard events and losses.
 5. Operational risk: refers to losses to the Company due to internal control negligence, human management and information system improprieties or failures.
 6. Legal risk: refers to potential risks of financial or goodwill losses due to failure to comply with relevant regulations or the contract itself has no legal effect, ultra vires behavior, inadequate regulations, omissions in terms, or other factors, resulting in failure to bind the counterparty to perform its obligations in accordance with the contract.
 7. Other risks: refer to risks that are not one of the above, but that would cause the Company to incur a material loss.
- II. The Company's risk management organization structure, descriptions and appendices are as follows:
 1. Board of Directors
The Board of Directors is the highest governance unit of the Company to establish effective risk management. It determines the overall risk management policy, supervises the operation mechanism related to risk management, and assumes the responsibility of risk management in accordance with the overall operation strategy and business environment.
 2. Risk management promotion and implementation unit
The Company assigns the Senior Management to be the promotion and implementation unit for risk management, in charge of planning, executing and supervising risk management related matters.
 3. Senior Management (President, Vice Presidents)
Coordinate cross-departmental risk management and communication.
 4. Executives of all the Company's divisions
 - (1) Perform daily risk management activities.
 - (2) Responsible for analyzing and monitoring the risks associated with their units.
 - (3) After the risk is resolved, what shall be done to avoid or reduce the risk in the future?
 5. Auditing Office
Supervise the risk management of each department of the Company.

◎ **Risk management operations**

The Company's risk management operations were reported to the meetings of the Board of Directors on March 24, 2022, May 11, 2022, August 11, 2022, and November 10, 2022, and the reports are as follows:

1. Operational risks: The Company reviews the operational risks arising from the internal and external environment from time to time, and responds to them early to reduce risks and losses.
2. Business risk: Cyber security promotion, reminding colleagues to change passwords from time to time and not to click on Mails and links for webpages from unknown sources to reduce the risk of hacker attacks.

(IV) If the Company has established the Remuneration Committee, its composition, responsibilities and operations shall be disclosed:

1. Information on the members of the Remuneration Committee

December 31, 2022

Qualifications Name Title (Note 1)		Professional qualifications and experience (Note 2)	Independence (Note 3)	Number of other public companies where the individual concurrently serves as a member of the Remuneration Committee
Independent Director (Convener)	Lin, Jen-I	The Remuneration Committee of the Company is composed of Independent Directors Lin, Jen-I, Tseng, Wen-Che, and Hung, Chi-Shan. For information on the members of the Remuneration Committee, please refer to “information on directors (2)” in this Annual Report.		0
Independent Director	Tseng, Wen-Che			3
Independent Director	Hung, Chi-Shan			3

Note 1: Please specify the relevant years of experience, professional qualifications and experience, and independence of each member of the Remuneration Committee in the table. If the member is an independent director, please make a note to refer to the relevant content of information on directors (1) in Appendix 1 on page OO. For the title, please fill in “Independent Director” or others (if he is the convener, please add a note).

Note 2: Professional qualifications and experience: Specify the professional qualifications and experience of the individual members of the Remuneration Committee.

Note 3: Compliance of independence: specify the compliance of independence of the Remuneration Committee members, including but not limited to whether the members, their spouses, and relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliates; the number and proportion of shares in the Company held by the members, spouses, and relatives within a second degree of kinship (or in the name of others); whether the members serve as directors, supervisors, or employees of the companies with a specific relationship of the Company (refer to the provisions of Subparagraphs 5 to 8, Paragraph 1, Article 6 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); the remuneration received from the Company or its affiliates for providing business, legal, financial, accounting and other services in recent two years.

Note 4: Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

2. Information on practices of the Remuneration Committee
- (1) There are a total of 3 members in the Remuneration Committee.
- (2) The term of office of the current Remuneration Committee is from August 11, 2022 to June 22, 2025. The Remuneration Committee held 2 meetings (A) in the most recent year. The membership and attendance of the members were as follows:

Title	Name	Attendance in Person (B)	Attendance by proxy	Attendance Rate (%) (B/A) (Note)	Remark
Convener	Lin, Jen-I	2	0	100.00	Re-elected on August 11, 2022
Committee Member	Tseng, Wen-Che	2	0	100.00	Re-elected on August 11, 2022
Committee Member	Hung, Chi-Shan	2	0	100.00	Re-elected on August 11, 2022

Responsibilities of Remuneration Committee:

The Committee fulfills the following duties and responsibilities faithfully with the care of a good administrator and submits the recommendations to the Board of Directors for discussion.

- I. Formulate and regularly review the policies, systems, standards and structures for performance evaluation and remuneration of directors and managerial officers.
- II. Regularly evaluate and determine the remuneration of directors and managerial officers.

Information on the meeting of the Remuneration Committee:

Remuneration Committee (dates and sessions)	Proposal	Opinions of the Remuneration Committee	The Company's response to the Remuneration Committee's opinions
March 24, 2022 The 6th Session of the 5th Meeting	Changes in the managerial officers of the Company.	Adopted.	Reported to the Board of Directors and approved by all the directors present.
	The resolution of the distributed amount of remuneration to directors for 2021.	Adopted.	Reported to the Board of Directors and approved by all the directors present.
	The resolution of the distributed amount of employee remuneration to managerial officers for 2021.	Adopted.	Reported to the Board of Directors and approved by all the directors present.
November 10, 2022 The 1st Session of the 6th Meeting	The Company's salary adjustment for managerial officers.	Adopted.	Reported to the Board of Directors and approved by all the directors present.
	Annual bonus for managerial officer for 2022.	Adopted.	Reported to the Board of Directors and approved by all the directors present.
	Regularly evaluate the remuneration of the Company's directors and managerial officers.	Adopted.	Note (3)

Other matters that require reporting:

- I. If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, the dates and sessions of meetings of the Board of Directors, the content of the proposals, resolutions of the Board of Directors, and the Company's response to the Remuneration Committee's opinion shall be specified (if the remuneration approved by the Board of Directors exceeds the recommendation of the Remuneration Committee, the difference and reasons shall be specified) : None.
- II. For resolutions of the Remuneration Committee, if members have dissenting or qualified opinions and for which there are recorded or prepared as a written declaration, the dates and sessions of meetings of the Remuneration Committee, the content of the proposals, all members' opinions, and the Company's response to the members' opinions shall be specified: None.

- Note:
- (1) The resignation date for any members of the Remuneration Committee resigning before the end of the fiscal year shall be specified in the Remark column. The attendance rate (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the attendance in person during the member's term of office.
 - (2) If members of the Remuneration Committee are re-elected before the end of the fiscal year, the new and former members shall be both listed and indicated as "former", "newly elected", or "re-elected" in the Remark column, as well as the date of re-election. The attendance rate (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the attendance in person during the member's term of office.
 - (3) The proposal falls under the purview of the Remuneration Committee and therefore does not require the approval of the Board of Directors.

(V) Implementation of the promotion of sustainable development and deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof:

Items to promote	Implementation			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized and supervised by the Board of Directors to handle senior management?	V		1. The Company has formulated the "Sustainable Development Code of Practice" and established the "Structure for the Promotion of Sustainable Development". 2. The implementation of the Company's promotion of sustainable development is as follows: (1) The President of the Company is the convener to promote sustainable development, leading the top executives of the Engineering Division, Finance Division, Administration Division, Development Division, and Sales Division to jointly promote the sustainable development of the Company and the environment. For details of the members of the organization promoting sustainable development and the actual implementation, please refer to Note 1 of this table. (2) The Company's Administration Division regularly reviews the effectiveness of the operations and reports to the Board of Directors on the operations for sustainable development on a quarterly basis. 3. The Company's Administration Division reports to the Board of Directors at least once a year on the operations of sustainable development and urges the management team to make adjustments when necessary.	No material difference

Items to promote	Implementation			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
II. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? ※The principle of materiality refers to environmental, social, and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.	V		1. This disclosure covers the Company's performance in sustainable development from January to December 2022. The risk assessment boundary is based on the Company and its subsidiaries. The company spares no effort in promoting the development of sustainable environment, society, and corporate governance. At the same time, it strengthens the disclosure of sustainable development information and supports employees to participate in environmental and social contribution activities. 2. For the Company's risk management policies or strategies on material issues related to environment, society, and corporate governance, please refer to Note 2 of this table. 3. Specific results of implementing sustainable development (ESG): For details of the Company's donations in 2022 and support for the development of domestic cultural industry, please refer to Note 3 of this table.	No material difference
III. Environmental issues (I) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		The Company is ready to enhance the awareness of environmental safety and health of all employees and to promote and educate relevant concepts in order to implement the policies and objectives.	No material difference
(II) Does the Company endeavor to energy efficiency and use renewable materials which have low impact on the environment?	V		The Company follows environmental regulations and international standards and strives to improve the efficiency of resource utilization. Besides, it uses materials with low impact on the environment to make sustainable use of the earth's resources.	No material difference

Items to promote	Implementation			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			The following specific actions are taken to achieve the environmentally sustainable development objectives: 1. In line with the building's resource recovery and electricity control, all employees are involved in garbage separation and the air conditioning supply is stopped at 18:00 every day to reduce electricity consumption. In addition, many employees bring their own circulation fans to reduce the utilization of air-conditioning. 2. The internal and external information is directly sent to all relevant units electronically as far as possible. Furthermore, the Company makes good use of recycled paper to save electricity and paper consumption. 3. The Company is committed to the recycling of scrap resources to enhance the reuse of resources and achieve the objective of energy saving and carbon reduction.	
(III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate countermeasures?	V		The Company always pays attention to the changes in domestic and international sustainable development, ESG-related standards, and corporate environment, so as to review and improve the sustainable development system established by the Company to enhance the effectiveness of the implementation of sustainable development.	No material difference
(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on greenhouse gas reduction, water	V		Except for the offices and sales centers, we do not use air conditioners, air-conditioning equipment, or other gas-related equipment. We are careful not to set the air conditioning temperature too low in the office. Additionally, we use fans to reduce electricity consumption. Besides, we regularly promote	No material difference

Items to promote	Implementation			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
reduction, or waste management?			energy saving and carbon reduction and post slogans to strengthen the concept of sustainable development of the environment for all employees. For details of greenhouse gas emissions, water consumption and total weight of waste, please refer to Note 4 of this table.	
IV. Social issues (I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		1. In order to fulfill the corporate social responsibility and to protect the basic human rights of our employees, customers and stakeholders, the Company has established human rights policies in accordance with relevant laws and regulations and international human rights conventions. Please refer to Note 5 of this table for details. 2. For details of the promotion of workplace diversity (including the proportion of female employees and gender pay gap), please refer to Note 6 of this table.	No material difference
(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	V		The Company provides employees with career development and a good working environment and strives to reduce the harmful factors for employee safety and health, in order to prevent occupational hazards. <u>Employee Benefits</u> The Company provides labor insurance, employer's compensation contract liability insurance, retirement benefits, annual health checkups, gifts for weddings, funerals, or births, working uniforms, bonuses or gifts for the three major holidays, employee remuneration, discounts for employees to purchase the Company's construction projects, specific hotel	No material difference

Items to promote	Implementation			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			accommodation discounts, employee travels, and employee clubs. In addition, the Company has appropriately reflected the operating results in the remuneration of employees, and has formulated the "Measures for Employee Benefits", which is linked to the operating performance, in order to reward the employees and build up the cohesiveness. Besides, it has organized various recreational activities for employees, such as employee travels and dinners. <u>Operating performance is reflected in employee remuneration</u> ● Article 25 of the Articles of Incorporation: If the Company makes a profit within a fiscal year (profit refers to profit before tax prior to the distribution of remuneration to employees and directors), not less than one-thousandth of the profit shall be allocated for employees' remuneration. The remuneration to the employees is allotted in cash or stock. The eligible personnel includes employees at subsidiaries that meet the requirement of the Board of Directors. ● Overall remuneration policies: The Company reviews employees' remuneration annually, taking into account annual profitability, employee performance, and price fluctuations, in response to the government's policies of encouraging companies to raise salaries for their employees. In 2022, the average annual salary increase for supervisory and non-supervisory positions ranged from 1.6% to 5.7%.	

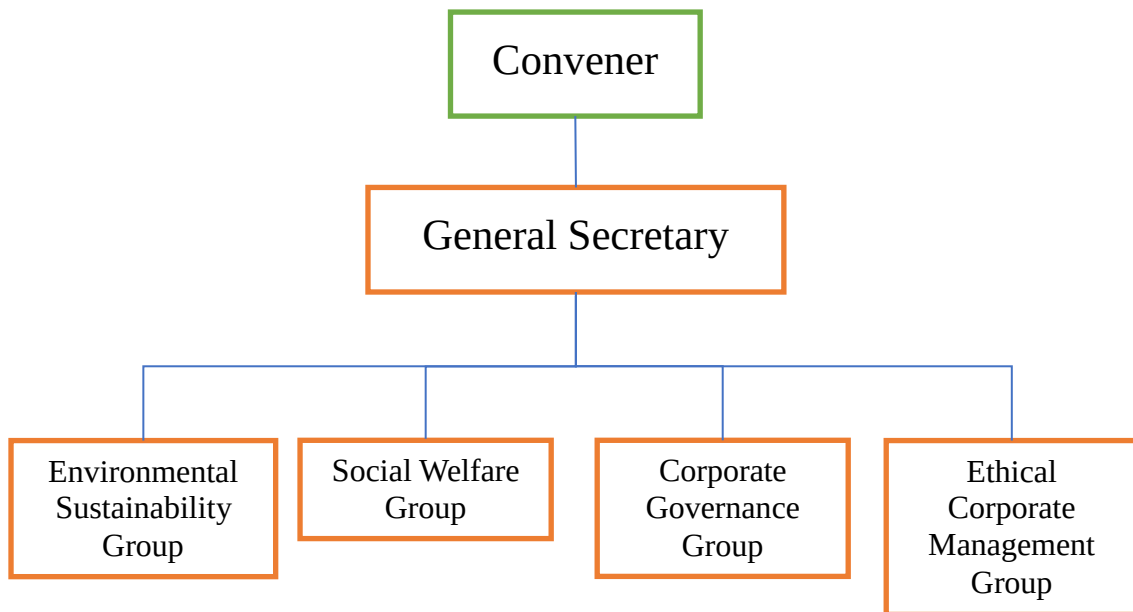
Items to promote	Implementation			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Does the Company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	V		The Company provides employees with a safe and healthy working environment, including necessary health and first aid facilities, and strives to reduce the harmful factors for employee safety and health, in order to prevent occupational hazards. In addition to the implementation and inspection of site safety and health management by the Company's Engineering Division based on the internal control system, the Company handles the following in accordance with the regulations: (1) Health checkups for employees are held regularly. (2) Uniforms, safety helmets and safety shoes are distributed to employees on duty at the construction site to provide them with appropriate work safety protection. (3) Aerobic dance and yoga classes are offered to provide the employees with opportunities to exercise in a timely manner.	No material difference
(IV) Does the Company establish effective career development and training plans for its employees?	V		The Company has established the "Employee Education and Training Program", according to which employees may submit applications and are encouraged to perform relevant functional training in line with the Company's operational development. In addition to the relevant meetings and work reviews to guide employees at all levels, the executives of divisions at all levels hold internal education and training, including courses on general legal knowledge, construction laws and regulations, and the promotion of various laws and regulations, in order to enhance the relevant functions of employees.	No material difference

Items to promote	Implementation			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labeling and other related issues, and set policies to protect consumers or customers' rights and consumer appeal procedures?	V		The Company treats customers of products and services in a fair and reasonable manner, and ensures service quality in accordance with governmental regulations and industry-related norms, and improves product quality and customer relations through customer complaint handling processes, and improves after-sales service quality. The Company has set up the "Application of Hua Yu Lien Family" and a customer service hotline to handle issues related to consumer complaints in a fair and timely manner.	No material difference
(VI) Does the Company formulate and implement supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights?	V		The Company evaluates new suppliers and the suppliers over the years. For details of the supplier management policies and its implementation, please refer to Note 7 of this table.	No material difference
V. Does the company refer to internationally-used standards or guidelines for the preparation of reports such as Sustainable Development reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?	V		The Company has not fulfilled the requirement to prepare a sustainable development report and therefore has not prepared.	No material difference
VI. If the Company has formulated its own Sustainable Development Code of Practice in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the implementation and its discrepancies between the Principles: The Company's "Sustainable Development Code of Practice" has been formulated in full compliance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", including the implementation of corporate governance,				

Items to promote	Implementation			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
development of a sustainable environment, protection of social welfare, and enhancement of information disclosure on sustainable development. There is no difference between the operation.				
VII. Other important information to help understand the implementation of sustainable development: The Company has established relevant management practices for employee rights and supplier relations, with particular emphasis on employee rights and benefits. It has established employee-related welfare policies in addition to providing an excellent working environment. In addition, it has smooth communication channels with banks, other creditors and suppliers.				

Note 1: Sustainable Development Committee

(I) Organizational structure



(II) Organization members

Organization	Member
Convener	President of the Company
General Secretary	Top executive of the Finance Division
Environmental Sustainability Group	Top executives of the Engineering Division, the Development Division, and the Sales Division
Social Welfare Group	Top executive of the Administration Division and Chairman's Office
Corporate Governance Group	Corporate Governance Officer
Ethical Corporate Management Group	Board of Directors

(III) Responsibilities of the groups

Group	Responsibilities
General Secretary	Integrate and implement issues related to corporate governance and sustainable development.
Environmental Sustainability Group	Responsible for promoting systems related to sustainable development and environmental protection, and making recommendations for improvement, such as energy conservation, reduction of greenhouse gas and pollution emissions, promotion of environmental concept, and continuous management of operations.
Social Welfare Group	Responsible for participating in social welfare activities and promoting corporate social responsibility, and making suggestions for improvement, such as employee welfare and care, community involvement and social welfare.
Corporate Governance Group	Responsible for promoting corporate governance related systems and making recommendations for improvement, such as the corporate governance structure.

Group	Responsibilities
Ethical Corporate Management Group	Responsible for the promotion of integrity management-related systems and prohibition of dishonest practices, and making recommendations for improvement, such as: board of directors, remuneration committee, internal control and risk management, corporate culture of integrity management, whistleblower system, stakeholder rights protection and response to related issues, product liability policy and promotion, and consumer protection-related systems and promotion.

Note 2: The Company's risk management policies or strategies on material issues related to environment, society, and corporate governance are evaluated with respect to the principle of materiality for sustainable development, and the related management policies are established as follows:

Issues	Risk assessment item	Management policies
Environment	Environmental impact and management	1. The Company has institutionalized management and requires the suppliers to comply with environmental protection regulations for their products to reduce pollution emissions and the environmental impact of the housing construction. 2. The Company entrusts the disposal of construction waste and household waste to legal vendors in order to alleviate the impact of waste on the environment.
Society	Occupational safety	1. Safety and health regulations are established and labor safety personnel with labor safety licenses are appointed to perform labor safety inspections. 2. Uniforms, safety helmets and safety shoes are provided for site staff to protect their safety. 3. Safety and health education and training are carried out on a daily basis at the site, and personnel are reminded to wear helmets and safety shoes before entering the site, and safety measures such as safety belts are hung for overhead operations, and cables shall be well insulated, and cranes and equipment shall not be overloaded and overweight. 4. Labor insurance and extra-employment liability insurance are provided for employees. Besides, we also conduct regular annual health checkups.
	Product warranty and service	1. The Company's warranty for customers' houses: 15 years for the main structure, 3 years for the fixed building materials and equipment. 2. In order to ensure the quality of customer service, the Company has developed the phone software "Application of Hua Yu Lien Family" to provide customers with instant services online. Additionally, it also organizes resident activities irregularly to strengthen the relationship with customers.
Corporate governance and integrity in business	Legal compliance	By the promotion and implementation of the internal control system, the Company ensures that the employees comply with relevant laws and regulations.
	Strengthening of directors' functions	1. The Company has planned continuing education for its directors and has arranged for them to attend ESG, corporate governance, regulatory, and financial accounting courses every year. 2. Directors' liability insurance is provided to protect directors against lawsuits or claims.
	Communication with stakeholders	The Company has established a good communication channel with its stakeholders. Please refer to the "Contact methods of stakeholders " in this Annual Report.

Note 3: Specific results of implementing sustainable development (ESG):

- I. Based on the concept of giving back to the community, the Company has spared no effort in promoting social welfare and charitable causes. The items and amounts donated by the Company in 2022 are as follows:

Donees	Unit: NT\$ Amount
Kaohsiung City Government	\$10,000,000
Tainan City Government Economic Development Bureau	2,000,000
FIACBI-Taiwan	1,000,000
Social Affairs Bureau of Kaohsiung City Government	350,000
National Kaohsiung University of Science and Technology	171,550
Volunteer Criminal Police Brigade, Kaohsiung City Police Department	150,000
Association of Kaohsiung Harbor and Metropolitan Enterprises listed on TWSE/TPEX	40,000
Zuo Ying Office, Kaohsiung City Branch, Police Friends Association	20,000
Kaohsiung Hua Wan Lions Club	20,000
Greater Kaohsiung Police Friends Association, Kaohsiung City	15,000
The Real Estate Development Association of Kaohsiung	9,600
Total	\$13,776,150

II. Support for the development of domestic cultural industries:

- (I) Fostering emerging artists: The company places artworks and installations in its construction projects to support the domestic cultural industry and enhance the overall atmosphere of the community at the same time.
- (II) Donation of books: The Company donates books to the Kaohsiung Zuoying Library and sets up a special section for reading materials to enrich the local library collection.
- (III) Participation in the Christmas lighting activity: The company participated in the Christmas lighting activity held by the National Kaohsiung Center for the Arts (Weiwuying), which also allowed students with disadvantaged educational resources to listen to the performance of the National Symphony Orchestra at the National Concert Hall. A total of about 30 people in the Company joined the activity.

III. Fulfill our social responsibility and contribute to the development of our community:

- (I) Assisting in the implementation of the Children's Welfare Park Project: The Company assists the Kaohsiung City Government Social Bureau in implementing the Children's Welfare Park Project to provide a safe and perfect parent-child resting place for disadvantaged families or children with special needs.
- (II) Co-organize Kindergarten Games: The Company co-organized kindergarten games in Tainan Caro Kindergarten to help cultivate children's sports ability and sportsmanship.

IV. Risks, opportunities, specific improvement measures and effectiveness for the community:

Risks	Opportunities	Specific measures	Effectiveness
School safety for young children	Establish a childcare institute	The Company leased the land to build a kindergarten and facilitated the establishment of the kindergarten.	Promoted the development of the community and solved the problem of child care for the neighboring families, as the number of students in recent kindergartens has almost reached its capacity.

Risks	Opportunities	Specific measures	Effectiveness
Life facilities and employment	Set up shopping malls	The Company builds shopping malls and actively invites investment	PX Mart and the catering industry have already moved in, which not only enhances the community's living facilities but also creates employment for the local people.
Schools lack opportunities for collaboration	Seek opportunities for industry-academia collaboration	Conduct industry-academia cooperation with Kaohsiung University of Science and Technology	The company was awarded the information consultant for mobile application development, and increased the cooperation opportunities between schools and industries.

Note 4: Annual greenhouse gas emissions, water consumption and total weight of waste:

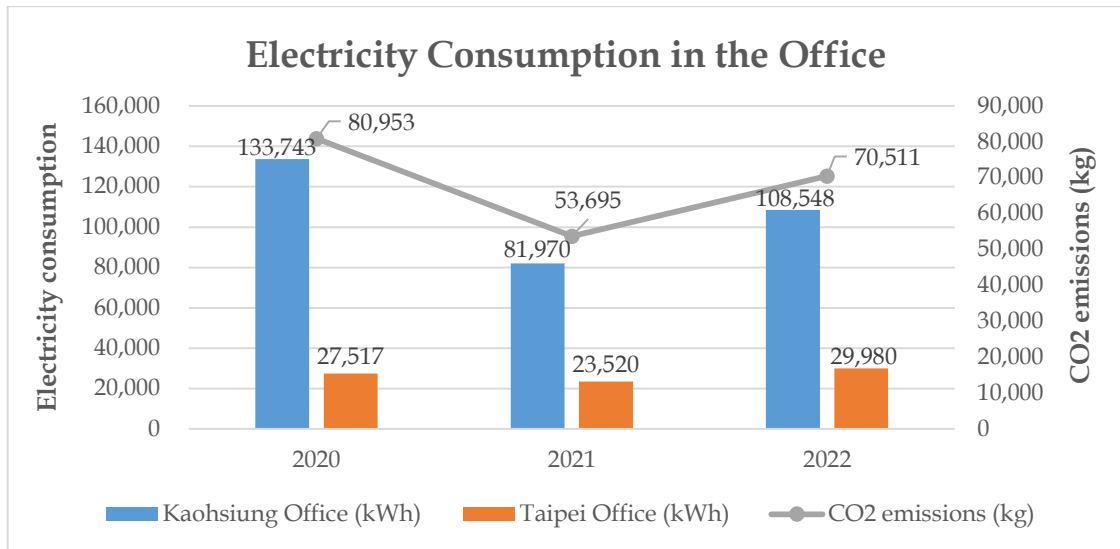
I. Annual greenhouse gas emissions and water consumption

The Company's energy consumption includes purchased electricity and water. The total carbon dioxide emissions for 2022 were 70.51 metric tons. The company will follow the trend of energy conservation, carbon reduction, and energy sustainable development, fulfill the obligations and responsibilities of global citizens, and make a contribution to the sustainability of the earth.

Electricity Consumption in the Office

Electricity consumption \ Year	2020	2021	2022
Kaohsiung Office (kWh)	133,743	81,970	108,548
Taipei Office (kWh)	27,517	23,520	29,980
Total (kWh)	161,260	105,490	138,528
Carbon dioxide emissions (kg)	80,953	53,695	70,511

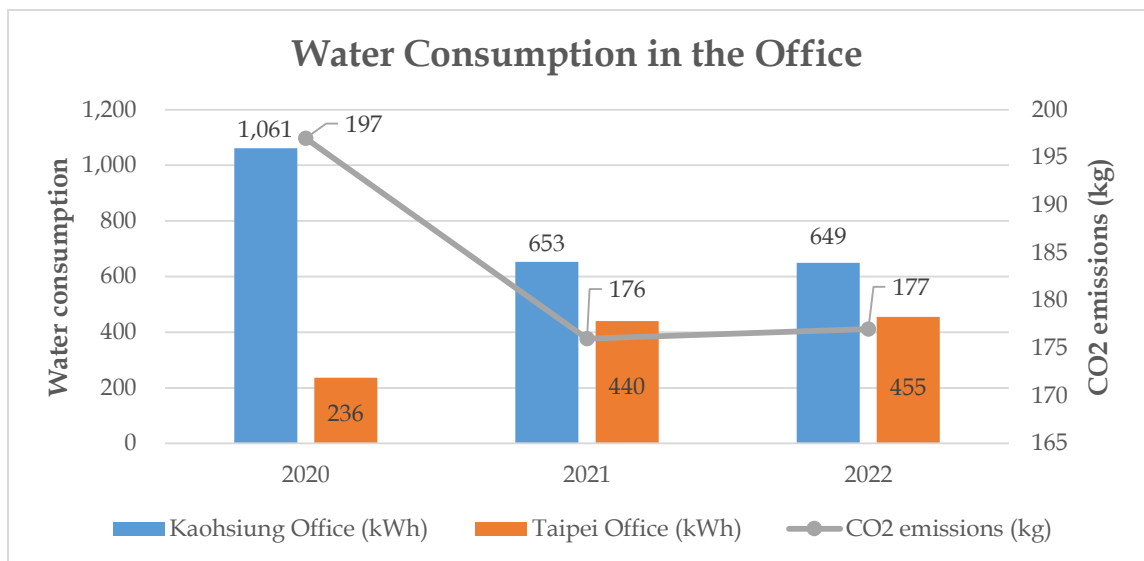
Note: The electricity emission coefficient is based on the version announced by the Energy Bureau: 0.502 kg CO₂/kWh in 2020 and 0.509 kg CO₂/kWh in 2021. The emission coefficient for 2022 has not yet been announced, so the coefficient for 2021 was used for conversion.



Water Consumption in the Office

Year	2020	2021	2022
Water consumption			
Kaohsiung Office (kWh)	1,061	653	649
Taipei Office (kWh)	236	440	455
Total (kWh)	1,297	1,093	1,104
Carbon dioxide emissions (kg)	197	176	177

Note: The water emission coefficient is based on the figure announced by the Taiwan Water Supply Corporation: 0.152 kg CO₂/ton in 2020 and 0.161 kg CO₂/ton in 2021. The emission coefficient for 2022 has not yet been announced, so the coefficient for 2021 was used for conversion.

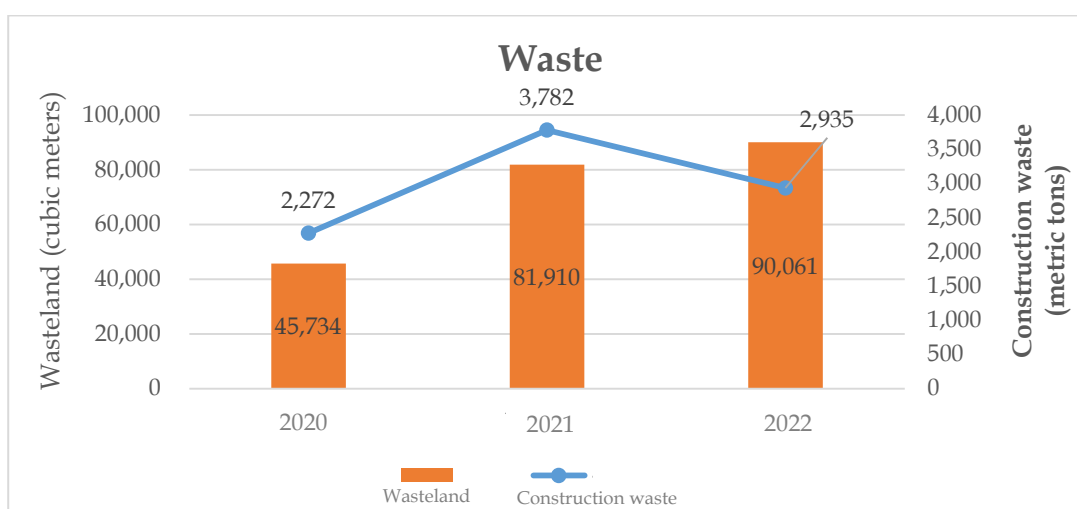


II. Total weight of waste

The Company complies with the requirements of waste management laws and regulations, and ensures that construction waste and landfill disposal are entrusted to contractors with government-approved licenses, and that the contractors and disposal sites perform the cleaning operations on behalf of the Company to ensure that the waste and landfill disposal comply with the relevant regulations.

Waste

Waste type \ Year	2020	2021	2022
Construction waste (metric tons)	2,272	3,782	2,935
Wasteland (cubic meters)	45,734	81,910	90,061



Note 5: Human Rights Concerns and Operations

The Company complies with the laws and regulations of its location and follows the spirit and basic principles of human rights protection enshrined in the Universal Declaration of Human Rights, the Global Covenant, the International Labor Organization Convention and various international human rights conventions, and actively implements various policies to protect human rights in the formulation of various regulations, treats and values all employees, and fully realizes its responsibility to respect and protect human rights.

Evaluation aspects	Provide a safe and healthy working environment	Eliminate unlawful discrimination to ensure equal opportunity in the workplace	Prohibit child labor	Prohibit forced labor	Assist employees in maintaining physical and mental health and work-life balance
Goals and actions	Implement occupational hazard prevention to promote employees' physical and mental health Regularly conduct employee health checkups and implement occupational safety and health management	Comply with local government labor laws and regulations, international norms and the Company's human rights policies, and implement relevant internal regulations Promote and implement internal control procedures, and adopt the principle of non-discrimination in the recruitment and appointment of personnel and related regulations and operations, without discrimination on the basis of race, class, language, ideology, religion, party affiliation, origin, place of birth, gender, sexual orientation, age, marriage, pregnancy, appearance, facial features, physical and mental disabilities, astrological sign, blood type, or previous union membership. In the internal interview notice, the Company will remind the interviewer not to ask personal information of the applicant that is not related to the job.	Implement in accordance with the Company's human rights policies and the relevant labor laws and regulations. The company only accepts applications from candidates who are 16 years of age or older and conducts double checks to ensure that no employee is overlooked.	Comply with local government labor laws and regulations, international norms and the Company's human rights policies, and do not force or coerce any unwilling labor. It is specified in the work rules that if there is a need for overtime work, the employee's consent must be obtained and overtime pay or compensatory time off will be provided afterwards.	Provide diversified activities, such as: organizing sports club activities, staff meals, staff trips and other group recreational activities to expand interpersonal interaction among colleagues, in order to adjust the physical and mental health of employees and enrich the concept of work-life balance Increase special merchants for various types of physical and online businesses to enhance the diversity, safety and convenience of employees' life in the era of epidemic.
Risk assessment	Record whether there are any occupational disasters that may	From the beginning of the recruitment process, the Company will follow	Applicants must provide relevant identification	In addition to the internal system to control working	Review the participation rates and employee

Evaluation aspects	Provide a safe and healthy working environment	Eliminate unlawful discrimination to ensure equal opportunity in the workplace	Prohibit child labor	Prohibit forced labor	Assist employees in maintaining physical and mental health and work-life balance
	be caused by inadequate safety measures at the site	internal control procedures to eliminate unlawful discrimination, and will not ask applicants to provide personal information unrelated to the job on the Company's resume form.	documents (such as ID card, driver's license, health insurance card, education certificate) for the Company to confirm that they are at least 16 years old.	hours, the Company also promotes and reviews with its grievance channels and labor-management meetings.	feedback, or recommendations
Mitigation measures	Install licensed labor safety personnel to perform labor safety inspections to eliminate hazards in the work environment that may affect the health and safety of workers and reduce the risk of occupational hazards. Provide safety protection equipment for site staff to protect their safety. Execute labor safety education and training, and require workers to wear safety helmets, safety shoes, and safety belts for elevated operations before entering the site. Regular health checkups, comprehensive construction insurance, site staff' insurance, workers' insurance, and employer's liability insurance are provided to protect the basic rights of workers.	Since the beginning of the recruitment, the Company has carried out the employment procedures in accordance with the law to eliminate illegal discrimination.	Since the beginning of the recruitment, the Company has carried out the employment procedures in accordance with the law to eliminate the employment of child labor.	Monthly review and control of working hours in attendance system and overtime application records.	Work with the Company's recreation team and Administration Division to help promote and encourage participation.
How to remedy	Immediately move out of the original work.	No such concern.	No such concern.	If forced labor is found, the Company will take	After the activity, ask employees for their

Evaluation aspects	Provide a safe and healthy working environment	Eliminate unlawful discrimination to ensure equal opportunity in the workplace	Prohibit child labor	Prohibit forced labor	Assist employees in maintaining physical and mental health and work-life balance
	Provide adequate medical assistance. Provide leave and salary compensation in accordance with the law. Prevent recurrence.			necessary improvement measures with the executives and return the employee's entitlements.	opinions and ideas for future improvement.
Appeal channels	Executive for occupational safety and health Administration Division	The complaint box on the Company's website is available for external parties to make reports or complaints	The complaint box on the Company's website is available for external parties to make reports or complaints	The Company has a complaint box and labor-management meetings for employees to reflect at any time	The Company has a complaint box and labor-management meetings for employees to reflect at any time

Note 6: Promote diversity and gender equality in the workplace

1. Diversity Policies in workplace: The Company is committed to providing employees with a dignified and safe work environment and to implementing a fair workplace diversity, remuneration and promotion opportunities to ensure that employees are not discriminated against, harassed or treated unequally on the basis of race, class, language, ideology, religion, party affiliation, national origin, place of birth, gender, sexual orientation, age, marriage, pregnancy, appearance, facial features, physical or mental impairment, astrological sign, blood type or previous union membership.
2. The Company values gender equality and does not discriminate in the appointment, performance evaluation, promotion, education and training, salary payment, retirement, redundancy, termination or dismissal of employees based on gender or sexual orientation. In addition, in the event of gender inequality or sexual harassment in the workplace, you can file a complaint with the Human Resources Department of the Administration Division of the Company.
3. The details of the implementation of the "Workplace Diversity Policies":

Headcount indicator	Percentage (%)
Women in total employees (%)	58.33%
Women in total executives (%)	41.18%
Women in Senior Management (%)	50.00%

Remuneration indicator	Deviation (%)
Deviation of the "average" salary of men and women	18.30%
Deviation of the "median" salary of men and women	16.64%

Note 7: Supplier management policies and implementation

1. Supplier evaluation: Suppliers of raw materials related to the manufacturing process must pass the ISO quality management system certification.
 - (1) Goldsun Building Materials Co., Ltd. (concrete material supplier): ISO 9001 (quality management system) and ISO 14064-1 (greenhouse gas inventory standard) certified.
 - (2) Golden Friends (GFC, Ltd.) Corp. (elevator supplier): ISO 9001 (quality management system) and ISO 14001 (environmental management system) certified.
2. Supplier audits: The site director audits the suppliers irregularly on quality audits and occupational safety and health, in order to guarantee the quality of construction projects and protect labor human rights.
3. Environmentally Sustainable development: Suppliers are actively required to be committed to environmentally sustainable development and contribute to the environment in which they operate.
 - (1) Goldsun Building Materials Co., Ltd. (concrete material supplier): actively engaged in environmentally sustainable development, such as promoting green research and development (including green concrete, ALC lightweight bricks, carbon mineralization technology, recycled materials), energy management, greenhouse gas reduction, low-carbon transportation, air pollution prevention, and water resource management.
 - (2) Golden Friends (GFC, Ltd.) Corp. (elevator supplier): actively engaged in environmentally sustainable development, such as implementing green operation, green products and services, green procurement, green power production, electricity saving, carbon emission reduction in manufacturing process, energy-saving elevator optimization, purchasing green bonds, encouraging green consumption by employees.
4. Labor human rights and occupational safety and health: The Company actively asks our suppliers to create a friendly workplace environment and value labor human rights and occupational safety and health.
 - (1) Goldsun Building Materials Co., Ltd. (concrete material supplier): Implement diversified equality and non-discrimination (including gender equality policy), fair remuneration (no pay gap based on gender), maternal health protection program, regular labor-management meetings and two-way communication and negotiation with employees, and employee education and training. At the same time, it has implemented measures to prevent occupational hazards such as the promotion of occupational safety and health, the establishment of the Occupational Safety and Health Committee, the provision of subsidies on employee health checkups, and the implementation of "safe and defensive driving".
 - (2) Golden Friends (GFC, Ltd.) Corp. (elevator supplier): Establish the Occupational Safety and Health Committee, formulate safety rules for high-risk operations, and set up an accident notification mechanism.

