
Fu Hua Innovation CO., LTD.

Original Name. Zongtai Real Estate Development CO., LTD. **Stock code** 3056

[Annual Report 2023]

Annual Report Website

- a. Market Observation Post System : <https://mops.twse.com.tw/>
- b. Company Website : <https://fuhua-inno.com.tw/>

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Notice to Readers

This English version annual report is a summary translation of the Chinese version.

And is not an official document of the shareholders' meeting.

If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Table of Content

I.	Letter to Shareholders	1
II.	Introduction	11
	1 Date of establishment	11
	2 Overview	11
III.	Introduction	13
	1 Organization	13
	2 Information of Directors, President, Vice President, Vice Managers, heads of departments and branch offices.	16
	3 Remuneration paid to directors, supervisors, General Manager and Vice General Manager in the last year.	25
	4 Corporate governance Report	32
	5 CPA Fees	82
	6 Change of certified public accountant	84
	7 The Company’s Chairman, General manager , or managers in charge of finance or accounting affairs being employed by the accounting firm of its certified public accountant or affiliated enterprise of such accounting firm within the last year : None.....	85
	8 Transfer or pledge of shares owned by directors, managers, and all parties holding over 10% for the most recent year up to the publication date of the annual report.	85
	9 Spouse, relatives of second degree or closer, and relationships among top 10 shareholders.	87
	10 Shares jointly held by the Company, subsidiaries, the Company's directors, managers, and directly/indirectly controlled entities on any single investee. Calculate shareholding percentage in aggregate of the above parties.....	88
IV.	Capital Overview.....	89
	1 Capital and shares	89
	2 Status of Corporate Bonds :	98
	3 Status of Preferred Share : None.....	99
	4 Issuance of Depositary Shares : None.....	99
	5 Status of Employee Stock Option Plan	99
	6 Status of Employee Restricted Stock : Not applicable.....	101
	7 Status of New Share Issuance in Connection with Mergers and Acquisitions : Not applicable.	101
	8 Funding Plans and Implementation : The Company has no uncompleted capital usage plan or unshown effect of completed plan.	101
V.	Operational Highlights	102

1	Business Activities.....	102
2	Marketing and Production Activities	106
3	Employees	115
4	Information Regarding Environmental Protection Expenses.....	116
5	Labor Relation	117
6	Cyber security management.....	120
7	Important Contracts	122
VI.	Financial Information.....	126
1	Concise balance sheet and statement of comprehensive income in the past 5 years	126
2	Financial analysis for the past 5 years	130
3	Audit committee auditing report of last year’s annual financial report.....	134
4	Financial statements of the latest fiscal year.....	135
5	Independent financial report audited by account of the latest fiscal year	203
6	Any financial distress experienced by the Company or its affiliated enterprises and impacts on the Company's financial position for the most recent year up to the publication date of the annual report : None	263
VII.	Review of Financial Conditions, Operating Results, and Risk Management..	264
1	Analysis of Financial status	264
2	Analysis of Financial performance	265
3	Analysis of Cash Flow	266
5	Main reason of profit or loss for reinvestment policies in recent years, improvement plan and investment plan for next year :	267
6	Valuation of risk item analysis for last year and as for publication date of annual report :	268
7	Other significant items : None.	271
VIII.	Special Disclosure.....	272
1	Information about Affiliated Companies	272
2	Private placement securities as of the date of publication of the annual report : None.....	275
3	Share of the Group held and disposed by subsidiaries as of the date of publication of the annual report : None.....	275
4	Other necessary supplement : None.....	275
IX.	shareholders' rights and interests or securities prices as of the date of publication of the annual report :	275

I. Letter to Shareholders

1 2023 annual operation report

According to statistics of Ministry of the Interior, registration number of building transaction for the year ended December 31, 2023, was 306,971, although it was 11,130 (-3.5%) less than 2022. The house transaction volume has been exceeding 300,000 for 5 years. More than 10,000 buildings have decreased compared to last year, indicating that the domestic real trading market is supported by rigid demand, and the overall demand is shrinking.

Observing the monthly performance, it can be found that the number of buildings bought and sold in the second half of 2023 rose slowly compared with that in the first half of the year. It can be inferred that the slight rebound in the number of houses sold in this wave is influenced by factors such as global inflation slowing down, the central bank not raising interest rates, and the implementation of “a preferential mortgage program geared toward young adults” policy in August, which drove the entry of groups with rigid demand. In addition, the market also anticipated the president election which will return it to the basic market of supply and demand.

In recent years, to improve the housing market, the government has successively implemented policies such as selective credit controls on real estate, the equalization of land rights act, and the integration of house and land transactions income tax 2.0 to regulate it. It’s speculated that the impact of policies side will slow down. However, the geopolitical risks, wars and other uncertainties, and the expectation of greenflation through carbon fees will make real estate still have the advantage of anti-inflation and become the first choice for asset allocation.

However, in terms of transaction prices, the overall development trend of the domestic real estate market in 2023 would gradually turn from the “volume contraction price consolidation” in the first half of the year to the “stable volume contraction price” trend. Although land transaction prices continue to reach record highs, causing developers to rise costs reflected in selling prices, real estate is still a choice for consumer asset allocation because of its ability to preserve value and resist inflation.

The number of buildings registered for the first time in various counties and

cities across the country in 2023 was 149,253. An increase of 14% from 2022, and they were also concentrated in the six capitals. Among them, Taichung City has the highest proportion of 24,246 buildings, accounting for 16.2% of the country. Followed by New Taipei City with 22,293 buildings accounting for 14.9% of the country. However, Taoyuan City with 20,963 buildings accounting for 14.0% of the country and ranking third. Taichung City, New Taipei City, and Taoyuan City were among the six capitals with more than 20,000 buildings registered for the first time in 2023. Among them, Taichung City decreased slightly by -0.59% compared to 2022 which means the pre-sale housing market in Taichung City is still in a state of consolidation and correction. Thus, we can speculate that it was caused by the continuous fermentation of government housing policies. In the future, Fu-Hua Innovation will focus on construction, develop diversified operations, and create diverse source of profit to facilitate the sustainable and steady development of the enterprises.

The project completed and handed over in 2023 was “Live as the Queen” by our subsidiary. The project under construction “The Way Home” will be completed and handed over this year, and the homes and storefronts have been 100% sold out. The land and construction cost increase is expected to inevitably lead to high prices in the domestic real estate industry and restricted by the control on the 40% loan for houses with a total price of over NT\$40 million in the central-region market by the competent authorities. In addition, the new equalization of land rights act that legal persons are required to obtain permission from the Ministry of the Interior to purchase residential properties, which leads to the tightening of transactions in the high-price luxury housing market. Furthermore, the release of many houses with high unit prices and low total prices will affect the actual quality of living and the willingness of high-end property owners to purchase. Hence, product positions should be rigorous and precise. The Company will carefully evaluate market dynamics to maximize the benefits for the Company and all shareholders and continue the brand concept to deepen the value of differentiation.

1.1 Operating plan outcome

Revenue in 2023 was NT\$1,522,239 thousand, decreased by 82.50% compared to NT\$ 8,697,505 thousand in 2022. Operating cost decrease by 6.66%, other income (losses) increased by 173.33%, profit before tax was NT\$ 412,497

thousand, decreased by 84.78% compared to NT\$ 2,710,712 thousand in 2022, net profit was NT\$ 306,874 thousand, decreased by 86.11% compared to NT\$ 2,208,900 thousand in 2022.

1.2 Budget execution : Not applicable.

1.3 Financial income(losses) and profitability

1.3.1 Financial income(losses)

In thousand NT\$

Item	2023	2022	Percentage (%)
Operating revenue	1,522,239	8,697,505	-82.50
Gross profit from operations	641,277	2,999,631	-78.62
Operating net profit	350,377	2,687,985	-86.97
Interest income	34,709	9,490	265.74
Interest expense	19,766	18,176	8.75
Profit before tax	412,497	2,710,712	-84.78

1.3.2 Profitability

Analysis Item of the Year	2023	2022
Rate of Return on Assets (%)	1.49	10.82
Rate of Return on Equity (%)	4.23	35.28
Account for Capital (%)	Operating profit	10.23
	Profit before tax	12.05
Net profit rate (%)	20.15	25.39
Earnings per share (NT\$)	0.90	6.96

Note : 1. Rate of return on assets = [Profit + Interest expense × (1 - Tax rate)] / Average assets

2. Rate of return on equity = Profit / Average total Equity

1.4 Research and Development

1.4.1 Production Policy :

1) Develop aggressively, invest prudently.

Deepen construction proficiency and analyze market trend;

Expand development channel and enhance diversity.

2) Plan on a local basis and fulfill an idea.

Hold original intention and implement ideality; return to human nature and construct steadily.

Do further study in architecture and share blessedness by building up communities.

- 3) Manage in project and divide into individual cases.
Clear right and responsibility to stabilize finance, compliance, and general and avoid rigidity.
- 4) Announce for the brand and fulfill it.
Establish a brand declaration from the perspective of consumers, review and supervise, and actively implement it.

1.4.2 Sales strategy :

- 1) Construction of humanity, brand of philosophy.
Construction philosophy is based on humanity, brand idea is based on empathy.
- 2) Public platform with honesty.
Operate openly and transparently as a listed company, also recognized as an honest company with credibility.
- 3) Reflect policy and improve the real estate market.
Keep track of changes in policy to shorten fluctuation, and firmly operate the business.
- 4) Sensational Marketing, Cross-industry Alliances.
Create recognition for sensational marketing and explore cross-industry alliance opportunities.
- 5) Define Taichung, Track with the world.
Macro structure mind, build up the culture.

2 2024 operation plan outline

2.1 Operating plan

Construction business development targets are separated into short-term, mid-term, long-term :

2.1.1 Short-term target : Smooth sales of individual cases

2.1.2 Mid-term target :

- 1) Deepen the company's brand value.
- 2) Expand the field of business investment.
- 3) Develop land with good prospect.
- 4) Enhance residential brand recognition.

2.1.3 Long-term target

- 1) Operating firmly, openly and clearly

With a stable financial status and a public transparent platform, create a sustainable development business model.

2) Focus on the main business, operate a diversity.

The Company has been actively engaging in other industries based on its core business to broaden its revenue channels and increase its brand value.

3) Company culture, brand asset

Combine entrepreneurship with business culture, and deepen the brand with humanism, also combine with the ESG sustainability spirit so that we make our brand one of a kind.

2.2 Anticipated sales volume and bases

Projects under selling :

2.2.1 “The Way Home” is located next to Xin Tao Hua Yuan Bridge, Huantai E. Rd., Beitun Dist., Taichung City. It’s a rare large-scale base development project in the urban area. With a complete settlement lifestyle, there are 1,856 houses and 1,940 parking spaces. The total sales are approximately NT\$15.9 billion and are expected to be completed and handed over in 2024.

2.2.2 The “Unveiling” base is located at the intersection of Section 2 Dunhua Rd. and Jingmao East Rd. in Taichung City. It’s a rare place in the city center with a complete street outline surrounded by roads. It’s proximity to the green belt of the Shuinan Trade and Economic Park and it’s the high-end living area where international elites gather. It’s planned to have 190 households (including 4 stores) and 466 parking spaces, with a total sale of approximately NT\$8.59 billion. It’s expected to be completed and handed over in 2027.

2.3 Production and sales policy

2.3.1 Build a digital database of land, and delegate the project manager to evaluate and improve development performance.

2.3.2 Individual project uses a profit center system for expanding performance.

2.3.3 Project folder digital platform could accumulate projects and be used for education purposes.

2.3.4 Engage in construction material fair, furniture fair, and visit

characteristic building to gain new knowledge and strengthen product planning ability.

- 2.3.5 Establish a 3D digital architecture graphic design department to enhance the control on engineering management.
- 2.3.6 Originate establish third-party notary house inspecting system to deepen the trust in the brand.
- 2.3.7 Arrange friendly food areas in construction sites to build relationships with neighbors and improve construction culture.
- 2.3.8 Keep entering credible architecture competitions for sharing honor and making self-improvement.
- 2.3.9 Insist on constructing legally, use legal material, and finish the public facility during the handover of house.
- 2.3.10 Deepen brand announcement with ESG, extend from employees to consumers for creating brand value.

3 Future development strategy

3.1 Digitalization

3.1.1 Marketing digitalization

The purpose of digitalization is to expand the range of information transportation and take environmental protection as motivation for digitalization. We set our brand target on building a friendly environment and keep learning new knowledge and techniques of digital marketing.

3.1.2 Data digitalization

In response to each project's location and employee's needs, we digitalize all information and data, optimize the EIP system, and build a database. We continuously accumulate information on land and the market. We also introduce a cloud database, and build a self-owned market database, which combines mobile devices to improve working efficiency.

3.1.3 Information digitalization

We combine the official website and app, placing handover information on the cloud for customers to log in and download information. The system can avoid use too much non-environmentally

friendly consumption. We expand the system to paper works, such as payment reminders to enhance the efficiency and preservability of information transportation.

3.2 Diversity

3.2.1 Construction and development

Keep cultivating in industry, operate flexibly, following market trends for developing sustainably.

3.2.2 Business operation

Development plan to extend cooperation with multiple industries.

4 Impacts of external competition, regulatory, and overall operating environment

4.1 External competition

Land development capability will directly affect development efficiency. And it's also the reason why construction companies should improve the accuracy and speed of pre-evaluation operations in the current situation where information is becoming more open and transparent. Use the platform of listed enterprises to show the operation intensity can maintain information advantages, and with market research information and sensitivity. Use a prudent attitude to determine the land purchase strategy and meet the goal of sustainable operation.

Moreover, consumers nowadays attach great importance to the brand value, which is reflected in the display of after-sales service capabilities. Besides the completeness and difference of the products, the Company also keeps working on after-sales service to enhance the connections between people and communities. Through interacting with consumers, the Company can stand out from the highly competitive market.

4.2 Regulation

Domestic real estate regulations and policies have become more stringent since the Actual Selling Price Registration of Pre-sale Houses and House and Land Transaction Income Tax were implemented in 2021, the Equalization of Land Rights Act had been officially launched in 2023, and selective credit control of the real estate, etc., which had made huge effects on the willingness of consumers to purchase houses. Nonetheless, the Company will continue to study the regulations to ensure stable operations and

shareholders' interests.

4.3 Overall operating environment

In light of the gradual stabilization of inflation both domestically and internationally, global trade is gradually rebound. The domestic housing market policy is gradually becoming clearer, and the market is also gradually returning to the basic market after a series of regulations. Additionally, with the support of the policy of a preferential mortgage program geared toward young adults', the confidence of the rigid demand group in purchasing a house will be enhanced. Overall, the domestic real estate transactions volume rebounded slightly in the second half of 2023, and the market showed a trend of "volume reduction and price stabilization".

5 Annual outlook

The domestic real estate transaction volume slightly rebounded in 2023 because international and domestic inflation slowed down, the central banks of various countries no longer raised interest rates, and the government policy to curb real estate speculation gradually became clearer. Additionally, the policy of a preferential mortgage program geared toward young adults' was launched, which increased consumers' confidence and drove a slight rebound in transaction volume.

Taichung City has the highest number of buildings in the country in terms of the first registration of building ownership. It's slightly decreased by 0.59% from 2022 with the support of rigid market demand and the preferential mortgage program geared toward young adults' policy, the market is expected to gradually recover. Taichung City has continued to actively develop various development projects and has seen results that become a region of consumer concern. Thanks to the multiple efforts of industries and government, Taichung City is undergoing rapid transformation.

The construction of the Shuinan Trade and Economic Park is gradually in place. The central park is becoming a famous hotspot for recreation. Shuinan Trade and Economic Park also collects buildings designed by well-known architects over the world, including Taichung Green Museumbrary designed by Sejima Kazuyo, Virtuosi Hall designed by Kuma Kengo. Also the construction of the Central Taiwan Cinema Center, Taichung International Convention and Exhibition Center, and Shuinan Transit Center could enforce the functions of

the area. Shuinan Trade and Economic Park will be a dazzling area for the future development of Taichung City.

Fu Hua Innovation upholds the concept of sustainable enterprise management. Reflecting in the international trend of net zero carbon emissions in 2050 to incorporate ESG sustainability into the brand development. Creating an innovative, intelligent, modern, elegant, and warm corporate brand image with the humanistic spirit and life aesthetics. Hoping to shape product differentiation through long-term cultivation.

Because of the rapid change in the market caused by housing market policies in recent years, Fu Hua Innovation has transformed into diversified operations since June 2023. The focus of the construction industry has shifted to the Shuinan Trade and Economic Park area. To demonstrate the Company's long-term development determination of the enterprise, the headquarters will also move to Shuinan and launch a new project "Fu Hua Innovation-Unveiling", which covers an area of 2,775 pings and is planned to be a livable building. There are also planned land numbers for Wenshang 15 and Wenshang 53. Zongtai Construction, is 100% held by of Fu Hua Innovation, not only undertakes the construction of the companies but begins to develop external business. It's also involving construction, factory offices, and other related projects. Moreover, it has obtained the social housing projects of National Housing and Urban Regeneration Center, which located in Beitun District, Taichung City, including the "Dongguang Housing" and the "Songzhu Housing". As well as the construction of the "Buzi Junior High School" is in progress.

Fu Hua Innovation also extends the spirit of ESG sustainability to cooperation with industry, government, academia and other parties, hoping to create more sparks in architecture. It also deepens into community, and continues to create good interaction and communication channels with the community and residents, bringing the human touch of Taiwan's early society back to the community, forming a mutual aid network that is benevolent and beautiful, and achieving the goal of a sustainable and harmonious community. Pay more attention to green base development and provide residents with modern livable buildings that integrate the green environment and nature to achieve balance and harmony.

Except to add ESG sustainability spirit, features and trust, promoting product differentiation and comprehensive services can transfer into performance. All the employees of the Company will execute aggressively, operate stably, construct quality buildings with Fu Hua's honesty image and create profit.

Best regards to all Shareholders

Liu, Wei-Ju Chairman of the Board

II. Introduction

1 Date of establishment

November 10, 1997

2 Overview

September 1997 : King Billion Electronics was established and approved to station in ITRI Incubation.

November 1997 : Completed registration with capital NT\$ 20 million and paid-in capital NT\$ 10.5 million.

July 2000 : Initial public offering with securities underwriters assisting.

March 2003 : Listed on March 3, 2003

May 2007 : Over 1/3 of the directors had changed after by-election of directors and supervisors at the first extraordinary general meeting in 2007, Wu, His Kun was elected as new chairman of the board.

August 2007 : Established Taichung branch.

July 2010 : Invested USD 3.42 million to establishing a 100% hold company “Mallow International Holdings Ltd.” to engage in real estate development business in China.

December 2010 : Terminated electronic business.

July 2011 : The Company changed name to “Zongtai Real Estate Development Co., Ltd.”

August 2011 : Invested NT\$ 130 million in “Zongtai Construction Co., Ltd.” to control construction quality, construction schedule and reputation. Zongtai Construction Co., Ltd. is 100% held by Zongtai Real Estate Development Co., Ltd.

November 2011 : Proceeded NT\$ 200 million from new issues, total capital after proceeded from new issues was NT\$ 1,101,939,720.

January 2013 : Established “Ritai Asset Management Co., Ltd.” for business diversification with capital NT\$ 3 million, the Company held 100% of the shares.

August 2014 : Capital proceeded from new issues was NT\$ 230,000,000, total capital was NT\$ 1,729,464,380.

January 2016 : Capital proceeded from new issues was NT\$ 300,000,000, total capital was NT\$ 2,293,470,880.

October 2017 : Weng, Yu-Ling was elected as chairman of the board.

April 2018 : Share proceeded from conversion of employee stock options was NT\$ 12,048,000, total capital was NT\$ 2,316,894,530.