(VI) Ethical Corporate Management:

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs (I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and the management to rigorous and thorough implementation of such policies?	V		(I) In order to implement ethical corporate management policies, the Company's "Procedures for Ethical Management and Guidelines for Conduct" and the "Code of Ethical Conduct for Directors, Supervisors and Managers" were reported for review and approval to the meeting of the Board of Directors on March 16, 2015, and reported to the Shareholders' Meeting on June 2, 2015, with amendments referring to relevant amendments promulgated by the competent authorities. The relevant information is announced on the Market Observation Post System and the Company's website in accordance with the regulations. All directors and management have implemented the relevant requirements.	No material difference
(II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice	V		(II) The Company's "Procedures for Ethical Management and Guidelines for Conduct" clearly prohibits dishonest behavior such as bribery or accepting improper benefits, illegal political contributions, and leaking trade secrets, and has taken preventive measures and conducted education to implement its ethical corporate management policies.	No material difference

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
Principles for TWSE/GTSM Listed Companies"?				
(III) Does the Company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?	V		(III) The Company has mentioned the procedures and grievance system for handling dishonest behavior of the Company's personnel in the "Procedures for Ethical Management and Guidelines for Conduct" to establish the corporate culture and sound development of the Company's integrity in business.	No material difference
II. Fulfillment of ethical corporate management (I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	V		(I) The Company has stipulated the terms and conditions of integrity in its business contracts, and the relevant terms and conditions are reviewed by the legal staff to avoid dishonest behavior.	No material difference
(II) Does the Company establish an exclusively dedicated unit supervised by the Board of Directors to be in charge of ethical corporate management and report to the Board of Directors the implementation of ethical corporate management policies and prevention programs on a regular basis (at least once a year)?	V		(II) Article 6 of the Company's "Procedures for Ethical Management and Guidelines for Conduct" specifies the human resources unit as the dedicated unit and reports the implementation to the Board of Directors on a regular basis in the third or fourth quarter of each year. In addition, to promote integrity in business, the Company has established the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct" to implement the external aspects of ethical corporate management, including construction materials	No material difference

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			contracts, housing sales contracts, and after-sales services; and the internal aspects, including legal compliance, financial security, cyber security, and employee integrity and assessment.	
(III) Does the Company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	V		(III)The Company has established policies to prevent conflict of interest in the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct", and has a grievance mechanism for employees. In addition, if the Company's directors attending the meetings of the Board of Directors have an interest in the proposals listed therein, they have acted in accordance with the regulations on recusal of interests.	No material difference
(IV) Does the Company establish effective accounting systems and internal control systems to implement ethical corporate management, with the internal audit unit being responsible for devising relevant audit plans based on the results of assessment of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or engaging a CPA to carry out the audit?	V		(IV)The Company has established an effective accounting system and internal control system. The Board of Directors has instructed the auditing unit to conduct internal audits on a regular and irregular basis, and the internal auditors use the risk assessment conclusion as the basis for the annual audit plan each year, and report the actual implementation of the audit plan in the Board of Directors' meeting on a quarterly basis to implement the monitoring mechanism and risk control.	No material difference

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(V) Does the Company regularly hold internal and external training on ethical corporate management?	V		(V) Based on the actual business needs, the relevant management regularly participates in internal and external education and training, and conducts related internal promotion to convey the importance of integrity. For details on the implementation of integrity in business, please refer to Note 1 of this table.	No material difference
III. Operation of the whistle-blowing system (I) Does the Company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?	V		(I) Employees may report violations of the integrity in business by phone or through the whistle-blowing mailbox.	No material difference
(II) Does the Company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after the investigation, and related confidentiality mechanisms?	V		(II) The Company has established a reporting or grievance mechanism that prohibits retaliation against persons who report or complain in good faith.	No material difference
(III) Does the Company provide protection for whistle-blowers against receiving improper treatment?	V		(III) The Company has established a reporting or grievance mechanism and a confidentiality mechanism to properly protect whistle-blowers or complainants from improper treatment as a result of a report or grievance and prohibits retaliation against persons who report or complain in good faith.	No material difference
IV. Enhanced disclosure of ethical corporate management information (I) Does the Company disclose the ethical corporate management policies and the results of its implementation on the Company website and	V		(I) The Company has set up the "Procedures for Ethical Management and Guidelines for Conduct" and the "Ethical Corporate Management Best	No material difference

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
MOPS?			Practice Principles" on the Company's website and on the Market Observation Post System for the reference of relevant personnel. Besides, it has also set up a dedicated section on the Company's website for the implementation of integrity in business to reveal the actual implementation of the Company's regular reports to the Board of Directors.	
V. If the Company has established its own ethical corporate management principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please describe the implementation and any deviations from the Principles: In order to implement its ethical corporate management policies and prevent dishonest behavior, the Company has established the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct", and there are no differences between the operation. Besides, it always pays attention to the amendments of domestic laws and regulations, and send employees to participate in relevant courses or promotion conference to reduce business risks. In addition, the Company regularly hires external lecturers to educate employees on legal compliance and to promote the principles of integrity in business.				
VI. Other important information to facilitate better understanding of the Company's ethical corporate management: (e.g., the Company's review and amendments to the Ethical Corporate Management Best Practice Principles) The Company's directors and employees have signed an integrity statement to reduce the risk of dishonest behavior.				

Note 1: Implementation of integrity in business

The Company reported to the Board of Directors on the implementation of integrity in business in the third quarter of 2022, as follows:

1. To promote integrity in business, the Company has established the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct" to implement the external aspects of ethical corporate management, including construction materials contracts, housing sales contracts, and after-sales services; and the internal aspects, including legal compliance, financial security, cyber security, and employee integrity and assessment.
2. New employees are required to issue a statement of compliance with the integrity in business policy, and employees are required to comply with the integrity in business policy in their employment conditions, and the integrity in business policy is disclosed on the Company's website in a timely manner and announced at external events so that suppliers, customers and other related personnel can clearly understand the Company's philosophy and standards of integrity in business.

3. In the third quarter of 2022, the Company invited lawyers to give lectures in order to enhance employees' concept of the rule of law and reduce the risk of dishonest behavior.

Topics	Date and hours	Attendance
Implementation of Integrity in Business	August 19, 2022 2 hours	27

(VII) If the Company has established corporate governance best practice principles and related regulations, the inquiry methods shall be disclosed: The Company has established relevant regulations, such as corporate governance best practice principles, the Procedures for Ethical Management and Guidelines for Conduct, and the Code of Ethical Conduct for Directors and Managers, to implement the operation and promotion of corporate governance. The relevant regulations have been announced on the Company's website. (<https://www.huakai.com.tw>)

(VIII) Other important information to enhance the understanding of the operation of corporate governance may be disclosed together:

1. Principles of corporate governance
 - A. Important information shall be disclosed immediately.
 - B. The Board of Directors interacts with the management team in a positive manner.
 - C. Establish the Remuneration Committee to strengthen corporate governance and to improve the remuneration system for directors and managerial officers of the Company.
 - D. Established the Audit Committee to assist the Board of Directors in improving the performance of corporate governance.
 - E. Resolutions of shareholders' meetings shall be voted on a case-by-case basis and may be exercised by electronic voting, so as to fully implement the exercise of shareholders' rights.
 - F. Uphold the principle of integrity in business.
2. The Company has appointed a dedicated Corporate Governance Officer to be in charge of corporate governance related matters with the following terms of reference:
 - A. Organize the meetings of the Board of Directors and the Shareholders' meetings in accordance with the law.
 - B. Prepare the minutes of the meetings of the Board of Directors and the Shareholders' meetings.
 - C. Assist directors in assuming office and pursuing continuing education.
 - D. Provide directors with required information for business execution.
 - E. Assist directors in complying with the laws and regulations.
 - F. Report to the Board of Directors on the reviewing results of the compliance of the independent directors' qualifications with the relevant laws and regulations at the time of their nomination, election and during their term of office.
 - G. Handle matters related to the change of directors.
 - H. Other matters stipulated in the Articles of Incorporation or contracts.

3. The continuing education of the Corporate Governance Officer is as follows:

Training period	Professional training institutes	Training courses	Course Hours
2022/02/25	Taiwan Investor Relations Institute	Credit Certification Program for Directors and Supervisors - Corporate Governance Series	6
2022/08/22	Internal Audit Association of the Republic of China	How to adjust the internal control system to meet the new ESG regulations	6

4. The Company's managerial officers participated in the following corporate governance-related education and training programs:

Name and title	Training period	Professional training institutes	Training courses	Course Hours
Lu, Chao-Ting President	2022/02/25	Taiwan Investor Relations Institute	Credit Certification Program for Directors and Supervisors - Corporate Governance Series	6
Lin, Shao-Hsiang CFO	2022/07/21 ~ 2022/07/22	National Cheng Kung University	Continuing Education Course for Accounting Manager (including 3 hours of Corporate Governance)	3
Wu, Yu-Chen Vice President	2022/08/29 ~ 2022/08/30	Accounting Research and Development Foundation of the Republic of China	Continuing Education Course for Accounting Manager of Issuer, Securities Broker, and Stock Exchange (including 3 hours of Corporate Governance)	3
Kung, I-Ching Manager	2022/02/25	Taiwan Investor Relations Institute	Credit Certification Program for Directors and Supervisors - Corporate Governance Series	6
	2022/08/22	Internal Audit Association of the Republic of China	How to adjust the internal control system to meet the new ESG regulations	6

5. Details in obtaining relevant domestic certificates of finance, accounting, and auditing related personnel:

- A. Certified Public Accountant: 1.
- B. Securities Firm Senior Business Personnel Certificate: 1.
- C. Passed the Basic Competency Test for Enterprise Internal Control: 1.
- D. Stockbroker Certificate: 1.

6. Succession planning and operation of the Company's Board of Directors and key management personnel:
- (1) For the Company's ongoing succession plan for directors, the following criteria are used to establish a database of director candidates:
 - A. Integrity, responsibility, innovation and decision-making ability, in line with the Company's core values, and with expertise and skills that contribute to the management of the Company.
 - B. In terms of the Board of Directors' expertise on the whole, industry experience (such as real estate, law, banking, accounting, and tax) and expertise (such as business management, decision-making, crisis management, and industry knowledge) related to the business of the Company are required.
 - C. The addition of this member is expected to provide the Company with a Board of Directors that is effective, diverse and responsive to the Company's needs.
 - (2) The Company has formulated the "Evaluation Methods for the Board of Directors" and regularly conducts performance evaluations. Through relevant measurement items, including mastery of the Company's goals and tasks, awareness of directors' responsibilities, participation in the Company's operations, internal relationship management and communication, directors' professionalism and continuing education, internal control, and specific opinion expression, the Company can confirm the effective operation of the Board of Directors and evaluate the performance of directors, as a reference for future selection of directors.
 - (3) The Chairman of the Company is young and promising, and his leadership style is energetic and positive. Therefore, in case of major decisions, the Chairman of the Board of Directors discusses the decision direction with senior executives (Executive Vice President and CFO), and the senior executives lead a number of middle-level executives (Assistant Vice Presidents and Managers). The roles played by the middle-level executives are mainly: implement the decisions, deliver to junior employees, and communicate with senior managers. The management succession plan and implementation are as follows:

Title	Succession plan	Training	Achievement
Chairman	Not applicable, as the Chairman is young and promising and has no succession plan yet.	Participate in education and training, and continue to acquire professional knowledge and skills.	N/A
Director	A database of director candidates is established and performance evaluations are conducted on a regular basis to serve as a reference for the future selection of directors.	Participate in education and training, and continue to acquire professional knowledge and skills.	Ongoing
President	Cultivate key management and promote the Company's talents through leadership and learning to achieve the succession goal.	Participate in internal or external education and training, and continue to acquire professional knowledge and required skills.	Ongoing

Title	Succession plan	Training	Achievement
Key management	Cultivate middle management and promote the Company's talents through leadership and learning to achieve the succession goal.	Participate in internal or external education and training, continue to acquire professional knowledge and required skills, and implement the duty agent system.	2021: promoted 2 Vice Presidents 2022: promoted 1 Vice President
Middle management	Promote junior management and make them the reserve of middle management.	Participate in internal or external educational and training, and develop the skills required for succession through key management.	2022: promoted 1 Assistant Vice President

- (4) The Company provides training opportunities (internal or external) to enable management staff to enhance their professional knowledge and skills, which in turn improves work efficiency. Middle executives also participate in regular executive meetings and departmental meetings. In addition, The Company has implemented the duty agent mechanism, when senior executives are on leave or on business trips, middle executives are assigned to perform duties on their behalf. Therefore, through the communication and discussion process in meetings and the duty agent mechanism, the middle executives have been able to accumulate experience, not only to cultivate the ability, but also to convey the Company's core values and future blueprint, so as to avoid a manpower gap in the Company. In this way, they are able to achieve a consistent direction of the Company's overall operation and to meet the rapidly changing environment. In 2022, the Company held the following training courses for the management:

Title	Date	Topics	Course Hours
Chairman (also concurrently serves as the President)	2022/03/26 2022/03/27 2022/04/09	Carnegie's Course: "Building High Performance Teams with Commitment"	21 hours
Key management	2022/03/26 2022/03/27 2022/04/09	Carnegie's Course: "Building High Performance Teams with Commitment"	21 hours
Middle management	2022/03/26 2022/03/27 2022/04/09	Carnegie's Course: "Building High Performance Teams with Commitment"	21 hours

(IX) Status of Internal Control System

1. Statement on Internal Control

Hua Yu Lien Development Co., Ltd.

Statement on Internal Control

Date: March 16, 2023

The internal control system of the company in 2022, based on the results of self-assessment, hereby declares the following:

- I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. The purpose is to provide reasonable assurance for the achievement of the objectives of operational effectiveness and efficiency (including profitability, performance and safety of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and relevant laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The judgmental items of the internal control system adopted in the Regulations are based on the process of management control, and the internal control system is divided into five components: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervision operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the results of the preceding evaluation, the Company concluded that its internal control system (including supervision and management of subsidiaries) as of December 31, 2022, including the understanding of the extent to which operational effectiveness and efficiency objectives are achieved, the reporting of such internal control system is reliable, timely, transparent and in compliance with relevant regulations and relevant laws and regulations, and the design and implementation of such internal control system is effective, and it can reasonably ensure the achievement of the aforementioned objectives. The Company's internal control system is designed and implemented in a manner that reasonably ensures the achievement of these objectives.
- VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Company's Board of Directors on March 16, 2023. Among the 9 directors present (including 0 directors by proxy), none held opposing opinions and all the rest agreed to the contents of this statement. The statement is hereby declared.

Hua Yu Lien Development Co., Ltd.

Chairman and President (signature):

2. If a CPA is engaged to review the internal control system, the CPA's review report shall be disclosed: None.

(X) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system, principal deficiencies, and improvement during the most recent year and up to the date of publication of this annual report: None.

(XI) Resolutions reached in the Shareholder's Meeting or by the Board of Directors during the most recent year and up to the date of publication of this annual report:

Date	Nature of meeting	Major resolutions
2022.03.24	Board of Directors (The 19th Session of the 19th Meeting)	1. Approval of the Company's application for an extension of the operating working capital to Chi Hsien Branch, Shin Kong Bank with the land at Lot 390, Dashan Sec., South Dist., Tainan City as a guarantee. 2. Approval of the Company's application for an extension of the operating working capital to Kaohsiung Branch, Hwatai Bank with 96 pieces of land (including the joint-holding) as guarantees, Lot 131, Qing'an Sec., Su'ao Township, Yilan County included. 3. Retrospective approval of the Company's application for the appointment to guarantee the issuance of commercial promissory notes to China Bills Finance Corporation with the land at Lot 486, 489, 489-1, and 491, Dashan Sec., South Dist., Tainan City as a guarantee. 4. Approval of the 2021 "Statement of the Internal Control System" of the Company. 5. Approval of the distribution of 2021 remuneration to directors and employees. 6. Approval of the 2021 Business Report and Financial Statements of the Company. 7. Passed the distribution of earnings for 110. 8. Approval of the Company's report on the results of the 2021 performance evaluation of the Board of Directors, the Audit Committee and the Remuneration Committee. 9. Approval of the appointment and remuneration of the Company's CPAs. 10. Approval of the Company's first and second domestic guaranteed conversion of convertible bonds into common stocks and the registration of the change in share capital in the fourth quarter of 2021. 11. Approval of the Company's expected disposal of the land located in Shangtian Section, Yangmei District, Taoyuan City. 12. Approval of the Company's intention to lease an office building from a related party. 13. Approval of the 20th election of directors. 14. Approval of the acceptance of the nomination of directors by the 2022 Annual General Meeting of Shareholders. 15. Approval of the nomination and review of the list of candidates for the 20th Board of Directors/Independent Directors 16. Approval of the proposal to release the Company's new director and its representative from non-competition restrictions. 17. Approval of the changes in the managerial officers of the

Date	Nature of meeting	Major resolutions
		Company. 18. Approval of the amendment to the Company's "Procedures for Acquisition or Disposal of Assets". 19. Approval of the amendment to the Company's "Code of Practice on Corporate Social Responsibility" and its rename as "Sustainable Development Code of Practice". 20. Approval of the amendment to the "Approval Authority Form" for the operations of the Company. 21. Approval of the reasons for convening the 2022 Annual General Meeting of Shareholders of the Company and the acceptance of the shareholder's proposal.
2022.05.11	Board of Directors (The 20th Session of the 19th Meeting)	1. Approval of the Company's application for an extension of the operating working capital to Chi Hsien Branch, Shin Kong Bank with the land at Lot 61 and 67, Pingsong Sec., Xiaogang Dist., Kaohsiung City as a guarantee. 2. Approval of the Company's application for the distribution of cash dividend financing in 2021 to Chi Hsien Branch, Shin Kong Bank and Boai Branch, South China Commercial Bank. 3. Approval of the consolidated financial statements for the first quarter of 2022. 4. Approval of the Company's first and second domestic guaranteed conversion of convertible bonds into common stocks and the registration of the change in share capital in the first quarter of 2022. 5. Approval of the proposal that the foundation related project of the Company's new construction project of Lot 5, Yuanzhong Sec. 1, Nanzi Dist., Kaohsiung City was contracted to the subsidiary Hua Ching Construction Ltd. 6. Approval of the amendment to the Company's "Articles of Incorporation". 7. Approval of the amendment to the Company's "Internal Control System and "Internal Audit Implementation Rules". 8. Approval of the Plan for the Company's Greenhouse Gas Inventory and Schedule Verification.
2022.06.10	Board of Directors (The 21st Session of the 19th Meeting)	1. Approval of the land tender for Lot 361, Lantian Middle Sec., Nanzi Dist., Kaohsiung City.
2022.06.23	Shareholders' Meeting	1. Ratifications of 2021 Business Report and Financial Statements. 2. Ratifications of the Company's 2021 Earnings Distribution. 3. Approval of the amendment to the Company's "Articles of Incorporation". 4. Approval of the amendment to the Company's "Procedures for Acquisition or Disposal of Assets". 5. Approval of the Company's expected disposal of the land located in Shangtian Section, Yangmei District, Taoyuan City. 6. The 20th election of directors.

Date	Nature of meeting	Major resolutions
		7. Approval of the proposal to release the Company's new director and its representative from non-competition restrictions.
2022.06.23	Board of Directors (The 1st Session of the 20th Meeting)	1. The Company's 20th election of the Chairman by the directors.
2022.08.11	Board of Directors (The 2nd Session of the 20th Meeting)	1. Approval of the Company's application for an extension of the appointment to guarantee the issuance of commercial promissory notes with a limit of NT\$873 million to Mega Bills Finance Co., Ltd. with the land at Lot 51, 52, 53, and 54, Huatai Sec., Fengshan Dist., Kaohsiung City as a guarantee. 2. Approval of the Company's application for an extension of the appointment to guarantee the issuance of commercial promissory notes with a limit of NT\$1.52 billion to Mega Bills Finance Co., Ltd. with the land at Lot 229, 229-1, 230, 230-1, 231, 231-2, 271, 271-2, 271-3, 271-4, 273, 274, 274-3, 274-4, 275-2, 275-6, and 276-1, Shangtian Sec., Yangmei Dist., Taoyuan City as a guarantee. 3. Approval of the Company's application for an extension of the appointment to guarantee the issuance of commercial promissory notes with a limit of NT\$177 million to Mega Bills Finance Co., Ltd. with the land at Lot 284 and the building at No. 957, Dashan Sec., South Dist., Tainan City as guarantees. 4. Approval of the Company's application for an extension of the appointment to guarantee the issuance of commercial promissory notes with a limit of NT\$121 million to Mega Bills Finance Co., Ltd. with the land at Lot 352, Dashan Sec., South Dist., Tainan City as a guarantee. 5. Approval of the consolidated financial statements for the second quarter of 2022. 6. Approval of the Company's first and second domestic guaranteed conversion of convertible bonds into common stocks and the registration of the change in share capital in the second quarter of 2022. 7. Approval of the proposal that the Company's new building construction project of Lot 5, Yuanzhong Sec. 1, Nanzi Dist., Kaohsiung City was contracted to the subsidiary Hua Ching Construction Ltd. 8. Approval of the proposal that the Company's new building construction project of Lot 215-7, Guomao Sec., Zuoying Dist., Kaohsiung City was contracted to the subsidiary Hua Ching Construction Ltd. 9. Approval of the proposal that the Company's construction project of the shopping mall at Lot 259 and 259-10, Dashan Sec., South Dist., Tainan City was contracted to the subsidiary Hua Ching Construction Ltd.

Date	Nature of meeting	Major resolutions
		10. Approval of the appointment of the Company to handle the after-sale housing services of Hua Yu Lien Construction Co., Ltd. and Hua Yu Chuan Construction Co., Ltd. 11. Approval of the appointment of the members of the Company's 6th Remuneration Committee. 12. Approval of the formulation of the Company's "Procedures for Handling Material Inside Information". 13. Approval of the Company's participation in the selection of investors for the "New Construction Project of Urban Renewal in Anping Phase II Public Housing, Tainan City".
2022.11.10	Board of Directors (The 3rd Session of the 20th Meeting)	1. Approval of the Company's application for land financing and construction financing to Kaohsiung Branch, Agricultural Bank of Taiwan with the land at Lot 2478, Wukuaicuo Sec., Lingya Dist., Kaohsiung City as a guarantee. 2. Approval of the Company's application for construction financing to Qianzhen Branch, First Commercial Bank, Ltd. with the land at Lot 5, Yuanzhong Sec. 1, Nanzi Dist., Kaohsiung City as a guarantee. 3. Approval of the consolidated financial statements for the third quarter of 2022. 4. Approval of the independence evaluation of the Company's CPAs. 5. Approval of the evaluation of the Company's salary adjustment for managerial officers. 6. Approval of the Company's annual bonus for managerial officer for 2022. 7. Approval of the Company's 2023 annual budget. 8. Approval of the Company's 2023 Audit Plan. 9. Approval of the Company's first and second domestic guaranteed conversion of convertible bonds into common stocks and the registration of the change in share capital in the third quarter of 2022. 10. Approval of the amendment to the Company's "Regulations Governing Procedures for the Meetings of the Board of Directors". 11. Approval of the amendment of the Company's "Risk Management Policies and Measures" and its rename as "Risk Management Policies". 12. Approval of the amendment to the Company's "Internal Control System", "Internal Audit Implementation Rules", and "Procedures for Handling Material Inside Information". 13. Approval of the Company's cooperation with Mitsui Fudosan Taiwan Co., Ltd. on investment. 14. Approval of the Company's investment in the establishment of a subsidiary.
2023.03.16	Board of Directors (The 4th Session of the 20th Meeting)	1. Approval of the supplementary explanation of the Company's application for construction financing to Qianzhen Branch, First Commercial Bank, Ltd. with the land at Lot 5, Yuanzhong Sec. 1, Nanzi Dist., Kaohsiung City as a guarantee. 2. Approval of the Company's application for an extension of the operating working capital to Chi Hsien Branch, Shin Kong Bank with the land at Lot 390, Dashan Sec., South Dist., Tainan City as a guarantee.

Date	Nature of meeting	Major resolutions
		3. Approval of the Company's application for land financing and construction financing to Chi Hsien Branch, Shin Kong Bank with the land at Lot 61 and 67, Pingsong Sec., Xiaogang Dist., Kaohsiung City as a guarantee. 4. Approval of the Company's application for an extension of the operating working capital to Kaohsiung Branch, Hwatai Bank with 96 pieces of land (including the joint-holding) as guarantees, Lot 131, Qing'an Sec., Su'ao Township, Yilan County included. 5. Approval of the Company's application for an extension of the appointment to guarantee the issuance of commercial promissory notes to China Bills Finance Corporation with the land at Lot 486, Dashan Sec., South Dist., Tainan City as a guarantee. 6. Approval of the Company's application for the distribution of cash dividend financing in 2022 to Kaohsiung Branch, First Commercial Bank, Ltd. 7. Approval of the 2022 "Statement of the Internal Control System" of the Company. 8. Approval of the 2022 Business Report and Financial Statements of the Company. 9. Approval of the Company's distribution of remuneration to directors and employees for 2022. 10. Passed the distribution of earnings for 2022. 11. Approval of the Company's report on the results of the 2022 performance evaluation of the Board of Directors, the Audit Committee and the Remuneration Committee. 12. Approval of the appointment and remuneration of the Company's CPAs. 13. Approval of the Company's first and second domestic guaranteed conversion of convertible bonds into common stocks and the registration of the change in share capital in the fourth quarter of 2022. 14. Approval of the Company's contract signing with its subsidiary Hua Ching Development Co., Ltd. 15. Approval of the proposal to release the Company's Corporate Director and its Representative from non-competition restrictions. 16. Approval of the proposal to release the Company's managerial officers from non-competition restrictions. 17. Approval of the amendment to the Company's "Procedures for Loaning of Funds to Others". 18. Approval of the amendment to the Company's "Procedures for Endorsements and Guarantees". 19. Approval of the amendment to the "Approval Authority Form" for the operations of the Company. 20. Approval of the amendment to the Company's "Sustainable Development Best Practice Principles". 21. Approval of the amendment to the Company's "Corporate Governance Best Practice Principles". 22. Approval of the formulation of the Company's "Procedures for Management of Related Party Transactions". 23. Approval of the amendment to the Company's "Procedures for Handling Material Inside Information".

Date	Nature of meeting	Major resolutions
		24. Approval of the amendment to the worksheet of the Company's "Internal Control System". 25. Approval of the reasons for convening the 2023 Annual General Meeting of Shareholders of the Company and the acceptance of the shareholder's proposal.
2023.04.10	Board of Directors (The 5th Session of the 20th Meeting)	1. Approval of the Company's resolution to dispose of the land located in Shangtian Section, Yangmei District, Taoyuan City and adjust the price based on the market. 2. Approval of the Company's participation in the "New Business Transfer Project for the Parking 9 Land in Fengshan District, Kaohsiung City". 3. Approval of the amendment to the reasons for convening the 2023 Annual General Meeting of Shareholders of the Company. 4. Approval of the Company's participation in the selection of investors for the "new construction project of urban renewal in Anping Phase II Public Housing, Tainan City" and adjustment to the return on investment due to changes in the market.

(XII) During the most recent fiscal year and up to the date of publication of the Annual Report, the main content of the major resolutions passed by the Board of Directors which are recorded or prepared as a written declaration and with dissenting opinions from directors: None.

(XIII) A summary of resignations and dismissals of the Chairman, President, Accounting Manager, Financial Manager, Chief Internal Auditor, Corporate Governance Officer, or Research and Development Officer during the most recent fiscal year and up to the date of publication of the annual report: None.

(XIV) Implementation and review of resolutions at shareholders' meetings:

Date	Name	Major Resolutions	Implementation
2022.06.21	Shareholders' Meeting	I. Ratifications: (I) 2021 Business Report and Financial Statements (II) Distribution of earnings for 110.	The resolution was approved and the execution was completed in accordance with the resolution of the shareholders' meeting. The distribution date was set as August 1, 2022, and was completed on August 19, 2022, in accordance with the resolution of the shareholders' meeting (cash dividends of NT\$4.15416695 per share).
		II. Discussions: (I) Amendment to the "Articles of Incorporation." (II) Amendment to the Company's "Procedures for Acquisition or Disposal of Assets". (III) The Company expected to	The resolution was approved and registered by the Ministry of Economic Affairs on July 25, 2022 and announced on the Company's website. The resolution was approved and announced on the Company's website and the Market Observation Post System. The amended procedures shall be followed. The resolution was approved and the land sale has been ongoing.

Date	Name	Major Resolutions	Implementation
		dispose of the land located in Shangtian Section, Yangmei District, Taoyuan City.	
		III. Elections: The 20th election of directors.	The resolution was approved and registered by the Ministry of Economic Affairs on July 25, 2022 and announced on the Company's website.

IV. Information on CPA Auditing Professional Fees

(I) Information on CPA Auditing Professional Fees:

Amount Unit: NT\$1,000

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees	Total
Deloitte & Touche	Liu, Yu-Hsiang, Hsu, Jui-Hsuan	2022	2,260	343	2,603
Remark	The non-audit fee NT\$343,000 included the tax verification fee NT\$200,000, the advance fee NT\$23,000, and the transfer pricing report fee NT\$120,000.				

- (II) The Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.
- (III) The audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more: None.

V. Information on replacement of CPAs: The Company has not changed its CPAs during the most recent two years and up to the date of publication of this annual report.

VI. If the Company's Chairman, President, or Any Managerial Officer in Charge of Finance or Accounting in the Most Recent Fiscal Year Holds a Position at the Company's CPA Accounting Firm or its Affiliate, His/Her Name, Title, and Period of Employment with the Accounting Firm or Its Affiliate Shall Be Disclosed: None.

VII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (during the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report) by a Director, Managerial Officer, or Shareholder with a Stake of More than 10%:

(I) Changes in shareholding of directors, managerial officers, or major shareholders

Unit: Share

Title	Name	2022		As of April 23, 2023	
		Shareholding increase (decrease)	Pledged Holding Increase (Decrease)	Shareholding increase (decrease)	Pledged Holding Increase (Decrease)
Chairman	Hong Zhong Investment Limited	-	-	-	-
Representative	Lu, Chao-Ting	-	-	-	-
Director	Hong Zhong Investment Limited	-	-	-	-
Representative	Chang, Jou-Yuan	-	-	-	-
Representative	Chien, Wen-Kung	-	-	-	-
Director	Intelligence International Limited	-	-	-	-
Representative	Chiang, Kuo-Chuan	-	-	-	-
Director	Chen, Liang-Han	-	-	-	-
Director	Chao, Pei-Hung	-	-	-	-
Independent Director	Lin, Jen-I	-	-	-	-
Independent Director	Tseng, Wen-Che	-	-	-	-
Independent Director	Hung, Chi-Shan	-	-	-	-
Managerial Officer	Lu, Chao-Ting	-	-	-	-
Managerial Officer	Wu, Chia-Te	-	-	-	-
Managerial Officer	Lin, Shao-Hsiang	5,000	-	-	-
Managerial Officer	Su, Ching-Hsiu	2,000	-	-	-
Managerial Officer	Huang, Ya-Min	3,000	-	-	-
Managerial Officer	Lin, Yung-Fu (Note 1)	-	-	-	-
Managerial Officer	Wu, Yu-Chen	-	-	-	-
Managerial Officer	Tsai, Teng-Fu	-	-	-	-
Managerial Officer	Kung, I-Ching	-	-	-	-
Major Shareholder	Hong Zhong Investment Limited	-	-	-	-

Note 1: Lin, Yung-Fu, Assistant Vice President of Finance Division, resigned as manager on November 14, 2022.

(II) Information on related parties as the counterparties of equity transfer: None.

(III) Information on related parties as the counterparties of equity pledge: None.

VIII. Information on the Top 10 Shareholders Who Are Related Parties or Spouses or Relatives Within the Second Degree of Kinship:

Information on the relationships among the top 10 shareholders

April 23, 2023 Unit: Share; %

Name (Note 1)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Among 10 largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship. (Note 3)		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Hong Zhong Investment Limited	19,126,800	19.67	-	-	-	-	Ho Shun Investment	Representative of Hong Zhong and Representative of Ho Shun are relatives within the second degree of kinship	
Representative: Lu, Chao-Ting	4,781,700	4.92	-	-	-	-	Lu, Chao-Wen Lu, Chao-Ting	Relative within the second degree of kinship of Representative of Hong Zhong Representative of Hong Zhong	
Virtuous Profit Investment Limited	9,352,557	9.62	-	-	-	-	-	-	
Representative: Lu, Shui-Po	535,000	0.55	-	-	-	-	-	-	
Chi Yeh Investment Co., Ltd.	8,833,683	9.08	-	-	-	-	Kuan Chin Investment Chen, Chien-Liang	With the same Representative Representative of Chi Yeh	
Representative: Chen, Chien-Liang	-	-	-	-	-	-	Chi Yeh Investment Kuan Chin Investment	Representative of Chi Yeh Representative of Kuan Chin	

Name (Note 1)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Among 10 largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship. (Note 3)		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Ho Shun Investment Limited	8,742,520	8.99	-	-	-	-	Hong Zhong Investment	Representative of Ho Shun and Representative of Hong Zhong are relatives within the second degree of kinship Relative within the second degree of kinship of Representative of Ho Shun Representative of Ho Shun	
Representative: Lu, Chao-Wen	7,652,313	7.87	-	-	-	-	Lu, Chao-Ting Lu, Chao-Wen Lu, Chao-Ting Hong Zhong Investment Ho Shun Investment	Relative within the second degree of kinship of each other Relative within the second degree of kinship of Representative of Hong Zhong Representative of Ho Shun	
Lu, Chao-Wen	7,652,313	7.87	-	-	-	-	Hong Zhong Investment Lu, Chao-Ting Ho Shun Investment	Relative within the second degree of kinship of Representative of Hong Zhong Relative within the second degree of kinship of each other Representative of Ho Shun	
Lu, Chao-Ting	4,781,700	4.92	-	-	-	-	Hong Zhong Investment Ho Shun Investment Lu, Chao-Wen	Representative Hong Zhong Relative within the second degree of kinship of Representative of Ho Shun	

Name (Note 1)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Among 10 largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship. (Note 3)		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
								Relative within the second degree of kinship of each other	
Kuan Chin Investment Co., Ltd.	4,494,380	4.62	-	-	-	-	Chi Yeh Investment Chen, Chien-Liang	With the same Representative Representative of Kuan Chin	
Representative: Chen, Chien-Liang	-	-	-	-	-	-	Kuan Chin Investment Chi Yeh Investment	Representative of Kuan Chin Representative of Chi Yeh	
Gold King Investment Company Limited	4,190,650	4.31	-	-	-	-	Hung Kao Investment Chang, Chin-Cheng	With the same Representative Representative of Gold King	
Representative: Chang, Chin-Cheng	3,409,360	3.51	-	-	-	-	Gold King Investment Hung Kao Investment	Representative of Gold King Representative of Hung Kao	
Hung Kao Investment Limited	3,933,920	4.05	-	-	-	-	Gold King Investment Chang, Chin-Cheng	With the same Representative Representative of Hung Kao	
Representative: Chang, Chin-Cheng	3,409,360	3.51	-	-	-	-	Hung Kao Investment Gold King Investment	Representative of Hung Kao Representative of Gold King	
Chang, Chin-Cheng	3,409,360	3.51	-	-	-	-	Gold King Investment Hung Kao Investment	Representative of Gold King Representative of Hung Kao	

Note 1: The top ten shareholders shall be listed, and the names of the corporate shareholders and the names of their representatives shall be listed separately if they are corporate shareholders.

Note 2: The calculation of shareholding ratio refers to the percentage of shareholding in the name of oneself, one's spouse, one's minor children, or in the name of others.

Note 3: The shareholders listed in the preceding paragraph include both legal and natural persons, and the relationship between them shall be disclosed in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

IX. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors and Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by the Company:

Consolidated Shareholding Ratio

December 31, 2022/Unit: Share; %

Investee business (Note 1)	Ownership by the Company		Investment by Directors, Managers and by companies directly or indirectly controlled by the Company		Total Ownership	
	Number of shares	Percentage of Ownership	Number of shares	Percentage of Ownership	Number of shares	Percentage of Ownership
Hua Ching Construction Ltd.	(Note 2)	100	-	-	(Note 2)	100

Note 1: Investment accounted for using equity method.

Note 2: This is a limited company that does not issue shares.