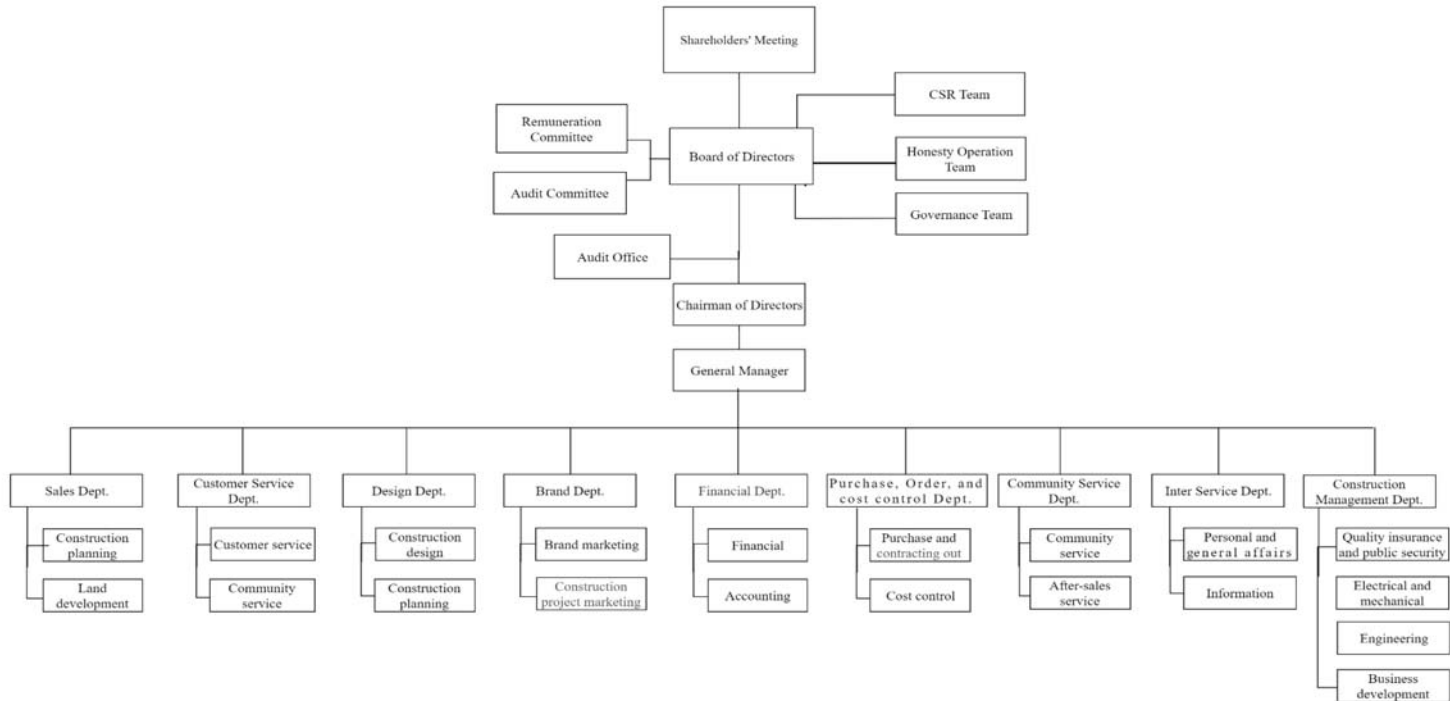
- August 2018 : Established “Play Fun Industrial Co., Ltd.” for business diversification with capital NT\$ 140,000,000. The Company held 100% of the shares.
- November 2018 : Reduced NT\$ 231,689,450 on capital in cash, total capital was NT\$ 2,085,205,080.
- November 2018 : Proceeded NT\$ 267,000,000 from new issues for subsidiary “Ritai Asset Management Co., Ltd.”, which was 100% held by the Company.
- April 2019 : Share proceeded from conversion of employee stock options was NT\$ 6,948,000, total capital was NT\$ 2,092,153,080.
- November 2019 : Established a 100% holding subsidiary “Dashun Advertising Co., Ltd.” for business diversification, the capital was NT\$ 20 million.
- November 2019 : Share proceeded from conversion of employee stock options was NT\$ 724,000, total paid-in capital was NT\$ 2,092,877,080.
- April 2021 : Share proceeded from conversion of employee stock options was NT\$ 15,030,000, total paid-in capital was NT\$ 2,107,907,080.
- September 2021 : Established a 25% holding subsidiary “Shou-Yi-Tai Green Energy Co., Ltd.” in cash for energy technology service.
- April 2022 : Share proceeded from conversion of employee stock options was NT\$ 9,260,000, total paid-in capital was NT\$ 2,117,167,080.
- August 2022 : Capital proceeded from new issues was NT\$ 310,000,000, total capital was NT\$ 2,427,167,080.
- November 2022 : Share proceeded from conversion of employee stock options was NT\$ 320,000, total paid-in capital was NT\$ 2,427,487,080.
- April 2023 : Liu, Wei-Ju was elected as chairman of the board.
- July 2023 : The Company was renamed to “Fu Hua Innovation Co., Ltd.”
- September 2023 : Capitalization of earnings of 2022 was NT\$ 995,269,700, total paid-in capital was NT\$ 3,422,756,780.

III. Introduction

1 Organization

1.1 Organization Chart

Fu Hua Innovation Co., Ltd. Organizational Chart



1.2 Business of Major Departments

Department	Major Business and Responsibility
Sales dept.	<ol style="list-style-type: none"> 1) Land development evaluation and market trend analysis. 2) Contract signing and payment works of presale project, marketing, and planning,
Customer service dept.	<ol style="list-style-type: none"> 1) Presale contract signing, collecting and handover, design changing handling. 2) Ownership transferring, client relationship management
Design dept.	<ol style="list-style-type: none"> 1) Architecture design : Graphic design, Facade design, Section design. 2) Construction license application : Urban design review, Construction license pre-examination review, construction drawings.
Brand dept.	<ol style="list-style-type: none"> 1) Digital marketing, media design, project case taking and activities execution. 2) Brand copywriting, public relation and represent the Company as a spokesperson. 3) Official website renew and maintain.
Finance dept.	<ol style="list-style-type: none"> 1) Capital management and financing, budget control and review, cashier management. 2) Account book and certificate system, relevant forms and account processing procedure and suggestion. 3) Planning and execution of tax return filling and tax credit of investment relevant fairs. 4) Working procedure of cost accounting, controlling, and planning of forms. 5) Handling of Stock Affairs and MOPS reporting.
Purchase, order, and cost control dept.	<ol style="list-style-type: none"> 1) Procurement of engineering outsourcing and contract drafting. 2) Cost control and construction cost control.
Community service dept.	<ol style="list-style-type: none"> 1) Client relationship management. 2) Aftersales services and after warranty repairment.
Inter service dept.	<ol style="list-style-type: none"> 1) Planning human resource policy and salary and bonus relevant fairs. 2) Administration and training resource integration. 3) Draft and review contract, assist handling legal issues. 4) System maintenance, purchase information technology equipment and fix assets management.
Construction management dept.	<ol style="list-style-type: none"> 1) Construction budget document, construction schedule, quality control. 2) Negotiate construction business, construction material reimbursement, and acceptance. 3) Checking SEM and equipment, electrical and mechanical purchasing and construction. 4) Drafting, planning and promote safety and health event. 5) Construction quality control. 6) External case evaluation bidding

Department	Major Business and Responsibility
Sustainable development promotion Team	<ol style="list-style-type: none"> 1) Establish sustainable development policy, system, or management policy. 2) Determine sustainable development promotion plan based on company operation. 3) Ensure the immediacy and correctness of CSR information disclosure.
Honesty operation team	<ol style="list-style-type: none"> 1) Establish anti-corrupted policy to ensure honesty operation based on law. 2) Promote and negotiate honesty policy announcement training. 3) Plan report system to ensure effectiveness of execution. 4) Regularly report and review the operational effectiveness to the board of directors every year.
Governance team	<ol style="list-style-type: none"> 1) Protect shareholders' equity and respect stakeholders' equity. 2) Enhance Board of Directors' function and let audit committee plays their role. 3) Improve transparency of information.

2 Information of Directors, President, Vice President, Vice Managers, heads of departments and branch offices.

2.1 Information of directors

April 14, 2024

Title	Nationality or registration site	Name	Sex Age	Date elected	Term Expires	Date first elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held Under Others' Name		Selected Education, Past Positions & Current Positions	Selected Current Positions at the Company and Other Companies	Any Other Supervisor, Director, or Supervisor Who is a Spouse or a Relative Within the Second Degree of Kinship of This Person			Remarks
							Shares held	Ratio of Shares held	Shares held	Ratio of Shares held	Shares held	Ratio of Shares held	Shares held	Ratio of Shares held			Title	Name	Relation	
Chairman of the Board	R.O.C	Tso Jung Investment Co., Ltd.	-	July 30, 2021	3 years	May. 20, 2014	26,776,123	12.70%	35,395,403	10.34%	-	-	0	0.00%	-	-	-	-	-	-
	R.O.C	Representative : Wei-Ju, Liu	F 51-60	April 20, 2023	3 years	April 20, 2023	13,000	0.01%	81,330	0.02%	0	0.00%	0	0.00%	Bachelor of Department of Business Administration of Overseas Chinese University Chairman of Yongfu Real Estate Development Co., Ltd. Chief Financial Officer of Zongtai Real Estate Development Co., Ltd.	Director of Yun-Fu Foundation Chairman of Zongtai Real Estate Development Co., Ltd.	None	None	None	Note 1
Director	R.O.C	Shun-Wen, Wu	F 21-30	July 30, 2021	3 years	June. 8, 2018	1,911,000	0.91%	3,517,334	1.03%	0	0.00%	662,169	0.19%	Bachelor of University of Sydney School of Economics Manager of Zongtai Real Estate Development Co., Ltd.	Chairman of Dashun Advertising Co., Ltd. Chairman of Wu Le Kou Investment Co. Ltd. Director of Tso Jung Investment Co., Ltd. Supervisor of Shenglin Real Estate Co., Ltd. Director of Yun-Fu Foundation	Director	Tso-Jung, Wu	Brother	Note 2
Director	R.O.C	Tso-Jung, Wu	M 31-40	July 30, 2021	3 years	June. 24, 2015	1,850,000	0.88%	3,555,052	1.04%	0	0.00%	0	0.00%	Bachelor of National Chengchi University Department of Management Information Systems Chairman's Special Assistant of Zongtai Real Estate Development Co., Ltd. General Manager of Yuyin Construction Co., Ltd	Director of Tso Jung Investment Co., Ltd. Supervisor of Lan Tu Construction	Director	Shun-Wen, Wu	Sister	
Director	R.O.C	Zong Tai Construction Development Co., Ltd.	-	July 30, 2021	3 years	June. 8, 2018	2,165,100	1.03 %	4,717,860	1.38%	-	-	0	0.00%	-	-	-	-	-	-
	R.O.C	Representative : Cheng Yung, Lin	F 51-60	July 30, 2021	3 years	July. 30, 2021	0	0.00%	149,640	0.04%	0	0.00%	0	0.00%	Chiao Tai High School Department of Electronics Journalist of Commercial Times Proprietor Special Assistant of China Times General Manager of Sheng Hua Manpower Resource Co., Ltd	Chairman of Sheng Hua Manpower Resource Co., Ltd Chairman of Sheng Hua Manpower Consulting Co., Ltd Chairman of Chinyucheng Investment Co., Ltd Chairman of Huangyueh Industrial Co., Ltd Director of Sun Team Construction Co., Ltd Vice chairman of Kaison Green Energy Technology Co., Ltd Director of Hwa Fong Rubber (Thailand) Public Co., Ltd Director of Fuente International Co., Ltd Director of Dinyue Restaurant Co., Ltd Director of Hwan Tai Solar Co., Ltd Director of Everbrite Technology Co., Ltd Director of C-Life Technology Co., Ltd Chairman of Ean Lu Co., Ltd Supervisor of Full Best Service Co., Ltd Supervisor of Cheng Fang Development Co., Ltd	None	None	None	