Chapter 4 Capital Overview

I. Capital and Shares

(I) Source of Capital

1. Source of Capital

April 23, 2023/Unit: NT\$1,000 (except or par value in NT\$); 1000 share

Year/ Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
1967.01	100	40	4,000	40	4,000	Capital increase by cash 4,000	-	
1970.11	100	600	60,000	360	36,000	Capital increase by cash 32,000	-	
1972.06	100	600	60,000	432	43,200	Capital increase by cash 7,200	-	
1973.03	100	600	60,000	500	50,000	Capital increase by cash 6,800	-	
1974.06	100	1,000	100,000	900	90,000	Capital increase by retained earnings 40,000	-	
1975.01	100	1,080	108,000	1,080	108,000	Capital increase by retained earnings 18,000	-	
1978.12	10	20,000	200,000	20,000	200,000	Capital increase by cash 200 Capital increase by retained earnings 19,440 Capital Surplus 72,360	-	
1984.11	10	25,000	250,000	25,000	250,000	Capital increase by cash 50,000	-	Note 1
1986.10	10	30,000	300,000	30,000	300,000	Capital increase by cash 50,000	-	Note 2
1987.07	10	50,000	500,000	50,000	500,000	Capital increase by cash 110,000 Capital increase by retained earnings 69,000 Capital Surplus 21,000	-	Note 3
1988.08	10	80,000	800,000	75,000	750,000	Capital increase by cash 137,000 Capital increase by retained earnings 110,000 Employee bonus 3,000	-	Note 4
1989.08	10	120,000	1,200,000	120,000	1,200,000	Capital increase by cash 300,000 Capital increase by retained earnings 37,500 Capital Surplus 112,500	-	Note 5
1990.09	10	240,000	2,400,000	168,000	1,680,000	Capital increase by cash 360,000 Capital Surplus 120,000	-	Note 6

Year/ Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
1995.06	10	240,000	2,400,000	240,000	2,400,000	Capital increase by cash 720,000	-	Note 7
1996.05	10	336,000	3,360,000	264,000	2,640,000	Capital Surplus 240,000	-	Note 8
1997.06	10	500,000	5,000,000	290,400	2,904,000	Capital Surplus 264,000	-	Note 9
1998.06	10	500,000	5,000,000	319,440	3,194,400	Capital Surplus 290,400	-	Note 10
2001.02	10	500,000	5,000,000	310,000	3,100,000	Capital reduction by treasury stock 94,400	-	Note 11
2001.06	10	500,000	5,000,000	300,000	3,000,000	Capital reduction by treasury stock 100,000	-	Note 12
2003.07	10	500,000	5,000,000	330,000	3,300,000	Capital Surplus 300,000	-	Note 13
2006.04	10	500,000	5,000,000	314,000	3,140,000	Capital reduction by treasury stock 160,000	-	Note 14
2006.10	10	500,000	5,000,000	307,000	3,070,000	Capital reduction by treasury stock 70,000	-	Note 15
2007.08	10	340,000	3,400,000	337,700	3,377,000	Capital Surplus 307,000	-	Note 16
2009.02	10	340,000	3,400,000	330,000	3,300,000	Capital reduction by treasury stock 77,000	-	Note 17
2011.07	10	340,000	3,400,000	330,619	3,306,192	Capital increase by retained earnings 6,192	-	Note 18
2012.06	10	340,000	3,400,000	60,000	600,000	Capital reduction by cash 2,706,192	-	Note 19
2015.09	10	340,000	3,400,000	69,000	690,000	Capital increase by retained earnings 90,000	-	Note 20
2016.09	10	340,000	3,400,000	75,900	759,000	Capital increase by retained earnings 69,000	-	Note 21
2018.07	10	340,000	3,400,000	79,695	796,950	Capital increase by retained earnings 37,950	-	Note 22
2019.07	10	340,000	3,400,000	95,634	956,340	Capital increase by retained earnings 159,390	-	Note 23
2021.12	35.7	340,000	3,400,000	95,718	957,180	Conversion of Hua Yu Lien I (Convertible Bond) 840	-	Note 24
2022.04	35.7	340,000	3,400,000	96,103	961,036	Conversion of Hua Yu Lien I (Convertible Bond) 2,381	-	Note 25
	40					Conversion of Hua Yu Lien II (Convertible Bond) 1,475		
2022.05	35.7	340,000	3,400,000	96,199	961,995	Conversion of Hua Yu Lien I (Convertible Bond) 84	-	Note 26
	40	340,000	3,400,000			Conversion of Hua Yu Lien II (Convertible Bond) 875	-	

Year/ Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2022.09	33.3	340,000	3,400,000	96,289	962,889	Conversion of Hua Yu Lien I (Convertible Bond) 868	-	Note 27
	37.4	340,000	3,400,000			Conversion of Hua Yu Lien II (Convertible Bond) 25	-	
2022.12	33.3	340,000	3,400,000	96,622	966,222	Conversion of Hua Yu Lien I (Convertible Bond) 3,333	-	Note 28
2023.04	33.3	340,000	3,400,000	96,968	969,688	Hua Yu Lien I (Convertible Bond) Conversion 2,102	-	Note 29
	37.4	340,000	3,400,000			Conversion of Hua Yu Lien II (Convertible Bond) 1,364	-	

Note 1: (73) Tai-Cai-Zheng- (1) No. 3176 on November 13, 1984

Note 2: (75) Tai-Cai-Zheng- (1) No. 14988 on October 20, 1986

Note 3: (76) Tai-Cai-Zheng- (1) No. 13342 on July 7, 1987

Note 4: (77) Tai-Cai-Zheng- (1) No. 08818 on August 5, 1988

Note 5: (78) Tai-Cai-Zheng- (1) No. 01577 on August 4, 1989

Note 6: (79) Tai-Cai-Zheng- (1) No. 02225 on September 11, 1990

Note 7: (84) Tai-Cai-Zheng- (1) No. 01359 on June 7, 1995

Note 8: (85) Tai-Cai-Zheng- (1) No. 31375 on May 23, 1996

Note 9: (86) Tai-Cai-Zheng- (1) No. 44174 on June 5, 1997

Note 10: (87) Tai-Cai-Zheng- (1) No. 56050 on June 29, 1998

Note 11: (90) Tai-Cai-Zheng- (1) No. 104443 on February 5, 2001

Note 12: (90) Tai-Cai-Zheng- (1) No. 140222 on June 20, 2001

Note 13: Tai-Cai-Zheng- (1) No. 0920130529 on July 9, 2003

Note 14: Jin-Guan-Zheng- (3) No. 0940157291 on December 8, 2005, Jin-Guan-Zheng- (3) No. 0950104785 on February 10, 2006 and Jin-Guan-Zheng- (3) No. 0950110133 on March 23, 2006

Note 15: Jin-Guan-Zheng- (1) No. 0950127385 on June 23, 2006 and Jin-Guan-Zheng- (3) No. 0950148928 on October 19, 2006

Note 16: Jin-Guan-Zheng- (1) No. 0960037042 on July 17, 2007

Note 17: Jin-Guan-Zheng- (3) No. 0970053392 on October 7, 2008 and Jin-Guan-Zheng- (3) No. 0970069348 on December 17, 2008

Note 18: Jin-Guan-Zheng-Fa No. 1000033938 on July 21, 2011

Note 19: Jin-Guan-Zheng-Fa No. 1010025376 on June 13, 2012

Note 20: Jin-Guan-Zheng-Fa No. 1040029338 on August 3, 2015

Note 21: On July 14, 2016, the Financial Supervisory Commission approved the declaration and entered into force

Note 22: On July 18, 2018, the Financial Supervisory Commission approved the declaration and entered into force

Note 23: On July 17, 2019, the Financial Supervisory Commission approved the declaration and entered into force

Note 24: On December 8, 2021, the Ministry of Economic Affairs completed the change in registration.

Note 25: On April 19, 2022, the Ministry of Economic Affairs completed the change in registration.

Note 26: On May 27, 2022, the Ministry of Economic Affairs completed the change in registration.

Note 27: On September 6, 2022, the Ministry of Economic Affairs completed the change in registration.

Note 28: On December 2, 2022, the Ministry of Economic Affairs completed the change in registration.

Note 29: On April 6, 2023, the Ministry of Economic Affairs completed the change in registration.

2. Share Type

April 23, 2023 (Unit: Share)

Share Type	Authorized Capital			Remark
	Issued shares (Note)	Unissued Shares	Total	
Common stock	97,249,762	242,750,238	340,000,000	

Note: Listed stocks.

3. Information on the shelf registration system: None.

(II) Structure

April 23, 2023

Structure Item	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	1	47	12,506	27	12,581
Shares Held	0	314	64,888,540	32,009,593	351,315	97,249,762
Percentage of Ownership	0.00%	0.00%	66.72%	32.93%	0.35%	100.00%

Note: First listed on TWSE/TPEX companies and emerging board companies shall disclose the percentage of shareholdings by Chinese mainland investors; Chinese mainland investors refer to individuals, legal entities, groups, other organizations specified in Article 3 of the Investment Regulations for Chinese Mainland People to Invest in Taiwan or companies investing in the third region.

(III) Shareholding Distribution Status

1. Common stocks (NT\$10 per share)

April 23, 2023

Range of Shares	Number of Shareholders	Shares Held	Percentage of Ownership
1~999	11,058	1,617,328	1.66%
1,000~5,000	1,135	2,105,325	2.16%
5,001~10,000	157	1,241,194	1.28%
10,001~15,000	48	617,220	0.63%
15,001~20,000	40	741,455	0.76%
20,001~30,000	32	834,901	0.86%
30,001~40,000	20	698,665	0.72%
40,001~50,000	20	910,401	0.94%
50,001~100,000	23	1,596,231	1.64%
100,001~200,000	20	2,821,934	2.90%
200,001~400,000	12	3,359,123	3.45%
400,001~600,000	1	535,000	0.55%
600,001~800,000	4	2,723,602	2.80%
800,001~1,000,000	0	0	0%
Over 1,000,001	11	77,447,383	79.65%
Total	12,581	97,249,762	100.00%

2. Preferred stock: None.

(IV) List of major shareholders (Note 1):

April 23, 2023

Shareholding Name of Major Shareholders	Shares Held	Percentage of Ownership
Hong Zhong Investment Limited	19,126,800	19.67%
Virtuous Profit Investment Limited	9,352,557	9.62%
Chi Yeh Investment Co., Ltd.	8,833,683	9.08%
Ho Shun Investment Limited	8,742,520	8.99%
Lu, Chao-Wen	7,652,313	7.87%
Lu, Chao-Ting	4,781,700	4.92%
Kuan Chin Investment Co., Ltd.	4,494,380	4.62%
Gold King Investment Company Limited	4,190,650	4.31%
Hung Kao Investment Limited	3,933,920	4.05%
Chang, Chin-Cheng	3,409,360	3.51%

Note 1: Shareholders with shareholding percentage reaching 5% or more. If the shareholders are less than 10, the top 10 shareholders shall be disclosed.

(V) Market price, net worth, earnings, dividends per share and related information for the most recent two years

Unit: NT\$/Share

Year			2021	2022	Current year as of March 31, 2023
Item					
Market Price Per Share (Note 1)	Highest		56.50	69.40	58.40
	Lowest		36.95	52.70	53.30
	Average		45.55	61.33	55.62
Net Worth per Share (Note 2)	Before distribution		31.43	33.81	(Note 8)
	After distribution		27.27	28.66 (Note 9)	(Note 8)
Earnings per Share	Weighted average number of shares (Shares)		95,701,188	96,380,374	(Note 8)
	Earnings per Share (Note 3)	Before adjustment	5.08	6.54	(Note 8)
		After adjustment	5.08	6.54 (Note 9)	(Note 8)
Dividends Per Share	Cash		4.162	5.15629982 (Note 9 and Note 11)	(Note 8)

Year			2021	2022	Current year as of March 31, 2023
Item					
	Stock dividends	Stock dividends appropriated from earnings	0	0	(Note 8)
		Stock dividends appropriated from capital surplus	0	0	(Note 8)
	Accrued Unpaid Dividends (Note 4)		0	0	(Note 8)
Return on Investment	Price-to-earnings ratio (Note 5)		8.97	9.38	(Note 8)
	Price-to-dividend ratio (Note 6)		10.94	11.89	N/A
	Cash dividend yield (Note 7)		9.14	8.41	N/A

Note 1: The highest and lowest market prices of common stock for each year are listed, and the average market price for each year is calculated based on the value and volume of transactions for each year.

Note 2: The number of shares outstanding at the end of the year shall be used as the basis for the appropriation resolved by the board of directors or the shareholders in the following year.

Note 3: If there is a retroactive adjustment due to a no-remuneration stock allotment, the earnings per share before and after the adjustment shall be shown.

Note 4: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

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 dividend per share.

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

Note 8: As of the printing date of the annual report, the Company's financial information for 2023 Q1 has not been reviewed by the CPAs and is therefore not disclosed.

Note 9: The distribution of earnings for 2022 has been approved by the Board of Directors on March 16, 2023. Cash dividends have been approved by the Board of Directors and the remainder has yet to be approved by the shareholders at the annual general meeting on June 21, 2023.

Note 10: Information on the market price and cash dividends retroactively adjusted for the number of shares issued upon the capital increase with earnings is as follows: Not applicable.

Note 11: In the event that the number of outstanding shares is affected by subsequent changes in laws and regulations or adjustments by the competent authorities, or in the event of repurchases, cancellations, conversions of corporate bonds, issuance of new shares, or other reasons affecting changes in shares, the Company authorizes the Chairman of the Board of Directors to exercise his full authority to deal with such changes in the dividend distribution ratio for shareholders.

(VI) Dividend policy and implementation

1. The relevant provisions of dividend policies in the Company's Articles of Incorporation are as follows:

◎ Article 25:

- 1) If the Company makes a profit in the year (profit refers to profit before tax prior to the distribution of employees' and directors' remuneration), not less than one-thousandth of the profit shall be appropriated as employees' remuneration and not more than three percent as directors' remuneration. However, if the Company still has accumulated losses, it shall retain the compensatory amount in advance.
- 2) The remuneration of employees in the preceding paragraph may be distributed in the form of cash or stocks, while the remuneration of directors shall be in the form of cash only, which shall be resolved by the board of directors and reported to the stockholders' meeting. The eligible personnel includes employees at subsidiaries that meet the requirement of the Board of Directors.

◎ Article 25-1:

- 1) Shall there be any surplus after the final settlement, the Company shall retain taxable contributions, make up for accumulated deficits, and appropriate 10% as legal reserve, unless the legal reserve has reached the Company's total paid-in capital. Next, special surplus reserve shall be allocated or reversed in accordance with laws and regulations or regulations of the competent authority. If there is still surplus, it may give priority to distributing the dividends of the preferred stocks in the current year, and the balance shall be added to the beginning undistributed surplus, at least 10% of which shall be appropriated to distribute the shareholders' bonus. If the Board of Directors makes a proposal for the distribution of surplus by issuing new shares, it shall be distributed after a resolution of the shareholders' meeting; in the case of cash distribution, it shall be distributed after a resolution of the Board of Directors.
- 2) The company may authorize the distributable dividends and bonuses or in whole or in part capital reserve and legal reserve as provided in article 241 of the Company Act may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition, thereto a report of such distribution shall be submitted to the shareholders' meeting.
- 3) The Company's dividend policy is to determine the amount of dividends to be distributed to shareholders in accordance with the Company's current and future development plans, taking into account the investment environment, capital requirements and domestic and international competition, and taking into account the interests of shareholders. Cash dividends shall not be less than 5% of the total dividends, except that cash dividends may be paid in the form of stock dividends if the amount of cash dividends per share is less than NT\$0.50.

2. The dividend policy set forth in the above Articles of Incorporation is based on the Company's business environment and the stage of the industry cycle. The Company is currently in the growth stage, and the dividend policy will be adjusted in the future depending on business or reinvestment needs, stock market conditions and related factors.
3. The net profit after tax in 2022 was NT\$630,640,160, the statutory surplus reserve was NT\$63,064,016, and the earnings available for distribution for the year was NT\$567,576,144. The Board of Directors has resolved to approve the distribution of a cash dividend of NT\$500,000,000, which accounted for 88% of the earnings available for distribution for the year, and the remainder has yet to be approved by the shareholders at the annual general meeting on June 21, 2023. The company's earning distributions in recent years have been implemented to protect shareholders' rights and interests, and return the Company's operating profits to shareholders.
4. The proposed dividend distribution in the Shareholder's Meeting:
The proposed dividend distribution at the shareholders' meeting is based on the resolution of the board of directors, which proposes to distribute cash dividends to shareholders in the amount of NT\$500,000,000, in accordance with the dividend policy set forth in the Company's Articles of Incorporation.
5. Description of expected significant changes in dividend policies: None.

(VII) Effect on the Operating Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted in the Most Recent Shareholders' Meeting: Not applicable.

(VIII) Remuneration for employees and directors:

1. The percentage or range of remuneration for employees and directors as set forth in the Company's Articles of Incorporation:
 - (1) Directors' remuneration: not more than three percent.
 - (2) Employees' remuneration: not less than one thousandth.
2. The basis for estimating the amount of remuneration to employees and directors, the basis for calculating the number of shares for employee remuneration distributed by stock, and the accounting treatment if the actual amount of distribution differs from the estimated amount:
If there is any change in the amount of employees' and directors' remuneration after the date of the annual financial report, it will be adjusted in the following year in accordance with the change in accounting estimate.
3. Information on any approval by the Board of Directors of distribution of remuneration:
 - (1) The amount of remuneration for employees and directors distributed in cash or stock. If there is any difference between the estimated amount of the recognized expense, the amount of the difference, the reason and the treatment shall be disclosed: None.

	Unit: NT\$	
	Employee remuneration in cash	Director remuneration in cash
Allotment amount resolved by the Board of Directors on March 16, 2023	<u>\$818,649</u>	<u>\$24,559,455</u>
Amount recognized in the 2022 financial statements	<u>818,649</u>	<u>24,559,455</u>
Difference	<u>\$ 0</u>	<u>\$ 0</u>

(2) Amount of employee remuneration distributed in stock and percentage of total individual or individual financial report net income after tax and total employee remuneration for the period: None.

4. The actual distribution of employees' and directors' remuneration in the previous year (including the number of shares distributed, the amount and the price of shares), the difference between the distribution and the recognition of employees' and directors' remuneration, and the amount of the difference, the reasons for the difference and the treatment:

The actual amount of employees' and directors' remuneration approved by the Board of Directors to be distributed in cash in 2021 was not different from the amount recognized in the parent only and consolidated financial statements in 2021.

(IX) Share repurchases: None.

II. Corporate bonds (including overseas corporate bonds)

(I) Corporate Bonds

Category of corporate bonds (Note 2)	First domestic guaranteed convertible bonds in 2019	Second domestic guaranteed convertible bonds in 2020	First domestic guaranteed ordinary corporate bonds in 2021
Issuance Date	January 17, 2020	December 1, 2020	June 29, 2021
Par value	NT\$100,000	NT\$100,000	NT\$100,000
Place of Issue and Trading (Note 3)	R.O.C.	R.O.C.	R.O.C.
Par Value	NT\$107.73	NT\$101.00	NT\$100.00
Total amount	NT\$300,000,000	NT\$1,000,000,000	NT\$1,000,000,000
Interest rate	Coupon rate 0%	Coupon rate 0%	Coupon rate 0.58%
Period	5 years, maturity date: January 17, 2025	5 years, maturity date: December 1, 2025	5 years, maturity date: June 29, 2026
Guarantee agency	First Commercial Bank, Ltd. Qianzhen Branch	First Commercial Bank, Ltd. Kaohsiung Branch	First Commercial Bank, Ltd.
Trustees	KGI Bank Co., Ltd.	Shin Kong Commercial Bank Co., Ltd.	Shin Kong Commercial Bank Co., Ltd.
Underwriters	First Securities Incorporation	First Securities Incorporation	First Securities Incorporation
Licensing attorney	Attorney Peng, I-Cheng (Handsome Attorneys-at-Law)	Attorney Peng, I-Cheng (Handsome Attorneys-at-Law)	Attorney Peng, I-Cheng (Handsome Attorneys-at-Law)
CPA	CPAs Liu, Yu-Hsiang and Kuo, Li-Yuan (Deloitte & Touche)	CPAs Liu, Yu-Hsiang and Kuo, Li-Yuan (Deloitte & Touche)	CPAs Liu, Yu-Hsiang and Hsu, Jui-Hsuan (Deloitte & Touche)
Reimbursement method	Except for the conversion of the bonds into common shares in accordance with Article 10 of the Issuance and Conversion Act, or the early redemption by the Company in accordance with Article 18, or the exercise of the right of sale in accordance with Article 19, or the purchase and cancellation by the Company from the securities dealer's	Except for the conversion of the bonds into common shares in accordance with Article 10 of the Issuance and Conversion Act, or the early redemption by the Company in accordance with Article 18, or the exercise of the right of sale in accordance with Article 19, or the purchase and cancellation by the Company from the securities dealer's	The corporate bonds are issued with a five-year maturity and the principal is repaid at maturity.

Category of corporate bonds (Note 2)		First domestic guaranteed convertible bonds in 2019	Second domestic guaranteed convertible bonds in 2020	First domestic guaranteed ordinary corporate bonds in 2021
		office, the Company will repay the bonds in cash at face value upon maturity.	office, the Company will repay the bonds in cash at face value upon maturity.	
Outstanding principal		As of April 23, 2023, the outstanding principal was NT\$258,800,000.	As of April 23, 2023, the outstanding principal was NT\$984,100,000.	As of April 23, 2023, the outstanding principal was NT\$1,000,000,000.
Terms of redemption or early liquidation		Please refer to the first domestic guaranteed convertible bond issuance and conversion regulations.	Please refer to the second domestic guaranteed convertible bond issuance and conversion regulations.	None.
Restrictions (Note 4)		None.	None.	None.
Name of credit rating agency, rating date, and bond rating result		N/A	N/A	N/A
With other rights	Amounts of common stocks, overseas depositary receipts or other securities converted (exchanged or subscription) as of the date of printing of the annual report	As of April 23, 2023, the corporate bonds have been converted to NT\$41,200,000.	As of April 23, 2023, the outstanding principal was NT\$15,900,000.	Not applicable to ordinary corporate bonds
	Method of issuance and conversion (exchange or subscription)	Issuance and conversion of guaranteed convertible bonds in accordance with the first domestic regulations	Issuance and conversion of guaranteed convertible bonds in accordance with the second domestic regulations	Not applicable to ordinary corporate bonds
Issuance and conversion, exchange or subscription methods, issuance terms on		Please refer to pages 62-63 of the prospectus of the Company's first domestic guaranteed convertible bonds.	Please refer to pages 73-74 of the prospectus of the Company's second domestic guaranteed convertible bonds.	Not applicable to ordinary corporate bonds

Category of corporate bonds (Note 2)	First domestic guaranteed convertible bonds in 2019	Second domestic guaranteed convertible bonds in 2020	First domestic guaranteed ordinary corporate bonds in 2021
possible equity dilution and impact on existing shareholders' equity			
Name of the entrusted custodian for the exchange of the subject	N/A	N/A	Not applicable to ordinary corporate bonds

Note 1: Corporate bonds including public and private bonds in process. Public bonds in process refer to those that have been approved by the FSC; private bonds in process refer to those that have been approved by the Board of Directors.

Note 2: The number of columns will be adjusted according to the actual number of transactions.

Note 3: For overseas corporate bonds.

Note 4: For example, restrictions on the payment of cash dividends, external investments or requirements to maintain a certain percentage of assets.

Note 5: The private bonds shall be marked in a prominent manner.

Note 6: For convertible bonds, exchange bonds, bonds issued under omnibus reporting or bonds with stock options, the information on convertible bonds, exchange bonds, bonds issued under omnibus reporting and bonds with stock options shall be disclosed in accordance with the nature and format listed in the table.

(II) Information of Convertible bonds

Unit: NT\$

Category of corporate bonds		First domestic guaranteed convertible bonds		
Year		2021	2022	As of March 31, 2023
Item				
Market value of convertible bonds	Highest	158	192	167
	Lowest	119.05	160	162
	Average	130.47	166.45	164.05
Conversion price		37.5 (Since July 3, 2020) 35.7 (Since August 8, 2021)	35.7 (Since August 8, 2021) 33.3 (Since August 1, 2022)	33.3 (Since August 1, 2022)
Date of issuance (processing) and conversion price at issuance		Date of issuance: January 17, 2020 Conversion price at issuance: NT\$40		
Manner of fulfilling the conversion obligation		Issue new shares in accordance with the issuance and conversion measures		

Unit: NT\$

Category of corporate bonds		Second domestic guaranteed convertible bonds		
Year		2021	2022	As of March 31, 2023
Item				
Market value of convertible bonds	Highest	143	173	153
	Lowest	114.40	140	144.35
	Average	129.08	157.46	150.30
Conversion price		42 (Since December 1, 2020) 40 (Since August 8, 2021)	40 (Since August 8, 2021) 37.4 (Since August 1, 2022)	37.4 (Since August 1, 2022)
Date of issuance (processing) and conversion price at issuance		Issuance date: December 1, 2020 Conversion price at issuance: NT\$42		
Manner of fulfilling the conversion obligation		Issue new shares in accordance with the issuance and conversion measures		

III. Preferred Shares: None.

IV. Global Depositary Receipts (GDRs): None.

V. Employee Stock Options: None.

VI. New Restricted Employee Shares: None.

VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VIII. Implementation of the Company's Capital Allocation Plans:

(I) Plan:

If the previous issuance or private placement of securities has not yet been completed or has been completed within the last three years and the benefits of the plan have not yet been demonstrated, please provide details of the plan: None.

(II) Implementation:

For the purpose of each project, if the progress of implementation or effectiveness does not meet the estimated target, the reasons, impact on shareholders' equity and improvement plans shall be specified: None.

Chapter 5 Operational Highlights

I. Business Activities

(I) Scope of Business

1. The main content and product items of the Company's current business:
 - (1) Land purchase, and commission construction companies to build commercial and residential buildings. For example, the construction and sale of residential buildings in Zuoying District, Kaohsiung City, Xiaogang District, Kaohsiung City, Nanzhi District, Kaohsiung City, and South District, Tainan City.
 - (2) Rental and sale of premises: Investment real estate and other assets are being rented out. The sale of the land for construction of factories in the Shangtian Section, Yangmei District.
2. The Company's major products and their operating weightings in 2022:

Product Items	Amount (NT\$ 1000)	Percentage
Construction income	3,921,033	99.53%
Rental income	18,691	0.47%
Others	1	0.00%
Total	3,939,725	100.00%

3. New products planned for development: buildings, homes, stores, shopping malls, parking spaces. The Company are actively building and selling, revitalizing existing assets, and actively planning for leasing and sales to increase revenue.

(II) Industry overview

1. Current status and development of the industry and the relationship among the upstream, midstream and downstream

In the "National Income Statistics and Economic Growth" released by the DGBAS of the Executive Yuan, the economic growth forecast for 2023 is 2.12%, a downward revision from the 2.45% forecast for 2022, of which the main downward pull is the decline in exports, while the CPI forecast is 2.16%, an upward amendment to 0.3 percentage points.

The external environment is still a major uncertainty, as the war between Russia and Ukraine has not yet ended, the U.S. inflation rate has not yet been effectively controlled, the Fed will continue to raise interest rates, and the U.S.-China trade and technology war is still tense, the global economic growth rate is estimated to be less than 2%, and the low growth causes a recession in international trade growth and makes the domestic growth pattern appear to be internally flat and externally cold.

Major uncertainties:

- (1) The Russian-Ukrainian war has caused drastic fluctuations in energy and food prices.
- (2) Global inflation is expected to fall to below 7% in 2023, and is expected to further decline to 4.9% in 2024.

- (3) The improvement of the global supply chain bottlenecks.
- (4) The timing, frequency and tapering progress of the Fed's interest rate hikes, as well as the impact on the international stock and exchange markets.

The market demand shrinks in Kaohsiung's housing market in the suppress of TSMC plant delayed effect and the government's policy to crack down on housing, and interest rate hike. Although mortgage rates are at a low level, the housing market is experiencing higher holding costs and short-term taxation on purchases and sales under the real estate related rental tax reform, as well as the government's housing crackdown measures, making it difficult to increase the number of transactions. Fortunately, the demand for young first-time buyers and old-for-new home buyers is still ongoing, coupled with the current low mortgage rates and the market is popular to launch small homes with low total price to meet the needs of young people.

2. Various development trends and competition of products

- (1) MRT housing. As the MRT network in the Greater Taipei area is gradually taking shape, the convenience of extending the MRT to the suburbs has made housing along the MRT line one of the main factors for home buying choices, given the high price of housing in the urban area that is unaffordable. A similar situation has arisen in Kaohsiung City, as well as Qiaotou District, Fengshan District and Xiaogang District.
- (2) Hot spring residences or resort residences. As people's quality of life has improved, hot spring residences or resort residences that combine living and leisure can ease the hectic pace of life, and hotel-style management of hot spring residences or resort residences is the mainstream of them.
- (3) Luxury properties. As long as they have good base conditions, good location, tasteful architecture and rarity, have always been loved by specific groups, but it seems that there is an oversupply of luxury properties in general, and land is not easy to obtain, and recently the impact of real price registration has had an impact on the transaction under the real response of luxury property prices.
- (4) Good House. With the spirit of planning and designing luxury houses, taking into consideration the needs of the occupants, we build thoughtful products with a human touch, while taking into account quality and service, which will be the mainstream products in the future.
- (5) Small and medium-sized residents. Under the circumstance that the society is becoming more and more diversified, Taiwan has not only entered a society with fewer children, but also the phenomenon of single-parent families not marrying at the right age is becoming more and more common. All these social phenomena are shaping a demand market for small and medium-sized housing products, under the premise of total price consideration. By understanding more about the needs and desires of single parents, the unmarried and those who do not have a family, the Company can introduce good products that meet their needs.

- (6) Housing for the elderly. As the elderly population is growing, housing for the elderly will become one of the mainstream real estate products in the 21st century. The environment in which the elderly live can be roughly divided into traditional residences (apartments, buildings, and open-air houses), traditional nursing homes (nursing centers, home for the elderly), and advanced retirement residences (senior residences, health villages).
- (7) Land rights residences. There are two types of "land rights residences", one is that the purchaser can acquire ownership of the building, such as "Taipei Garden", and the other only has proof of use rights, such as the case of the Taipei Railway Station, "King Station". Generally known as "buying a house without buying land", the buyer only has the ownership of the building, did not get the land ownership, and there is a house right but no land rights. As a result, the total price is low, lower than 20%-40% of the general housing market, but the housing tax has to be paid. The land rent is 3% to 10% of the announced land price. When there is no need to pay the land value tax, the households need to pay the royalties, and they do not need to pay the land value-added tax when they sell the house. However, they still have to pay the land rent to the builder, and the loan ratio is low. After the expiration of the term of use, the house must be demolished to repay the land and there is no appreciation.

(III) Overview on technology and R&D

1. R&D expenses for the most recent year and up to the date of printing the annual report: The Company is in the construction industry without R&D plans or expenses.
2. Technology or product developed successfully: None.

(IV) Long and Short-Term Business Development Plans

1. Short-Term Business Development Plans:
 - (1) In response to the fact that the housing market in the south-central region is still hotter than that in the north, the Company has purchased land in Kaohsiung and Tainan cities to develop and construct a number of construction projects since 2013, all of which are for building products.
 - (2) The "Zangfeng Building" is currently for lease; the Yangmei industrial site is planned to be sold in whole or in part, as approved by the 2022 Annual General Meeting of Shareholders.
2. Long-Term Business Development Plans:
 - (1) To establish the Company's brand, provide quality construction to meet customer needs, enhance market position, and strengthen brand value and reputation. To develop online application software to provide customers with real-time services online.
 - (2) To strive to reduce costs and achieve profit sharing.
 - (3) To diversify into real estate related business.

II. Analysis of the Market as Well as Production and Marketing Situation

(I) Analysis of the Market

As entering 2023, we are facing a challenge that is almost like walking a tightrope: the upcoming government's amendment to the Equalization of Land Rights Act, the crackdown on property speculation and the implementation of the unified property tax 2.0 will lead to a decrease in the loan ratio. Short-term investors are the first to hit. Besides, the rising operating costs and market volatility brought about by rising interest rates are also challenges in front of the Company at present.

Most of the buyers in Kaohsiung are first-time buyers, and the small houses with low total price are still favorable to them due to the low bank interest rate and the high loan ratio. If the products of small and medium-sized ping can meet the market demand are launched, they will be well accepted by consumers. The Company will continue to launch two residential buildings in Guomao, Xiaogang, and Zuoying districts in Kaohsiung City this year (2023), with ping sizes ranging from 21 to 48. Similarly, these products will be targeted at the first buyers.

While the policy is cracking down on property speculation, the economy is facing recession, and the global interest rate hike is not yet over, the market is expected to remain a "case performance" in 2023. In the face of new policies and new taxation system in the housing market, Taiwan's real estate is facing a transformation, with owner-occupancy replacing investment, and first-time buyers and first-time exchangers becoming the mainstream of the market. The future of the housing market will see significant changes as follows.

1. Owner-occupancy in stages and changing homes have become mainstream in the market: 2-bedroom products with small square footage but convenient transportation are more flexible than suites and 3-bedroom products because of their lower total price and space, which are more in line with the needs of families with fewer children, and their market is relatively active. In addition, due to the price rise in land and soaring construction costs, housing prices have also risen significantly, which will be major pressure on first-time buyers. Their "buy small first and then change big" purchase plan will be more prevailing and small houses will be more popular with them.
2. The return on investment for property will be the focus. In the past, the investment community "money into" real estate, mainly to grab short-term value-added, but by the tax system and the restrictions of non-transferable, the new tax era of real estate investment is to take the "long-held route", the investment return rate of good objects will get the favor of the homeowners.

Our management team has many years of practical experience on the demand of the southern housing market and the selection of building sites, so it is a good opportunity for the Company to actively develop the market for owner-occupied and home exchange groups. Favorable and unfavorable factors of development prospect and countermeasures:

1. Favorable factors
 - (1) For the 2023 housing market, the central bank has raised interest rates 5 times since last year, and the amendment to the "Equalization of Land Rights Act" is upcoming. Various unfavorable factors to the development of the housing market resulted in the slowdown of Kaohsiung builders' declaration of construction start, with the digestion of pre-sale and existing housing as the core.
 - (2) Regarding current real estate transactions, there is still demand for owner-occupancy. On the other hand, buyers are still mainly seeking inexpensive and high-functioning properties. At present, mortgage interest rates remain low and there are also more home exchangers, which will be a key factor in driving transaction volume.
 - (3) Prices, exchange rates, and interest rates will affect the rate of home ownership. With the global flood of funds and pressure from inflation, during a period of still-low interest rates, homebuyers bear a lighter burden under the pressure of preserving value and starting a family, leading to a continuing demand for housing.
2. Unfavorable factors and countermeasures
 - (1) The government's housing crackdown measures, bank loan restrictions, and high construction costs have caused housing prices to rise sharply, and the home buyers remain on the sidelines.
 - (2) In 2023, the housing market will be variable and demonstrated individual performance, but there will not be significant fluctuations in prices.
 - (3) Due to the surge in construction projects, some construction sites have exceeded their capacity and consequently faced shortage of labor and materials, resulting in a sharp increase in construction costs. To mitigate potential impacts on profits, developers have resorted to building first and selling later.
- (II) Usage and Manufacturing Processes for Main Products

The Company mainly buys and sells government land to build stores, shopping malls, residences, offices, parking spaces to meet the different needs of its customers.
- (III) Supply of major raw materials

Land and building materials: the Company purchases land, domestic and foreign cement, steel, and building materials, or entrusts them to excellent domestic manufacturers for construction.

(IV) Information on customers who have accounted for more than 10% of the total amount of procurement and sales in the most recent two years:

1. Information on major suppliers in the most recent two years:

Unit: NT\$1,000

Item	Year	2021				2022				2023 Q1 (Note 2)			
		Name	Amount	Percentage of net imports for the year (%)	Relationship with the Issuer	Name	Amount	Percentage of net imports for the year (%)	Relationship with the Issuer	Name	Amount	Percentage of current year's net purchases up to the previous quarter (%)	Relationship with the Issuer
1		Land for construction - Yung Ta Construction Co., Ltd. (Huatai Section)	1,456,840	44.66	None	Materials under Construction - Wa Ta Her Co., Ltd.	289,929	15.47	None	-	-	-	-
2		-	-	-	-	Construction in progress - Jun Sheng Engineering Co., Ltd.	257,499	13.74	None	-	-	-	-
3		-	-	-	-	-	-	-	-	-	-	-	-
4		-	-	-	-	-	-	-	-	-	-	-	-
5		-	-	-	-	-	-	-	-	-	-	-	-
		Others	1,805,342	55.34	-	Others	1,326,896	70.79	-	-	-	-	-
		Net purchase	3,262,182	100.00	-	Net purchase	1,874,324	100.00	-	-	-	-	-

Note 1: List the names of suppliers whose purchase amounts accounted for more than 10% of the total procurement for the most recent two years, along with their purchase amounts and ratios. However, if the contract prohibits the disclosure of supplier names or if the trading partner is an individual who is not a related party, a code can be used instead.

Note 2: As of the printing date of the annual report, the Company's financial information for 2023 Q1 has not been reviewed by the CPAs and is therefore not disclosed.

2. List of major clients in the most recent two years

Unit: NT\$1,000

Year Item	2021				2022				2023 Q1 (Note 3)			
	Name	Amount	Percentage of net sales for the year (%)	Relationship with the Issuer	Name	Amount	Percentage of net sales for the year (%)	Relationship with the Issuer	Name	Amount	Percentage of current year's net sales up to the previous quarter (%)	Relationship with the Issuer
1	-	-	-	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
	Others	2,579,156	100.00	-	Others	3,939,725	100.00	-	-	-	-	-
	Net sales	2,579,156	100.00	-	Net sales	3,939,725	100.00	-	-	-	-	-

Note 1: The Company's products are sold directly to the general public, so there is no specific sales target.

Note 2: In 2021 and 2022, transactions with individuals did not exceed 10% of total sales and therefore were not disclosed.

Note 3: As of the printing date of the annual report, the Company's financial information for 2023 Q1 has not been reviewed by the CPAs and is therefore not disclosed.

(V) Production Volume/Value of the Most Recent Two Years

Unit: NT\$1000

Production Volume/ Value Main Products (or division)	Year	2021			2022		
		Production Capacity (Note 1)	Production Volume (household)	Production Value	Production Capacity (Note 1)	Production Volume (household)	Production Value
House		-	434	1,680,537	-	658	2,831,345
Total		-	434	1,680,537	-	658	2,831,345

Note 1: Production capacity refers to the amount that the Company can produce under normal operation using existing production equipment after taking into account necessary shutdowns, holidays, and other factors. Not applicable to construction companies.

Note 2: The production volume is the total number of households in the year of completion.