Title	Nationality or registration site	Name	Sex Age	Date elected	Term Expires	Date first elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held Under Others'		Selected Education, Past Positions & Current Positions	Selected Current Positions at the Company and Other Companies	Any Other Supervisor, Director, or Supervisor Who is a Spouse or a Relative Within the Second Degree of Kinship of This Person			Remarks
							Shares held	Ratio of Shares held	Shares held	Ratio of Shares held	Shares held	Ratio of Shares held	Shares held	Ratio of Shares held			Title	Name	Relation	
								R.O.C	Representative : Chia-Chi, Kuo	M 51~60	July 30, 2021	3 years	June 24, 2015	0			0.00%	141,764	0.04%	
Independent Director	R.O.C	Yao-Jia, Wen	M 61~70	July 30, 2021	3 years	July 30, 2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	National Chung Hsing University Master of Business Administration Chairman of ShinSyn Management Consulting Co., Ltd	Chairman of ShinSyn Management Consulting Co., Ltd General Manager of ShinShin Consulting Co., Ltd Chief Executive Officer of Mingchi Hsingyuan Culture & Art Co., Ltd President of Taiwan Formosa Association of Construction and Development Professional Specialist speaker of National Chung Hsing University CEO of Jia Ren Tang Traditional Chinese Medicine Clinic Counsel of Quteng Information Co., Ltd	None	None	None	
Independent Director	R.O.C	Yong-Jen, Tsao	M 61~70	July 30, 2021	3 years	June. 24, 2015	0	0.00%	0	0.00%	11,421	0.00%	0	0.00%	Soochow University Master of Accounting Director of EnWise CPAs & Co. Director of CPA Associations R.O.C. (Taiwan)	Partner of EnWise CPAs& Co. Independent director of Ability opto-Electronics Technology Co., Ltd. Director of Paiho Shih Holdings Co., Ltd Independent director of ALFOT Technologies Co., Ltd. Supervisor of Yung Fa Steel & Iron Ind. Co., Ltd Chairman of Waton Consultant Co., Ltd. Supervisor of Sinwell Tech Co., Ltd Reorganizer of Sheng Hua Technology Co., Ltd	None	None	None	
Independent Director	R.O.C	Ming-Hai, Lee	M 41~50	July 30, 2021	3 years	June. 8, 2018	0	0.00%	0	0.00%	0	0.00%	0	0.00%	FCU Master of Law Vice-Chairperson of Ethics Committee of Taiwan Bar Association Advanced Member of Chartered Institute of Arbitrators Commissary of Alternative Dispute Resolution of Taiwan Bar Association Arbitrator of Chinese Arbitration Association Counsel of Taichung Architect Association Honorary Director of Leagal Risk Management Society of Taiwan	Lawyer of Harvard Law Firm Professional Specialist, Assistant Professor Level of FCU Counsel of Taichung Association of Interior Design and Decoration Counsel of Nantou County Police Bureau and Fire Bureau Counsel of Taiwan B&B Association	None	None	None	

Note 1: Weng, Yu-Ling was resigning on April 20, 2023. Tso Jung Investment Co., Ltd reassigned a representative Liu, Wei-Ju to take office on April 20, 2023, and a new chairman was appointed on the same day.

Note 2: On March 14, 2023 was resign.

2.2 Top 10 Shareholders of Major Corporate Shareholders :

April 14, 2024

Name of Corporate Shareholders	Major Shareholders of Corporate Shareholders
Tso Jung Investment Co., Ltd	His-Kun, Wu(47.2%), Su-Ru, Liu(34.8%), Tso-Jung, Wu (9.0%), Shun-Wen, Wu (9.0%)
Zongtai Construction Development Co., Ltd.	His-Kun, Wu (36.2%), Tso Jung Investment Co., Ltd. (23.0%), Shun-Wen, Wu (12.0%), Su-Ru, Liu (10.0%), Tso-Jung, Wu (5.0%), Wen-Yen, Wu (3.0%), Tien-Shan, Wu (2.8%), Hui-Jan, Wu (2.5%), Hao-Chun, Wu(1.8%), Mung-Huan, Wu(1.8%),

2.3 Names of major shareholders of major owners listed in following Table :

April 14, 2024

Name of corporate shareholder	Corporate shareholder's major owners
Tso Jung Investment Co., Ltd	His-Kun, Wu (47.2%), Su-Ru, Liu (34.8%), Tso-Jung, Wu (9.0%), Shun-Wen, Wu (9.0%)

2.4 Disclosure of Professional Qualifications of Directors and Independence of Independent Directors :

Condition Name	Professional Qualification Requirements & Work Experience	Criteria	Number of public companies also serving as independent directors
Wei-Ju, Liu	<p>Capabilities related to business, finance, operations, and construction industry.</p> <p>Experience : Chairman of Yongfu Real Estate Development Co., Ltd. Chairman of Chungshanchien Co., Ltd Director of Zong Tai Construction Development Co., Ltd Director of Blueprint Construction Co., Ltd. Supervisor of Shenglin Real Estate Co., Ltd. Director of Yun-Fu Foundation</p> <p>Current position: Chairman of the Company Chairman of Zongtai Real Estate Development Co., Ltd Not been a person of any conditions defined in Article 30 of the Company Law.</p>	Not applicable	0

Condition Name	Professional Qualification Requirements & Work Experience	Criteria	Number of public companies also serving as independent directors
Shun-Wen, Wu	<p>Capabilities related to business, finance, operations and construction industry.</p> <p>Experience : Director of Chungshanchien Investment Co., Ltd Supervisor of Yongfu Real Estate Co., Ltd</p> <p>Current position: Chairman of Dashun Co., Ltd. Chairman of Wu Le Kou Investment Co., Ltd. Director of Tso Jung Investment Co., Ltd. Director of Yun-Fu Foundation</p> <p>Not been a person of any conditions defined in Article 30 of the Company Law.</p>	Not applicable	0
Tso-Jung, Wu	<p>Capabilities related to information technology, asset development, financial and risk management.</p> <p>Experience : General Manager of Yuyin Construction Co., Ltd Director of Chungshanchien Investment Co., Ltd.</p> <p>Current position: Director of Tso Jung Investment Co., Ltd. Supervisor of Lan Tu Construction.</p> <p>Not been a person of any conditions defined in Article 30 of the Company Law.</p>	Not applicable	0
Chia-Chi, Kuo	<p>Capabilities related to business management, accounting information and financial analysis and obtained an accountant license.</p> <p>Current position: CPA of Kuo, Chia-Chi Accounting Firm Chairman of Tsunghung Investment Co., Ltd Independent Director of Fumou Taffeta Co., Ltd Independent Director of Fine Blanking & Tool Co., Ltd Supervisor of Huipao Management Consulting Co., Ltd</p> <p>Not been a person of any conditions defined in Article 30 of the Company Law.</p>	Not applicable	2

Condition Name	Professional Qualification Requirements & Work Experience	Criteria	Number of public companies also serving as independent directors
Cheng-Yong, Lin	<p>Capabilities related to finance, marketing, business and management.</p> <p>Current position: Chairman of Chinyucheng Investment Co., Ltd Chairman of Sheng Hua Manpower Resource Co., Ltd Chairman of Sheng Hua Manpower Consulting Co., Ltd Chairman of Huangyueh Industrial Co., Ltd Vice chairman of Kaison Green Energy Technology Co., Ltd Director of Sun Team Construction Co., Ltd Chairman of Ean Lu Co., Ltd Not been a person of any conditions defined in Article 30 of the Company Law.</p>	Not applicable	0
Yong-Jen, Tsao	<p>The convener of Audit Committee and the members of Compensation Committee.</p> <p>Capabilities related to business management, accounting information and financial analysis and obtained an accountant license.</p> <p>Current position: Partner of EnWise CPAs& Co. Chairman of Waton Consultant Co., Ltd. Independent director of Ability opto-Electronics Technology Co., Ltd. Director of Paiho Shih Holdings Co., Ltd Supervisor of Yung Fa Metal Co., Ltd Supervisor of Sinwell Technology Co., Ltd Not been a person of any conditions defined in Article 30 of the Company Law.</p>	The person is an independent director and meets the criteria for independence, including : the person, the person's spouse, and the person's second degree relatives are not directors, supervisors, or employees of the Company or its affiliates; the person do not own any shares of the Company, and the person's spouse owns 11,421 shares of the Company; the person is not a director, supervisor, or employee of a company with which the Company has a specific relationship; and the person has not provided commercial, legal, financial, or accounting services to the Company or its affiliates in the last two years.	1