(VI) Sales volume/value of the most recent two years

Unit: NT\$1000

Sales volume/ value Main Products (or division)	Year	2021				2022			
		Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Commercial rental income		1,608.64 (pings)	13,836	-	-	1,608.64 (pings)	15,043	-	-
Parking lot rental income		8,401.48 (pings)	386	-	-	6,804.28 (pings)	3,648	-	-
Sales of houses		438 (households)	2,551,932	-	-	624 (households)	3,921,033	-	-
Sales of land		1 (lot)	13,000	-	-	-	-	-	-
Others		-	2	-	-	-	1	-	-
Total		-	2,579,156	-	-	-	3,939,725	-	-

Note: The Company has no export sales in the recent two years.

III. Information on Employees for the Last Two Fiscal Years and during the Current Fiscal Year up to the Date of Publication of the Annual Report

Year		2021	2022	Current year as of April 23, 2023 (Note)
Number of Employees	Parent company	55	48	47
	Subsidiaries	45	47	45
	Total	100	95	92
Average Age		41.8	39.8	41.7
Average Service Year		3.6	5.1	5.4
Education distribution ratio	PhD	1	1	1
	Master's	19	14	14
	Bachelor's	75	75	72
	High school	5	5	5
	Below high school	0	0	0

Note: Information for the year ended on the date of printing of the annual report shall be included.

IV. Disbursements for Environmental Protection

- (I) The total amount of losses (including compensation) and penalties incurred by the Company for polluting the environment in the most recent year and up to the date of printing the annual report: As of the date of printing the annual report, the Company was fined NT\$237,000 for violating the Air Pollution Prevention Law and the Noise Control Law.

Unit: NT\$1,000

Item	2022	As of April 23, 2023
Fine for violation of the Noise Control Law	12	0
Fine for air pollution	225	0
Fine for water pollution	0	0

(II) Specific measures are as follows:

1. Treatment for waste

The Company will contract a professional waste removal company and specify the responsibility of material lifting and management removal in the contract, and specify the terms and conditions of waste removal to reduce waste generation. When vehicles are transported, the waste is covered with canvas to avoid scattering or polluting the ground; site entrances and exits are equipped with dedicated personnel and washing equipment to clean the vehicle bodies and wheels, and set up an exclusive closed transport pipeline, which is centrally stacked on the first floor, and a sub-truck is set up in the environmental protection room to handle construction waste, so as to differentiate the transport of construction waste and enhance ground cleaning to avoid accumulation of water.

2. Treatment for air pollution

The site is surrounded by a fence, and the building is surrounded by a scaffold, a dust net and a canvas on the side of the neighboring house to prevent dust from flying. Effective control of construction equipment to improve air pollution, the implementation of fuel injectors, injection pumps, turbocharging and diesel engine maintenance and oil quality, the implementation of the installation of smoke filters on construction equipment can improve the black smoke.

3. Treatment for water pollution

The site is equipped with environmentally friendly temporary toilets, which are regularly removed by professional manufacturers and do not discharge sewage.

4. Education and training

The Company regularly reinforces the concept of environmental protection to the construction workers at the site, reduces stone breaking and heavy work, and strengthens advance planning.

Irregularly, the Company attends environmental protection seminars and observation meetings, and fully cooperates with the environmental protection agencies in the various environmental protection plans proposed, so as to absorb new knowledge and improve the efficiency of environmental protection.

5. Collaborative manufacturer management

(1) A rest area is provided for workers to rest at noon.

(2) Regularly invite manufacturers to hold meetings to establish a clean and tidy environment.

6. Estimated future expenses and compensation

The Company estimates the impact of the current pollution situation and its improvement on the Company's earnings, competitive position and capital expenditures and its estimated significant environmental capital expenditures in the next two years: None.

V. Labor Relations

(I) Labor-management agreements and implementation

1. Employee benefits and implementation

The Company's employee benefits include the following: Labor insurance, employer's compensation contract liability insurance, retirement benefits, annual health checkups, gifts for weddings, funerals, or births, working uniforms, bonuses or gifts for the three major holidays, employee remuneration, discounts for employees to purchase the Company's construction projects, specific hotel accommodation discounts, year-end evening parties, and employee travels.

The Company has appropriately reflected its operating results in employee remuneration, and the average adjustment of employee salaries in 2022 was 1.6% to 5.7% compared to 2021. Please refer to the table below for the average adjustment of employee salaries. In addition, based on the "Measures for Employee Benefits", the Company has linked the operating performance with the measures for employee benefits to ensure that employees are rewarded and united, and organized various recreational activities for them.

Average adjustment of employee salaries for 2022				
Expected salary adjustment	Actual salary adjustment	Non-manual staff salary adjustment	Remark	Managerial officers salary adjustment
0.8~1%	1.6%~5.7%	1.85%~5%	In recent years, the Company has continued to grow steadily, thanks to the proactive operation of the management team to lead the Company to record revenue. During the period of severe economic environment caused by Covid-19, the President and the executives of each division prudently responded to the challenges of the Company and stabilized the safe employment environment for the employees. There was no salary adjustment for the relevant managerial officers since they took office. This year, the Company has reported to the Remuneration Committee and the Board of Directors for appropriate salary adjustments.	1.4%

2. Continuing education and training for employees

The Company has formulated the "Measures for Employee Education and Training" and employees may apply in accordance with the Measures. The Company also conducts performance evaluation in accordance with the relevant laws and regulations, holds regular or irregular seminars on laws and regulations, and invites government agencies to cooperate in promoting the laws and regulations. In addition, Engineering Division participates in the education courses and functional promotion certification of related associations. The total expenditure on education and training of employees in 2022 was NT\$97,201.

3. Retirement system and implementation

Since July 1, 2005, all employees of the Company are subject to the new Labor Retirement System under the Labor Pension Act, under which 6% of their monthly wages are contributed to a personal pension account set up by the Labor Insurance Bureau. For those who have made voluntary contributions to the pension fund, the amount is deducted from the employees' monthly wages based on the voluntary contribution rate to the individual pension account of the Labor Insurance Bureau.

4. Labor-management agreements and measures for preserving employees' rights and interests

The Company attaches great importance to employees' rights and interests, and has established reasonable salary, vacation and retirement systems in accordance with laws and regulations. Regular labor-management coordination meetings are held to coordinate labor-management relations, promote labor-management cooperation and improve communication between employers and employees within the enterprise, and to protect labor rights and interests. The Company has implemented welfare measures such as safety and hygiene, health checkups, and on-the-job training to build harmonious labor relations, with no losses due to labor disputes.

5. Work environment and employee safety protection measures

(1) The Company provides the following measures to protect the personal safety of the employees:

- A. The Company provide uniforms, safety helmets, and safety shoes to protect the safety of the employees when they are stationed at construction sites.
- B. Security guards are employed at the construction site to control the access of site personnel and vehicles on a daily basis.
- C. The Company and its primary and subordinated contractors are the insured of the construction projects, and they are regularly insured annually with comprehensive construction insurance (construction property damage insurance and construction third party accident liability insurance) and site construction personnel insurance.

- D. Labor insurance and extra-employment liability insurance are provided for our employees. Besides, we also conduct regular annual health checkups.
- (2) The company's construction project is entrusted to a professional Grade A construction plant as the construction contractor, and the following operations are carried out by the plant:
 - A. In charge of supervising and controlling construction related site safety and quality maintenance.
 - B. Safety and health regulations are established and safety and health personnel with occupational safety licenses are appointed to perform safety and health inspections.
 - C. Execute safety and health education and training, and require the personnel to wear safety helmets, safety shoes, and safety belts for elevated operations before they enter the site every day.
- (3) The projects of each construction project are awarded by bargaining. When signing the project contract, the contractor clearly specifies that the manufacturers:
 - A. Comply with occupational safety and health related laws and regulations.
 - B. The contractor's employees are required to wear safety helmets when entering the site, to use cables with good insulation, and not to overload or overweight the crane equipment.
 - C. Sign the "Safety and Health Regulations" and require the contractor to comply with all safety and health regulations and to have all relevant safety protection equipment such as safety helmets and safety belts.

6. Standards of ethical behavior

In addition to the institutional strengthening of employee benefits and professional training, the Company has implemented a retirement system in accordance with the law to ensure harmonious labor relations and sustainable corporate development. For the moral and ethical conduct of employees, in addition to the internal control management consideration, the Company has set up "Procedures for Handling Material Inside Information" to regulate the handling procedures of material information of the Company, the Company has also set up "Work Rules" and various personnel system regulations to specify that both employees and employers shall be committed to corporate ethics and professional ethics, and the employee grievance management method has set up a special reporting box to enable employees to clearly understand the code of conduct or ethics to be followed, and this standard will be used as the basis of rewards and punishments for employees. The main regulations are as follows:

- (1) Employees shall work conscientiously, take care of public property, reduce losses, improve quality, and increase production internally, and keep the secrets of business or duties externally.

- (2) During their employment, employees shall not operate or be employed in businesses similar in nature to the Company.
 - (3) Employees shall not accept money, gifts, presents, commissions, duties, services, favors, kickbacks, facilitation fees, hospitality, entertainment, or other things of value in any form or name from the vendor, and shall immediately reject such cases and inform the division executives or use the whistle-blowing mailbox for complaints.
- (II) For the most recent year and as of the date of the annual report, the Company has suffered losses due to labor disputes and disclosed the estimated amount of current and potential future losses and measures to deal with them, and if the amount cannot be reasonably estimated, the facts that cannot be reasonably estimated. If a reasonable estimate cannot be made, the facts that cannot be reasonably estimated shall be stated.
 - 1. The Company has always attached great importance to labor relations and therefore has not had any labor disputes or suffered any losses due to labor disputes.
 - 2. The Company has not suffered any losses due to labor disputes in the past two years, and there are no potential factors for labor disputes. In the future, if the Company continues to actively promote and implement various employee welfare measures, it is expected that no losses will be incurred as a result of labor disputes.

VI. Cyber Security Management:

(I) Cyber security risk management framework

In order to enhance the cyber security management, the executive of Information Department and colleagues are currently performing the duties related to "cyber security management unit" to regularly evaluate cyber security risks, review cyber security policies and implement the promotion. Besides, the results of cyber security implementation are regularly reported to the Board of Directors every year.

(II) Cyber security policy

- 1. The Company follows the laws and regulations to establish relevant information security management regulations and provides appropriate protection for our information assets to ensure their confidentiality, integrity, availability and legal compliance.
- 2. Regularly evaluate the impact of various man-made and natural disasters on our information assets, and formulate disaster prevention and recovery plans for important information assets and critical businesses to ensure the continuity of our business operations.
- 3. Supervise our colleagues to implement cyber security protection, to establish the concept of "information security, everyone's responsibility", and to raise the awareness of cyber security among all divisions and employees.

(III) Specific Cyber Security Management schemes

Category	Management scheme
1. Legal compliance	In addition to conforming to international cyber security standards, cyber related operations must also comply with relevant domestic cyber security laws and regulations.
2. Software and hardware protection	If the software system requires external connection for maintenance, it must pass the firewall rule and dynamically establish connection information for connection. For hardware equipment, access to the information room must be controlled by the access control system to reduce theft or vandalism.
3. Backup and restoration	The system backups are automatically executed in batches, and are included in the daily inspection checklist, and are verified by information personnel one by one, so that the system can be restored within a short period of time in response to various unexpected situations that cause system damage, and so that colleagues can resume normal operations as soon as possible.
4. Prevention and drills	The Company regularly reviews the information security mechanism and performs routine security tests. In addition, it irregularly educates our employees about cyber security in order to prevent in advance, effectively detect incidents, and prevent the spread.
5. New knowledge of cyber security	In recent years, the prevalent attack methods include DDoS, ransomware viruses, social engineering, and even fake websites (password modification, lottery notification, etc.). The Company keeps in touch and communicates with domestic cyber security-related vendors to understand the new cyber security threats and contingency measures of the current Internet generation through existing network resources.
6. Continuous response to the Covid-19	Establish a secure and reliable cloud office operating environment, including: VPN connection, cloud switchboard and import cloud enterprise resources tools (including online meeting), to meet the needs of employees to continue to work from home in response to the epidemic and to ensure that the Company's business can maintain normal operations.

(IV) Invest resources in the cyber security management

In recent years, the Company has gradually invested in following equipment, services and policies to strengthen the internal cyber security:

Invested resources	Relevant description
1. Build a secure communication network	In order to enhance the security of the Company's network, the Information Department has gradually upgraded related network security equipment in recent years, such as FireWall, Thin AP, and other hardware to divide the wired and wireless network applications into public and private parts, and the VPN connection mechanism is used to provide external locations or employees who need to work in different locations to ensure that employees can complete their work remotely and synchronously in a secure way.
2. Provide complete data	By using NAS devices to build local and off-site synchronous backup mechanism, information personnel can assist in restoring the operation in a short time when the relevant system equipment

Invested resources	Relevant description
storage mechanism	or computers are damaged; or in case of any natural, technical or human-generated hazardous events, the risk of data loss and irreversibility can be greatly reduced.
3. Import cloud-based enterprise resource management tools	In terms of hardware equipment, a large amount of system construction, management and maintenance costs can be eliminated, allowing information teams to focus on providing more secure system services and applications; and in terms of software services, the combination of complete, professional and reliable tool services from system service providers not only allows employees to greatly reduce the risk of exposure to advertising mail, spam and mail viruses when sending and receiving emails, but also enables employees to use online collaboration tools more quickly and securely to complete tasks in this fast-changing information generation through occasional education and promotion by information personnel. In addition, through regular education and promotion by information personnel, employees can make good use of online collaborative operation tools to complete tasks more quickly and safely in this fast-changing information generation, thus enhancing team work efficiency.
4. Employee operation certification mechanism	Based on human resources management, the Company has gradually established a complete and consistent operation certification method, which can integrate access control and related business equipment usage to ensure the safety of equipment, personnel, and data, and to maintain the confidentiality of each employee's work within their responsibilities.
5. Legal asset use management	The Company uses asset management tools to take inventory of related information equipment and software resources within the enterprise. It ensures the legality and security of resource usage authorization through daily inspections and regular auditing operations to avoid the use of resources from unknown sources that may create unintended cyber security loopholes and cause unnecessary losses to the Company.
6. Enhance employees' cyber security awareness	In response to the ever-changing cyber security attack techniques and risks, the information team conducts cyber security promotion and audits irregularly, such as information bulletins, case sharing, education and training, and system audits, to enhance employees' information literacy and cyber security awareness.

(V) Risk management operations of cyber security

The Company reported the risk management operations to the Board of Directors in 2022 as follows:

1. In the Kaohsiung headquarters and Taipei office server rooms, NAS network hard drives are used to establish a two-way data synchronization and backup mechanism in different locations. In case of equipment or data abnormalities in either area, the system and data restoration is accessible, thereby enhancing the reliability of information services.

2. The Company reviews the operational risks arising from the internal and external environment from time to time, and responds to them early to reduce risks and losses.

(VI) The losses, possible impacts and countermeasures of major cyber security incidents in the most recent year and up to the date of publication of the annual report: None.

VII. Important Contracts:

As of April 23, 2023, the printing date of the Annual Report

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Engineering contract	Hua Ching Construction Ltd.	2021.08.11~2023.07.31	Construction project (Foundation related project of the revenue house at Lot 215-7, Guomao Sec., Zuoying Dist., Kaohsiung City)	None
Engineering contract	Hua Ching Construction Ltd.	2022.08.12~2026.08.30	Construction project (New construction related project of the revenue house at Lot 215-7, Guomao Sec., Zuoying Dist., Kaohsiung City)	None
Engineering contract	Hua Ching Construction Ltd.	2021.11.11~2025.03.31	Construction project (New construction related project of the revenue house at Lot 61 and 67, Pingsong Sec., Xiaogang Dist., Kaohsiung City)	None
Engineering contract	Hua Ching Construction Ltd.	2020.08.12~2023.10.31	Construction project (New construction project of the revenue house at Lot 177-9, Guomao Sec., Zuoying Dist., Kaohsiung City)	None
Engineering contract	Hua Ching Construction Ltd.	2020.08.12~2024.02.28	Construction project (New construction related project of the revenue house at Lot 466, Dashan Sec., South Dist., Tainan City)	None
Engineering contract	Hua Ching Construction Ltd.	2022.08.12~2023.07.31	Construction project (New construction project of the shopping mall at Lot 259 and 259-10, Dashan Sec., South Dist., Tainan City)	None
Engineering contract	Hua Ching Construction Ltd.	2022.05.12~2023.07.31	Construction project (Foundation related project of the revenue house at Lot 5, Yuanzhong Sec. 1, Nanzi Dist., Kaohsiung City)	None
Engineering contract	Hua Ching Construction Ltd.	2022.08.12~2026.06.30	Construction project (New construction related project of the revenue house at Lot 5, Yuanzhong Sec. 1, Nanzi Dist., Kaohsiung City)	None
Engineering contract	Hua Ching Construction Ltd.	March 24, 2021 to 330 calendar days from the construction date	Construction project (Foundation related project of the revenue house at Lot 2478, Wukuaicuo Sec., Lingya Dist., Kaohsiung City)	None
Guaranteed contract	Qianzhen Branch, First Commercial Bank, Ltd.	2020.01.17~2025.01.17	Issuance of the first domestic guaranteed convertible bonds, with land as collateral.	None
Guaranteed contract	Kaohsiung Branch, First Commercial Bank, Ltd.	2020.12.01~2025.12.01	Issuance of the second domestic guaranteed convertible bonds, with land as collateral.	None
Guaranteed contract	Qianzhen Branch, First Commercial Bank, Ltd.	2021.06.29~2026.06.29	Issuance of the first domestic guaranteed ordinary corporate bonds, with land as collateral.	None
Loan contract	Qianzhen Branch, First Commercial Bank, Ltd.	2020.07.06~2026.07.31	Medium-term financing line, with land as collateral.	None
Loan contract	Kaohsiung Branch, First Commercial Bank, Ltd.	2019.08.19~2024.08.19	Medium-term financing line, with land as collateral.	None
Loan contract	Kaohsiung Branch, Agricultural Bank of Taiwan	2019.09.16~116.09.16	Land financing line, with land as collateral.	None

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Loan contract	Zuoying Branch, Sunny Bank	2022.05.09~2023.05.09	Land financing line, with land as collateral.	None
Loan contract	Lingya Branch, Land Bank of Taiwan	2018.07.05~2023.07.05	Land financing line, with land as collateral.	None
Loan contract	Sanmin Branch, Land Bank of Taiwan	2017.09.29~2024.09.29	Land financing line, with land as collateral.	None
Loan contract	Rende Branch, Bank of Taiwan	2019.02.20~2024.02.20	Medium-term financing line, with land as collateral.	None
Loan contract	Chi Hsien Branch, Shin Kong Bank	2022.07.08~2023.07.08	Land financing line, with land as collateral.	None
Loan contract	Chi Hsien Branch, Shin Kong Bank	2023.04.12~2024.04.12	Land financing line, with land as collateral.	None
Loan contract	Chi Hsien Branch, Shin Kong Bank	2023.04.12~2026.04.12	Medium-term financing line, with land as collateral.	None
Loan contract	Chi Hsien Branch, Shin Kong Bank	2022.08.17~2023.08.17	Short-term financing line, cash dividend fund	None
Loan contract	Kaohsiung Branch, Hwatai Bank	2023.03.30~2025.03.30	Land financing line, with land as collateral.	None
Loan contract	Kaohsiung Branch, O-Bank	2022.11.24~2023.11.23	Land financing line, with land as collateral.	None
Loan contract	Kaohsiung branch, Mega Bills Finance Co., Ltd.	2022.10.21~2023.10.20	Short-term financing line, with land as collateral.	None
Loan contract	Kaohsiung branch, China Bills Finance Corporation	2023.03.24~2024.03.23	Short-term financing line, with land as collateral.	None

Note: The parties, main content, restriction clauses and dates of commencement and expiration of supply and sales contracts, technical cooperation contracts, engineering contracts, long-term loan contracts and other significant contracts affecting shareholders' equity that are still in effect as of the date of printing the annual report and expired in the most recent year.

Chapter 6 Financial Information

I. Condensed Balance Sheet, Income Statement, Names and Audit Opinions of CPAs for the Most Recent Five Years

(I) Condensed balance sheet

(1-1) Condensed Balance Sheet - IFRS (Consolidated Statements)

Unit: NT\$1,000

Year Item		Financial information for the most recent five fiscal year (audited by CPAs)					Financial information for the current year as of March 31, 2023 (Note 1)
		2022	2021	2020	2019	2018	
Current Assets		10,735,379	11,377,727	9,012,794	7,003,921	5,276,201	-
Property, Plant, and Equipment		35,265	36,402	38,092	22,771	22,643	-
Intangible Assets		-	-	-	-	-	-
Other Assets		2,277,331	2,276,980	2,622,078	2,570,833	2,713,049	-
Total Assets		13,047,975	13,691,109	11,672,964	9,597,525	8,011,893	-
Current Liabilities	Before distribution	8,413,919	7,998,666	5,873,298	3,652,904	2,753,620	-
	After distribution (Note 2)	8,913,919	8,398,666	6,064,566	3,891,989	2,913,010	-
Non-current Liabilities		1,355,118	2,671,755	3,092,817	3,247,537	2,638,447	-
Total Liabilities	Before distribution	9,769,037	10,670,421	8,966,115	6,900,441	5,392,067	-
	After distribution (Note 2)	10,269,037	11,070,421	9,157,383	7,139,526	5,551,457	-
Equity Attributable to Owners of the Parent		3,278,938	3,020,688	2,706,849	2,697,084	2,619,826	-
Capital Stock		969,688	961,036	956,340	956,340	796,950	-
Capital Surplus		345,528	324,743	312,618	245,201	245,201	-
Retained Earnings	Before distribution	1,953,040	1,722,399	1,427,287	1,486,724	1,570,852	-
	After distribution	1,453,040	1,322,399	1,236,019	1,247,639	1,411,462	-
Other Equity		10,682	12,510	10,604	8,819	6,823	-
Treasury Stock		-	-	-	-	-	-
Non-controlling Interests		-	-	-	-	-	-
Total Equity	Before distribution	3,278,938	3,020,688	2,706,849	2,697,084	2,619,826	-
	After distribution (Note 2)	2,778,938	2,620,688	2,515,581	2,457,999	2,460,436	-

Note 1: As of the printing date of the annual report, the Company's financial information for 2023 Q1 has not been reviewed by the CPAs and is therefore not disclosed.

Note 2: For the distribution of earnings for 2022, cash dividends have been approved by the Board of Directors on March 16, 2023 and the remainder has yet to be approved by the shareholders at the 2023 annual general meeting.

(1-2) Condensed Balance Sheet - IFRS (Parent Only Statements)

Unit: NT\$1,000

Item \ Year		Financial information for the most recent five fiscal year (audited by CPAs)				
		2022	2021	2020	2019	2018
Current Assets		10,484,090	11,154,248	8,855,271	6,896,366	5,189,589
Property, Plant, and Equipment		35,265	36,402	38,092	22,771	22,643
Intangible Assets		-	-	-	-	-
Other Assets		2,472,219	2,479,317	2,715,286	2,626,217	2,769,069
Total Assets		12,991,574	13,669,967	11,608,649	9,545,354	7,981,301
Current Liabilities	Before distribution	8,357,446	7,977,451	5,808,911	3,584,792	2,698,028
	After distribution	8,857,446 (Note 1)	8,377,451	6,000,179	3,823,877	2,857,418
Non-current Liabilities		1,355,190	2,671,828	3,092,889	3,263,478	2,663,447
Total Liabilities	Before distribution	9,712,636	10,649,279	8,901,800	6,848,270	5,361,475
	After distribution	10,212,636 (Note 1)	11,049,279	9,093,068	7,087,355	5,520,865
Equity		3,278,938	3,020,688	2,706,849	2,697,084	2,619,826
Capital Stock		969,688	961,036	956,340	956,340	796,950
Capital Surplus		345,528	324,743	312,618	245,201	245,201
Retained Earnings	Before distribution	1,953,040	1,722,399	1,427,287	1,486,724	1,570,852
	After distribution	1,453,040 (Note 1)	1,322,399	1,236,019	1,247,639	1,411,462
Other Equity		10,682	12,510	10,604	8,819	6,823
Treasury Stock		-	-	-	-	-
Total Equity	Before distribution	3,278,938	3,020,688	2,706,849	2,697,084	2,619,826
	After distribution	2,778,938 (Note 1)	2,620,688	2,515,581	2,457,999	2,460,436

Note 1: For the distribution of earnings for 2022, cash dividends have been approved by the Board of Directors on March 16, 2023 and the remainder has yet to be approved by the shareholders at the 2023 annual general meeting.

(II) Condensed Statements of Comprehensive Income

(1-1) Condensed Statement of Comprehensive Income - IFRS (Consolidated Statements)

Unit: NT\$1000 (except that earnings per share are in NT\$)

Item \ Year	Financial information for the most recent five fiscal year (audited by CPAs)					Financial information for the current year as of March 31, 2023 (Note 1)
	2022	2021	2020	2019	2018	
Operating Revenue	3,939,725	2,579,156	1,631,881	2,074,771	2,621,467	-
Gross Profit	1,263,480	855,819	494,077	580,873	708,931	-
Operating income (loss)	862,988	536,977	272,906	358,399	459,745	-
Non-operating Income and Expenses	(69,482)	(48,443)	(82,228)	(76,560)	(59,598)	-
Income (loss) before tax	793,506	488,534	190,678	281,839	400,147	-
Income (loss) from continuing operations	630,641	486,380	179,648	234,652	357,376	-
Loss from Discontinued Operations	-	-	-	-	-	-
Net Income (loss)	630,641	486,380	179,648	234,652	357,376	-
Other comprehensive income (loss) for the year (net tax)	(1,828)	1,906	1,785	1,996	2,085	-
Total Comprehensive Income	628,813	488,286	181,433	236,648	359,461	-
Net Income (Loss) Attributable to Shareholders of the Parent	630,641	486,380	179,648	234,652	357,376	-
Net Income (Loss) Attributable to Non-controlling Interests	-	-	-	-	-	-
Comprehensive Income Attributable to Owners of the Parent	628,813	488,286	181,433	236,648	359,461	-
Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-	-
Earnings per Share	6.54	5.08	1.88	2.45	3.74 (Note 2)	-

Note 1: As of the printing date of the annual report, the Company's financial information for 2023 Q1 has not been reviewed by the CPAs and is therefore not disclosed.

Note 2: Earnings per share are calculated based on the number of shares after retrospectively adjusted earnings to capital increase.

(1-2) Condensed Statement of Comprehensive Income - IFRS (Parent Only Statements)

Unit: NT\$1000 (except that earnings per share are in NT\$)

Item \ Year	Financial information for the most recent five fiscal year (audited by CPAs)				
	2022	2021	2020	2019	2018
Operating Revenue	3,939,725	2,579,156	1,631,881	2,074,771	2,621,467
Gross Profit	1,225,110	814,456	476,627	563,252	682,192
Operating income (loss)	863,106	525,710	282,065	366,934	456,845
Non-operating Income and Expenses	(69,835)	(37,759)	(91,387)	(85,328)	(57,604)
Income (loss) before tax	793,271	487,951	190,678	281,606	399,241
Income (loss) from continuing operations	630,641	486,380	179,648	234,652	357,376
Loss from Discontinued Operations	-	-	-	-	-
Net Income (loss)	630,641	486,380	179,648	234,652	357,376
Other comprehensive income (loss) for the year (net tax)	(1,828)	1,906	1,785	1,996	2,085
Total Comprehensive Income	628,813	488,286	181,433	236,648	359,461
Earnings per Share	6.54	5.08	1.88	2.45	3.74 (Note 1)

Note 1: Earnings per share are calculated based on the number of shares after retrospectively adjusted earnings to capital increase.

(III) Names and audit opinions of CPAs for the most recent five years

Year	Name of CPA Firm	CPA	Opinions
2018	Deloitte & Touche	Liu, Yu-Hsiang and Kuo, Li-Yuan	Unmodified opinion
2019	Deloitte & Touche	Liu, Yu-Hsiang and Kuo, Li-Yuan	Unmodified opinion
2020	Deloitte & Touche	Liu, Yu-Hsiang and Kuo, Li-Yuan	Unmodified opinion
2021	Deloitte & Touche	Liu, Yu-Hsiang, Hsu, Jui-Hsuan	Unmodified opinion
2022	Deloitte & Touche	Liu, Yu-Hsiang, Hsu, Jui-Hsuan	Unmodified opinion

II. Financial Analyses for the Past Five Fiscal Years

(1-1) Financial Analysis - IFRS (Consolidated Statements)

Analysis Item (Note 2) \ Year		Financial Analyses for the Past Five Fiscal Years					Current year as of March 31, 2023 (Note 1)
		2022	2021	2020	2019	2018	
Financial structure (%)	Debt ratio	74.87	77.94	76.81	71.90	67.30	-
	Ratio of long-term capital to property, plant, and equipment	13,140.67	15,637.72	15,225.42	26,106.10	23,222.51	-
Solvency (%)	Current ratio	127.59	142.25	153.45	191.74	191.61	-
	Quick ratio	17.30	17.98	23.26	32.97	37.78	-
	Interest coverage ratio	523.24	433.32	225.00	295.27	460.79	-
Operating ability	Accounts receivable turnover rate (times)	2,014.69	1,594.53	494.96	486.92	854.32	-
	Average days for cash receipts	0.18	0.22	0.73	0.74	0.42	-
	Inventory turnover rate (times)	0.28	0.20	0.17	0.31	0.38	-
	Accounts payable turnover rate (times)	5.11	4.11	3.19	4.07	5.99	-
	Average days for sale of goods	1,303.57	1,825.00	2,147.05	1,177.41	960.52	-
	Property, plant, and equipment turnover rate (times)	109.95	69.24	53.62	91.37	116.16	-
	Total assets turnover rate (times)	0.29	0.20	0.15	0.24	0.35	-
Profitability	Return on assets (%)	5.24	4.29	2.42	3.47	5.48	-
	Return on equity (%)	20.02	16.98	6.65	8.83	14.10	-
	Ratio of income before tax to paid-in capital (%) (Note 6)	82.12	51.04	19.94	29.47	50.21	-
	Net profit margin (%)	16.01	18.86	11.01	11.31	13.63	-
	Earnings per share (NT\$) (Note 7)	6.54	5.08	1.88	2.45	3.74	-
Cash flows	Cash flow ratio (%)	19.41	-16.83	-28.41	-32.31	30.47	-
	Cash flow adequacy ratio (%)	-28.84	-51.14	-39.56	-30.24	-11.40	-
	Cash reinvestment ratio (%)	26.47	-26.90	-32.78	-22.45	12.30	-
Leverage	Operating leverage	1.15	1.20	1.31	1.25	1.18	-
	Financial leverage	1.11	1.15	1.55	1.33	1.18	-

Please specify the reasons for the changes in each financial ratio for the recent two years. (Analysis is waived if the change is less than 20%)

1. Cash flow adequacy ratio: The increase in 2022 compared to 2021 was mainly due to the increase in cash flow from operating activities in 2022 compared to 2021 resulting from fewer purchases of construction land and a decrease in inventories in 2022.
2. Interest coverage ratio, accounts payable turnover rate, property, plant, and equipment turnover rate, total asset turnover, asset return ratio, ratio of income before tax to paid-in capital and earnings per share: The significant changes in 2022 over 2021 were mainly due to the increase in sales in 2022 over 2021.
3. Inventory turnover rate (times) and average days for sale of goods: The increase in inventory turnover rate (times) and decrease in average days for sale of goods in 2022 compared to 2021 were mainly due to the increase in the speed of pre-sale transactions and house deliveries in 2022.
4. Accounts receivable turnover rate: Mainly due to the increase in the main house delivery rate in 2022, resulting in a substantial increase in net sales.
5. Cash flow ratio and cash reinvestment ratio: The increase in 2022 compared to 2021 was mainly due to the increase in net cash flow from operating activities in 2022.

Note 1: As of the printing date of the annual report, the Company's financial information for 2023 Q1 has not been reviewed by the CPAs and is therefore not disclosed.

Note 2: The following formula shall be shown at the end of this annual report:

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Solvency
 - (1) Current ratio = Current assets/Current liabilities.
 - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
 - (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
 - (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
 - (3) Inventory turnover rate = Cost of goods sold/Average inventories.
 - (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
 - (5) Average days for sale of goods = 365/Inventory turnover rate.
 - (6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.
 - (7) Total assets turnover rate = Net sales/Average total assets.
4. Profitability
 - (1) Return on assets = [Income after tax + Interest expenses x (1 - Tax rate)]/Average total assets.
 - (2) Return on equity = Income after tax/Average total equity.
 - (3) Net profit margin = Income after tax/Net sales.
 - (4) Earnings per share = (Income attributable to owners of the parent - preferred stock dividends)/Weighted average number of shares issued. (Note 3)

5. Cash flows
 - (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
 - (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
 - (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital). (Note 4)
 6. Leverage:
 - (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income (Note 5).
 - (2) Financial leverage = Operating income/(Operating income - Interest expenses).
- Note 3: In the above formula for calculating earnings per share, special attention shall be paid to the following matters when measuring:
1. Based on the weighted-average number of common stocks, rather than the number of shares outstanding at the end of the year.
 2. For any cash increase or treasury stock transaction, the weighted-average number of shares shall be calculated by considering the period of liquidity of the shares.
 3. For any capital increase from earnings or capital surplus, the percentage of capital increase shall be adjusted retroactively in the calculation of earnings per share for prior years and semiannual periods, without regard to the issuance period of such capital increase.
 4. If the preferred shares are non-convertible cumulative preferred shares, the dividends for the year, whether paid or unpaid, shall be deducted from net income after tax or increased by net loss after tax. If the preferred stock is non-cumulative, the preferred stock dividends shall be deducted from net income after tax if there is any; if there is a loss, no adjustment is required.
- Note 4: Cash flow analysis shall pay particular attention to the following when measuring:
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 outflows from capital investments.
 3. Increases in inventories are included only if the ending balance is greater than the opening balance, and are calculated as zero if inventories decrease at year-end.
 4. Cash dividends include cash dividends on common stock and preferred stock.
 5. Gross property, plant and equipment refers to the total amount of property, plant and equipment before accumulated depreciation.
- Note 5: Issuers shall distinguish between fixed and variable operating costs and operating expenses based on their nature, and if any estimates or subjective judgment is involved, they shall pay attention to the reasonableness and maintain consistency.
- Note 6: If the Company's stock has no par value or has a par value other than NT\$10 per share, the previous calculation involving the ratio to paid-in capital shall be changed to the ratio to equity attributable to the owner of the parent on the balance sheet.
- Note 7: Earnings per share are calculated based on the number of shares after retrospectively adjusted earnings to capital increase.

(1-2) Financial Analysis - IFRS (Parent Only Statements)

Analysis Item (Note 1) \ Year		Financial Analyses for the Past Five Fiscal Years				
		2022	2021	2020	2019	2018
Financial structure (%)	Debt ratio	74.76	77.90	76.68	71.74	67.18
	Ratio of long-term capital to property, plant, and equipment	13,140.87	15,637.92	15,225.61	26,176.11	23,332.92
Solvency (%)	Current ratio	125.45	139.82	152.44	192.38	192.35
	Quick ratio	14.70	16.16	22.86	31.08	32.19
	Interest coverage ratio	523.10	432.87	225.00	295.09	459.90
Operating ability	Accounts receivable turnover rate (times)	2,014.69	1,594.53	494.96	486.92	854.32
	Average days for cash receipts	0.18	0.22	0.73	0.74	0.42
	Inventory turnover rate (times)	0.29	0.21	0.18	0.31	0.38
	Accounts payable turnover rate (times)	5.69	4.74	3.82	4.70	7.04
	Average days for sale of goods	1,258.62	1,738.09	2,027.77	1,177.41	960.52
	Property, plant, and equipment turnover rate (times)	109.95	69.24	53.62	91.37	116.16
	Total asset turnover (times)	0.30	0.20	0.15	0.24	0.35
Profitability	Return on assets (%)	5.25	4.30	2.44	3.49	5.51
	Return on equity (%)	20.02	16.98	6.65	8.83	14.10
	Ratio of income before tax to paid-in capital (%) (Note 5)	82.10	50.98	19.94	29.45	50.10
	Net profit margin (%)	16.01	18.86	11.01	11.31	13.63
	Earnings per share (NT\$) (Note 6)	6.54	5.08	1.88	2.45	3.74
Cash flows	Cash flow ratio (%)	18.55	-17.01	-26.71	-30.11	29.23
	Cash flow adequacy ratio (%)	-28.09	-50.93	-39.30	-31.73	-24.53
	Cash reinvestment ratio (%)	24.69	-27.09	-30.77	-20.71	11.29
Leverage	Operating leverage	1.12	1.16	1.21	1.18	1.14
	Financial leverage	1.11	1.16	1.53	1.32	1.18

Please specify the reasons for the changes in each financial ratio for the recent two years.

(Analysis is waived if the change is less than 20%)

1. Cash flow adequacy ratio: The increase in 2022 compared to 2021 was mainly due to the increase in cash flow from operating activities in 2022 compared to 2021 resulting from fewer purchases of construction land and a decrease in inventories in 2022.
2. Interest coverage ratio, accounts payable turnover rate, property, plant, and equipment turnover rate, total asset turnover, asset return ratio, ratio of income before tax to paid-in capital and earnings per share: The significant changes in 2022 over 2021 were mainly due to the increase in sales in 2022 over 2021.
3. Inventory turnover rate (times) and average days for sale of goods: The increase in inventory turnover rate (times) and decrease in average days for sale of goods in 2022 compared to 2021 were mainly due to the increase in the speed of pre-sale transactions and house deliveries in 2022.
4. Accounts receivable turnover rate: Mainly due to the increase in the main house delivery rate in 2022, resulting in a substantial increase in net sales.
5. Cash flow ratio and cash reinvestment ratio: The increase in 2022 compared to 2021 was mainly due to the increase in net cash flow from operating activities in 2022.