Condition Name	Professional Qualification Requirements & Work Experience	Criteria	Number of public companies also serving as independent directors
Ming-Hai, Lee	<p>The convener of the Compensation Committee and the members of Audit Committee. Capabilities related to legal, marketing, management and have an attorney license.</p> <p>Current position: Lawyer of Harvard Law Firm Counsel of Taichung Association of Interior Design and Decoration Counsel of Nantou County Police Bureau and Fire Bureau Counsel of Taiwan B&B Association Professional Specialist, Assistant Professor Level of FCU Not been a person of any conditions defined in Article 30 of the Company Law.</p>	<p>The person is an independent director and meets the criteria for independence, including : the person, the person's spouse, and the person's second degree relatives are not directors, supervisors, or employees of the Company or its affiliates; do not own any shares of the Company; the person is not a director, supervisor, or employee of a company with which the Company has a specific relationship; and the person has not provided commercial, legal, financial, or accounting services to the Company or its affiliates in the last two years.</p>	0
Yao-Jia, Wen	<p>Members of Audit and Compensation Committee. Capabilities related to marketing, operational and management.</p> <p>Current position: Chairman of ShinSyin Management Consulting Co., Ltd General Manager of ShinShin Consulting Co., Ltd Chief Executive Officer of Mingchi Hsingyuan Culture & Art Co., Ltd Professional Specialist speaker of National Chung Hsing University Not been a person of any conditions defined in Article 30 of the Company Law.</p>	<p>The person is an independent director and meets the criteria for independence, including : the person, the person's spouse, and the person's second degree relatives are not directors, supervisors, or employees of the Company or its affiliates; do not own any shares of the Company; the person is not a director, supervisor, or employee of a company with which the Company has a specific relationship; and the person has not provided commercial, legal, financial, or accounting services to the Company or its affiliates in the last two years.</p>	0

2.5 Diversity and Independence of Board of Director :

2.5.1 Board of Director Diversity Policy :

The Company established the Corporate Governance Best Practice Principles during the 17th Meeting of the 8th Board of Director on December 30, 2011. In Chapter 3, "Strengthening the Functions of the Board of Directors", the Company has set forth a diversity approach, which requires that the Board of Directors possesses all the required competencies. The composition of the Board of Directors is based on

the company's operation model and needs, and the Board of Directors recruit's talents with professional knowledge, skills, and experience in various industries.

- 1) The 12th Board of Directors consists of 8 directors (including 3 independent directors), all of whom are local nationals with professional backgrounds in business management, finance and accounting, human resources, and law. The composition of the Board is 37.5%, it has reached more than one-third of the directors' seats and not more than three terms, and it is also reached that the directors who are also managers of the company should not exceed one-third of the directors' seats. There are three females among the directors and 37.5% female directors. The Company will continue to strive to increase the percentage of female directors to 50%. In the future, the Company will continue to enhance the competency and relevant industry experience of the board members in a timely manner depending on the implementation, operating mode, and development needs of the Board.
- 2) The orientation, complementarity, and implementation of diversity among directors include and are superior to the standards set forth in Article 20 of the Corporate Governance Best Practice Principles. In the future, the Company will continue to revise our diversity policy in a timely manner, depending on the implementation, operating mode, and development needs of the Board, including but not limited to the criteria of basic requirements and values, professional knowledge, and skills, etc., to ensure that Board members generally possess the necessary knowledge, skills, and education to perform their duties.

12th Board of direct diversification status :

Item of diversification		Basic ability										Proficiency				Industrial experience					
Information	Title	Name	Nationality	Sex	Concurrent employee of the Company	Age				Period of Independent Director			Law	Finance and Accounting	Information Technology	Operating Management	Marketing	Assets Development	Industrial Knowledge	International Market view	Leadership
						Under 40	41~50	51~60	61~70	Under 3 years	3 to 6 years	Above 6 years									
	Chairman	Wei-Ju, Liu	R.O.C	F				✓					✓		✓		✓	✓		✓	
	Director	Tso-Jung, Wu	R.O.C	M		✓								✓	✓		✓	✓			
	Director	Shun-Wen, Wu	R.O.C	F		✓							✓		✓	✓	✓	✓	✓	✓	
	Director	Chia-Chi, Kuo	R.O.C	F				✓					✓		✓		✓	✓	✓	✓	
	Director	Cheng-Yung, Lin	R.O.C	M				✓							✓	✓	✓	✓	✓	✓	
	Independent Director	Ming-Hai, Lee	R.O.C	M			✓				✓			✓	✓		✓	✓	✓	✓	
	Independent Director	Yong-Jen, Tsao	R.O.C	M					✓			✓			✓	✓	✓	✓	✓	✓	
	Independent Director	Yao-Jia, Wen	R.O.C	M					✓	✓					✓	✓		✓		✓	

2.5.2 Independence of the Board of Director :

The Company adopts candidate nomination system for the election of directors. The election procedures are publicly announced and in a fair manner; these procedures are also in compliance with the Company's Articles of Incorporation, Rules for the Election of Directors, Corporate Governance Best Practice Principles, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and Article 14-2 of the Securities and Exchange Act. The current composition of the Board of Directors consists of three independent directors (37.5%), five non-independent directors (62.5%), and directors who are related by consanguinity, such as spouses or second-degree relatives (25%), in accordance with Article 26-3, Paragraph 3 of the Securities and Exchange Act. The overall board of directors is independent.(Please see the Disclosure of Professional Qualifications of Directors and Independence of Independent Directors on page 18 to 21.

2.6 Background information of the General Manager, Vice General Manager, Senior Manager, and heads of departments and branch offices.

April 14, 2024

Title	Nationality	Name	Sex	On-Board Date	Current shareholdings		Shares held by spouse and underage children		Shares held in the Name of Others		Experience (Education)	Other companies	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Title	Name	Relation	
Acting General Manager & Project Manager	R.O.C	Shun-Wen, Wu	F	Jan. 1, 2022	-	-	-	-	-	-	University of Sydney School of Economics -Manager of Zongtai Real Estate Development Co., Ltd.	Chairman of Dashun Advertising Co., Ltd. Chairman of Wu Le Kou Investment Co. Ltd. Director of Tso Jung Investment Co., Ltd. Supervisor of Shenglin Real Estate Co., Ltd. Director of Yun-Fu Foundation	None	None	None	Note 1
General Manager	R.O.C	Chin-Jung, Tsai	M	June 1, 2023	0	0.00%	0	0.00%	0	0.00%	Feng Chia University, Department of Architecture Architect of Chin-Jung, Tsai Architecture	None	None	None	Note 2	
Customer Service Vice General Manager	R.O.C	Feng-Chiu, Lin	F	May 9, 2023	0	0.00%	0	0.00%	0	0.00%	National Taichung Institute of Technology of National Trade General Manager of Yongfu Real Estate	None	None	None	Note 3	
Sales Vice General Manager	R.O.C	Han-Hsin, Lin	M	May 9, 2023	-	-	-	-	-	-	Tamkang University of International Trade Project manager of Hiyes Advertising	Chairman of Shangying Marketing communications Responsible person of Yongying Real Estate	None	None	None	Note 4
Project Manager	R.O.C	Yu-Ling, Weng	F	Jan. 1, 2021	-	-	-	-	-	-	National Kaohsiung Normal University, Department of Fine Art Kaohsiung Rapid Transit Corporation, Operation Department	Director of Yun-Fu Foundation	None	None	None	Note 5
Senior Manager	R.O.C	Jui-Hsiang, Lin	M	Feb. 1, 2020	-	-	-	-	-	-	Taichung Municipal Wufeng Agricultural and Industrial High School CEO Special Assistant of Soviet Group (South Africa) Chairman's Special Assistant of Zongtai Real Estate Development Co., Ltd.	Director of Yun-Fu Foundation	None	None	None	Note 6
Senior Manager	R.O.C	Cing-Cyuan, Chen	M	Dec. 1, 2017	131,289	0.04%	0	0.00%	0	0.00%	Shin Min Commercial & Industrial Vocational Senior High School Director of ChungFu Construction Co., Ltd.	None	None	None		
Corporate Governance Officer	R.O.C	Hui-Wen, Ko	F	March 25, 2021	171,071	0.05%	0	0.00%	0	0.00%	Business Management Master of Feng Chia University Financial Manager of Zongtai Real Estate Development Co., Ltd.	Supervisor of Zongtai Construction Co., Ltd.	None	None	None	Note 7
Finance Officer	R.O.C	Chih-Hsin, Lai	M	July 1, 2023	-	-	-	-	-	-	Ling Tung University of Department of Accounting and Information Technology Acting Accounting Manager of Zongtai Real Estate Development Co., Ltd	None	None	None	Note 8	
Finance Officer and Accounting Manager	R.O.C	Yi-Jing, Fu	F	Jul. 28, 2015	0	0.00%	0	0.00%	0	0.00%	National Taichung University of science and Technology, Department of Accounting Accounting of Zongtai Real Estate Development Co., Ltd.	Chairman of Ritai Assets Co., Ltd. Supervisor of Dashun Advertising Co., Ltd.	None	None	None	Note 9

Note 1 : Resign on March 14, 2023.

Note 4 : New appointment on May 9, 2023 and resign on March 31, 2024

Note 7 : Dissolve proxy financial officer on June 30, 2023

Note 2 : New appointment on June 1, 2023

Note 5 : Resign on March 20, 2023

Note 8 : New appointment on July 1, 2023 and resign on March 14, 2024 due to position adjust

Note 3 : New appointment on May 9, 2023

Note 6 : Resign on August 31, 2023

Note 9 : Proxy financial officer on March 15, 2024

Directors' Remuneration Brackets Table

Ranges of remuneration paid to the Company's directors	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Less than NT\$1,000,000	Wei-Ju, Liu、Yu-Ling, Weng、Shun-Wen, Wu、Tso-Jung, Wu、Cheng-Yong, Lin、Chia-Chi, Kuo、Yong-Jen, Tsao、Ming-Hai, Lee、Yao-Jia, Wen、Zong Tai Construction Development Co., Ltd	Wei-Ju, Liu、Yu-Ling, Weng、Shun-Wen, Wu、Tso-Jung, Wu、Cheng-Yong, Lin、Chia-Chi, Kuo、Yong-Jen, Tsao、Ming-Hai, Lee、Yao-Jia, Wen、Zong Tai Construction Development Co., Ltd	Tso-Jung, Wu、Cheng-Yong, Lin、Chia-Chi, Kuo、Yong-Jen, Tsao、Ming-Hai, Lee、Yao-Jia, Wen、Zong Tai Construction Development Co., Ltd	Tso-Jung, Wu、Cheng-Yong, Lin、Chia-Chi, Kuo、Yong-Jen, Tsao、Ming-Hai, Lee、Yao-Jia, Wen、Zong Tai Construction Development Co., Ltd
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (not inclusive)			Shun-Wen, Wu	
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (not inclusive)	Tso Jung Investment Co., Ltd	Tso Jung Investment Co., Ltd	Wei-Ju, Liu、Tso Jung Investment Co., Ltd	Wei-Ju, Liu、Shun-Wen, Wu、Tso Jung Investment Co., Ltd
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (not inclusive)				
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (not inclusive)			Yu-Ling, Weng	Yu-Ling, Weng
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (not inclusive)				
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (not inclusive)				
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (not inclusive)				
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (not inclusive)				
NT\$100,000,000 and above				
Total	11	11	11	11

3.2 Remuneration to General Manager and Vice General Manager

In NT\$ thousand

Title	Name	Salary (A)		Pension (B)		Bonus and Special Allowances, etc. (C)		Employee Compensation (D) (Note 1)				The sum of A, B, C and D as a percentage of after tax profit (%)		Remuneration from investees other than subsidiaries, or parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
Acting General Manager	Shun-Wen, Wu (Note 2)	2,773	2,773	141	141	808	808	20	0	20	0	1.22%	1.22%	None
General Manager	Chin-Jung, Tsai (Note 3)													
Vice General Manager	Feng-Chiu, Lin (Note 4)													
Vice General Manager	Han-Hsin, Lin (Note 5)													
Vice General Manager	Jui-Hsiang, Lin (Note 6)													

Note 1 : The amount of remuneration for General Manager and Vice General Manager was approved by board of directors before shareholder's meeting of 2023 earning distribution is a estimation on the basis of actual distribution percentage last year.

Note 2 : Resigned on March 14, 2023.

Note 3 : New appointments on June 1, 2023. Resigned on May 9,2024 due to position adjustments.

Note 4 : New appointments on May 9, 2023.

Note 5 : New appointments on May 9, 2023. Resigned on March 31, 2024.

Note 6 : Resigned on May 9,2023 due to position adjustments.

Remuneration brackets table for Managers

Range of remunerations to General Manager and Vice General Manager	Names of General Manager and Vice General Manager	
	The Company	All companies included in the financial statements
Less than NT\$1,000,000	Shun-Wen, Wu 、 Chin-Jung, Tsai 、 Han-Hsin, Lin 、 Jui-Hsiang, Lin	Shun-Wen, Wu 、 Chin-Jung, Tsai 、 Han-Hsin, Lin 、 Jui-Hsiang, Lin
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (not inclusive)	Feng-Chiu, Lin	Feng-Chiu, Lin
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (not inclusive)		
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (not inclusive)		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (not inclusive)		
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (not inclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (not inclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (not inclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000(not inclusive)		
NT\$100,000,000 and above		
Total	5	5

3.3 Names of managers distributed to employee compensation and amount distributed.

December 31, 2023

	Title	Name	Amount paid in shares	Amount paid in cash (Note 1)	Total	Total as a percentage to after-tax profit(%)
Managers	Acting General Manager	Shun-Wen, Wu (Note 2)	0	85	85	0.03%
	General Manager	Chin-Jung, Tsai (Note 3)				
	Customer Service Vice General Manager	Feng-Chiu, Lin (Note 4)				
	Business Vice General Manager	Han-Hsin, Lin (Note 5)				
	Senior Manager	Jui-Hsiang, Lin (Note 6)				
	Senior Manager	Ching-Chuan, Chen				
	Financial Manager and Corporate Governance Officer	Hui-Wen, Ko (Note 7)				
	Financial Manager	Chih-Hsin, Lai (Note 8)				
	Financial Manager and Accounting Manager	Yi-Jing, Fu (Note 9)				

Note 1 : Calculation of distribution amount approved by board of directors in accordance with percentage of actual distribution amount last year.

Note 2 : Resigned on March 14, 2023.

Note 3 : New appointment on June 1,2023 and resigned on May 9, 2024 due to position adjustments.

Note 4 : New appointment on May 9, 2023.

Note 5 : New appointment on May 9, 2023 and resigned on March 31, 2024.

Note 6 : Resigned on August 31,2023.

Note 7 : Dissolve financial manager on June 30, 2023.

Note 8 : New appointment on July 1,2023 and resigned on March 14, 2024.

Note 9 : Adjunct financial manager on March 15, 2024.

3.4 Directors', General Manager's and Vice General Manager's remuneration paid in the last two years as a percentage to after-tax profit of parent company only financial statements, and explanation of remuneration policy, standard and combination, procedure of remuneration establishment, and association with business performance :

Item	2022		2023	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Director	1.39%	1.39%	5.54%	5.87%
General Manager and Vice General Manager	0.26%	0.26%	1.22%	1.22%

Description for analysis : The increase in directors' remuneration in 2022 compared to 2021 was due to decrease in net income after tax in 2023 and caused the high proportion of fixed remuneration.

3.4.1 Policies, standards and combination of remuneration :

The compensation of directors consists mainly of the remuneration of directors, travel expenses and the remuneration for working currently as employees. In accordance with Article 18 of the Company's Articles, the remuneration of directors shall be limited to 2% of the Company's profit for the year, and reasonable compensation shall be paid to directors with reference to their contribution to the Company's performance. Directors' travel expenses are paid based on their attendance at board meetings with reference to industry standards. The remuneration policy for Directors, General Managers and Vice General Managers is based on the level of responsibility for the scope of authority and responsibility of the position within the Company and the level of contribution to the Company's operational objectives. In addition, the Company shall contribute 0.1% to 5% of the annual profit as employee compensation in accordance with Article 18 of the Company's Articles.

The Company has also established the "Regulations Governing the Board of Directors' Performance Evaluation" to regularly evaluate the operational efficiency of the directors, which includes internal self-evaluation by the board of directors and self-evaluation by the board members. The managerial officers will be evaluated for their target achievement rate on a quarterly basis, including project development, product planning, sales progress, revenue management and other key performance targets, which

will be used as the basis for salary adjustment and compensation payment.

The compensation package is determined by the Compensation Committee Chapter, which includes cash remuneration, stock options, stock dividends, retirement benefits or severance pay, allowances and other tangible incentives.

3.4.2 Procedure for establishing remuneration :

The Company's procedures for establishing compensation are based on the "Compensation Plan for Directors, Functional Committee Members and Managerial Officers", which includes the ability to manage operations (participation in sustainable management and implementation of brand values), financial performance indicators (revenue and profit, achievement of budget targets, growth and market share), and compliance with laws and regulations, etc., and then calculates the percentage of their compensation and gives them reasonable compensation after comprehensive consideration. The reasonableness of the remuneration is reviewed by the Compensation Committee and the Board of Directors, and the remuneration system is reviewed from time to time in accordance with the actual operating conditions and relevant laws and regulations, to strike a balance between sustainable management and risk control of the Company.

3.4.3 Relation of operating performance and future risks :

The Company's compensation policy is based on the overall consideration of the Company's operation, and the payment standards are approved according to the performance achievement rate and contribution, in order to enhance the overall operational efficiency of the Board of Directors and the Management Department. In addition, the Company makes reference to the compensation standards of the industry to ensure that our management's compensation is competitive in the industry in order to retain outstanding management personnel. The compensation paid to the managerial officers of the Company and its subsidiaries includes stock options, which are not fully paid in the year of earnings, and their actual value is related to the future stock price, i.e., they share the future operating risks with the Company.

4 Corporate governance Report

4.1 Functionality of Board of Directors

4.1.1 A total of 7 meetings (A) were held in the last year; below are the attendance records :

Title	Name	Attendance in Person (B)	Attendance by proxy	Rate of attendance in person (%) 【B/A】	Remarks
Chairman	Tso Jung Investment Co., Ltd. Representative : Yu-Ling, Weng	1	0	100.00%	Resigned on April 20,2023
Chairman	Tso Jung Investment Co., Ltd. Representative : Wei-Ju, Liu	6	0	100.00%	
Director	Tso-Jung, Wu	7	0	100.00%	
Director	Shun-Wen, Wu	7	0	100.00%	
Director	Zong Tai Construction Development Co., Ltd. Representative : Chia-Chi, Kuo	7	0	100.00%	
Director	Zong Tai Construction Development Co., Ltd. Representative : Cheng Yung, Lin	5	2	71.43%	
Independent Director	Yong-Jen, Tsao	7	0	100.00%	
Independent Director	Ming-Hai, Lee	7	0	100.00%	
Independent Director	Yao-Jia, Wen	6	1	85.71%	

Independent directors attended at directors' meeting in 2023.