Note 1: The following formula shall be shown at the end of this annual report:

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Solvency
 - (1) Current ratio = Current assets/Current liabilities.
 - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
 - (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
 - (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
 - (3) Inventory turnover rate = Cost of goods sold/Average inventories.
 - (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
 - (5) Average days for sale of goods = 365/Inventory turnover rate.
 - (6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.
 - (7) Total assets turnover rate = Net sales/Average total assets.
4. Profitability
 - (1) Return on assets = [Income after tax + Interest expenses x (1 - Tax rate)]/Average total assets.
 - (2) Return on equity = Income after tax/Average total equity.
 - (3) Net profit margin = Income after tax/Net sales.
 - (4) Earnings per share = (Income attributable to owners of the parent - preferred stock dividends)/Weighted average number of shares issued. (Note 2)
5. Cash flows
 - (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
 - (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
 - (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital). (Note 3)

6. Leverage:
 - (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income (Note 4).
 - (2) Financial leverage = Operating income/(Operating income - Interest expenses).
- Note 2: In the above formula for calculating earnings per share, special attention shall be paid to the following matters when measuring:
1. Based on the weighted-average number of common stocks, rather than the number of shares outstanding at the end of the year.
 2. For any cash increase or treasury stock transaction, the weighted-average number of shares shall be calculated by considering the period of liquidity of the shares.
 3. For any capital increase from earnings or capital surplus, the percentage of capital increase shall be adjusted retroactively in the calculation of earnings per share for prior years and semiannual periods, without regard to the issuance period of such capital increase.
 4. If the preferred shares are non-convertible cumulative preferred shares, the dividends for the year, whether paid or unpaid, shall be deducted from net income after tax or increased by net loss after tax. If the preferred stock is non-cumulative, the preferred stock dividends shall be deducted from net income after tax if there is any; if there is a loss, no adjustment is required.
- Note 3: Cash flow analysis shall pay particular attention to the following when measuring:
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 outflows from capital investments.
 3. Increases in inventories are included only if the ending balance is greater than the opening balance, and are calculated as zero if inventories decrease at year-end.
 4. Cash dividends include cash dividends on common stock and preferred stock.
 5. Gross property, plant and equipment refers to the total amount of property, plant and equipment before accumulated depreciation.
- Note 4: Issuers shall distinguish between fixed and variable operating costs and operating expenses based on their nature, and if any estimates or subjective judgment is involved, they shall pay attention to the reasonableness and maintain consistency.
- Note 5: If the Company's stock has no par value or has a par value other than NT\$10 per share, the previous calculation involving the ratio to paid-in capital shall be changed to the ratio to equity attributable to the owner of the parent on the balance sheet.
- Note 6: Earnings (losses) per share are calculated based on the number of shares after retrospectively adjusted earnings to capital increase.

III. Audit Committee's Review Report on Financial Statements for the Most Recent Fiscal Year:

HUA YU LIEN Development CO., LTD.

Audit Committee's Review Report

The Board of Directors has submitted the Company's 2022 annual financial reports (including individual and consolidated financial reports, audited by Liu Yuxiang and Xu Ruixian of CPAs, and issued unqualified audit reports), business reports and profit distribution plans, etc., which have been audited by this Audit Committee and are considered to be in compliance with relevant laws and regulations. Please have a report in accordance with Article 219 of the Companies Act and Article 14-4 of the Securities and Exchange Act.

To:

Hua Yu Lien development co., ltd. 2023 annual shareholders meeting

HUA YU LIEN Development CO.,
LTD.

Audit Committee Convener: Zeng
Wenzhe

March 16, 2023

IV. Consolidated Financial Statements for the Most Recent Fiscal Year, Audited by CPAs:



勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hua Yu Lien Development Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hua Yu Lien Development Co., Ltd (the "Corporation") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2022 is described as follows:

Inventory valuation

Inventory is an important asset for the Corporation and its subsidiaries. As of December 31, 2022, the Corporation's inventory amounted to NT\$9,116,030 thousand, which accounted for 70% of the total assets.

Please refer to Notes 4、5 and 10 of the consolidated financial statements for the accounting policies on the measurement of inventory, assumptions used and uncertainties considered in determining the net realizable value and the details of inventory. Inventory includes land, building materials, designs, and the costs related to construction, which was valued at the lower of cost or net realizable value. The net realizable value is based on the recent actual transaction price of each construction project or the surrounding area where the construction project is located. Inventory valuation is listed as a key audit matter because the relevant evaluation process involves major estimates and judgments.

The auditing procedures performed are as follows:

1. At the end of the year, we observed and counted all inventories to determine the actual completion progress of the inventory and selected sample to check the accuracy of the accumulated inventory cost of the building under construction.
2. We selected samples to check the supporting documents of inventory valuation and recalculated the net realizable value of inventory to ensure the appropriateness of inventory valuation.

Other Matter

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation and its subsidiaries' 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 Corporation and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation and its subsidiaries' 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 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 Corporation and its subsidiaries' 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 Corporation and its subsidiaries' 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 Corporation and its subsidiaries 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 entities or business activities within the Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Hsiang Liu and Jui-Hsuan Hsu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Hua Yu Lien Development Co., Ltd. And Subsidiaries

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 906,914	7	\$ 530,554	4
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 18)	17,438	-	15,000	-
Notes receivable (Notes 9 and 25)	2,611	-	1,300	-
Other receivables	308	-	13	-
Current tax assets (Note 27)	91	-	116	-
Inventories (Notes 4, 5, 10, 31 and 32)	9,116,030	70	9,726,362	71
Other financial assets - current (Note 11)	511,314	4	884,446	7
Refundable deposits - current	16,620	-	6,383	-
Other current assets (Note 12)	35,984	-	54,928	-
Incremental costs of obtaining a contract - current (Notes 4 and 25)	<u>128,069</u>	<u>1</u>	<u>158,625</u>	<u>1</u>
Total current assets	<u>10,735,379</u>	<u>82</u>	<u>11,377,727</u>	<u>83</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	30,682	-	32,510	-
Property, plant and equipment (Notes 4, 14 and 32)	35,265	-	36,402	-
Right-of-use assets (Notes 4, 15 and 31)	44,914	1	38,885	1
Investment properties (Notes 4, 16 and 32)	1,884,035	15	1,889,146	14
Goodwill (Note 4)	13,370	-	13,370	-
Deferred tax assets (Notes 4 and 27)	43,700	-	37,019	-
Refundable deposits - noncurrent (Note 31)	3,380	-	8,800	-
Other financial assets - noncurrent (Notes 11 and 32)	<u>257,250</u>	<u>2</u>	<u>257,250</u>	<u>2</u>
Total noncurrent assets	<u>2,312,596</u>	<u>18</u>	<u>2,313,382</u>	<u>17</u>
TOTAL	<u>\$ 13,047,975</u>	<u>100</u>	<u>\$ 13,691,109</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17, 31 and 32)	\$ 1,175,554	9	\$ 1,324,510	10
Short-term bills payable (Notes 17, 31 and 32)	1,807,031	14	2,467,391	18
Contract liabilities - current (Notes 25 and 31)	504,410	4	867,665	6
Notes payable (Note 19)	42,972	1	50,966	-
Accounts payable (Note 19)	522,836	4	430,493	3
Other payables (Note 20)	129,204	1	79,973	1
Current tax liabilities (Note 27)	167,670	1	2,968	-
Lease liabilities - current (Notes 4, 15 and 31)	5,117	-	3,809	-
Bonds payable - current portion (Notes 4, 18, 31 and 32)	1,227,258	9	1,247,123	9
Long-term loans - current portion (Notes 17, 31 and 32)	2,812,390	22	1,516,520	11
Other current liabilities (Note 21)	<u>19,477</u>	<u>-</u>	<u>7,248</u>	<u>-</u>
Total current liabilities	<u>8,413,919</u>	<u>65</u>	<u>7,998,666</u>	<u>58</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 4, 18, 31 and 32)	998,525	8	998,103	8
Long-term borrowings (Notes 17, 31 and 32)	312,000	2	1,635,500	12
Lease liabilities - noncurrent (Notes 4, 15 and 31)	41,302	-	35,854	-
Guarantee deposit received	<u>3,291</u>	<u>-</u>	<u>2,298</u>	<u>-</u>
Total noncurrent liabilities	<u>1,355,118</u>	<u>10</u>	<u>2,671,755</u>	<u>20</u>
Total liabilities	<u>9,769,037</u>	<u>75</u>	<u>10,670,421</u>	<u>78</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 18 and 24)				
Share capital				
Ordinary shares	966,222	7	957,180	7
Advance receipts for ordinary shares	<u>3,466</u>	<u>-</u>	<u>3,856</u>	<u>-</u>
Total share capital	<u>969,688</u>	<u>7</u>	<u>961,036</u>	<u>7</u>
Capital surplus	<u>345,528</u>	<u>3</u>	<u>324,743</u>	<u>2</u>
Retained earnings				
Legal reserve	410,213	3	361,575	3
Unappropriated earnings	<u>1,542,827</u>	<u>12</u>	<u>1,360,824</u>	<u>10</u>
Total retained earnings	<u>1,953,040</u>	<u>15</u>	<u>1,722,399</u>	<u>13</u>
Other equity	<u>10,682</u>	<u>-</u>	<u>12,510</u>	<u>-</u>
Total equity	<u>3,278,938</u>	<u>25</u>	<u>3,020,688</u>	<u>22</u>
TOTAL	<u>\$ 13,047,975</u>	<u>100</u>	<u>\$ 13,691,109</u>	<u>100</u>

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

Hua Yu Lien Development Co., Ltd. And Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 31)	\$ 3,939,725	100	\$ 2,579,156	100
OPERATING COSTS (Notes 10, 26 and 31)	<u>2,676,245</u>	<u>68</u>	<u>1,723,337</u>	<u>67</u>
GROSS PROFIT	<u>1,263,480</u>	<u>32</u>	<u>855,819</u>	<u>33</u>
OPERATING EXPENSES (Note 26)				
Selling and marketing expenses	170,901	4	132,414	5
General and administrative expenses	<u>229,591</u>	<u>6</u>	<u>186,428</u>	<u>7</u>
Total operating expenses	<u>400,492</u>	<u>10</u>	<u>318,842</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>862,988</u>	<u>22</u>	<u>536,977</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES (Notes 26 and 31)				
Interest income	2,699	-	565	-
Other income	17,375	-	16,320	1
Other gains and losses	(2,265)	-	6,518	-
Finance costs	<u>(87,291)</u>	<u>(2)</u>	<u>(71,846)</u>	<u>(3)</u>
Total non-operating income and expenses	<u>(69,482)</u>	<u>(2)</u>	<u>(48,443)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	793,506	20	488,534	19
INCOME TAX EXPENSE (Notes 4 and 27)	<u>162,865</u>	<u>4</u>	<u>2,154</u>	<u>-</u>
NET PROFIT FOR THE YEAR	630,641	16	486,380	19
OTHER COMPREHENSIVE INCOME (LOSS) (Note 24)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	<u>(1,828)</u>	<u>-</u>	<u>1,906</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 628,813</u>	<u>16</u>	<u>\$ 488,286</u>	<u>19</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 630,641</u>	<u>16</u>	<u>\$ 486,380</u>	<u>19</u>

(Continued)

Hua Yu Lien Development Co., Ltd. And Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 628,813</u>	<u>16</u>	<u>\$ 488,286</u>	<u>19</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 6.54</u>		<u>\$ 5.08</u>	
Diluted	<u>\$ 4.88</u>		<u>\$ 3.92</u>	

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

(Concluded)

Hua Yu Lien Development Co., Ltd. And Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation							Other Equity Unrealized Gains (Losses) on Financial Assets Measured at Fair Value through Other Comprehensive Income	Total Equity
	Share Capital		Retained Earnings						
	Ordinary Shares	Advance Receipts for Ordinary Shares	Total	Capital Surplus	Legal Reserve	Unappropriated Earnings	Total		
BALANCE AT JANUARY 1, 2021	\$ 956,340	\$ -	\$ 956,340	\$ 312,618	\$ 343,610	\$ 1,083,677	\$ 1,427,287	\$ 10,604	\$ 2,706,849
Appropriation of 2020 earnings (Note 24)									
Legal reserve	-	-	-	-	17,965	(17,965)	-	-	-
Cash dividends	-	-	-	-	-	(191,268)	(191,268)	-	(191,268)
	-	-	-	-	17,965	(209,233)	(191,268)	-	(191,268)
Net profit for the year ended December 31, 2021	-	-	-	-	-	486,380	486,380	-	486,380
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	-	1,906	1,906
Total comprehensive income in 2021	-	-	-	-	-	486,380	486,380	1,906	488,286
Convertible bonds converted to ordinary shares (Note 18)	840	3,856	4,696	12,125	-	-	-	-	16,821
BALANCE AT DECEMBER 31, 2021	957,180	3,856	961,036	324,743	361,575	1,360,824	1,722,399	12,510	3,020,688
Appropriation of 2021 earnings (Note 24)									
Legal reserve	-	-	-	-	48,638	(48,638)	-	-	-
Cash dividends	-	-	-	-	-	(400,000)	(400,000)	-	(400,000)
	-	-	-	-	48,638	(448,638)	(400,000)	-	(400,000)
Net profit for the year ended December 31, 2022	-	-	-	-	-	630,641	630,641	-	630,641
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	-	(1,828)	(1,828)
Total comprehensive income in 2022	-	-	-	-	-	630,641	630,641	(1,828)	628,813
Convertible bonds converted to ordinary shares (Note 18)	9,042	(390)	8,652	20,785	-	-	-	-	29,437
BALANCE AT DECEMBER 31, 2022	\$ 966,222	\$ 3,466	\$ 969,688	\$ 345,528	\$ 410,213	\$ 1,542,827	\$ 1,953,040	\$ 10,682	\$ 3,278,938

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

Hua Yu Lien Development Co., Ltd. And Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 793,506	\$ 488,534
Adjustments for:		
Depreciation expense	24,159	22,776
Loss (gain) on financial assets at fair value through profit or loss	2,279	(5,093)
Finance costs	87,291	71,846
Interest income	(2,699)	(565)
Dividend income	(506)	(486)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(4,724)	(8,061)
Notes receivable	(1,311)	(1,177)
Accounts receivable	-	1,812
Other receivables	(295)	21
Inventories	690,682	(1,642,951)
Other current assets	18,944	4,683
Other financial assets	373,132	(224,816)
Incremental costs of obtaining a contract	30,556	12,828
Contract liabilities	(363,255)	(28,428)
Notes payable	(7,994)	23,478
Accounts payable	92,343	101,121
Other payables	48,800	5,825
Other current liabilities	12,229	(31,386)
Cash generated from (used in) operations	1,793,137	(1,210,039)
Interest received	2,699	565
Interest paid	(157,898)	(118,498)
Income taxes paid	(4,819)	(17,877)
Net cash generated from (used in) operating activities	1,633,119	(1,345,849)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,111)	(6,679)
Increase in refundable deposits	(4,817)	-
Decrease in refundable deposits	-	42,652
Acquisition of investment properties	(9,674)	-
Dividends received from others	506	486
Decrease in cash surrender value of life insurance	-	4,267
Net cash generated from (used in) investing activities	(16,096)	40,726
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,245,485	1,050,324
Repayments of short-term borrowings	(1,394,441)	(1,309,120)
Proceeds from short-term bills payable	359,000	2,334,000
Repayments of short-term bills payable	(1,019,500)	(1,524,000)
Proceeds from issuing bonds payable	-	997,890

(Continued)

Hua Yu Lien Development Co., Ltd. And Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Proceeds from long-term borrowings	\$ 1,439,350	\$ 93,920
Repayments of long-term borrowings	(1,466,980)	-
Proceeds from guarantee deposit received	993	1,403
Repayments of principal portion of lease liabilities	(4,570)	(3,431)
Cash dividends distributed	<u>(400,000)</u>	<u>(191,268)</u>
Net cash generated from (used in) financing activities	<u>(1,240,663)</u>	<u>1,449,718</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	376,360	144,595
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>530,554</u>	<u>385,959</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 906,914</u>	<u>\$ 530,554</u>

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

(Concluded)

Hua Yu Lien Development Co., Ltd. And Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Hua Yu Lien Development Co., Ltd. (the “Corporation”) was incorporated in 1967. Originally known as KWB Capital Co., Ltd., it was renamed Hua Yu Lien Development Co., Ltd. in June 2013 and changed the main business activities to (1) Housing and Building Development and Rental; (2) Real Estate Business ; (3) Real Estate Leasing Business.

The Corporation’s shares have been listed on the Taiwan Stock Exchange since April 1988. Starting from August 1, 2004, the industry category was changed from Textiles Mills to Construction Activities, according to the “Taiwan Stock Exchange Corporation Key Points for Classifying and Adjusting Categories of Industries of Listed Companies”.

The consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors and authorized for issue on March 16, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRIC (IFRIC), and SIC Interpretations of SIC (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Corporation and its subsidiaries’ accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by International Accounting Standards Board (IASB)
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period

beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Corporation and its subsidiaries have assessed that the application of other standards and interpretations will not have a material impact on the Corporation and its subsidiaries' financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Lease Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Corporation and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation and its subsidiaries' financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
 - 3) Level 3 inputs are unobservable inputs for an asset or liability.
- c. Classification of current and noncurrent assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

The Corporation and its subsidiaries are engaged in the business of entrusting builders to build and sell houses business, which has an operating cycle of over 12 months. The normal operating cycle applies when considering the classification of current or non-current for the construction-related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of by the Corporation. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 13 and Table 5 for the detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Inventories

The cost of construction is separately accumulated by project. The land purchase payment made before acquisition of ownership is accounted for as “Prepayment for land purchase”; after acquisition of ownership and development, the land cost and construction cost and expense are accounted for as “Construction in progress”. When the construction is completed, the costs are transferred to “Building and land held for sale”.

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

f. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less recognized accumulated depreciation.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

g. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, Investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

Investment properties under construction are measured at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation of these assets commences when the assets are ready for their intended use.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

h. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Corporation and its subsidiaries' cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of

the relative values of the operation disposed of and the portion of the cash-generating unit retained.

i. Assets related to contract costs

When a sales contract is obtained, selling commission paid to agents under exclusive sale agreements are recognized as assets (incremental costs of obtaining a contract) to the extent of the expected recoverable costs, and are recognized in profit or loss when the revenue is recognized.

j. Impairment of tangible assets, right-of-use assets and assets related to contract costs

At the end of each reporting period, the Corporation and its subsidiaries review the carrying amounts of its tangible assets, right-of-use assets and assets related to contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation and its subsidiaries estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount with the resulting impairment loss recognized in profit or loss.

Before the Corporation and its subsidiaries recognize an impairment loss from assets related to contract costs, impairment loss on inventories related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Corporation and its subsidiaries expect to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or asset related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation and its subsidiaries become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 30.

ii Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Credit-impaired financial assets are those where the issuer or debtor has experienced major financial difficulties, defaults, the debtor is likely to file for bankruptcy or other financial restructuring, or the disappearance of an active market for the financial assets due to financial difficulties.

Cash equivalents include bonds with repurchase agreements with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Corporation and its subsidiaries may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Corporation and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Corporation and its subsidiaries always recognize lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Corporation and its subsidiaries recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation and its subsidiaries measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation and its subsidiaries determine that a financial asset is in default when internal or external information shows that the debtor is unlikely to pay its creditors (without taking into account any collateral held by the Corporation and its subsidiaries). The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Corporation and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expired or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Corporation and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Corporation and its subsidiaries are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component. .

1. Revenue recognition

The payment received from the pre-sale of properties is included in the contract liabilities, and after the completion of the building, accumulated amount of contract liability is recognized as revenue when the ownership of the properties has been transferred to the customer and the price is collected.

The revenue is measured at the transaction price agreed under the contract. However, for contracts where the period between the date on which the Corporation and its subsidiaries make a sale to a customer and the date on which the customer pays within one business cycle, the Corporation and its subsidiaries does not adjust any of the transaction prices for the time value of money.

m. Leases

At the inception of a contract, the Corporation and its subsidiaries assess whether the contract is, or contains, a lease.

1) The Corporation and its subsidiaries as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2) The Corporation and its subsidiaries as lessee

The Corporation and its subsidiaries recognize right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities, and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

n. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation and its subsidiaries' accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key sources of estimation uncertainty - inventories valuation

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hands	\$ 223	\$ 217
Checking accounts and demand deposits	736,651	530,337
Cash equivalents (investments with original maturities within three months)		
Bonds with repurchase agreements	<u>170,040</u>	<u>-</u>
	<u>\$ 906,914</u>	<u>\$ 530,554</u>

The annual interest rate (%) of the cash equivalents at the end of the year was as follows:

	December 31	
	2022	2021
Bonds with repurchase agreements	0.65	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets mandatorily classified as at FVTPL</u>		
Mutual funds	\$ 17,241	\$ 14,160
Convertible bonds - redemption rights and sell-back rights	<u>197</u>	<u>840</u>
	<u>\$ 17,438</u>	<u>\$ 15,000</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
<u>Investments in equity instruments at fair value through other comprehensive income</u>		
Domestic unlisted shares	<u>\$ 30,682</u>	<u>\$ 32,510</u>

These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair

value in profit or loss would not be consistent with the Corporation and its subsidiaries' strategy of holding these investments for long-term purposes.

9. NOTES RECEIVABLE

Notes receivable of the Corporation and its subsidiaries include lease payments receivable.

The Corporation and its subsidiaries' lease receivables are collected in accordance with the contract. As of December 31, 2022 and 2021, there were no overdue receivables and allowance for doubtful accounts.

10. INVENTORIES

	December 31	
	2022	2021
Building and land held for sale	\$ 174,279	\$ 4,337
Construction in progress	4,708,812	4,707,311
Land held for construction	<u>4,232,939</u>	<u>5,014,714</u>
	<u>\$ 9,116,030</u>	<u>\$ 9,726,362</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was NT\$2,660,765 thousand and NT\$1,707,809 thousand, respectively.

The Corporation and its subsidiaries obtains bank financing to build and sell houses. Please refer to Note 26 for information of the capitalization of interest. Please refer to Note 32 for the amount of inventories pledged by the Corporation and its subsidiaries as collateral against its secured borrowings.

11. OTHER FINANCIAL ASSETS

	December 31	
	2022	2021
Current		
Restricted account deposits		
Pre-sale house trust account	<u>\$ 511,314</u>	<u>\$ 884,446</u>
Non-current		
Pledged demand deposits	<u>\$ 257,250</u>	<u>\$ 257,250</u>

Please refer to Note 32 for the collateral provided by the Corporation and its subsidiaries as guarantee for the bonds payable .

12. OTHER CURRENT ASSETS

	December 31	
	2022	2021
Tax overpaid retained for offsetting future tax payable	\$ 14,881	\$ 38,844
Prepaid guarantee fee	6,107	6,133
Prepaid construction payment	6,716	5,021
Temporary payments	2,702	287
Prepaid insurance	2,003	2,226
Other	<u>3,575</u>	<u>2,417</u>
	<u>\$ 35,984</u>	<u>\$ 54,928</u>

13. SUBSIDIARIES

The consolidated entities were as follows:

Investor	Investee	Nature of Activities	Percentage of Ownership (%)	
			December 31	
			2022	2021
Hua Yu Lien Development Co., Ltd.	Hua Ching Construction LTD. (Hua Ching)	Construction engineering.	100	100

14. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2022

	Land	Buildings	Transportation Equipment	Office Equipment	Leasehold Improvement	Total
<u>Cost</u>						
Balance at January 1, 2022	\$ 11,025	\$ 22,374	\$ 5,870	\$ 12,392	\$ 6,687	\$ 58,348
Additions	-	-	707	1,428	110	2,245
Disposals	-	-	-	(366)	-	(366)
Balance at December 31, 2022	<u>11,025</u>	<u>22,374</u>	<u>6,577</u>	<u>13,454</u>	<u>6,797</u>	<u>60,227</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	-	13,702	1,124	6,261	859	21,946
Depreciation	-	340	527	1,761	754	3,382
Disposals	-	-	-	(366)	-	(366)
Balance at December 31, 2022	-	<u>14,042</u>	<u>1,651</u>	<u>7,656</u>	<u>1,613</u>	<u>24,962</u>
Net balance at December 31, 2022	<u>\$ 11,025</u>	<u>\$ 8,332</u>	<u>\$ 4,926</u>	<u>\$ 5,798</u>	<u>\$ 5,184</u>	<u>\$ 35,265</u>

For the Year Ended December 31, 2021

	Land	Buildings	Transportation Equipment	Office Equipment	Leasehold Improvement	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 11,025	\$ 22,374	\$ 5,462	\$ 11,696	\$ 6,417	\$ 56,974
Additions	-	-	408	784	270	1,462
Disposals	-	-	-	(88)	-	(88)
Balance at December 31, 2021	<u>11,025</u>	<u>22,374</u>	<u>5,870</u>	<u>12,392</u>	<u>6,687</u>	<u>58,348</u>

(Continued)

	Land	Buildings	Transportation Equipment	Office Equipment	Leasehold Improvement	Total
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ 13,362	\$ 642	\$ 4,758	\$ 120	\$ 18,882
Depreciation	-	340	482	1,591	739	3,152
Disposals	-	-	-	(88)	-	(88)
Balance at December 31, 2021	-	<u>13,702</u>	<u>1,124</u>	<u>6,261</u>	<u>859</u>	<u>21,946</u>
Net balance at December 31, 2021	<u>\$ 11,025</u>	<u>\$ 8,672</u>	<u>\$ 4,746</u>	<u>\$ 6,131</u>	<u>\$ 5,828</u>	<u>\$ 36,402</u>

(Concluded)

There was no indication of impairment for the years ended December 31, 2022 and 2021.

The following items of property, plant and equipment are depreciated on a straight-line basis over their useful lives as follows:

Buildings	
Main buildings	60 years
Decoration	2-3 years
Transportation equipment	5-10 years
Office equipment	2-10 years
Leasehold Improvement	5-10 years

Please refer to Note 32 for information about the amount of property, plant and equipment - net pledged by the Corporation and its subsidiaries as collateral for bonds payable.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2022	2021
<u>Carrying amount</u>		
Buildings	<u>\$ 44,914</u>	<u>\$ 38,885</u>
	<u>For the Year Ended December 31</u>	
	2022	2021
Additions to right-of-use assets	<u>\$ 11,326</u>	<u>\$ 5,806</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 5,297</u>	<u>\$ 4,096</u>

b. Lease liabilities

	<u>December 31</u>	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 5,117</u>	<u>\$ 3,809</u>
Noncurrent	<u>\$ 41,302</u>	<u>\$ 35,854</u>

Range of discount rates (%) for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	2.73-3.36	2.73-3.36

c. Material leasing activities and terms

The Corporation and its subsidiaries leases several buildings for office use with lease terms of 8 to 13 years. The Corporation and its subsidiaries do not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

d. Other lease information

The Corporation and its subsidiaries' leases of certain items qualify as short-term leases and low-value asset leases. The Corporation and its subsidiaries have elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 24,268	\$ 22,139
Expenses relating to low-value asset leases	\$ 22,693	\$ 20,613
Total cash outflow for leases	\$ (53,114)	\$ (47,531)

16. INVESTMENT PROPERTIES

For the year ended December 31, 2022

	Land	Buildings	Land Improvement - Parking Lot	Investment Properties under construction	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 1,534,902	\$ 421,906	\$ 7,352	\$ -	\$ 1,964,160
Addition	-	-	-	10,369	10,369
Disposal	-	-	(926)	-	(926)
Balance at December 31, 2022	<u>1,534,902</u>	<u>421,906</u>	<u>6,426</u>	<u>10,369</u>	<u>1,973,603</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	-	72,168	2,846	-	75,014
Depreciation	-	14,158	1,322	-	15,480
Disposal	-	-	(926)	-	(926)
Balance at December 31, 2022	<u>-</u>	<u>86,326</u>	<u>3,242</u>	<u>-</u>	<u>89,568</u>
Net balance at December 31, 2022	<u>\$ 1,534,902</u>	<u>\$ 335,580</u>	<u>\$ 3,184</u>	<u>\$ 10,369</u>	<u>\$ 1,884,035</u>

For the year ended December 31, 2021

	Land	Buildings	Land Improvement - Parking Lot	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 2,144,947	\$ 421,906	\$ 8,506	\$ 2,575,359
Addition	-	-	-	-
Disposal	-	-	(1,154)	(1,154)
Reclassified from inventory	<u>(610,045)</u>	<u>-</u>	<u>-</u>	<u>(610,045)</u>
Balance at December 31, 2021	<u>1,534,902</u>	<u>421,906</u>	<u>7,352</u>	<u>1,964,160</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	-	57,921	2,719	60,640
Depreciation	-	14,247	1,281	15,528
Disposal	-	-	(1,154)	(1,154)
Balance at December 31, 2021	<u>-</u>	<u>72,168</u>	<u>2,846</u>	<u>75,014</u>
Net balance at December 31, 2021	<u>\$ 1,534,902</u>	<u>\$ 349,738</u>	<u>\$ 4,506</u>	<u>\$ 1,889,146</u>

The investment properties are leased out for 1 to 20 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees have right of first refusal to acquire the investment properties when the Corporation and its subsidiaries intends to sell the properties.

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	
Main property	2 to 55 years
Other	3 years
Land Improvement - Parking Lot	4 to 7 years

As of December 31, 2022 and 2021, the fair value measurement of investment property is based on the real estate appraiser's report or other similar transactions. The fair value measurement for investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used. The fair values are as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Fair value	<u>\$ 3,641,748</u>	<u>\$ 3,410,458</u>

All the investment properties are owned by the Corporation and its subsidiaries. Please refer to Note 32 for information about the amount of investment properties pledged by the Corporation and its subsidiaries as collateral for bonds payable and secured borrowings.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Secured borrowings	\$ 875,566	\$ 1,181,066
Unsecured borrowings	<u>299,988</u>	<u>143,444</u>
	<u>\$ 1,175,554</u>	<u>\$ 1,324,510</u>
Interest rate range		
Secured borrowings	2.33-2.67	1.74-1.85
Unsecured borrowings	2.43	1.91

b. Short-term bills payable

December 31, 2022

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate (%)
Commercial paper				
Mega Bills Finance Co., Ltd. (MBF)	\$ 1,700,000	\$ (2,321)	\$ 1,697,679	2.84-2.97
China Bills Finance Ltd. (CBF)	109,500	(148)	109,352	2.74
	<u>\$ 1,809,500</u>	<u>\$ (2,469)</u>	<u>\$ 1,807,031</u>	

December 31, 2021

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate (%)
Commercial paper				
Mega Bills Finance Co., Ltd. (MBF)	\$ 2,331,000	\$ (2,476)	\$ 2,328,524	1.94
China Bills Finance Ltd. (CBF)	139,000	(133)	138,867	1.75
	<u>\$ 2,470,000</u>	<u>\$ (2,609)</u>	<u>\$ 2,467,391</u>	

c. Long-term borrowings

	December 31	
	2022	2021
Bank loans - maturities before July 2026	\$ 3,124,390	\$ 3,152,020
Less: Current portion	<u>2,812,390</u>	<u>1,516,520</u>
	<u>\$ 312,000</u>	<u>\$ 1,635,500</u>
Annual interest rate (%)	2.26-2.69	1.75-2.05

Please refer to Notes 31 and 32 for information about the guarantee and collateral for borrowings.

18. BONDS PAYABLE

	December 31	
	2022	2021
Secured domestic convertible bonds	\$ 1,252,400	\$ 1,282,600
Secured domestic ordinary corporate bonds	1,000,000	1,000,000
Less: discount on bonds payable	<u>26,617</u>	<u>37,374</u>
Amortized cost	2,225,783	2,245,226
Less: current portion	<u>1,227,258</u>	<u>1,247,123</u>
	<u>\$ 998,525</u>	<u>\$ 998,103</u>

On June 29, 2021, the Corporation issued domestic guaranteed ordinary corporate bonds amounting to NT\$1,000,000 thousand at face value, with a coupon rate of 0.58%. The issuance period is 5 years, and the interest is paid once a year from the date of issue, and repayable on the maturity date.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - share options. The liability component contains derivative financial instruments and non-derivative financial instruments, and the issue terms and conditions are as follows:

- a. The first secured domestic convertible bonds(effective interest rate is 1.14%)
 - 1) On January 17, 2020, the Corporation issued the first domestic secured convertible corporate bonds amounting to NT\$300,000 thousand, with a zero coupon rate and a duration of 5 years, at the issue price of 107.73% of the principal amount of the bond.
 - 2) Each holder of the bonds has the right to convert the bonds into ordinary shares of the Corporation between April 18, 2020 and January 17, 2025. The original conversion price is NT\$40 per share, and shall subsequently be adjusted according to the conversion price adjustment formula. The adjusted conversion price was NT\$33.3 on August 1, 2022. The adjusted conversion price was NT\$35.7 on August 8, 2021. On 2022 and 2021, the bonds, whose conversion rights have been exercised, have a par value of NT\$21,500 thousand and NT\$11,500 thousand, respectively, and the converted ordinary shares capital was NT\$4,286 thousand and NT\$840 thousand respectively, and the converted advance share capital was NT\$2,102 thousand and NT\$2,381 thousand, respectively. In addition, the capital surplus - convertible bond share options decreased by NT\$2,372 thousand and NT\$1,269 thousand, respectively, and the discount on bonds payable decreased by NT\$568 thousand and NT\$412 thousand, respectively. The financial assets measured at fair value through profit and loss decreased by NT\$3 thousand and NT\$8 thousand, respectively, and the capital surplus - the conversion premium of bonds increased by NT\$16,913 thousand and NT\$9,128 thousand, respectively.
 - 3) From April 8, 2020 to December 8, 2024, if the closing price of the Corporation's common stock in the centralized trading market exceeds the current conversion price by 30% or more for 30 consecutive business days, or when the outstanding balance of the bonds is less than 10% of the total amount upon the original issuance, the Corporation may redeem them in cash at the par value of the bond within five business days after the base date of recalling the bonds.
 - 4) The base date for selling back the bonds in advance is January 17, 2023. The bondholders may exercise the right of selling back the redemption value is 101.51% of the bond value (the real yield is 0.5%) 40 days prior to the repurchase date.

b. The second secured domestic convertible bond(effective interest rate is 0.67%)

- 1) On December 1, 2020, the Corporation issued the second domestic secured convertible corporate bond amounting to NT\$1,000,000 thousand, with a zero coupon rate and a duration of 5 years, at the issue price of 101% of the principal amount of the bond.
- 2) Each holder of the bonds has the right to convert the bonds into ordinary shares of the Corporation between March 2, 2021 and December 1, 2025. The original conversion price is NT\$42 per share, and shall subsequently be adjusted according to the conversion price adjustment formula. The adjusted conversion price was NT\$37.4 on August 1, 2022. The adjusted conversion price was NT\$40 on August 8, 2021. In 2022 and 2021, the bonds, whose conversion rights have been exercised have a par value of NT\$8,700 thousand and NT\$5,900 thousand, respectively, and the converted ordinary shares capital was NT\$900 thousand and NT\$0 thousand respectively, and the converted advance share capital was NT\$1,364 thousand and NT\$1,475 thousand respectively. In addition, the capital surplus - convertible bond share options decreased by NT\$299 thousand and NT\$202 thousand, respectively, and the discount on bonds payable decreased by NT\$188 thousand and NT\$156 thousand, respectively. The financial assets measured at fair value through profit and loss decreased by NT\$4 thousand and NT\$3 thousand, respectively, and the capital surplus - the conversion premium of bonds increased by NT\$6,543 thousand and NT\$4,468 thousand, respectively.
- 3) From March 2, 2021 to October 22, 2025, if the closing price of the Corporation's common stock in the centralized trading market exceeds the current conversion price by 30% or more for 30 consecutive business days, or when the outstanding balance of the bonds is less than 10% of the total amount upon the original issuance, the Corporation may redeem them in cash at the par value of the bond within five business days after the base date of recalling the bonds.
- 4) The base date for selling back the bonds in advance is December 1, 2023. The bondholders may exercise the right of selling back the redemption value is 100.75% of the bond value (the real yield is 0.25%) 40 days prior to the repurchase date.

The above-mentioned secured domestic bonds are guaranteed by First Commercial Bank. Please refer to Notes 31 and 32 for information about the guarantee and collateral for secured bonds.

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2022	2021
Notes payable - operating	\$ 42,972	\$ 50,966
Accounts payable	\$ 522,836	\$ 430,493

Accounts payables classified as construction retainage payable for construction contracts were NT\$237,170 thousand and NT\$194,807 thousand as of December 31, 2022 and 2021, respectively. Construction retainage received, which is interest free, will be paid for each construction contract at the end of the construction retainage period. This retainage period is the Corporation and its subsidiaries normal operating cycle, which normally exceeds 12 months.

The Corporation and its subsidiaries have financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER PAYABLES

	December 31	
	2022	2021
Salaries and bonuses	\$ 39,385	\$ 34,318
Construction in progress payable	12,136	7,820
Advertising commission payable	32,056	6,789
Interest payable	6,745	6,448
Compensation of employees and remuneration of directors	25,379	15,612
Others	<u>13,503</u>	<u>8,986</u>
	<u>\$ 129,204</u>	<u>\$ 79,973</u>

21. OTHER CURRENT LIABILITIES

	December 31	
	2022	2021
Receipts on behalf of others	\$ 15,196	\$ 1,227
Guarantee deposits received	978	5,365
Temporary receipts	873	648
Others	<u>2,430</u>	<u>8</u>
	<u>\$ 19,477</u>	<u>\$ 7,248</u>

22. DEFINED CONTRIBUTION PLANS

The Corporation and its subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

23. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The current/non-current classification of the Corporation and its subsidiaries' assets and liabilities relating to the construction business was based on its operating cycle. The amounts expected to be recovered or settled within 1 year after the reporting period and more than 1 year after the reporting period for related assets and liabilities were as follows:

	Within 1 Year	Beyond 1 Year	Total
December 31, 2022			
Assets			
Notes receivable	\$ 2,611	\$ -	\$ 2,611
Other receivables	308	-	308
Inventory	3,043,398	6,072,632	9,116,030
Other financial assets - current	468,743	42,571	511,314
Refundable deposits- current	10,576	6,044	16,620
Prepaid construction payment (included under other current assets)	6,716	-	6,716
			(Continued)

	Within 1 Year	Beyond 1 Year	Total
Incremental costs of obtaining a contract - current	\$ 114,331	\$ 13,738	\$ 128,069
	<u>\$ 3,646,683</u>	<u>\$ 6,134,985</u>	<u>\$ 9,781,668</u>
Percentage (%)	<u>37</u>	<u>63</u>	<u>100</u>
Liabilities			
Short-term borrowings	\$ 1,175,554	\$ -	\$ 1,175,554
Short-term bills payable	1,807,031	-	1,807,031
Contract liabilities	461,851	42,559	504,410
Notes payable	42,972	-	42,972
Accounts payable	324,012	198,824	522,836
Construction in progress payable (included under other payables)	12,136	-	12,136
Advertising commission payable(included under other payables)	32,056	-	32,056
Bonds payable - current portion	1,227,258	-	1,227,258
Long-term loans - current portion	2,005,890	806,500	2,812,390
Guarantee deposit received - current (included under other current liabilities)	978	-	978
Refund liability (included under other current liabilities)	<u>90</u>	<u>-</u>	<u>90</u>
	<u>\$ 7,089,828</u>	<u>\$ 1,047,883</u>	<u>\$ 8,137,711</u>
Percentage (%)	<u>87</u>	<u>13</u>	<u>100</u>
December 31, 2021			
Assets			
Notes receivable	\$ 1,300	\$ -	\$ 1,300
Inventory	2,431,339	7,295,023	9,726,362
Other financial assets - current	630,636	253,810	884,446
Refundable deposits- current	3,624	2,759	6,383
Prepaid construction payment (included under other current assets)	5,021	-	5,021
Incremental costs of obtaining a contract - current	<u>98,981</u>	<u>59,644</u>	<u>158,625</u>
	<u>\$ 3,170,901</u>	<u>\$ 7,611,236</u>	<u>\$ 10,782,137</u>
Percentage (%)	<u>29</u>	<u>71</u>	<u>100</u>
Liabilities			
Short-term borrowings	\$ 1,324,510	\$ -	\$ 1,324,510
Short-term notes and bills payable	2,467,391	-	2,467,391
Contract liabilities	615,097	252,568	867,665
Notes payable	50,966	-	50,966
Accounts payable	262,295	168,198	430,493
Construction in progress payable(included under other payables)	7,820	-	7,820
			(Continued)

	Within 1 Year	Beyond 1 Year	Total
Advertising commission payable (included under other payables)	\$ 6,789	\$ -	\$ 6,789
Bonds payable - current portion	-	1,247,123	1,247,123
Long-term loans - current portion	-	1,516,520	1,516,520
Guarantee deposit received - current (included under other current liabilities)	<u>5,365</u>	<u>-</u>	<u>5,365</u>
	<u>\$ 4,740,233</u>	<u>\$ 3,184,409</u>	<u>\$ 7,924,642</u>
Percentage (%)	<u>60</u>	<u>40</u>	<u>100</u> (Concluded)

24. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands of shares)	<u>340,000</u>	<u>340,000</u>
Shares authorized	<u>\$ 3,400,000</u>	<u>\$ 3,400,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>96,622</u>	<u>95,718</u>
Shares issued	<u>\$ 966,222</u>	<u>\$ 957,180</u>

Preferred shares can be issued within the authorized number of shares. 34,000 thousand of shares should be used in share options, preferred shares with options and bonds with options.

In 2022, the bondholders exercised their conversion rights and converted ordinary share capital of NT\$8,652 thousand. As of December 31, 2022, NT\$5,186 thousand of the share capital had completed registration for the capital change. The remaining NT\$3,466 thousand is yet to be registered by the Corporation with the Commerce Department of the Ministry of Economic Affairs for the capital change.

In 2021, the bondholders exercised their conversion rights and converted ordinary share capital of NT\$4,696 thousand. As of December 31, 2021, NT\$840 thousand of the share capital had completed registration for the capital change. The remaining NT\$3,856 thousand has completed registration for the capital change in April 2022.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset deficit, distributed as cash dividends, or transferred to share capital (Note)		
Additional paid-in capital	\$ 159,527	\$ 159,527
Conversion of bonds	37,052	13,596
Treasury share transactions	85,674	85,674

(Continued)

	December 31	
	2022	2021
May not be used for any purpose		
Convertible bonds share options	\$ 63,275	\$ 65,946
	\$ 345,528	\$ 324,743 (Concluded)

Note: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

c. Retained earnings and dividend policy

After the amendments to the Corporation's Articles of Incorporation have been resolved in the shareholders' meeting in June 2022

The Corporation's Articles of Incorporation stipulates that the current year's earnings, if any, shall be first used to pay taxes and offset deficit in prior years, setting aside as legal reserve 10% of the remaining profit until the accumulated legal reserve equals the Corporation's paid-in capital, then setting aside or reversing a special reserve in accordance with the laws and regulations. Any remaining profit may be used to distribute dividends to preferred shareholders, and any remaining profit after the distribution together with any undistributed retained earnings should be used by the Corporation's board of directors as the basis for proposing a distribution plan(the distribution should be no less than 10% of the Corporation's earnings for the year) and reported to the shareholders' meeting. If the distribution is in the form of issuing new shares, it should be resolved in the shareholders' meeting.

The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses, and the capital surplus as stipulated in Article 241 of the Company Law and legal reserve by cash, and a report of such distribution should be submitted in the shareholders' meeting.

The Corporation's dividend policy is based on the current and future development plans, considering the investment environment, capital needs, and domestic and foreign competition conditions, and taking into account shareholders' interests and other factors to determine the amount of dividends distributed to shareholders. Cash dividends shall not be less than 5% of the total dividends distributed, but if the amount of cash dividends distributed per share is less than NT\$0.5, it be paid in stock dividends instead.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Before the amendments to the Corporation's Articles of Incorporation have been resolved in the shareholders' meeting in June 2022

The Corporation's Articles of Incorporation stipulates that the current year's earnings, if any, shall be first used to pay taxes and offset deficit in prior years, setting aside as legal reserve 10% of the remaining profit until the accumulated legal reserve equals the Corporation's paid-in capital, then setting aside or reversing a special reserve in accordance with the laws and regulations. Any remaining profit may be used to distribute dividends to preferred shareholders, and any remaining profit after the distribution together with any undistributed retained earnings should be used by the Corporation's board of directors as the basis for proposing a distribution plan(the distribution should be no less than 10% of the Corporation's earnings for the year) and resolved in the shareholders' meeting.

The Corporation's dividend policy is based on the current and future development plans, considering the investment environment, capital needs, and domestic and foreign competition conditions, and taking into account shareholders' interests and other factors to determine the amount of dividends distributed to shareholders. Among the cash dividends shall not be less than 5% of the total dividends, but if the amount of cash dividends distributed per share is less than NT\$0.5, then may be paid in stock dividends instead.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meeting in June 2022 and July 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (\$)	
	2021	2020	2021	2020
Legal reserve	\$ 48,638	\$ 17,965		
Cash dividends	400,000	191,268	\$ 4.162	\$ 2.0

The appropriations of earnings for 2022 were proposed by the Corporation's board of directors in March 2023 as follows:

	Appropriation of Earnings	Dividends Per Share (\$)
Legal reserve	\$ 63,064	
Cash dividends	500,000	\$ 5.156

The above appropriation for cash dividends has been resolved by the Corporation's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 21, 2023.

d. Other equity items

Unrealized valuation gains and losses on financial assets at fair value through other comprehensive income

	For the Year Ended December 31	
	2022	2021
Balance, beginning of the year	\$ 12,510	\$ 10,604
Recognized for the year		
Unrealized gains and losses - equity instruments	<u>(1,828)</u>	<u>1,906</u>
Balance, end of the year	<u>\$ 10,682</u>	<u>\$ 12,510</u>

25. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Construction revenue	\$ 3,921,033	\$ 2,564,932
Other	<u>1</u>	<u>2</u>
	3,921,034	2,564,934
Rental income	<u>18,691</u>	<u>14,222</u>
	<u>\$ 3,939,725</u>	<u>\$ 2,579,156</u>

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Contract liabilities - current			
Building and land for sale	<u>\$ 504,410</u>	<u>\$ 867,665</u>	<u>\$ 896,093</u>

The changes in the balance of contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment, there were no other significant changes in 2022 and 2021.

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year were NT\$613,315 thousand and NT\$361,267 thousand for the years ended December 31 2022 and 2021, respectively.

b. Assets related to contract costs

	December 31	
	2022	2021
Current incremental costs of obtaining a contract		
Advertising commission	<u>\$ 128,069</u>	<u>\$ 158,625</u>

Considering the transaction conditions of the real estate sales contract, the Corporation and its subsidiaries believes that the commission paid for the contract can be wholly recoverable. The recognized amortization expenses in 2022 and 2021 were NT\$98,554 thousand and NT\$89,381 thousand respectively.

c. Disaggregation of revenue

For the year ended December 31, 2022

<u>Type of goods or services</u>	Regional distribution			Total
	Kaohsiung	Tainan	Taipei	
Client contract revenue				
Construction revenue	\$ 3,907,951	\$ 13,082	\$ -	\$ 3,921,033
Others	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	3,907,952	13,082	-	3,921,034
Rental income	<u>-</u>	<u>12,669</u>	<u>6,022</u>	<u>18,691</u>
	<u>\$ 3,907,952</u>	<u>\$ 25,751</u>	<u>\$ 6,022</u>	<u>\$ 3,939,725</u>

For the year ended December 31, 2021

<u>Type of goods or services</u>	Regional distribution			Total
	Kaohsiung	Tainan	Taipei	
Client contract revenue				
Construction revenue	\$ 1,062,873	\$ 1,489,059	\$ 13,000	\$ 2,564,932
Others	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
	1,062,875	1,489,059	13,000	2,564,934
Rental income	<u>90</u>	<u>8,743</u>	<u>5,389</u>	<u>14,222</u>
	<u>\$ 1,062,965</u>	<u>\$ 1,497,802</u>	<u>\$ 18,389</u>	<u>\$ 2,579,156</u>

26. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	\$ 4,842	\$ 3,725
Dividend income	506	486
Others	<u>12,027</u>	<u>12,109</u>
	<u>\$ 17,375</u>	<u>\$ 16,320</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Fair value changes of financial assets mandatorily classified as at fair value through profit or loss	\$ (2,279)	\$ 5,093
Others	<u>14</u>	<u>1,425</u>
	<u>\$ (2,265)</u>	<u>\$ 6,518</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 99,344	\$ 81,740
Interest on bills payable	51,571	33,336
Amortization of discount on bonds payable	9,579	9,734
Interest on lease liabilities	1,583	1,348
Ordinary corporate bond interest	6,222	3,145
Other	<u>37</u>	<u>20</u>
	168,336	129,323
Less: Amounts included in the cost of qualifying assets	<u>81,045</u>	<u>57,477</u>
	<u>\$ 87,291</u>	<u>\$ 71,846</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized interest amount	<u>\$ 81,045</u>	<u>\$ 57,477</u>
Capitalization rate (%)	1.61-2.09	1.50-1.67

d. Depreciation

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 3,382	\$ 3,152
Right-of-use assets	5,297	4,096
Investment properties	<u>15,480</u>	<u>15,528</u>
	<u>\$ 24,159</u>	<u>\$ 22,776</u>
An analysis of depreciation by function		
Operating costs	\$ 15,818	\$ 15,829
Operating expenses	<u>8,341</u>	<u>6,947</u>
	<u>\$ 24,159</u>	<u>\$ 22,776</u>

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2022	2021
Direct operating expenses on investment properties that generated rental income	<u>\$ 12,911</u>	<u>\$ 12,503</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits		
Salaries	\$ 122,715	\$ 102,035
Labor and health insurance	7,928	7,122
Others	<u>6,118</u>	<u>5,505</u>
	136,761	114,662
Post-employment benefits		
Defined contribution plans	<u>3,728</u>	<u>3,343</u>
	<u>\$ 140,489</u>	<u>\$ 118,005</u>
Analysis of employee benefits expense by function		
Operating expenses	\$ 119,338	\$ 95,554
Inventory-construction in progress	<u>21,151</u>	<u>22,451</u>
	<u>\$ 140,489</u>	<u>\$ 118,005</u>

g. Compensation of employees and remuneration of directors

According to the Corporation's Articles, the Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Corporation's board of directors in March 2023 and 2022, respectively, are as follows:

	For the Year Ended December 31	
	2022	2021
Employees' compensation (‰)	1	1
Remuneration of directors (%)	3	3

	For the Year Ended December 31	
	2022	2021
Compensation of employees	<u>\$ 819</u>	<u>\$ 503</u>
Remuneration of directors	<u>\$ 24,559</u>	<u>\$ 15,107</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 167,520	\$ 3,008
Income tax on unappropriated earnings	1,887	-
Land value increment tax	-	17,995
Adjustment for prior year	<u>139</u>	<u>170</u>
	<u>169,546</u>	<u>21,173</u>
Deferred tax		
In respect of the current year	(6,681)	(2,856)
Adjustment for prior year	-	(34,998)
Deduction of loss carryforwards for the current year	<u>-</u>	<u>18,835</u>
	<u>(6,681)</u>	<u>(19,019)</u>
	<u>\$ 162,865</u>	<u>\$ 2,154</u>

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2022	2021
Profit before income tax	<u>\$ 793,506</u>	<u>\$ 488,534</u>
Income tax expense calculated at the statutory rate	\$ 158,701	\$ 97,707
Income tax on unappropriated earnings	1,887	-
Land value increment tax	-	17,995
Tax-exempt income	437	(79,259)
Non-deductible expense losses	1,701	539
Adjustments for prior years	<u>139</u>	<u>(34,828)</u>
	<u>\$ 162,865</u>	<u>\$ 2,154</u>

b. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	\$ <u>91</u>	\$ <u>116</u>
Current tax liabilities		
Income tax payable	\$ <u>167,670</u>	\$ <u>2,968</u>

c. Deferred tax assets

The movements of deferred tax assets were as follows:

For the year ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred tax assets</u>			
Deferred interest expenses	\$ 35,443	\$ 6,303	\$ 41,746
Deferred marketing expenses	1,360	-	1,360
Others	<u>216</u>	<u>378</u>	<u>594</u>
	<u>\$ 37,019</u>	<u>\$ 6,681</u>	<u>\$ 43,700</u>

For the year ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred tax assets</u>			
Deferred interest expenses	\$ -	\$ 35,443	\$ 35,443
Deferred marketing expenses	-	1,360	1,360
Loss carryforwards	18,000	(18,000)	-
Others	<u>-</u>	<u>216</u>	<u>216</u>
	<u>\$ 18,000</u>	<u>\$ 19,019</u>	<u>\$ 37,019</u>

d. Income tax assessments

The Corporation and its subsidiaries' income tax returns through 2020 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net profit for the year

	For the Year Ended December 31	
	2022	2021
Earnings used in the computation of basic earnings per share	\$ 630,641	\$ 486,380
Add: Interest on convertible bonds	9,579	8,656
Evaluation of profit and loss on embedded derivatives from convertible bonds	<u>636</u>	<u>(5,691)</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 640,856</u>	<u>\$ 489,345</u>

Number of ordinary shares (in thousands of shares)

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	96,380	95,701
Add: Effect of potential dilutive ordinary shares:		
Compensation of employees	16	10
Convertible bonds	<u>34,954</u>	<u>29,227</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>131,350</u>	<u>124,938</u>

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. CAPITAL MANAGEMENT

The Corporation and its subsidiaries manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation and its subsidiaries consists of net debt and equity.

The Corporation and its subsidiaries are not subject to any externally imposed capital requirements.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers the carrying amounts of financial instruments that are not measured at fair value, such as cash, receivables and payables approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Mutual funds	\$ 17,241	\$ -	\$ -	\$ 17,241
Derivatives - convertible bonds	<u>-</u>	<u>-</u>	<u>197</u>	<u>197</u>
	<u>\$ 17,241</u>	<u>\$ -</u>	<u>\$ 197</u>	<u>\$ 17,438</u>
Financial assets at FVTOCI				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,682</u>	<u>\$ 30,682</u>
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Mutual funds	\$ 14,160	\$ -	\$ -	\$ 14,160
Derivatives - convertible bonds	<u>-</u>	<u>-</u>	<u>840</u>	<u>840</u>
	<u>\$ 14,160</u>	<u>\$ -</u>	<u>\$ 840</u>	<u>\$ 15,000</u>
Financial assets at FVTOCI				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,510</u>	<u>\$ 32,510</u>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2022 and 2021.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	Financial Liabilities (assets) at FVTPL - Derivatives	Financial Assets at FVTOCI - Equity Instruments
<u>For the year ended December 31, 2022</u>		
Balance, beginning of the year	\$ (840)	\$ 32,510
Recognized in profit or loss (recognized under other gains and losses)	636	-
Exercising the right to convertible bonds	7	-
Recognized in other comprehensive income (Included under unrealized gains and losses at fair value through other comprehensive income)	<u>-</u>	<u>(1,828)</u>
Balance, end of the year	<u>\$ (197)</u>	<u>\$ 30,682</u>

(Continued)

	Financial Liabilities (assets) at FVTPL - Derivatives	Financial Assets at FVTOCI - Equity Instruments
<u>For the year ended December 31, 2021</u>		
Balance, beginning of the year	\$ 4,840	\$ 30,604
Recognized in profit or loss (recognized under other gains and losses)	(5,691)	-
Exercising the right to convertible bonds	11	-
Recognized in other comprehensive income (Included under unrealized gains and losses at fair value through other comprehensive income)	<u>-</u>	<u>1,906</u>
Balance, end of the year	<u>\$ (840)</u>	<u>\$ 32,510</u> (Concluded)

3) Valuation techniques and inputs applied for Level 3 fair value measurement

- a) The fair values of unlisted equity securities were determined based on observable market price and current value by management.
- b) The fair value of derivative assets - convertible bonds redemption rights and sell-back rights is measured using the binominal tree model by using significant but unobservable inputs such as the fluctuation of stock price, risk-free interest rate, risk discount rate and liquidity risk.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 17,438	\$ 15,000
Financial assets at fair value through other comprehensive income	30,682	32,510
Financial assets at amortized cost (1)	1,698,397	1,688,746
<u>Financial liabilities</u>		
Amortized cost (2)	9,032,129	9,758,242

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, other receivables, other financial assets (including current and non-current) and refundable deposits (including current and non-current).
- 2) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, other payables, bonds payable (including corporate bonds due within one year or within one business cycle or with the right to sell back), refund liabilities, long-term borrowings (including current portion) and guarantee deposit received (including current and non-current).

d. Financial risk management objectives and policies

The Corporation and its subsidiaries' major financial instruments include equity investments, notes receivable, notes and accounts payable, bonds payable, and borrowings. The finance department supervises and manages the financial risks related to the Corporation and its subsidiaries' operations. These risks include interest rate risk, other price risk, credit risk and liquidity risk.

The Corporation and its subsidiaries activities exposed it primarily to financial risks as follows:

1) Interest rate risk

The carrying amounts of the Corporation and its subsidiaries financial assets and financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial liabilities	\$ 4,079,233	\$ 4,752,280
Cash flow interest rate risk		
Financial assets	1,505,205	1,671,234
Financial liabilities	4,299,944	4,476,530

The sensitivity analysis below was determined based on the Corporation and its subsidiaries' exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. 0.25% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Corporation and its subsidiaries' cash flows due to holding financial liabilities for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$10,750 thousand and NT\$11,191 thousand, respectively, which was mainly a result of variable-rate borrowings.

2) Other price risk

The Corporation and its subsidiaries were exposed to equity price risk through investments in fund beneficiary certificates.

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year. After considering the market price fluctuations of the Corporation and its subsidiaries' investment targets, the sensitivity rate of 10% was taken as the basis for the sensitivity analysis of equity securities.

If equity prices had been 10% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$1,724 thousand and NT\$1,416 thousand, respectively, as a result of the changes in fair value of investment held for trading.

3) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Corporation and its subsidiaries. As at the end of the reporting period, the Corporation and its subsidiaries maximum exposure to credit risk, which would cause a financial loss to the Corporation and its subsidiaries due to the failure of the counterparty to discharge its

obligation and due to the financial guarantees provided by the Corporation and its subsidiaries, could be equal mainly to the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. The amount of the Corporation and its subsidiaries' receivables is not significant, so no significant credit risk is expected.

4) Liquidity risk

The Corporation and its subsidiaries manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation and its subsidiaries relies on bank borrowings as a significant source of liquidity. As of the balance sheet date, the Corporation and its subsidiaries had available unutilized short-term and long-term bank loan facilities set out in (b) below.

a) Liquidity risk tables

The following table details the Corporation and its subsidiaries remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation and its subsidiaries can be required to pay.

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2022</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 497,256	\$ 199,538	\$ 2,577	\$ 699,371
Lease liabilities	6,673	27,254	19,695	53,622
Variable interest rate liabilities	3,263,714	1,142,713	-	4,406,427
Fixed interest rate liabilities	<u>3,067,700</u>	<u>1,014,476</u>	<u>-</u>	<u>4,082,176</u>
	<u>\$ 6,835,343</u>	<u>\$ 2,383,981</u>	<u>\$ 22,272</u>	<u>\$ 9,241,596</u>
<u>December 31, 2021</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 398,527	\$ 168,245	\$ 2,323	\$ 569,095
Lease liabilities	5,138	20,887	20,529	46,554
Variable interest rate liabilities	1,928,200	2,676,401	-	4,604,601
Fixed interest rate liabilities	<u>2,475,800</u>	<u>2,302,876</u>	<u>-</u>	<u>4,778,676</u>
	<u>\$ 4,807,665</u>	<u>\$ 5,168,409</u>	<u>\$ 22,852</u>	<u>\$ 9,998,926</u>

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank loan facilities		
Amount used	\$ 299,988	\$ 143,444
Amount unused	<u>-</u>	<u>-</u>
	<u>\$ 299,988</u>	<u>\$ 143,444</u>
Secured bank loan facilities		
Amount used	\$ 5,809,456	\$ 6,803,086
Amount unused	<u>3,430,225</u>	<u>3,366,605</u>
	<u>\$ 9,239,681</u>	<u>\$ 10,169,691</u>

31. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Corporation and its subsidiaries and other related parties were disclosed as follows:

a. Related party name and category

Related Party Name	Related Party Category
Zhao-Ting Lu	Chairman of the Corporation
Tian-Wei Zhang	Relationship with the directors of the Corporation within the second degree
Feng-Lan Guo	Relationship with the person in charge of the affiliated enterprise within the second degree
Hua Yu Lien Urban Land Consolidation Co., Ltd.	The chairman of the company and the chairman of the Corporation are second-degree relatives
Shui-Bo Lu	Affiliated enterprise's principal
Qing-Fang Zhong	Spouse of vice president of finance of the Corporation

b. Operating revenue

	For the Year Ended December 31, 2022
Qing-Fang Zhong	\$ 5,800
Feng-Lan Guo	3,693
Tian-Wei Zhang	<u>7,927</u>
	<u>\$ 17,420</u>

The Corporation and its subsidiaries pre-sells houses to related parties. The price of the transaction was determined with consideration of the contribution of the related party to the Corporation, with reference to market conditions and evaluating the return on investment of the Corporation from this transaction; the payment conditions are based on the contract.

c. Purchase

**For the Year
Ended
December 31,
2021**

Shui-Bo Lu

\$ 98,145

The transaction price is determined with reference to the actual transaction price of houses in neighboring areas in 2020, and the payment conditions are based on the contract.

d. Year-end balance

**December 31,
2021**

Contract liabilities

Qing-Fang Zhong

\$ 1,029

Tian-Wei Zhang

1,299

Feng-Lan Guo

380

\$ 2,708

The Corporation and its subsidiaries pre-sells houses to related parties. The price of the transaction was determined with consideration of the contribution of the related party to the Corporation, with reference to market conditions and evaluating the return on investment of the Corporation from this transaction; the payment conditions are based on the contract.

e. Lease arrangements

For the Year Ended December 31
2022 2021

Acquisition of right-of-use assets

Hua Yu Lien Urban Land Consolidation Co., Ltd.

\$ 11,326

\$ 5,806

**Account Item Related Parties
Category/Name**

December 31
2022 2021

Lease liabilities - current

Hua Yu Lien Urban Land Consolidation Co., Ltd.

\$ 5,088

\$ 3,780

Lease liabilities - non current

Hua Yu Lien Urban Land Consolidation Co., Ltd.

41,142

35,664

\$ 46,230

\$ 39,444

	For the Year Ended December 31	
	2022	2021
Interest expense		
Hua Yu Lien Urban Land Consolidation Co., Ltd.	<u>\$ 1,577</u>	<u>\$ 1,340</u>

The Corporation leases offices from Hua Yu Lien Urban Land Consolidation Co., Ltd., and the lease period is 8 to 10 years. The rent is based on the prices of the surrounding areas of the leased object, and lease payments are made monthly. As of December 31, 2022 and 2021, the refundable deposits paid by the Corporation and its subsidiaries were NT\$1,159 thousand and NT\$893 thousand, respectively, based on the lease contract (included in refundable deposits - non-current).

f. Guarantee

On December 31, 2022 and 2021, the Corporation and its subsidiaries' bank loans, short-term bills and bonds payable were guaranteed through personal joint guarantee by the chairman of the Corporation.

g. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 51,580	\$ 38,892
Post-employment benefits	<u>673</u>	<u>608</u>
	<u>\$ 52,253</u>	<u>\$ 39,500</u>

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for borrowings and bonds payable:

	December 31	
	2022	2021
Inventory		
Construction in progress	\$ 4,305,424	\$ 4,613,912
Land held for construction	3,593,455	4,475,533
Investment Properties	1,857,501	1,871,528
Property, plant and equipment	19,357	19,697
Other financial assets - noncurrent	<u>257,250</u>	<u>257,250</u>
	<u>\$ 10,032,987</u>	<u>\$ 11,237,920</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2022, the total amount of the contracts signed by the Corporation and its subsidiaries for construction projects that have not yet been completed was NT\$3,861,572 thousand, of which the unrecorded amount was NT\$2,504,828 thousand.

34. Material Subsequent Events

In December 2022, the Corporation signed a “Joint Venture Agreement” with Mitsui Fudosan Taiwan Co., Ltd., and the two parties jointly invested and established Hua Ching Development Co., Ltd. (the Corporation owned 51% of the shares and has control) in February 2023. In March 2023, the board of directors of the Corporation resolved the Corporation’s signing of the “Cooperative Construction Building Sub-sale Contract” with Hua Ching Development Co., Ltd. to jointly promote the land development at No. 51, Huatai Section, Fengshan District, Kaohsiung City.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation and its subsidiaries have no significant foreign currency assets and liabilities.

36. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held: Table 1
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3
- 9) Trading in derivative instruments: None
- 10) Intercompany relationships and significant intercompany transactions: Table 4
- 11) Information on investees: Table 5

b. Information on investments in mainland China: None

c. Information of major shareholders: Table 6

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Corporation and its subsidiaries’ reportable segments were as follows:

- Hua Yu Lien Development Co., Ltd - Real Estate Business.
- Hua Ching Construction Ltd. - Business of buildings and civil construction.

The analysis of the Corporation and its subsidiaries' revenue and results from continuing operations was as follows:

	Hua Yu Lien Development Co., Ltd	Hua Ching Construction Ltd.	Adjustment and Elimination	Consolidated
2022				
Total revenue from external customers	<u>\$ 3,939,725</u>	<u>\$ 528,656</u>	<u>(\$ 528,656)</u>	<u>\$ 3,939,725</u>
Segment income (loss)	\$ 863,106	\$ (2,688)	\$ 2,570	\$ 862,988
Interest income	2,339	360	-	2,699
Other income	20,097	3,224	(5,946)	17,375
Other gains and losses	(2,253)	(12)	-	(2,265)
Share of profit or loss of subsidiaries for using the equity method	(2,727)	-	2,727	-
Finance costs	<u>(87,291)</u>	<u>(108)</u>	<u>108</u>	<u>(87,291)</u>
Profit (loss) before income tax	793,271	776	(541)	793,506
Income tax	<u>162,630</u>	<u>235</u>	<u>-</u>	<u>162,865</u>
Net profit (loss) for the year	<u>\$ 630,641</u>	<u>\$ 541</u>	<u>\$ (541)</u>	<u>\$ 630,641</u>
2021				
Total revenue from external customers	<u>\$ 2,579,156</u>	<u>\$ 463,598</u>	<u>(\$ 463,598)</u>	<u>\$ 2,579,156</u>
Segment income (loss)	\$ 525,710	\$ (2,397)	\$ 13,664	\$ 536,977
Interest income	548	17	-	565
Other income	17,555	5,959	(7,194)	16,320
Other gains and losses	6,579	(61)	-	6,518
Share of profit or loss of subsidiaries for using the equity method	9,405	-	(9,405)	-
Finance costs	<u>(71,846)</u>	<u>(118)</u>	<u>118</u>	<u>(71,846)</u>
Profit (loss) before income tax	487,951	3,400	(2,817)	488,534
Income tax	<u>1,571</u>	<u>583</u>	<u>-</u>	<u>2,154</u>
Net profit (loss) for the year	<u>\$ 486,380</u>	<u>\$ 2,817</u>	<u>\$ (2,817)</u>	<u>\$ 486,380</u>

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profit or loss of subsidiaries, interest income, other income, other gains and losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment total assets and liabilities

	December 31	
	<u>2022</u>	<u>2021</u>
Segment assets		
Continuing operations		
Hua Yu Lien Development Co., Ltd.	\$ 12,991,574	\$ 13,669,967
Hua Ching Construction Ltd.	468,942	430,676
Adjustment and elimination	<u>(412,541)</u>	<u>(409,534)</u>
Consolidated total assets	<u>\$ 13,047,975</u>	<u>\$ 13,691,109</u>
Segment liabilities		
Continuing operations		
Hua Yu Lien Development Co., Ltd.	\$ 9,712,636	\$ 10,649,279
Hua Ching Construction Ltd.	225,694	187,202
Adjustment and elimination	<u>(169,293)</u>	<u>(166,060)</u>
Consolidated total liabilities	<u>\$ 9,769,037</u>	<u>\$ 10,670,421</u>

TABLE 1

Hua Yu Lien Development Co., Ltd. And Subsidiaries
MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities		Relationship with The Holding Company	Financial Statement Account	DECEMBER 31, 2022				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Hua Yu Lien Development Co., Ltd.	Fund beneficiary certificate	Shin Kong Hang Seng TECH Index Fund	-	Financial assets at fair value through profit or loss - current	200,000	\$ 922	-	\$ 922	
	Fund beneficiary certificate	UBS Bond Fund - Fixed Income Fund	-	Financial assets at fair value through profit or loss - current	300,000	2,427	-	2,427	
	Fund beneficiary certificate	SinoPac ESG Global Digital Infrastructure Fund	-	Financial assets at fair value through profit or loss - current	100,000	929	-	929	
	Fund beneficiary certificate	FSITC Gbl Artifcl Intlgn Fd	-	Financial assets at fair value through profit or loss - current	105,318.6	1,289	-	1,289	
	Fund beneficiary certificate	PineBridge Global ESG Quantitative Bond Fund	-	Financial assets at fair value through profit or loss - current	21,608.62	5,941	-	5,941	
	Fund beneficiary certificate	Shin Kong Taiwan High Dividend Fund	-	Financial assets at fair value through profit or loss - current	200,000	1,942	-	1,942	
	Fund beneficiary certificate	FSITC Innovation Fund	-	Financial assets at fair value through profit or loss - current	64,914	1,818	-	1,818	
	Fund beneficiary certificate	Cathay US Premium Bond Fund	-	Financial assets at fair value through profit or loss - current	200,000	1,973	-	1,973	
			-			<u>\$ 17,241</u>		<u>\$ 17,241</u>	
	Stock - ordinary shares	Sunny Bank		Financial assets at fair value through other comprehensive income - non-current	2,629,143	<u>\$ 30,682</u>	-	<u>\$ 30,682</u>	

TABLE 2

Hua Yu Lien Development Co., Ltd. And Subsidiaries

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total (Note4)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 4)	
Hua Yu Lien Development Co., Ltd.	Hua Ching Construction Ltd.	Subsidiary	Purchases (Note2)	\$ <u>575,465</u>	(29)	15 days	No general terms and conditions can be compared	-	\$ <u>(106,918)</u>	(21)	(Note 1)
Hua Ching Construction Ltd.	Hua Yu Lien Development Co., Ltd.	Parent Company	Sales (Note3)	\$ <u>(528,656)</u>	(100)	Request for payment according to the progress of the accepted project.	No general terms and conditions can be compared	-	\$ <u>106,918</u>	100	(Note 1)

Note 1: All have been written off when preparing the consolidated financial statements.

Note 2: The Corporation appointed Hua Ching to contract construction projects, the purchase amount recognized according to the progress of the contract.

Note 3: Hua Ching undertakes the construction project of the Corporation, and the revenue amount recognized by the percentage of completion method.

Note 4: Each ratio is calculated based on the transaction amount for the relevant accounting items of each company.

TABLE 3**Hua Yu Lien Development Co., Ltd. And Subsidiaries**

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
Hua Ching Construction Ltd.	Hua Yu Lien Development Co., Ltd.	Parent Company	\$ 106,918	4.74	\$ -	-	\$ 45,756	\$ -	

Note : All have been written off when preparing the consolidated financial report.

TABLE 4**Hua Yu Lien Development Co., Ltd. And Subsidiaries**
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% Total Sales or Assets
0	Hua Yu Lien Development Co., Ltd.	Hua Ching Construction Ltd.	Parent to subsidiary	Other income	\$ 5,946	Pay monthly by contract	0.15
1	Hua Ching Construction Ltd.	Hua Yu Lien Development Co., Ltd.	Subsidiary to parent	Construction revenue	528,656	Follow the terms of contract, progress payment requested based on the project status	13.42
1	Hua Ching Construction Ltd.	Hua Yu Lien Development Co., Ltd.	Subsidiary to parent	Contract assets	41,507	Follow the terms of contract, progress payment requested based on the project status	0.32
1	Hua Ching Construction Ltd.	Hua Yu Lien Development Co., Ltd.	Subsidiary to parent	Contract liabilities	35,093	Follow the terms of contract, progress payment requested based on the project status	0.27
1	Hua Ching Construction Ltd.	Hua Yu Lien Development Co., Ltd.	Subsidiary to parent	Account receivable	106,918	Follow the terms of contract, progress payment requested based on the project status	0.82
1	Hua Ching Construction Ltd.	Hua Yu Lien Development Co., Ltd.	Subsidiary to parent	Refundable deposit	24,379	Follow the terms of contract	0.19

Note : All have been written off when preparing the consolidated financial report.

TABLE 5

Hua Yu Lien Development Co., Ltd. And Subsidiaries

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

[illegible]

Note 1: The paid-in capital of Hua Ching Construction Ltd. is NT\$ 242,500 thousand.

Note 2: The amount calculated by investment income recognized under equity method of NT\$ 541 thousand less unrealized sales benefits of NT\$ 41,687 thousand and added realized sales benefits of NT\$ 38,419 thousand.

Note 3: All have been written off when preparing the consolidated financial report.

TABLE 6

Hua Yu Lien Development Co., Ltd. And Subsidiaries

INFORMATION OF MAJOR SHAREHOLDERS DECEMBER 31, 2022

[illegible]

**V. Parent Company Only Financial Statements for the Most Recent Fiscal
Year, Audited by CPAs:**

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hua Yu Lien Development Co., Ltd.

Opinion

We have audited the accompanying standalone financial statements of Hua Yu Lien Development Co., Ltd. (the "Corporation"), which comprise the standalone balance sheets as of December 31, 2022 and 2021, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies (collectively referred to as the "standalone financial statements").

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 standalone financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Corporation's standalone financial statements for the year ended December 31, 2022 is described as follows:

Inventory valuation

Inventory is an important asset for Hua Yu Lien Development Co., Ltd. As of December 31, 2022, the Corporation's inventory amounted to NT\$9,097,325 thousand, which accounted for 70% of the total assets.

Please refer to Notes 4, 5 and 10 of the standalone financial statements for the accounting policies on the measurement of inventory, assumptions used and uncertainties considered in determining the net realizable value and the details of inventory. Inventory includes land, building materials, designs, and the costs related to construction, which was valued at the lower of cost or net realizable value. The net realizable value is based on the recent actual transaction price of each construction project or the surrounding area where the construction

project is located. Inventory valuation is listed as a key audit matter because the relevant evaluation process involves major estimates and judgments.

The auditing procedures performed are as follows:

1. At the end of the year, we observed and counted all inventories to determine the actual completion progress of the inventory and selected sample to check the accuracy of the accumulated inventory cost of the building under construction.
2. We selected samples to check the supporting documents of inventory valuation and recalculated the net realizable value of inventory to ensure the appropriateness of inventory valuation.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

Management is responsible for the preparation and fair presentation of the standalone 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 Standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 Corporation'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 Corporation'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

standalone 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 Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 entities or business activities within the Corporation to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Hsiang Liu and Jui-Hsuan Hsu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying standalone financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and standalone financial statements shall prevail.

Hua Yu Lien Development Co., Ltd.