◎ : Attendance by proxy ✓ : Attendance in person X : Leave

Title	Name	No.1 3/14	No.2 (Extraord inary) 4/20	No.3 5/9	No.4 6/19	No.5 (Extraord inary) 7/26	No.6 8/8	No.7 11/9
Independent Director	Yong-Jen, Tsao	✓	✓	✓	✓	✓	✓	✓
Independent Director	Ming-Hai, Lee	✓	✓	✓	✓	✓	✓	✓
Independent Director	Yao-Jia, Wen	✓	✓	✓	✓	✓	✓	◎

4.1.2 For Board of Directors' meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the Company has responded to such opinions :

1) Conditions described in Article 14-3 of the Securities and Exchange Act :

Board of directors meeting session	Subject Matter	All independent directors' opinion	Measurement on independent directors' opinion
12 th meeting of 12 th Board of Directors 2023/03/14	<ul style="list-style-type: none"> ● Issue new shares through capital increase from earnings. ● Accountant fee and evaluation of accountant independency and competency. ● Donate “Yong Fu education foundation” ● Amendment to regulations for Board of Directors meetings ● Amendment to regulations shares repurchase to transfer them to employees ● Amendment to “Directions for the Continuing Education for Directors and Supervisors” ● Amendment to “Corporate governance practice rule” ● Amendment to “Articles of incorporation” ● Amendment to “Authority permission table”. ● Amendment to “Procedure of acquisition or disposal of assets” ● Amendment of “Measures for the Report on Illegal, Immoral and Dishonest Acts” 	No objection and qualified opinion	No, all attended directors pass with no objection
13 th meeting of 12 th Board of Directors 2023/05/09	<ul style="list-style-type: none"> ● Making of endorsements/Guarantees of subsidiary Zongtai Construction ● The housing lease agreement between the Company and Dashun Advertising Co., Ltd. ● Adjustment salary of chairman. ● Amendment of “Authority permission table” 	No objection and qualified opinion	No, all attended directors pass with no objection
14 th meeting of 12 th Board of Directors 2023/06/19	<ul style="list-style-type: none"> ● Examination of 2022 personal remuneration for director appropriation ● Change of financial manager and acting spokesperson 	No objection and qualified opinion	No, all attended directors pass with no objection

Board of directors meeting session	Subject Matter	All independent directors' opinion	Measurement on independent directors' opinion
5 th extraordinary meeting of 12 th Board of Directors 2023/07/26	<ul style="list-style-type: none"> ●Appointment of the representative of the corporate shareholder, Zongtai Real Estate Development Co., Ltd 	No objection and qualified opinion	No, all attended directors pass with no objection
15 th meeting of 12 th Board of Directors 2023/08/08	<ul style="list-style-type: none"> ●Change of acting accounting manager ●Change of acting audit 	No objection and qualified opinion	No, all attended directors pass with no objection
16 th meeting of 12 th Board of Directors 2023/11/09	<ul style="list-style-type: none"> ●Proposal for passing 2024 audit planning ●Lunching 2023 employee stock option warrant. 	No objection and qualified opinion	No, all attended directors pass with no objection

2) Except the aforementioned items, other items objected by independent directors or qualified opinion with record or written statement : None.

4.1.3 Execution of “Conflict of interest” for directors should disclose name of directors, matter discussed, reason for interest avoidance and outcome :

Item	Date	Name of Director	Matters Discussed	Reason for Interest Avoidance	Outcome
1	2023/03/14	Yu-Ling, Weng Shun-Wen, Wu Tso-Jung, Wu Chia-Chi, Kuo Cheng Yung, Lin	Donate “Yun Fu education foundation”	Foundation Chairman Wu, His-Kun is a First degree relative of directors of the Company Wu, Tso-Jung and Wu, Shun-Wen; Director Kuo, Jia-Chi and Cheng Yung, Lin are the corporate representative of Zongtai Construction Co., Ltd. ; Directors Weng, Yu-Ling is directors of the foundation.	Required to abstain and not joining discussion and voting.
2	2023/05/09	Shun-Wen, Wu Tso-Jung, Wu	The Company signed the house lease contract with Dashun Advertising Co., Ltd.	The chairman of Dashun Advertising Co., Ltd is Shun-Wen, Wu, who is the director of the Company and Tso-Jung, Wu is the second degree relative of Shun-Wen, Wu.	Required to abstain and not joining discussion and voting

Item	Date	Name of Director	Matters Discussed	Reason for Interest Avoidance	Outcome
		Wei-Ju, Liu	Chairman's salary adjustment proposal	The case is a resolution of the salary of oneself interest	Required to abstain and not joining discussion and voting
3	2023/06/19	All directors	Review 2022 director personal remuneration appropriation	The case is a resolution of oneself remuneration appropriation	Required to abstain and not joining discussion and voting
4	2023/07/26	Wei-Ju, Liu	Representative case for assigning legal person shareholders of the subsidiary of Zongtai Real Estate Development Co., Ltd	The case is a resolution of oneself interest	Required to abstain and not joining discussion and voting

4.1.4 Listed company of the Board's itself (or peer) evaluation cycle and period, evaluation scope, method, and evaluation content, is specified in the following Table :

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Contents of evaluation
Once per year.	From January 1, 2023 to December 31, 2023.	Board of Directors, individual Board members and functional committees	<ol style="list-style-type: none"> 1) Board of Directors' Internal performance self-assessment. 2) Board members' self-assessment. 3) Functional committee member' performance self-assessment. 	<p>The Board of Directors are assessed on the following five aspects :</p> <ol style="list-style-type: none"> 1) Involvement in the Company's operation 2) Enhancement of the quality of the board's decision-making 3) Makeup and structure of the board of director 4) Election of board members and continuing knowledge development 5) Internal controls <p>The individual directors are assessed on the following six aspects :</p> <ol style="list-style-type: none"> 1) Understanding of the Company's goals and mission 2) Awareness of director's duties 3) Involvement in the Company's operations 4) Internal relationship and communication 5) Director's professionalism and continuing knowledge development 6) Internal controls <p>The Functional Committee is assessed on the following five aspects :</p> <ol style="list-style-type: none"> 1) Involvement in the Company's operation 2) Awareness of the functional committee's duties 3) Enhancement of the quality of the

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Contents of evaluation
				functional committee's decision-making 4) Makeup of the functional committee and election of its members 5) Internal controls

Self-assessments of Board performance in 2023 and reported the results to the Board of Directors on March 14, 2024, for review and improvement. The weighted average score for the overall performance of the board of directors is 4.93 out of 5, The weighted average score for the overall member of board of directors is 4.91 out of 5. The weighted average score for the performance of the functional committees is 4.88 out of 5. As demonstrated, the weighted average scores are between Good (Agree) to Excellent (Extremely agree), which means that the current system of each Functional Committee is complete and operates well, and the directors serving as members of the Committee can fully exert their expertise.

4.1.5 Board of directors' function enhancement target and execution evaluation of the year and last year :

1) Continuity enhances the structure of board of directors

In order to complete corporate governance and enhance functions, the Company nominates and elect directors based on diversification. Three out of eight directors are female (37.5%), and the directors possess professional knowledges and skills for execution, their backgrounds included industry, finance & accounting, law, and human management, etc. In the future, we will increase female directors to 50% for target.

2) Fulfill Board of Directors' function

The Company establishes "Board of directors performance evaluation method", the performance of board of directors is reviewed at least once a year.

4.2 Audit Committee's operating status.

4.2.1 A total of 5 meetings (A) were held in the last year. Independent Directors' attendance records are summarized below :

Title	Name	Attendance in Person(B)	Attendance by proxy	Rate of attendance in person(%) 【B/A】	Remarks
Independent director (Convener)	Yong-Jen, Tsao	5	0	100%	
Independent director (Member)	Ming-Hai, Lee	5	0	100%	
Independent director (Member)	Yao-Jia, Wen	4	1	80%	

4.2.2 For Audit Committee meetings that meet any of the following descriptions, details such as the date and session of Audit Committee meeting held, the discussed agenda, content of independent directors objecting to or expressing reservations or making significant recommendations and how the Company has responded to Audit Committee's opinions are disclosed in the following table :

1) Conditions described in Article 14-5 of the Securities and Exchange Act :

Audit Committee meeting session (the nth board - yth meeting)	Agenda and subsequent actions	Resolution by the Audit Committee	Measurement on audit committee's opinion by the Company
8 th meeting of 2 th Board of Directors 2023/03/14	<ul style="list-style-type: none"> ● Acknowledging the 2022 Business Report and Financial Statements ● Capitalization of earnings and lunch new shares ● Issued "Internal control system statement" ● Accountant fee discussion and accountant independency and competency evaluation ● Donate "Yun Fu education foundation" ● Amendment to regulations for Board of Directors meetings. ● Amendment to regulations shares repurchase to transfer them to employees. ● Amendment to "Directions for the Continuing Education for Directors and Supervisors" 	Passed by all present members with no objection	No, all attended directors pass with no objection

Audit Committee meeting session (the nth board - yth meeting)	Agenda and subsequent actions	Resolution by the Audit Committee	Measurement on audit committee's opinion by the Company
	<ul style="list-style-type: none"> ●Amendment to “Corporate governance practice rule”. ●Amendment to “Articles of incorporation” ●Amendment to “Procedure of acquisition or disposal of assets” ●Amendment to “Measures for handling cases of reporting illegal, unethical, or dishonest behavior” 		
9 th meeting of 2 th Board of Directors 2023/05/09	<ul style="list-style-type: none"> ●Handing consolidated statement of financial position of 2023 Q1. ●Subsidiary of Zongtai Real Estate Co., Ltd endorsement and guarantee case for the Company ● The Company signed the house lease contract with Dashun Advertising Co., Ltd. 	Passed by all present members with no objection	No, all attended directors pass with no objection
10 th meeting of 2 th Board of Directors 2023/06/19	<ul style="list-style-type: none"> ●Change of financial manager and acting spokesperson 	Passed by all present members with no objection	No, all attended directors pass with no objection
11 th meeting of 2 th Board of Directors 2023/08/08	<ul style="list-style-type: none"> ●Handing consolidated statement of financial position of 2023 Q2. ●Change of accounting manager agent ●Change of audit agent 	Passed by all present members with no objection	No, all attended directors pass with no objection
12 th meeting of 2 th Board of Directors 2023/11/09	<ul style="list-style-type: none"> ●Handing consolidated statement of financial position of 2023 Q3. ●Proposal for passing 2024 audit planning ●The case of lunching 2023 employee stock option warrant. 	Passed by all present members with no objection	No, all attended directors pass with no objection

2) Content of independent directors objecting to or expressing reservations or making significant recommendations : None.

3) Except the article 14-5 of Securities and Exchange Act above mentioned, items that the Audit Committee does not approve but the Board of Directors approves the matter with the votes of at least two-thirds of all of the Directors : None.