STANDALONE BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 680,099	5	\$ 381,920	3
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 18)	17,438	-	15,000	-
Notes receivable (Notes 9 and 25)	2,611	-	1,300	-
Other receivables	308	-	13	-
Inventories (Notes 4, 5, 10, 31 and 32)	9,097,325	70	9,653,576	71
Other financial assets - current (Note 11)	511,314	4	884,446	7
Refundable deposits - current	16,605	-	6,367	-
Other current assets (Note 12)	30,321	1	53,001	-
Incremental costs of obtaining a contract - current (Notes 4 and 25)	<u>128,069</u>	<u>1</u>	<u>158,625</u>	<u>1</u>
Total current assets	<u>10,484,090</u>	<u>81</u>	<u>11,154,248</u>	<u>82</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	30,682	-	32,510	-
Investments accounted for using the equity method (Notes 4 and 13)	210,126	2	213,620	2
Property, plant and equipment (Notes 4, 14 and 32)	35,265	-	36,402	-
Right-of-use assets (Notes 4, 15 and 31)	44,914	-	38,885	-
Investment properties (Notes 4, 16 and 32)	1,882,167	15	1,891,233	14
Deferred tax assets (Notes 4 and 27)	43,700	-	37,019	-
Refundable deposits - noncurrent (Note 31)	3,380	-	8,800	-
Other financial assets - noncurrent (Notes 11 and 32)	<u>257,250</u>	<u>2</u>	<u>257,250</u>	<u>2</u>
Total noncurrent assets	<u>2,507,484</u>	<u>19</u>	<u>2,515,719</u>	<u>18</u>
TOTAL	<u>\$ 12,991,574</u>	<u>100</u>	<u>\$ 13,669,967</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17, 31 and 32)	\$ 1,175,554	9	\$ 1,324,510	10
Short-term bills payable (Notes 17, 31 and 32)	1,807,031	14	2,467,391	18
Contract liabilities - current (Notes 25 and 31)	504,410	4	867,665	6
Notes payable (Note 19)	41,445	-	50,476	-
Accounts payable (Note 19)	359,529	3	279,816	2
Accounts payable - related parties (Notes 19 and 31)	106,918	1	116,247	1
Other payables (Note 20)	108,084	1	61,839	-
Current tax liabilities (Note 27)	167,670	1	2,385	-
Lease liabilities - current (Notes 4, 15 and 31)	5,117	-	3,809	-
Bonds payable - current portion(Notes 4, 18, 31 and 32)	1,227,258	9	1,247,123	9
Long-term loans-current portion (Notes 17, 31 and 32)	2,812,390	22	1,516,520	11
Other current liabilities (Notes 21 and 31)	<u>42,040</u>	<u>-</u>	<u>39,670</u>	<u>1</u>
Total current liabilities	<u>8,357,446</u>	<u>64</u>	<u>7,977,451</u>	<u>58</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 4, 18, 31 and 32)	998,525	8	998,103	8
Long-term borrowings (Notes 17, 31 and 32)	312,000	3	1,635,500	12
Lease liabilities - noncurrent (Notes 4, 15 and 31)	41,302	-	35,854	-
Guarantee deposit received (Note 31)	<u>3,363</u>	<u>-</u>	<u>2,371</u>	<u>-</u>
Total noncurrent liabilities	<u>1,355,190</u>	<u>11</u>	<u>2,671,828</u>	<u>20</u>
Total liabilities	<u>9,712,636</u>	<u>75</u>	<u>10,649,279</u>	<u>78</u>
EQUITY (Notes 18 and 24)				
Share capital				
Ordinary shares	966,222	7	957,180	7
Advance receipts for ordinary shares	<u>3,466</u>	<u>-</u>	<u>3,856</u>	<u>-</u>
Total share capital	<u>969,688</u>	<u>7</u>	<u>961,036</u>	<u>7</u>
Capital surplus	<u>345,528</u>	<u>3</u>	<u>324,743</u>	<u>2</u>
Retained earnings				
Legal reserve	410,213	3	361,575	3
Unappropriated earnings	<u>1,542,827</u>	<u>12</u>	<u>1,360,824</u>	<u>10</u>
Total retained earnings	<u>1,953,040</u>	<u>15</u>	<u>1,722,399</u>	<u>13</u>
Other equity	<u>10,682</u>	<u>-</u>	<u>12,510</u>	<u>-</u>
Total equity	<u>3,278,938</u>	<u>25</u>	<u>3,020,688</u>	<u>22</u>
TOTAL	<u>\$ 12,991,574</u>	<u>100</u>	<u>\$ 13,669,967</u>	<u>100</u>

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

Hua Yu Lien Development Co., Ltd.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 31)	\$ 3,939,725	100	\$ 2,579,156	100
OPERATING COSTS (Notes 10, 26 and 31)	<u>2,714,615</u>	<u>69</u>	<u>1,764,700</u>	<u>69</u>
GROSS PROFIT	<u>1,225,110</u>	<u>31</u>	<u>814,456</u>	<u>31</u>
OPERATING EXPENSES (Notes 26 and 31)				
Selling and marketing expenses	170,901	4	132,414	5
General and administrative expenses	<u>191,103</u>	<u>5</u>	<u>156,332</u>	<u>6</u>
Total operating expenses	<u>362,004</u>	<u>9</u>	<u>288,746</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>863,106</u>	<u>22</u>	<u>525,710</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES (Notes 26 and 31)				
Interest income	2,339	-	548	-
Other income	20,097	-	17,555	1
Other gains and losses	(2,253)	-	6,579	-
Finance costs	(87,291)	(2)	(71,846)	(3)
Share of profit or loss of subsidiaries accounted for using the equity method	<u>(2,727)</u>	<u>-</u>	<u>9,405</u>	<u>1</u>
Total non-operating income and expenses	<u>(69,835)</u>	<u>(2)</u>	<u>(37,759)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	793,271	20	487,951	19
INCOME TAX EXPENSE (Notes 4 and 27)	<u>162,630</u>	<u>4</u>	<u>1,571</u>	<u>-</u>
NET PROFIT FOR THE YEAR	630,641	16	486,380	19
OTHER COMPREHENSIVE INCOME (LOSS) (Note 24)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	<u>(1,828)</u>	<u>-</u>	<u>1,906</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 628,813</u>	<u>16</u>	<u>\$ 488,286</u>	<u>19</u>

(Continued)

Hua Yu Lien Development Co., Ltd.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 6.54</u>		<u>\$ 5.08</u>	
Diluted	<u>\$ 4.88</u>		<u>\$ 3.92</u>	

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

(Concluded)

Hua Yu Lien Development Co., Ltd.

STANDALONE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Share Capital				Retained Earnings			Other Equity Unrealized Gains (Losses) on Financial Assets Measured at Fair Value through Other Comprehensive Income	
	Ordinary Shares	Advance Receipts for Ordinary Shares	Total	Capital Surplus	Legal Reserve	Unappropriated Earnings	Total		Total Equity
BALANCE AT JANUARY 1, 2021	\$ 956,340	\$ -	\$ 956,340	\$ 312,618	\$ 343,610	\$ 1,083,677	\$ 1,427,287	\$ 10,604	\$ 2,706,849
Appropriation of 2020 earnings (Note 24)									
Legal reserve	-	-	-	-	17,965	(17,965)	-	-	-
Cash dividends	-	-	-	-	-	(191,268)	(191,268)	-	(191,268)
	-	-	-	-	17,965	(209,233)	(191,268)	-	(191,268)
Net profit for the year ended December 31, 2021	-	-	-	-	-	486,380	486,380	-	486,380
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	-	1,906	1,906
Total comprehensive income in 2021	-	-	-	-	-	486,380	486,380	1,906	488,286
Convertible bonds converted to ordinary shares (Note 18)	840	3,856	4,696	12,125	-	-	-	-	16,821
BALANCE AT DECEMBER 31, 2021	957,180	3,856	961,036	324,743	361,575	1,360,824	1,722,399	12,510	3,020,688
Appropriation of 2021 earnings (Note 24)									
Legal reserve	-	-	-	-	48,638	(48,638)	-	-	-
Cash dividends	-	-	-	-	-	(400,000)	(400,000)	-	(400,000)
	-	-	-	-	48,638	(448,638)	(400,000)	-	(400,000)
Net profit for the year ended December 31, 2022	-	-	-	-	-	630,641	630,641	-	630,641
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	-	(1,828)	(1,828)
Total comprehensive income in 2022	-	-	-	-	-	630,641	630,641	(1,828)	628,813
Convertible bonds converted to ordinary shares (Note 18)	9,042	(390)	8,652	20,785	-	-	-	-	29,437
BALANCE AT DECEMBER 31, 2022	\$ 966,222	\$ 3,466	\$ 969,688	\$ 345,528	\$ 410,213	\$ 1,542,827	\$ 1,953,040	\$ 10,682	\$ 3,278,938

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

Hua Yu Lien Development Co., Ltd.

STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 793,271	\$ 487,951
Adjustments for:		
Depreciation expense	24,433	23,052
Loss (gain) on financial assets at fair value through profit or loss	2,279	(5,093)
Finance costs	87,291	71,846
Interest income	(2,339)	(548)
Dividend income	(506)	(486)
Share of profit or loss of subsidiaries for using the equity method	2,727	(9,405)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(4,724)	(8,061)
Notes receivable	(1,311)	(1,177)
Accounts receivable	-	1,812
Other receivables	(295)	21
Inventories	636,601	(1,679,166)
Other current assets	22,680	(3,914)
Other financial assets	373,132	(224,816)
Incremental costs of obtaining a contract	30,556	12,828
Contract liabilities	(363,255)	(28,428)
Notes payable	(9,031)	23,858
Accounts payable	79,713	92,057
Accounts payable - related parties	(9,329)	32,144
Other payables	45,814	1,979
Other current liabilities	2,370	(7,245)
Cash generated from (used in) operations	1,710,077	(1,220,791)
Interest received	2,339	548
Interest paid	(157,898)	(118,498)
Income taxes paid	(4,026)	(18,098)
Net cash generated from (used in) operating activities	<u>1,550,492</u>	<u>(1,356,839)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	-	(100,000)
Acquisition of property, plant and equipment	(2,111)	(6,679)
Increase in refundable deposits	(4,818)	-
Decrease in refundable deposits	-	42,666
Acquisition of investment properties	(5,993)	-
Dividends received from others	506	486
Dividends received from subsidiaries	767	-
Decrease in cash surrender value of life insurance	-	4,267
Net cash used in investing activities	<u>(11,649)</u>	<u>(59,260)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		

(Continued)

Hua Yu Lien Development Co., Ltd.

STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Proceeds from short-term borrowings	\$ 1,245,485	\$ 1,050,324
Repayments of short-term borrowings	(1,394,441)	(1,309,120)
Proceeds from short-term bills payable	359,000	2,334,000
Repayments of short-term bills payable	(1,019,500)	(1,524,000)
Proceeds from issuing bonds payable	-	997,890
Proceeds from long-term borrowings	1,439,350	93,920
Repayments of long-term borrowings	(1,466,980)	-
Proceeds from guarantee deposits received	992	1,404
Repayments of principal portion of lease liabilities	(4,570)	(3,431)
Cash dividends distributed	<u>(400,000)</u>	<u>(191,268)</u>
Net cash generated from (used in) financing activities	<u>(1,240,664)</u>	<u>1,449,719</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	298,179	33,620
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>381,920</u>	<u>348,300</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 680,099</u>	<u>\$ 381,920</u>

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

(Concluded)

Hua Yu Lien Development Co., Ltd.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Hua Yu Lien Development Co., Ltd. (the “Corporation”) was incorporated in 1967. Originally known as KWB Capital Co., Ltd., it was renamed Hua Yu Lien Development Co., Ltd. in June 2013 and changed the main business activities to (1) Housing and Building Development and Rental; (2) Real Estate Business; (3) Real Estate Leasing Business.

The Corporation’s shares have been listed on the Taiwan Stock Exchange since April 1988. Starting from August 1, 2004, the industry category was changed from Textiles Mills to Construction Activities, according to the “Taiwan Stock Exchange Corporation Key Points for Classifying and Adjusting Categories of Industries of Listed Companies”.

The standalone financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the Corporation’s board of directors and authorized for issue on March 16, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRIC (IFRIC), and Interpretations of SIC (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Corporation’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by International Accounting Standards Board (IASB)
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period

beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the standalone financial statements were authorized for issue, the Corporation has assessed that the application of other standards and interpretations will not have a material impact on the Corporation's financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Lease Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the standalone financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the standalone financial statements, the Corporation used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the standalone financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the standalone basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in the standalone financial statements.

c. Classification of current and noncurrent assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

The Corporation is engaged in the business of entrusting builders to build and sell houses, which has an operating cycle of over 12 months. The normal operating cycle applies when considering the classification of current or non-current for the construction-related assets and liabilities.

d. Inventories

The cost of construction is separately accumulated by project. The land purchase payment made before acquisition of ownership is accounted for as “Prepayment for land purchase”; after acquisition of ownership and development, the land cost and construction cost and expense are accounted for as “Construction in progress”. When the construction is completed, the costs are transferred to “Building and land held for sale”.

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

e. Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. Subsidiaries are entities that are controlled by the corporation.

Under the equity method, the investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiaries. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are accounted for as equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full only in the standalone financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the standalone financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

f. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less recognized accumulated depreciation.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

g. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, Investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

Investment properties under construction are measured at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation of these assets commences when the assets are ready for their intended use.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

h. Assets related to contract costs

When a sales contract is obtained, selling commission paid to agents under exclusive sale agreements are recognized as assets (incremental costs of obtaining a contract) to the extent of the expected recoverable costs, and are recognized in profit or loss when the revenue is recognized.

i. Impairment of tangible assets, right-of-use assets and assets related to contract costs

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible assets, right-of-use assets and assets related to contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount with the resulting impairment loss recognized in profit or loss.

Before the Corporation recognizes an impairment loss from assets related to contract costs, impairment loss on inventories related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Corporation expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or asset related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 30.

ii Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Credit-impaired financial assets are those where the issuer or debtor has experienced major financial difficulties, defaults, the debtor is likely to file for bankruptcy or other financial restructuring, or the disappearance of an active market for the financial assets due to financial difficulties.

Cash equivalents include bonds with repurchase agreements with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Corporation always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation determines that a financial asset is in default when internal or external information shows that the debtor is unlikely to pay its creditors (without taking into account any collateral held by the Corporation). The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expired or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its

entirety, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component. .

k. Revenue recognition

The payment received from the pre-sale of properties is included in the contract liabilities, and after the completion of the building, accumulated amount of contract liability is recognized as revenue when the ownership of the properties has been transferred to the customer and the price is collected.

The revenue is measured at the transaction price agreed under the contract. However, for contracts where the period between the date on which the Corporation makes a sale to a customer and the date on which the customer pays within one business cycle, the Corporation does not adjust any of the transaction prices for the time value of money.

l. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

1) The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities, and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the standalone balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the standalone financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key sources of estimation uncertainty - inventory valuation

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hands	\$ 127	\$ 130
Checking accounts and demand deposits	529,932	381,790
Cash equivalents (investments with original maturities within three months)		
Bonds with repurchase agreements	<u>150,040</u>	<u>-</u>
	<u>\$ 680,099</u>	<u>\$ 381,920</u>

The annual interest rate (%) of the cash equivalents at the end of the year was as follows:

	December 31	
	2022	2021
Bonds with repurchase agreements	0.65	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets mandatorily classified as at FVTPL</u>		
Mutual funds	\$ 17,241	\$ 14,160
Convertible bonds - redemption rights and sell-back rights	<u>197</u>	<u>840</u>
	<u>\$ 17,438</u>	<u>\$ 15,000</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
<u>Investments in equity instruments at fair value through other comprehensive income</u>		
Domestic unlisted shares	<u>\$ 30,682</u>	<u>\$ 32,510</u>

These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

9. NOTES RECEIVABLE

Notes receivable of the Corporation include lease payments receivable.

The Corporation's lease receivables are collected in accordance with the contract. As of December 31, 2022 and 2021, there were no overdue receivables and allowance for doubtful accounts.

10. INVENTORIES

	December 31	
	2022	2021
Building and land held for sale	\$ 176,735	\$ 4,402
Construction in progress	4,748,419	4,695,526
Land held for construction	<u>4,172,171</u>	<u>4,953,648</u>
	<u>\$ 9,097,325</u>	<u>\$ 9,653,576</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was NT\$2,698,861 thousand and NT\$1,748,896 thousand, respectively.

The Corporation obtains bank financing to build and sell houses. Please refer to Note 26 for information of the capitalization of interest. Please refer to Note 32 for the amount of inventories pledged by the Corporation as collateral against its secured borrowings.

11. OTHER FINANCIAL ASSETS

	December 31	
	2022	2021
Current		
Restricted account deposits		
Pre-sale house trust account	<u>\$ 511,314</u>	<u>\$ 884,446</u>
Non-current		
Pledged demand deposits	<u>\$ 257,250</u>	<u>\$ 257,250</u>

Please refer to Note 32 for the collateral provided by the Corporation as a guarantee for the bonds payable .

12. OTHER CURRENT ASSETS

	December 31	
	2022	2021
Tax overpaid retained for offsetting future tax payable	\$ 11,140	\$ 38,844
Prepaid guarantee fee	6,107	6,133
Prepaid construction payment	6,716	5,021
Temporary payments	2,702	287
Other	<u>3,656</u>	<u>2,716</u>
	<u>\$ 30,321</u>	<u>\$ 53,001</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in subsidiaries

	December 31			
	2022		2021	
	Amount	% of Owner - ship	Amount	% of Owner - ship
Hua Ching Construction LTD. (Hua Ching)	<u>\$ 210,126</u>	100	<u>\$ 213,620</u>	100

The Corporation paid NT\$100,000 thousand in cash to increase its investment in Hua Ching in September, 2021.

The investments accounted for using the equity method and the share of profit or loss and for the years ended December 31, 2022 and 2021 were based on the subsidiaries' audited financial statements for the same years.

14. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2022

	Land	Buildings	Transportation Equipment	Office Equipment	Leasehold Improvement	Total
Cost						
Balance at January 1, 2022	\$ 11,025	\$ 22,374	\$ 5,870	\$ 12,392	\$ 6,687	\$ 58,348
Additions	-	-	707	1,428	110	2,245
Disposals	-	-	-	(366)	-	(366)
Balance at December 31, 2022	<u>11,025</u>	<u>22,374</u>	<u>6,577</u>	<u>13,454</u>	<u>6,797</u>	<u>60,227</u>
Accumulated depreciation						
Balance at January 1, 2022	-	13,702	1,124	6,261	859	21,946
Depreciation	-	340	527	1,761	754	3,382
Disposals	-	-	-	(366)	-	(366)
Balance at December 31, 2022	<u>-</u>	<u>14,042</u>	<u>1,651</u>	<u>7,656</u>	<u>1,613</u>	<u>24,962</u>
Net balance at December 31, 2022	<u>\$ 11,025</u>	<u>\$ 8,332</u>	<u>\$ 4,926</u>	<u>\$ 5,798</u>	<u>\$ 5,184</u>	<u>\$ 35,265</u>

For the Year Ended December 31, 2021

	Land	Buildings	Transportation Equipment	Office Equipment	Leasehold Improvement	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 11,025	\$ 22,374	\$ 5,462	\$ 11,696	\$ 6,417	\$ 56,974
Additions	-	-	408	784	270	1,462
Disposals	-	-	-	(88)	-	(88)
Balance at December 31, 2021	<u>11,025</u>	<u>22,374</u>	<u>5,870</u>	<u>12,392</u>	<u>6,687</u>	<u>58,348</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	-	13,362	642	4,758	120	18,882
Depreciation	-	340	482	1,591	739	3,152
Disposals	-	-	-	(88)	-	(88)
Balance at December 31, 2021	-	<u>13,702</u>	<u>1,124</u>	<u>6,261</u>	<u>859</u>	<u>21,946</u>
Net balance at December 31, 2021	<u>\$ 11,025</u>	<u>\$ 8,672</u>	<u>\$ 4,746</u>	<u>\$ 6,131</u>	<u>\$ 5,828</u>	<u>\$ 36,402</u>

There was no indication of impairment for the year ended December 31, 2022 and 2021.

The following items of property, plant and equipment are depreciated on a straight-line basis over their useful lives as follows:

Buildings	
Main buildings	60 years
Decoration	2-3 years
Transportation equipment	5-10 years
Office equipment	2-10 years
Leasehold Improvement	5-10 years

Please refer to Note 32 for information about the amount of property, plant and equipment - net pledged by the Corporation as collateral for bonds payable.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Buildings	<u>\$ 44,914</u>	<u>\$ 38,885</u>
<u>For the Year Ended December 31</u>		
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 11,326</u>	<u>\$ 5,806</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 5,297</u>	<u>\$ 4,096</u>
Income from sublease of right-of-use assets (presented in other income)	<u>\$ 415</u>	<u>\$ 416</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 5,117</u>	<u>\$ 3,809</u>
Noncurrent	<u>\$ 41,302</u>	<u>\$ 35,854</u>

Range of discount rates (%) for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	2.73-3.36	2.73-3.36

c. Material leasing activities and terms

The Corporation leases several buildings for office use with lease terms of 8 to 13 years. The Corporation does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

d. Subleases

The Corporation subleases its right-of-use assets for office under operating leases, and the lease periods are from 2020 to 2030. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend.

In addition to the fixed lease payments, the sublease contract also stipulates that the lease payments should be adjusted every 3 years according to the “residential rent” of the consumer price index in Taiwan.

The total lease payments to be received in the future for the sublease of the operating leases are as follows:

	December 31	
	2022	2021
Year 1	\$ 416	\$ 415
Year 2	424	416
Year 3	424	424
Year 4	425	424
Year 5	432	425
Year 5 onwards	<u>1,234</u>	<u>1,666</u>
	<u>\$ 3,355</u>	<u>\$ 3,770</u>

e. Other lease information

The Corporation’s leases of certain items qualify as short-term leases and low-value asset leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 1,736	\$ 3,192
Expenses relating to low-value asset leases	\$ 1,999	\$ 2,722
Total cash outflow for leases	\$ (9,888)	\$ (10,693)

16. INVESTMENT PROPERTIES

For the year ended December 31, 2022

	Land	Buildings	Land Improvement - Parking Lot	Investment Properties under construction	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 1,534,902	\$ 424,659	\$ 7,352	\$ -	\$ 1,966,913
Addition	-	-	-	6,688	6,688
Disposal	-	-	(926)	-	(926)
Balance at December 31, 2022	<u>1,534,902</u>	<u>424,659</u>	<u>6,426</u>	<u>6,688</u>	<u>1,972,675</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	-	72,834	2,846	-	75,680
Depreciation	-	14,432	1,322	-	15,754
Disposal	-	-	(926)	-	(926)
Balance at December 31, 2022	-	<u>87,266</u>	<u>3,242</u>	-	<u>90,508</u>
Net balance at December 31, 2022	<u>\$ 1,534,902</u>	<u>\$ 337,393</u>	<u>\$ 3,184</u>	<u>\$ 6,688</u>	<u>\$ 1,882,167</u>

For the year ended December 31, 2021

	Land	Buildings	Land Improvement - Parking Lot	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 2,144,947	\$ 424,659	\$ 8,506	\$ 2,578,112
Addition	-	-	-	-
Disposal	-	-	(1,154)	(1,154)
Reclassified from inventory	(610,045)	-	-	(610,045)
Balance at December 31, 2021	<u>1,534,902</u>	<u>424,659</u>	<u>7,352</u>	<u>1,966,913</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	-	58,311	2,719	61,030
Depreciation	-	14,523	1,281	15,804
Disposal	-	-	(1,154)	(1,154)
Balance at December 31, 2021	-	<u>72,834</u>	<u>2,846</u>	<u>75,680</u>
Net balance at December 31, 2021	<u>\$ 1,534,902</u>	<u>\$ 351,825</u>	<u>\$ 4,506</u>	<u>\$ 1,891,233</u>

The investment properties are leased out for 1 to 20 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees have right of first refusal to acquire the investment properties when the Corporation intends to sell the properties.

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	
Main property	2 to 55 years
Other	3 years
Land Improvement - Parking Lot	4 to 7 years

As of December 31, 2022 and 2021, the fair value measurement of investment property is based on the real estate appraiser's report or other similar transactions. The fair value measurement for investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used. The fair values are as follows:

	December 31	
	2022	2021
Fair value	<u>\$ 3,641,748</u>	<u>\$ 3,410,458</u>

All the investment properties are owned by the Corporation. Please refer to Note 32 for information about the amount of investment properties pledged by the Corporation as collateral for bonds payable and secured borrowings.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Secured borrowings	\$ 875,566	\$ 1,181,066
Unsecured borrowings	<u>299,988</u>	<u>143,444</u>
	<u>\$ 1,175,554</u>	<u>\$ 1,324,510</u>
Interest rate range		
Secured borrowings	2.33-2.67	1.74-1.85
Unsecured borrowings	2.43	1.91

b. Short-term bills payable

December 31, 2022

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate (%)
Commercial paper				
Mega Bills Finance Co., Ltd. (MBF)	\$ 1,700,000	\$ (2,321)	\$ 1,697,679	2.84-2.97

(Continued)

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate (%)
China Bills Finance Ltd. (CBF)	\$ 109,500	\$ (148)	\$ 109,352	2.74
	<u>\$ 1,809,500</u>	<u>\$ (2,469)</u>	<u>\$ 1,807,031</u>	(Concluded)

December 31, 2021

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate (%)
Commercial paper				
Mega Bills Finance Co., Ltd. (MBF)	\$ 2,331,000	\$ (2,476)	\$ 2,328,524	1.94
China Bills Finance Ltd. (CBF)	139,000	(133)	138,867	1.75
	<u>\$ 2,470,000</u>	<u>\$ (2,609)</u>	<u>\$ 2,467,391</u>	

c. Long-term borrowings

	<u>December 31</u>	
	2022	2021
Bank loans - maturities before July 2026	\$ 3,124,390	\$ 3,152,020
Less: Current portion	<u>2,812,390</u>	<u>1,516,520</u>
	<u>\$ 312,000</u>	<u>\$ 1,635,500</u>
Annual interest rate (%)	2.26-2.69	1.75-2.05

Please refer to Notes 31 and 32 for information about the guarantee and collateral for borrowings.

18. BONDS PAYABLE

	<u>December 31</u>	
	2022	2021
Secured domestic convertible bonds	\$ 1,252,400	\$ 1,282,600
Secured domestic ordinary corporate bonds	1,000,000	1,000,000
Less: discount on bonds payable	<u>26,617</u>	<u>37,374</u>
Amortized cost	2,225,783	2,245,226
Less: current portion	<u>1,227,258</u>	<u>1,247,123</u>
	<u>\$ 998,525</u>	<u>\$ 998,103</u>

On June 29, 2021, the Corporation issued domestic guaranteed ordinary corporate bonds amounting to NT\$1,000,000 thousand at face value, with a coupon rate of 0.58%. The issuance period is 5 years, and the interest is paid once a year from the date of issue, and repayable on the maturity date.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - share options. The liability component contains derivative financial instruments and non-derivative financial instruments, and the issue terms and conditions are as follows:

a. The first secured domestic convertible bonds(effective interest rate is 1.14%)

- 1) On January 17, 2020, the Corporation issued the first domestic secured convertible corporate bonds amounting to NT\$300,000 thousand, with a zero coupon rate and a duration of 5 years, at the issue price of 107.73% of the principal amount of the bond.
- 2) Each holder of the bonds has the right to convert the bonds into ordinary shares of the Corporation between April 18, 2020 and January 17, 2025. The original conversion price is NT\$40 per share, and shall subsequently be adjusted according to the conversion price adjustment formula. The adjusted conversion price was NT\$33.3 on August 1, 2022. The adjusted conversion price was NT\$35.7 on August 8, 2021. On 2022 and 2021, the bonds, whose conversion rights have been exercised, have a par value of NT\$21,500 thousand and NT\$11,500 thousand, respectively, and the converted ordinary shares capital was NT\$4,286 thousand and NT\$840 thousand respectively, and the converted advance share capital was NT\$2,102 thousand and NT\$2,381 thousand, respectively. In addition, the capital surplus - convertible bond share options decreased by NT\$2,372 thousand and NT\$1,269 thousand, respectively, and the discount on bonds payable decreased by NT\$568 thousand and NT\$412 thousand, respectively. The financial assets measured at fair value through profit and loss decreased by NT\$3 thousand and NT\$8 thousand, respectively, and the capital surplus - the conversion premium of bonds increased by NT\$16,913 thousand and NT\$9,128 thousand, respectively.
- 3) From April 8, 2020 to December 8, 2024, if the closing price of the Corporation's common stock in the centralized trading market exceeds the current conversion price by 30% or more for 30 consecutive business days, or when the outstanding balance of the bonds is less than 10% of the total amount upon the original issuance, the Corporation may redeem them in cash at the par value of the bond within five business days after the base date of recalling the bonds.
- 4) The base date for selling back the bonds in advance is January 17, 2023. The bondholders may exercise the right of selling back the redemption value is 101.51% of the bond value (the real yield is 0.5%) 40 days prior to the repurchase date.

b. The second secured domestic convertible bond(effective interest rate is 0.67%)

- 1) On December 1, 2020, the Corporation issued the second domestic secured convertible corporate bond amounting to NT\$1,000,000 thousand, with a zero coupon rate and a duration of 5 years, at the issue price of 101% of the principal amount of the bond.
- 2) Each holder of the bonds has the right to convert the bonds into ordinary shares of the Corporation between March 2, 2021 and December 1, 2025. The original conversion price is NT\$42 per share, and shall subsequently be adjusted according to the conversion price adjustment formula. The adjusted conversion price was NT\$37.4 on August 1, 2022. The adjusted conversion price was NT\$40 on August 8, 2021. In 2022 and 2021, the bonds, whose conversion rights have been exercised have a par value of NT\$8,700 thousand and NT\$5,900 thousand, respectively, and the converted ordinary shares capital was NT\$900 thousand and NT\$0 thousand respectively, and the converted advance share capital was NT\$1,364 thousand and NT\$1,475 thousand respectively. In addition, the capital surplus - convertible bond share options decreased by NT\$299 thousand and NT\$202 thousand, respectively, and the discount on bonds payable decreased by NT\$188 thousand and NT\$156 thousand, respectively. The financial assets measured at fair value through profit and loss decreased by NT\$4 thousand and NT\$3 thousand, respectively, and the capital surplus - the conversion premium of bonds increased by NT\$6,543 thousand and NT\$4,468 thousand, respectively.

- 3) From March 2, 2021 to October 22, 2025, if the closing price of the Corporation's common stock in the centralized trading market exceeds the current conversion price by 30% or more for 30 consecutive business days, or when the outstanding balance of the bonds is less than 10% of the total amount upon the original issuance, the Corporation may redeem them in cash at the par value of the bond within five business days after the base date of recalling the bonds.
- 4) The base date for selling back the bonds in advance is December 1, 2023. The bondholders may exercise the right of selling back the redemption value is 100.75% of the bond value (the real yield is 0.25%) 40 days prior to the repurchase date.

The above-mentioned secured domestic bonds are guaranteed by First Commercial Bank. Please refer to Notes 31 and 32 for information about the guarantee and collateral for secured bonds.

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2022	2021
Notes payable - operating	\$ 41,445	\$ 50,476
Accounts payable	\$ 359,529	\$ 279,816
Accounts payable - related parties	\$ 106,918	\$ 116,247

Accounts payables classified as construction retainage payable for construction contracts were NT\$184,000 thousand and NT\$138,360 thousand as of December 31, 2022 and 2021, respectively. Construction retainage received, which is interest free, will be paid for each construction contract at the end of the construction retainage period. This retainage period is the Corporation's normal operating cycle, which normally exceeds 12 months.

The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER PAYABLES

	December 31	
	2022	2021
Salaries and bonuses	\$ 21,727	\$ 19,618
Construction in progress payable	11,635	7,363
Advertising commission payable	32,056	6,789
Interest payable	6,745	6,448
Compensation of employees and remuneration of directors	25,378	15,610
Others	10,543	6,011
	<u>\$ 108,084</u>	<u>\$ 61,839</u>

21. OTHER CURRENT LIABILITIES

	December 31	
	2022	2021
Receipts on behalf of others	\$ 13,452	\$ 1,026
Guarantee deposits received	25,284	37,988
Others	<u>3,304</u>	<u>656</u>
	<u>\$ 42,040</u>	<u>\$ 39,670</u>

22. DEFINED CONTRIBUTION PLANS

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

23. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The current/non-current classification of the Corporation's assets and liabilities relating to the construction business was based on its operating cycle. The amounts expected to be recovered or settled within 1 year after the reporting period and more than 1 year after the reporting period for related assets and liabilities were as follows:

	Within 1 Year	Beyond 1 Year	Total
December 31, 2022			
Assets			
Notes receivable	\$ 2,611	\$ -	\$ 2,611
Other receivables	308	-	308
Inventory	3,050,405	6,046,920	9,097,325
Other financial assets - current	468,743	42,571	511,314
Refundable deposits- current	10,561	6,044	16,605
Prepaid construction payment (included under other current assets)	6,716	-	6,716
Incremental costs of obtaining a contract - current	<u>114,331</u>	<u>13,738</u>	<u>128,069</u>
	<u>\$ 3,653,675</u>	<u>\$ 6,109,273</u>	<u>\$ 9,762,948</u>
Percentage (%)	<u>37</u>	<u>63</u>	<u>100</u>
Liabilities			
Short-term borrowings	\$ 1,175,554	\$ -	\$ 1,175,554
Short-term bills payable	1,807,031	-	1,807,031
Contract liabilities	461,851	42,559	504,410
Notes payable	41,445	-	41,445
Accounts payable	252,030	107,499	359,529
Accounts payable - related parties	50,841	56,077	106,918
Construction in progress payable (included under other payables)	11,635	-	11,635
			(Continued)

	Within 1 Year	Beyond 1 Year	Total
Advertising commission payable(included under other payables)	\$ 32,056	\$ -	\$ 32,056
Bonds payable - current portion	1,227,258	-	1,227,258
Long-term loans - current portion	2,005,890	806,500	2,812,390
Guarantee deposit received - current (included under other current liabilities)	25,284	-	25,284
Refund liability (included under other current liabilities)	<u>90</u>	<u>-</u>	<u>90</u>
	<u>\$ 7,090,965</u>	<u>\$ 1,012,635</u>	<u>\$ 8,103,600</u>
Percentage (%)	<u>88</u>	<u>12</u>	<u>100</u>
December 31, 2021			
Assets			
Notes receivable	\$ 1,300	\$ -	\$ 1,300
Inventory	2,406,486	7,247,090	9,653,576
Other financial assets - current	630,636	253,810	884,446
Refundable deposits- current	3,623	2,744	6,367
Prepaid construction payment (included under other current assets)	5,021	-	5,021
Incremental costs of obtaining a contract - current	<u>98,981</u>	<u>59,644</u>	<u>158,625</u>
	<u>\$ 3,146,047</u>	<u>\$ 7,563,288</u>	<u>\$ 10,709,335</u>
Percentage (%)	<u>29</u>	<u>71</u>	<u>100</u>
Liabilities			
Short-term borrowings	\$ 1,324,510	\$ -	\$ 1,324,510
Short-term bills payable	2,467,391	-	2,467,391
Contract liabilities	615,097	252,568	867,665
Notes payable	50,476	-	50,476
Accounts payable	202,197	77,619	279,816
Accounts payable - related parties	74,331	41,916	116,247
Construction in progress payable (included under other payables)	7,363	-	7,363
Advertising commission payable (included under other payables)	6,789	-	6,789
Bonds payable - current portion	-	1,247,123	1,247,123
Long-term loans - current portion	-	1,516,520	1,516,520
Guarantee deposit received - current (included under other current liabilities)	<u>37,988</u>	<u>-</u>	<u>37,988</u>
	<u>\$ 4,786,142</u>	<u>\$ 3,135,746</u>	<u>\$ 7,921,888</u>
Percentage (%)	<u>60</u>	<u>40</u>	<u>100</u>
			(Concluded)

24. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands of shares)	<u>340,000</u>	<u>340,000</u>
Shares authorized	<u>\$ 3,400,000</u>	<u>\$ 3,400,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>96,622</u>	<u>95,718</u>
Shares issued	<u>\$ 966,222</u>	<u>\$ 957,180</u>

Preferred shares can be issued within the authorized number of shares. 34,000 thousand shares should be used in share options, preferred shares with options and bonds with options.

In 2022, the bondholders exercised their conversion rights and converted ordinary share capital of NT\$8,652 thousand. As of December 31, 2022, NT\$5,186 thousand of the share capital had completed registration for the capital change. The remaining NT\$3,466 thousand is yet to be registered by the Corporation with the Commerce Department of the Ministry of Economic Affairs for the capital change.

In 2021, the bondholders exercised their conversion rights and converted the ordinary share capital of NT\$4,696 thousand. As of December 31, 2021, NT\$840 thousand of the share capital had completed registration for the capital change. The remaining NT\$3,856 thousand has completed registration for the capital change in April 2022.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset deficit, distributed as cash dividends, or transferred to share capital (Note)		
Additional paid-in capital	\$ 159,527	\$ 159,527
Conversion of bonds	37,052	13,596
Treasury share transactions	85,674	85,674
May not be used for any purpose		
Convertible bonds share options	<u>63,275</u>	<u>65,946</u>
	<u>\$ 345,528</u>	<u>\$ 324,743</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

c. Retained earnings and dividend policy

After the amendments to the Corporation's Articles of Incorporation have been resolved in the shareholders' meeting in June 2022

The Corporation's Articles of Incorporation stipulates that the current year's earnings, if any, shall be first used to pay taxes and offset deficit in prior years, setting aside as legal reserve 10% of the

remaining profit until the accumulated legal reserve equals the Corporation's paid-in capital, then setting aside or reversing a special reserve in accordance with the laws and regulations. Any remaining profit may be used to distribute dividends to preferred shareholders, and any remaining profit after the distribution together with any undistributed retained earnings should be used by the Corporation's board of directors as the basis for proposing a distribution plan(the distribution should be no less than 10% of the Corporation's earnings for the year) and reported to the shareholders' meeting. If the distribution is in the form of issuing new shares, it should be resolved in the shareholders' meeting.

The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses, and the capital surplus as stipulated in Article 241 of the Company Law and legal reserve by cash, and a report of such distribution should be submitted in the shareholders' meeting.

The Corporation's dividend policy is based on the current and future development plans, considering the investment environment, capital needs, and domestic and foreign competition conditions, and taking into account shareholders' interests and other factors to determine the amount of dividends distributed to shareholders. Cash dividends shall not be less than 5% of the total dividends distributed, but if the amount of cash dividends distributed per share is less than NT\$0.5, it be paid in stock dividends instead.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Before the amendments to the Corporation's Articles of Incorporation have been resolved in the shareholders' meeting in June 2022

The Corporation's Articles of Incorporation stipulates that the current year's earnings, if any, shall be first used to pay taxes and offset deficit in prior years, setting aside as legal reserve 10% of the remaining profit until the accumulated legal reserve equals the Corporation's paid-in capital, then setting aside or reversing a special reserve in accordance with the laws and regulations. Any remaining profit may be used to distribute dividends to preferred shareholders, and any remaining profit after the distribution together with any undistributed retained earnings should be used by the Corporation's board of directors as the basis for proposing a distribution plan(the distribution should be no less than 10% of the Corporation's earnings for the year) and resolved in the shareholders' meeting.

The Corporation's dividend policy is based on the current and future development plans, considering the investment environment, capital needs, and domestic and foreign competition conditions, and taking into account shareholders' interests and other factors to determine the amount of dividends distributed to shareholders. Among the cash dividends shall not be less than 5% of the total dividends, but if the amount of cash dividends distributed per share is less than NT\$0.5, then may be paid in stock dividends instead.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meeting in June 2022 and July 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (\$)	
	2021	2020	2021	2020
Legal reserve	\$ 48,638	\$ 17,965		
Cash dividends	400,000	191,268	\$ 4.162	\$ 2.0

The appropriations of earnings for 2022 were proposed by the Corporation's board of directors in March 2023 as follows:

	Appropriation of Earnings	Dividends Per Share (\$)
Legal reserve	\$ 63,064	
Cash dividends	500,000	\$ 5.156

The above appropriation for cash dividends has been resolved by the Corporation's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 21, 2023.

d. Other equity items

Unrealized valuation gains and losses on financial assets at fair value through other comprehensive income

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance, beginning of the year	\$ 12,510	\$ 10,604
Recognized for the year		
Unrealized gains and losses - equity instruments	<u>(1,828)</u>	<u>1,906</u>
Balance, end of the year	<u>\$ 10,682</u>	<u>\$ 12,510</u>

25. REVENUE

	<u>For the Year Ended December 31</u>	
	2022	2021
Revenue from contracts with customers		
Construction revenue	\$ 3,921,033	\$ 2,564,932
Others	<u>1</u>	<u>2</u>
	3,921,034	2,564,934
Rental income	<u>18,691</u>	<u>14,222</u>
	<u>\$ 3,939,725</u>	<u>\$ 2,579,156</u>

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contract liabilities - current			
Building and land for sale	<u>\$ 504,410</u>	<u>\$ 867,665</u>	<u>\$ 896,093</u>

The changes in the balance of contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment, there were no other significant changes in 2022 and 2021.

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year were NT\$613,315 thousand and NT\$361,267 thousand for the years ended December 31 2022 and 2021, respectively.

b. Assets related to contract costs

	December 31	
	2022	2021
Current incremental costs of obtaining a contract		
Advertising commission	<u>\$ 128,069</u>	<u>\$ 158,625</u>

Considering the transaction conditions of the real estate sales contract, the Corporation believes that the commission paid for the contract can be wholly recoverable. The recognized amortization expenses in 2022 and 2021 were NT\$98,554 thousand and NT\$89,381 thousand respectively.

c. Disaggregation of revenue

For the year ended December 31, 2022

	Regional Distribution			
	Kaohsiung	Tainan	Taipei	Total
<u>Type of goods or services</u>				
Client contract revenue				
Construction revenue	\$ 3,907,951	\$ 13,082	\$ -	\$ 3,921,033
Others	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	3,907,952	13,082	-	3,921,034
Rental income	<u>-</u>	<u>12,669</u>	<u>6,022</u>	<u>18,691</u>
	<u>\$ 3,907,952</u>	<u>\$ 25,751</u>	<u>\$ 6,022</u>	<u>\$ 3,939,725</u>

For the year ended December 31, 2021

	Regional Distribution			
	Kaohsiung	Tainan	Taipei	Total
<u>Type of goods or services</u>				
Client contract revenue				
Construction revenue	\$ 1,062,873	\$ 1,489,059	\$ 13,000	\$ 2,564,932
Others	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
	1,062,875	1,489,059	13,000	2,564,934
Rental income	<u>90</u>	<u>8,743</u>	<u>5,389</u>	<u>14,222</u>
	<u>\$ 1,062,965</u>	<u>\$ 1,497,802</u>	<u>\$ 18,389</u>	<u>\$ 2,579,156</u>

26. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	For the Year Ended December 31	
	2022	2021
Service income (Note 31)	\$ 5,531	\$ 5,531
Rental income	5,257	4,141
Dividend income	506	486
Others	<u>8,803</u>	<u>7,397</u>
	<u>\$ 20,097</u>	<u>\$ 17,555</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Fair value changes of financial assets mandatorily classified as at fair value through profit or loss	\$ (2,279)	\$ 5,093
Others	<u>26</u>	<u>1,486</u>
	<u>\$ (2,253)</u>	<u>\$ 6,579</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 99,344	\$ 81,740
Interest on bills payable	51,571	33,336
Amortization of discount on bonds payable	9,579	9,734
Interest on lease liabilities	1,583	1,348
Ordinary corporate bond interest	6,222	3,145
Other	<u>37</u>	<u>20</u>
	168,336	129,323
Less: Amounts included in the cost of qualifying assets	<u>81,045</u>	<u>57,477</u>
	<u>\$ 87,291</u>	<u>\$ 71,846</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized interest amount	<u>\$ 81,045</u>	<u>\$ 57,477</u>
Capitalization rate (%)	1.61-2.09	1.50-1.67

d. Depreciation

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 3,382	\$ 3,152
Right-of-use assets	5,297	4,096
		(Continued)

	For the Year Ended December 31	
	2022	2021
Investment properties	\$ 15,754	\$ 15,804
	<u>\$ 24,433</u>	<u>\$ 23,052</u>
An analysis of depreciation by function		
Operating costs	\$ 16,090	\$ 16,105
Operating expenses	<u>8,343</u>	<u>6,947</u>
	<u>\$ 24,433</u>	<u>\$ 23,052</u>
		(Concluded)

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2022	2021
Direct operating expenses on investment properties that generated rental income	<u>\$ 12,911</u>	<u>\$ 12,503</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits		
Salaries	\$ 77,114	\$ 61,606
Labor and health insurance	4,064	3,576
Others	<u>3,362</u>	<u>3,169</u>
	84,540	68,351
Post-employment benefits		
Defined contribution plans	<u>1,873</u>	<u>1,669</u>
	<u>\$ 86,413</u>	<u>\$ 70,020</u>
Analysis of employee benefits expense by function		
Operating expenses	<u>\$ 86,413</u>	<u>\$ 70,020</u>

g. Compensation of employees and remuneration of directors

According to the Corporation's Articles, the Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Corporation's board of directors in March 2023 and 2022, respectively, are as follows:

	For the Year Ended December 31	
	2022	2021
Employees' compensation (‰)	1	1
Remuneration of directors (%)	3	3

	<u>For the Year Ended December 31</u>	
	2022	2021
Compensation of employees	\$ 819	\$ 503
Remuneration of directors	<u>\$ 24,559</u>	<u>\$ 15,107</u>

If there is a change in the amounts after the annual standalone financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the standalone financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Current tax		
In respect of the current year	\$ 167,285	\$ 2,425
Income tax on unappropriated earnings	1,887	-
Land value increment tax	-	17,995
Adjustment for prior year	<u>139</u>	<u>170</u>
	<u>169,311</u>	<u>20,590</u>
Deferred tax		
In respect of the current year	(6,681)	(2,856)
Adjustment for prior year	-	(34,767)
Deduction of loss carryforwards for the current year	<u>-</u>	<u>18,604</u>
	<u>(6,681)</u>	<u>(19,019)</u>
	<u>\$ 162,630</u>	<u>\$ 1,571</u>

A reconciliation of accounting profit and income tax expense was as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Profit before income tax	<u>\$ 793,271</u>	<u>\$ 487,951</u>
Income tax expense calculated at the statutory rate	\$ 158,654	\$ 97,590
Income tax on unappropriated earnings	1,887	-
Land value increment tax	-	17,995
Tax-exempt income	329	(79,822)
		(Continued)

	For the Year Ended December 31	
	2022	2021
Non-deductible expense	\$ 1,621	\$ 405
Adjustments for prior years	<u>139</u>	<u>(34,597)</u>
	<u>\$ 162,630</u>	<u>\$ 1,571</u>
		(Concluded)

b. Current tax liabilities

	December 31	
	2022	2021
Current tax liabilities		
Income tax payable	<u>\$ 169,670</u>	<u>\$ 2,385</u>

c. Deferred tax assets

The movements of deferred tax assets were as follows:

For the year ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred tax assets</u>			
Deferred interest expenses	\$ 35,443	\$ 6,303	\$ 41,746
Deferred marketing expenses	1,360	-	1,360
Others	<u>216</u>	<u>378</u>	<u>594</u>
	<u>\$ 37,019</u>	<u>\$ 6,681</u>	<u>\$ 43,700</u>

For the year ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Deferred tax assets</u>			
Deferred interest expenses	\$ -	\$ 35,443	\$ 35,443
Deferred marketing expenses	-	1,360	1,360
Loss carryforwards	18,000	(18,000)	-
Others	<u>-</u>	<u>216</u>	<u>216</u>
	<u>\$ 18,000</u>	<u>\$ 19,019</u>	<u>\$ 37,019</u>

d. Income tax assessments

The Corporation's income tax returns through 2020 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net profit for the year

	<u>For the Year Ended December 31</u>	
	2022	2021
Earnings used in the computation of basic earnings per share	\$ 630,641	\$ 486,380
Add: Interest on convertible bonds	9,579	8,656
Evaluation of profit and loss on embedded derivatives from convertible bonds	<u>636</u>	<u>(5,691)</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 640,856</u>	<u>\$ 489,345</u>

Number of ordinary shares (in thousands of shares)

	<u>For the Year Ended December 31</u>	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	96,380	95,701
Add: Effect of potential dilutive ordinary shares:		
Compensation of employees	16	10
Convertible bonds	<u>34,954</u>	<u>29,227</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>131,350</u>	<u>124,938</u>

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of net debt and equity.

The Corporation is not subject to any externally imposed capital requirements.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers the carrying amounts of financial instruments that are not measured at fair value, such as cash, receivables and payables approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Mutual funds	\$ 17,241	\$ -	\$ -	\$ 17,241
Derivatives - convertible bonds	<u>-</u>	<u>-</u>	<u>197</u>	<u>197</u>
	<u>\$ 17,241</u>	<u>\$ -</u>	<u>\$ 197</u>	<u>\$ 17,438</u>
Financial assets at FVTOCI				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,682</u>	<u>\$ 30,682</u>
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Mutual funds	\$ 14,160	\$ -	\$ -	\$ 14,160
Derivatives - convertible bonds	<u>-</u>	<u>-</u>	<u>840</u>	<u>840</u>
	<u>\$ 14,160</u>	<u>\$ -</u>	<u>\$ 840</u>	<u>\$ 15,000</u>
Financial assets at FVTOCI				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,510</u>	<u>\$ 32,510</u>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2022 and 2021.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	Financial Liabilities (assets) at FVTPL - Derivatives	Financial Assets at FVTOCI - Equity Instruments
<u>For the year ended December 31, 2022</u>		
Balance, beginning of the year	\$ (840)	\$ 32,510
Recognized in profit or loss (recognized under other gains and losses)	636	-
Exercising the right to convertible bonds	7	-
Recognized in other comprehensive income (Included under unrealized gains and losses at fair value through other comprehensive income)	<u>-</u>	<u>(1,828)</u>
Balance, end of the year	<u>\$ (197)</u>	<u>\$ 30,682</u>

(Continued)

	Financial Liabilities (assets) at FVTPL - Derivatives	Financial Assets at FVTOCI - Equity Instruments
<u>For the year ended December 31, 2021</u>		
Balance, beginning of the year	\$ 4,840	\$ 30,604
Recognized in profit or loss (recognized under other gains and losses)	(5,691)	-
Exercising the right to convertible bonds	11	-
Recognized in other comprehensive income (Included under unrealized gains and losses at fair value through other comprehensive income)	<u>-</u>	<u>1,906</u>
Balance, end of the year	<u>\$ (840)</u>	<u>\$ 32,510</u> (Concluded)

3) Valuation techniques and inputs applied for Level 3 fair value measurement

- The fair values of unlisted equity securities were determined based on observable market price and current value by management.
- The fair value of derivative assets - convertible bonds redemption rights and sell-back rights is measured using the binominal tree model by using significant but unobservable inputs such as fluctuation of stock price, risk-free interest rate, risk discount rate and liquidity risk.

c. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 17,438	\$ 15,000
Financial assets at fair value through other comprehensive income	30,682	32,510
Financial assets at amortized cost (1)	1,471,567	1,540,096
<u>Financial liabilities</u>		
Amortized cost (2)	8,977,471	9,737,884

- The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, other receivables, other financial assets (including current and non-current) and refundable deposits (including current and non-current).
- The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables, bonds payable (including corporate bonds due within one year or within one business cycle or with the right to sell back), refund liabilities, long-term borrowings (including current portion), guarantee deposit received (including current and non-current).

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity investments, notes receivable, notes and accounts payable, bonds payable, and borrowings. The finance department supervises and manages the financial risks related to the Corporation's operations. These risks include interest rate risk, other price risk, credit risk and liquidity risk.

The Corporation's activities exposed it primarily to financial risks as follows:

1) Interest rate risk

The carrying amounts of the Corporation financial assets and financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial liabilities	\$ 4,079,233	\$ 4,752,280
Cash flow interest rate risk		
Financial assets	1,298,486	1,522,687
Financial liabilities	4,299,944	4,476,530

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. 0.25% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Corporation's cash flows due to holding financial liabilities for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$10,750 thousand and NT\$11,191 thousand, respectively, which was mainly a result of variable-rate borrowings.

2) Other price risk

The Corporation was exposed to equity price risk through investments in fund beneficiary certificates.

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year. After considering the market price fluctuations of the Corporation's investment targets, the sensitivity rate of 10% was taken as the basis for the sensitivity analysis of equity securities.

If equity prices had been 10% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$1,724 thousand and NT\$1,416 thousand, respectively, as a result of the changes in fair value of investment held for trading.

3) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation maximum exposure to credit risk, which would cause a financial loss to the Corporation due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Corporation, could be equal mainly to the carrying amount of the respective recognized financial

assets as stated in the standalone balance sheet. The amount of the Corporation's receivables is not significant, so no significant credit risk is expected.

4) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of the balance sheet date, the Corporation had available unutilized short-term and long-term bank loan facilities set out in (b) below.

a) Liquidity risk tables

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay.

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2022</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 477,774	\$ 164,290	\$ 2,649	\$ 644,713
Lease liabilities	6,673	27,254	19,695	53,622
Variable interest rate liabilities	3,263,713	1,142,713	-	4,406,426
Fixed interest rate liabilities	<u>3,067,700</u>	<u>1,014,476</u>	<u>-</u>	<u>4,082,176</u>
	<u>\$ 6,815,860</u>	<u>\$ 2,348,733</u>	<u>\$ 22,344</u>	<u>\$ 9,186,937</u>
<u>December 31, 2021</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 426,831	\$ 119,583	\$ 2,323	\$ 548,737
Lease liabilities	5,138	20,887	20,529	46,554
Variable interest rate liabilities	1,928,200	2,676,401	-	4,604,601
Fixed interest rate liabilities	<u>2,475,800</u>	<u>2,302,876</u>	<u>-</u>	<u>4,778,676</u>
	<u>\$ 4,835,969</u>	<u>\$ 5,119,747</u>	<u>\$ 22,852</u>	<u>\$ 9,978,568</u>

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank loan facilities		
Amount used	\$ 299,988	\$ 143,444
Amount unused	<u>-</u>	<u>-</u>
	<u>\$ 299,988</u>	<u>\$ 143,444</u>
Secured bank loan facilities		
Amount used	\$ 5,809,456	\$ 6,803,086
Amount unused	<u>3,430,225</u>	<u>3,366,605</u>
	<u>\$ 9,239,681</u>	<u>\$ 10,169,691</u>

31. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Corporation and related parties were disclosed as follows:

a. Related party name and category

Related Party Name	Related Party Category
Zhao-Ting Lu	Chairman of the Corporation
Hua Ching Construction Ltd.(Hua Ching)	Subsidiary
Tian-Wei Zhang	Relationship with the directors of the Corporation within the second degree
Feng-Lan Guo	Relationship with the person in charge of the affiliated enterprise within the second degree
Hua Yu Lien Urban Land Consolidation Co., Ltd.	The chairman of the company and the chairman of the Corporation are second-degree relatives
Shui-Bo Lu	Affiliated enterprise's principal
Qing-Fang Zhong	Spouse of vice president of finance of the Corporation

b. Operating revenue

	For the Year Ended December 31, 2022
Qing-Fang Zhong	\$ 5,800
Feng-Lan Guo	3,693
Tian-Wei Zhang	<u>7,927</u>
	<u>\$ 17,420</u>

The Corporation pre-sells houses to related parties. The price of the transaction was determined with consideration of the contribution of the related party to the Corporation, with reference to market conditions and evaluating the return on investment of the Corporation from this transaction; the

payment conditions are base on the contract.

c. Purchase and outsourcing construction

**For the Year
Ended
December 31,
2021**

Shui-Bo Lu

\$ 98,145

The transaction price is determined with reference to the actual transaction price of houses in neighboring areas in 2020, and the payment conditions are based on the contract.

The Corporation appointed Hua Ching for construction projects. In 2022 and 2021, the purchase amount according to the progress of completion was NT\$575,465 thousand and NT\$546,694 thousand, respectively. The purchase prices for non-related parties were incomparable because the Corporation did not purchased from non-related parties. The payment terms are 15 days for the monthly settlement for related parties, and 15 to 75 days for non-related parties. As of December 31, 2022 and 2021, the construction warranty deposits collected from Hua Ching were NT\$24,306 thousand and NT\$32,623 thousand, respectively, included in other current liabilities (guarantee deposits received - current).

d. Other income

The Corporation provided management services to Hua Ching, and the amount recognized in other income was both NT\$5,531 thousand in both 2022 and 2021.

e. Year-end balance

	December 31	
	2022	2021
Accounts payable		
Hua Ching	<u>\$ 106,918</u>	<u>\$ 116,247</u>
		December 31, 2021
Contract liabilities		
Qing-Fang Zhong		\$ 1,029
Tian-Wei Zhang		1,299
Feng-Lan Guo		<u>380</u>
		<u>\$ 2,708</u>

The Corporation pre-sells houses to related parties. The selling prices were determined in consideration of the contribution of the related party to the Corporation, with reference to market conditions and evaluation of the return on investment of the Corporation from the transaction; the payment conditions are based on the contract.

f. Lease arrangements

		For the Year Ended December 31	
		2022	2021
<u>Acquisition of right-of-use assets</u>			
Hua Yu Lien Urban Land Consolidation Co., Ltd.		<u>\$ 11,326</u>	<u>\$ 5,806</u>
Account Item	Related Parties Category/Name	December 31	
		2022	2021
Lease liabilities - current	Hua Yu Lien Urban Land Consolidation Co., Ltd.	\$ 5,088	\$ 3,780
Lease liabilities - non current	Hua Yu Lien Urban Land Consolidation Co., Ltd.	41,142	35,664
		<u>\$ 46,230</u>	<u>\$ 39,444</u>
		For the Year Ended December 31	
		2022	2021
<u>Interest expense</u>			
Hua Yu Lien Urban Land Consolidation Co., Ltd.		<u>\$ 1,577</u>	<u>\$ 1,340</u>

The Corporation leases offices from Hua Yu Lien Urban Land Consolidation Co., Ltd., and the lease period is 8 to 10 years. The rent is based on the prices of the surrounding areas of the leased object, and lease payments are made monthly. As of December 31, 2022 and 2021, the refundable deposits paid by the Corporation were NT\$1,159 thousand and NT\$893 thousand, respectively, based on the lease contract (included in refundable deposits - non-current).

g. Sublease agreement

In November 2020, the Corporation sub-leased the office to Hua Ching under operating leases, and the lease period is 10 years. The rent is based on the prices of the surrounding areas of the leased object, and lease payments are made monthly. The amounts of lease income recognized for the years ended December 31, 2022 and 2021 was NT\$415 thousand and NT\$416 thousand, respectively. As of December 31, 2022 and 2021, the guarantee deposits collected by the Corporation were both NT\$73 thousand (included in guarantee deposits received - non-current).

h. Guarantee

On December 31, 2022 and 2021, the Corporation's bank loans, short-term bills and bonds payable were guaranteed through personal joint guarantee by the chairman of the Corporation.

i. Other

The Corporation appointed Hua Ching to repair the basement of the completed building, and the amounts recognized in 2021 was NT\$1,247 thousand, accounted for as general and administrative expenses.

j. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 45,571	\$ 33,607
Post-employment benefits	<u>507</u>	<u>467</u>
	<u>\$ 46,078</u>	<u>\$ 34,074</u>

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for borrowings and bonds payable:

	December 31	
	2022	2021
Inventory		
Construction in progress	\$ 4,307,901	\$ 4,586,588
Land held for construction	3,593,455	4,475,533
Investment Properties	1,859,313	1,873,615
Property, plant and equipment	19,357	19,697
Other financial assets - noncurrent	<u>257,250</u>	<u>257,250</u>
	<u>\$ 10,037,276</u>	<u>\$ 11,212,683</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2022, the total amount of the contracts signed by the Corporation for construction projects that has not yet been concluded was NT\$4,256,588 thousand, of which the unrecorded amount was NT\$2,796,658 thousand.

34. Material Subsequent Events

In December 2022, the Corporation signed a “Joint Venture Agreement” with Mitsui Fudosan Taiwan Co., Ltd., and the two parties jointly invested and established Hua Ching Development Co., Ltd. (the Corporation owned 51% of the shares and has control) in February 2023. In March 2023, the board of directors of the Corporation resolved the Corporation’s signing of the “Cooperative Construction Building Sub-sale Contract” with Hua Ching Development Co., Ltd. to jointly promote the land development at No. 51, Huatai Section, Fengshan District, Kaohsiung City.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation has no significant foreign currency assets and liabilities.

36. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held: Table 1
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3
- 9) Trading in derivative instruments: None
- 10) Information on investees: Table 4

b. Information on investments in mainland China: None

c. Information of major shareholders: Table 5

TABLE 1

Hua Yu Lien Development Co., Ltd. And Subsidiaries
MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities		Relationship with The Holding Company	Financial Statement Account	DECEMBER 31, 2022				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Hua Yu Lien Development Co., Ltd.	Fund beneficiary certificate	Shin Kong Hang Seng TECH Index Fund	-	Financial assets at fair value through profit or loss - current	200,000	\$ 922	-	\$ 922	
	Fund beneficiary certificate	UBS Bond Fund - Fixed Income Fund	-	Financial assets at fair value through profit or loss - current	300,000	2,427	-	2,427	
	Fund beneficiary certificate	SinoPac ESG Global Digital Infrastructure Fund	-	Financial assets at fair value through profit or loss - current	100,000	929	-	929	
	Fund beneficiary certificate	FSITC Global Artificial Intelligence Fund	-	Financial assets at fair value through profit or loss - current	105,318.6	1,289	-	1,289	
	Fund beneficiary certificate	PineBridge Global ESG Quantitative Bond Fund	-	Financial assets at fair value through profit or loss - current	21,608.62	5,941	-	5,941	
	Fund beneficiary certificate	Shin Kong Taiwan High Dividend Fund	-	Financial assets at fair value through profit or loss - current	200,000	1,942	-	1,942	
	Fund beneficiary certificate	FSITC Innovation Fund	-	Financial assets at fair value through profit or loss - current	64,914	1,818	-	1,818	
	Fund beneficiary certificate	Cathay US Premium Bond Fund	-	Financial assets at fair value through profit or loss - current	200,000	1,973	-	1,973	
			-			<u>\$ 17,241</u>		<u>\$ 17,241</u>	
	Stock - ordinary shares	Sunny Bank		Financial assets at fair value through other comprehensive income - non-current	2,629,143	<u>\$ 30,682</u>	-	<u>\$ 30,682</u>	

TABLE 2

Hua Yu Lien Development Co., Ltd. And Subsidiaries

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total (Note4)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total (Note 4)	
Hua Yu Lien Development Co., Ltd.	Hua Ching Construction Ltd.	Subsidiary	Purchases (Note2)	\$ <u>575,465</u>	(29)	15 days	No general terms and conditions can be compared	-	\$ <u>(106,918)</u>	(21)	(Note 1)
Hua Ching Construction Ltd.	Hua Yu Lien Development Co., Ltd.	Parent Company	Sales (Note3)	\$ <u>(528,656)</u>	(100)	Request for payment according to the progress of the accepted project.	No general terms and conditions can be compared	-	\$ <u>106,918</u>	100	(Note 1)

Note 1: All have been written off when preparing the consolidated financial statements.

Note 2: The Corporation appointed Hua Ching to contract construction projects, the purchase amount recognized according to the progress of the contract.

Note 3: Hua Ching undertakes the construction project of the Corporation, and the revenue amount recognized by the percentage of completion method.

Note 4: Each ratio is calculated based on the transaction amount for the relevant accounting items of each company.

TABLE 3**Hua Yu Lien Development Co., Ltd. And Subsidiaries**

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
Hua Ching Construction Ltd.	Hua Yu Lien Development Co., Ltd.	Parent Company	\$ 106,918	4.74	\$ -	-	\$ 45,756	\$ -	

Note : All have been written off when preparing the consolidated financial report.

TABLE 4**Hua Yu Lien Development Co., Ltd. And Subsidiaries****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income of the Investee	Share of Loss (Note2)	Note
				December 31, 2022	December 31, 2021	Number of Shares (Note1)	%	Carrying Amount			
Hua Yu Lien Development Co., Ltd.	Hua Ching Construction Ltd.	Kaohsiung	Business of buildings and civil construction	\$ 250,563	\$ 250,563	-	100.00	\$ 210,126	\$ 541	\$ (2,727)	Note 3

Note 1: The paid-in capital of Hua Ching Construction Ltd. is NT\$ 242,500 thousand.

Note 2: The amount calculated by investment income recognized under equity method of NT\$ 541 thousand less unrealized sales benefits of NT\$ 41,687 thousand and added realized sales benefits of NT\$ 38,419 thousand.

Note 3: All have been written off when preparing the consolidated financial report.

TABLE 5

Hua Yu Lien Development Co., Ltd.

INFORMATION OF MAJOR SHAREHOLDERS DECEMBER 31, 2022

[illegible]

VI. In the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report, in Case of Any Financial Difficulties Experienced by the Company or Its Affiliates, Their Impacts on the Company's Financial Position Shall Be Stated: None.

Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

I. Review and Analysis of the Company's Financial Position

The main reasons for the significant changes in assets, liabilities and equity in the most recent two years and their effects:

Unit: NT\$1,000

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	10,735,379	11,377,727	(642,348)	-5.65
Property, Plant, and Equipment	35,265	36,402	(1,137)	-3.12
Intangible Assets	-	-	-	-
Other Assets	2,277,331	2,276,980	351	0.02
Total Assets	13,047,975	13,691,109	(643,134)	-4.70
Current Liabilities	8,413,919	7,998,666	415,253	5.19
Non-current Liabilities	1,355,118	2,671,755	(1,316,637)	-49.28
Total Liabilities	9,769,037	10,670,421	(901,384)	-8.45
Capital Stock	969,688	961,036	8,652	0.90
Capital Surplus	345,528	324,743	20,785	6.40
Retained Earnings	1,953,040	1,722,399	230,641	13.39
Other Equity	10,682	12,510	(1,828)	-14.61
Total Equity	3,278,938	3,020,688	258,250	8.55
Description: (If the change is 20% or more and the amount of change reaches NT\$10 million)				
1. Non-current liabilities: The decrease in 2022 compared to 2021 was mainly due to the decrease in long-term loans in 2022.				

II. Review and Analysis of the Company's Financial Performance

- (I) Main reasons for significant changes in operating income, net operating income and net income before income tax for the recent two years

Unit: NT\$1,000

Item \ Year	2022	2021	Amount of increase (decrease)	Change ratio (%)
Net Operating Revenue	3,939,725	2,579,156	1,360,569	52.75
Operating Costs	2,676,245	1,723,337	952,908	55.29
Gross Profit	1,263,480	855,819	407,661	47.63
Operating Expenses	400,492	318,842	81,650	25.61
Operating Income	862,988	536,977	326,011	60.71
Non-operating Income and Expenses	(69,482)	(48,443)	(21,039)	43.43
Net Income before Tax	793,506	488,534	304,972	62.43
Income Tax Expense	162,865	2,154	160,711	7461.05
Net income	630,641	486,380	144,261	29.66
Description: (If the change is 20% or more and the amount of change reaches NT\$10 million) Net operating revenue and operating costs: The increase in 2022 compared to 2021 was mainly due to the increase in revenue and cost as a result of the increase in housing completion and delivery in 2022. Operating expenses: The increase in 2022 compared to 2021 was mainly due to the increase in salary and advertising expense. Non-operating income and expenses: The decrease in 2022 compared to 2021 was mainly due to the increase in finance costs. Income tax gain (expense): The increase in 2022 compared to 2021 was mainly due to the increase in net income before tax.				

- (II) Expected sales volume and its basis

The Company sets annual sales targets based on current industry conditions, and trends and past operating performance.

- (III) Reasons for changes in the Company's main business, significant changes in operating policies, market conditions, economic environment or other internal or external factors that have occurred or are expected to occur, and the possible effects of the facts and effects of such changes on the Company's future financial operations and plans to address them: None, therefore not applicable.

III. Review and Analysis of the Company's Cash Flow

(I) Liquidity Analysis for the most recent two years

Item \ Year	2022	2021	Percentage of increase (decrease) (%)
Cash flow ratio (%)	19.41	-16.83	215.33
Cash flow adequacy ratio (%)	-28.84	-51.14	43.61
Cash reinvestment ratio (%)	26.47	-26.90	198.40
Analysis of changes in the percentage of increase (decrease): (changes of 20% or more)			
Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: The increase in 2022 compared to 2021 was mainly due to the increase in net cash flow from operating activities in 2022.			

(II) Remedial plans for liquidity shortfalls: Not applicable.

(III) Cash flow analysis for the coming year: The Company's cash outflow for the coming year is mainly for land purchase and payment for construction projects, which will be financed by its own capital, bank loans or capital market fund raising.

IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year: None.

V. Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for the Coming Year

(I) Reinvestment policy:

In May, 2015, the Company re-invested in Hua Ching Construction Ltd., mainly to focus on construction-related business. The investee company has undertaken the Company's construction projects in Kaohsiung City, including I World, H TIME, NeXT21, and Lot 215-7 in Guomao Section in Zuoying District; Power City in Xiaogang District; Lot 5, and Yuanzhong Section 1 in Nanzi District; as well as Tainan City, including CASA and Lot 259, Dashan Section in South District. In the future, it will continue to undertake various construction projects, so that the Company's position in the upstream and downstream industries will be more stable, hence producing the greatest synergy.

In February 2023, the Company re-invested in Hua Ching Development Co., Ltd (the Company holding 51% of the shares, with control over it), mainly to jointly promote the land development of the land at Lot 51, Huatai Sec., Fengshan Dist., Kaohsiung City with Mitsui Fudosan Taiwan Co., Ltd.

(II) Main reasons for gain or loss:

Unit: NT\$1,000

Name of investee company	Profit of investee company for the year	Main reasons for gain or loss
Hua Ching Construction Ltd.	541	Undertook the Company's construction projects in Kaohsiung City, including I World, H TIME, NeXT21, and Lot 215-7 in Guomao Section in Zuoying District; Power City in Xiaogang District; Lot 5, and Yuanzhong Section 1 in Nanzi District; as well as Tainan City, including CASA and Lot 259, Dashan Section in South District, which were recognized as profits based on the construction progress.

(III) Improvement plans and investment plans for the coming year:

Depending on the market demand, the Company will grasp investment opportunities to expand its business scale.

VI. Risk analysis and assessment in the most recent year and up to the date of publication of this annual report

(I) Effect on the profit (loss) of the Company of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

Item	2022 (NT\$1000)
Interest expense	87,291
Exchange (loss) gain	26

The Company's main business is the rental of premises and the construction of domestic commercial buildings and national residences, which are less affected by exchange rates. Currently, the prices of steel, concrete materials, cement and other raw materials are increasing. The Purchasing Division is able to consolidate existing projects under construction and construction projects for the next year before the increase, and then order them together to ensure that the cost increase is minimized. The Company regularly evaluates bank borrowing rates and closely liaises with banks to obtain more favorable borrowing rates. The exchange rate is monitored in accordance with a defined foreign exchange operating strategy and a tightly controlled process.

(II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements/ guarantees, and derivatives transactions, main reasons for the profit (loss) generated thereby, and response measures to be taken in the future:

1. High-risk and highly leveraged investment: The Company is not engaged in any high-risk and highly leveraged investment.

2. Loans to other parties: None.
 3. Endorsements and guarantees: None
 4. Derivative transactions: The Company's Board of Directors resolved on March 21, 2019 that the Company and its subsidiaries do not intend to engage in derivative transactions.
- (III) Future R&D plans and estimated R&D expenses: The Company is in the construction industry without R&D plans in the future.
- (IV) Impact of changes in domestic and international policies and regulations on the Company's financial operations and response measures:
- The government has successively launched policies to crack down on house speculation, and the central bank has limited the amount of bank lending. However, the Company mainly promotes houses for first-time home buyers, its customers are mainly owner-occupiers, and the Company is financially sound. Therefore, the government's policies do not have a significant impact on the Company.
- The government has introduced "five major punches" in the "Equalization of Land Rights Act", including the restriction on resale for pre-sale or newly completed houses, heavy penalties for speculation, the adoption of the permit system for private legal persons to purchase houses, the bonus system for reporting violations, and the reporting and registration for terminating of contract for pre-sale houses. In addition to the impact on the pre-sale market, these policies also have a negative effect on brokers and short-term investment speculation in the new completed house market. However, the Company's sales targets are mainly owner-occupiers, so the Government's policies do not have a significant impact on the Company.
- (V) Impact of developments in science and technology (including cyber security risks) as well as industrial change on the Company's financial operations and response measures: None.
- (VI) Impact of changes in corporate image on the Company's risk management and response measures: None.
- (VII) Expected benefits, possible risks and response measures of merger and acquisition: None.
- (VIII) Expected benefits, possible risks and response measures of plant expansion: None.
- (IX) Risks and response measures to deal with centralized purchasing or sales: The residential properties constructed by the Company are aimed at the general public, and therefore there is no issue of centralized purchasing or sales.
- (X) Impact, risks and response measures of a large transfer or replacement of equity on the Company by directors or major shareholders holding more than 10% of the shares: None.
- (XI) Impact, risks and response measures of changes in management rights on the Company: None.

(XII) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.

(XIII) Other important risks and response measures: None.

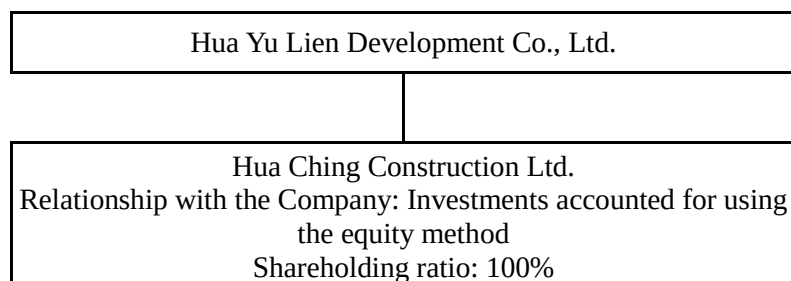
VII. Other Important Matters: None.

Chapter 8 Special Disclosure

I. Information on Affiliates

(I) Consolidated Business Report of Affiliates during the Current Fiscal Year:

1. Organizational Chart of Affiliates:



In late May 2015, the Company acquired 100% of the shares of Hua Ching Construction Ltd. (formerly known as Chin I Sheng Construction Ltd., renamed in June 2015)

2. Basic information on affiliates:

Unit: NT\$1,000

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Major Lines of Business or Products
Hua Ching Construction Ltd.	1997.07.01	10F., No. 85, Wenlong Rd., Fengshan Dist., Kaohsiung City 830009, Taiwan (R.O.C.)	242,500	Civil engineering Construction projects

3. For those who are presumed to be in a controlling or subordinate relationship pursuant to Article 369-3 of the Company Act, information on the same shareholders: None.
4. Industries covered by the business of the affiliates on the whole: Same as 2.
5. Information on the Directors, Supervisor and the President of the affiliates:

Unit: NT\$1,000; %

Name of Affiliate	Title	Name or Representative	Shareholding	
			Amount of capital contribution	Capital contribution ratio
Hua Ching Construction Ltd.	Director	Hua Yu Lien Development Co., Ltd. (Representative: Wu, Chia-Te)	242,500	100%

6. Operating status of the affiliate:

Unit: NT\$1,000

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Current profit or loss (after tax)	Earnings per share (NT\$) (after Tax)
Hua Ching Construction Ltd.	242,500	468,942	225,694	243,248	528,656	-2,688	541	Note:

Note: Earnings per share cannot be calculated because this is a limited company that does not issue shares.

(II) Consolidated Financial Statements of Affiliates during the Current Fiscal Year:

Declaration of Consolidated Financial Statements of Affiliates

In 2022 (from January 1 to December 31, 2022), pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the Company's entities that shall be included in preparing the Consolidated Financial Statements of Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements of Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, a separate Consolidated Financial Statements of Affiliates will not be prepared.

Sincerely,

Company name: Hua Yu Lien Development Co., Ltd.

Chairman: Lu, Chao-Ting

March 16, 2023

(III) Report on Affiliates during the Current Fiscal Year: None.

II. Private Placement of Securities during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of Shares in the Company by Subsidiaries during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

IV. Other Supplementary Information: None.

Chapter 9 Matters with a significant impact

Matters that have a significant impact on shareholders' equity or securities prices during the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report:

On March 16, 2023, the Board of Directors resolved to dispose of the land located in Shangtian Section, Yangmei District, Taoyuan City, intended to adjust the price based on the market, and will submit the resolution to the general meeting of shareholders on June 21, 2023.

Hua Yu Lien Development Co., Ltd.

Chairman Lu, Chao-Ting