4.2.3 Execution status of independent directors abstain him the proposal that has oneself interest, should record name of director, details of the meeting agenda, reason for interest avoidance and status of participating in voting : None.

4.2.4 Audit committee's authority and key emphasis in work of the year :

- 1) To audit the annual financial reports :

The Board of Directors has prepared this Company's 2022 business report, financial statements, and the earnings distribution plan, among which the financial statements have been audited by Deloitte & Touche and issued the audit report. The above statements and reports have been examined by the Audit Committee and no irregularities were found.

- 2) To provide for or amend the Company's internal control policy.
- 3) To conduct assessment on the effectiveness of the Company's internal control policy.
- 4) To provide for or amend matters of asset transactions, derivatives trading, loan to other people, provide endorsement or guarantee of a material nature.
- 5) To audit matters in which a director is an interested party.
- 6) To audit matters of asset transactions or derivatives trading of a material nature.
- 7) To audit matters of loans of funds, endorsements, or provision of guarantees.
- 8) To audit the offering or private placement of equity-type securities.
- 9) To audit matters of hiring or dismissal of an CPA and their remuneration :
To ensure the independency of accounting firm, shall evaluate the independence and suitability of the CPA engaged by following the AQIs.
- 10) To audit matters of appointment or discharge of a financial, accounting, or internal audit officer.

4.2.5 Communication between Independent Directors and internal/external auditors :

- 1) Independent director and internal audit manager and auditor should at least hold periodic meeting once a year, account reports the Company's financial status, subordinate's financial operation status and internal examination to board of directors, and communicates on financial report, auditor report or any impact on

accounting due to changes of law.

- 2) Account examines the Company’s financial statement and issues auditor’s report to independent directors.
- 3) Communications between internal audit manager and audit committee :
 - A. The monthly audit report completed in accordance with the audit plan will be delivered to independent directors for review by the end of the following month via email.
 - B. Internal audit manager communicates with audit committee members quarterly on the results of the audit report.
 - C. Report significant event to audit committee. There’s no significant event in 2023.
- 4) Communication between Independent Directors and CPAs :
 - A. The Company’s account explained and fully communicated opinions in the audit committee in accordance with the communication matters required by relevant laws.
 - B. Audit committee could communicate with independent auditors via email, telephone, or in person on current financial statement audition and conclusion.
 - C. If there are significant opinion exchange matters, we could arrange meetings depends on situation. There’s no above situation in 2023.
- 5) Summary of communication between independent directors and audit managers :

Date	Key Point	Result
2023/03/14 Audit Committee	1) From November, 2022 to February, 2023, 13 audit items were completed based on audition plan.	No objection
	2) 2022 internal control system effectiveness assessment.	Fully discussed, and audit committee passed the design and execution of 2022 internal control system are effective.
2023/05/09 Audit Committee	From March to April, 2023, 6 audit items were completed based on audition plan for the year.	No objection

Date	Key Point	Result
2023/06/19 Audit Committee	In May, 2023, 3 audit items were completed based on audition plan for the year.	No objection
2023/08/08 Audit Committee	From June to July 2023, 6 audit items were completed based on audition plan for the year.	No objection
2023/11/09 Audit Committee	1) From August 2023 to October 2023, 12 audit items were completed based on audition plan for the year.	No objection
	2) Report 2024 internal audit plan.	Fully discussed, audit committee passed “2024 Internal audit plan” and submitted to the board of directors for determination.

6) Summary of communication between independent directors, audit managers and CPAs :

Date	Key Point
A.M 10 : 15 2023/03/14 (Audit Committee pre-meeting)	<p>1) Attendance :</p> <p>Independent Director : Yong-Jen, Tsao ; Ming-Hai, Lee ; Yao-Jia, Wen Auditing Manager : Ai-Chen, Huang Deloitte & Touche : Shu-Chin, Chiang Auditor ; Ruei-Long, Syu Senior Manager</p> <p>2) Items of discussion :</p> <p>A. Group audit Explanation : Conduct inspections on transaction types, account balances, or disclosures related to significant risks of material inaccuracies in the group's financial statements. Conclusion : Independent directors had no objection.</p> <p>B. Key audit matter Explanation : Auditor explained the key audit matters about revenue recognition and inventory impairment assessment in 2022. Conclusion : Independent directors had no objection.</p> <p>C. Financial report audit results and adjustments Explanation : Auditor explained audit opinion and content in 2022 financial report, and gave an analytical explanation on comparison of significant items. Also, provide a comparison of significant financial ratios in the same industry. Conclusion : Independent directors had no objection.</p>

Date	Key Point
<p>A.M 10 : 45 2023/11/09 (After Audit Committee meeting)</p>	<p>1) Attendance :</p> <p>Independent Director : Yong-Jen, Tsao ; Ming-Hai, Lee ; Yao-Jia, Wen Auditing Manager : Ai-Chen, Huang Deloitte & Touche : Shu-Chin, Chiang Auditor ; Ruei-Long, Syu Senior Manager</p> <p>2) Items of discussion :</p> <p>A. Identify significant risks and key audit items. Explanation : Account explained the key audit matters about significant risks_revenue recognition, inventory valuation, and management override of internal controls. The revenue recognition and inventory valuation are listed the key audit items. Conclusion : Independent directors had no objection.</p> <p>B. The transparency report of 2023 Explanation : Transparency report discloses legal, governance structure, quality management system, independence, ethic, and Audit Quality Indicators of the audit and assurance service department from Deloitte & Touche. Conclusion : Independent directors had no objection.</p> <p>C. International Financial Reporting Standards Sustainability Disclosure Standards Explanation : International Sustainability Standards Board (ISSB) has officially issued the International Financial Reporting Standards Sustainability Disclosure Standards S1 and S2. The Financial Supervisory Commission has issued the “roadmap for Taiwan listed companies to align with IFRS Sustainability Disclosure Standards” and take a phase-in approach for listed companies to adopt IFRS S1/S2 by capital amount on August 17, 2023. IFRS S1 “General requirements for disclosure of sustainability-related financial information” IFRS S2 “Climate-related Disclosures” The effective date of Financial Supervisory Commission R.O.C(Taiwan) : ➤ The listed company whose amount of capital is more than ten billion: Fiscal year of 2026 (the annual report of shareholders meeting of 2026 <u>which is released in 2027</u>) ➤ The listed company whose amount of capital is more than five billion but less than ten billion: Fiscal year of 2027(the annual report of shareholders meeting of 2027 <u>which is released in 2028</u>) ➤ Other listed companies : Fiscal year of 2028(the annual report of shareholders meeting of 2028 <u>which is released in 2029</u>) Conclusion : Independent directors had no objection.</p>

4.3 Taiwan Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
1) Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?	✓		The Company has passed “Corporate governance practice rule” on December 30, 2011 through the 17 th meeting of 8 th board of directors and implement, the rule has been amended for 7 times after establishment. The last amendment was in the 12 th meeting of 12 th board of directors on March 14, 2023. The rule is disclosed on MOPS website and “Governance area” on the official website.	No major difference.
2) Shareholding Structure & Shareholders’ Rights A. Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? B. Does Company possess a list of major shareholders and beneficial owners of these major shareholders? C. Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	✓ ✓ ✓		A. The Company assigns spokesperson and stock affair specialist to deal with shareholders’ suggestion or dispute, etc., we also place a mailbox for reporting in the “Stakeholders are” on the official website : service@zongtai.com.tw The Shareholder Complaint Procedure shall be implemented in accordance with “Measures for the Report on Illegal, Immoral and Dishonest Acts”. B. The Company possess a list of major shareholders and beneficial owners of these major shareholders, and reports shareholding changes of directors, managers and major shareholders holds over 10% of total shares ton MOPS website pursuant to Article 25 of Securities and Exchange Act. C. The Company and its association operate independently and establish relevant method like “Subordinate management method” to regulate important financial dealings and event that should be supervised.	No major difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
reference for directors' remuneration and renewal? D. Does the Company regularly evaluate its external auditors' independence?	✓		(Extremely agree). The results of assessment were reported to board of directors meeting on March 14, 2024, the results of assessment will be taken as reference f director election or nomination. D. In accordance with Article 29 of "Corporate governance rule", the Company assesses accountant independency and competency every year. The "Declaration of Independence" and "Audit Quality Indicators (AQIs)" issued by the certified accountant. The rotation of accountants shall follow with relevant regulations. It was approved by the Audit Committee and Board of Directors on March 14, 2023. About CPA Independency Table please refers to Note 1.	
4) Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to oversee corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	✓		The Company appointed Ko, Hui Wen, who had work experience of supervisor in finance and stock affairs in TWSE/TPEX-listed financial holding company over 3 years, as corporate governance manager by the Board of Directors approved on March 24, 2021. The manager responsible for corporate governance, the duty includes providing directors/supervisors with the information needed to perform their duties, helping directors/supervisors with compliance and continuing education, organization of the Board of Directors meetings and shareholders' meetings, and preparation of board meeting and shareholders' meeting minutes. Key point of business in 2023 : A. Arrange board of director meeting and notify all directors 7 days before the meeting, organize meeting and provide information for meeting, it shall be reminded in advance if the meeting has interest avoidance matters, and provide meeting minute in 20 days after the meeting. B. Handle shareholder meeting pre-registration, produce meeting announcements, handbook of meetings, meeting minutes within the statutory limitation, and assist in amending the corporate registration	No major difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
			<p>after amendment of articles and director re-election.</p> <p>C. Implement corporate governance, complete assessment of annual board of directors, individual directors' member, and self-performance evaluation of functional committee to "Board of directors performance evaluation method".</p> <p>D. Complete self-assessment of annual governance assessment.</p> <p>E. Provide directors information needed to perform their duties and arrange continuing education for directors.</p> <p>Our Chief Corporate Governance Officer had participated 27 hours of advanced courses in 2023.</p>	
5) Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The Company has acting spokesperson in place to convey messages to the public and established a "CSR-Stakeholders Engagement" section on its website to respond to stakeholders' concerned issues. The Company has communication channels set up exclusively for the different types of stakeholders. Contact methods for specific personnel have been disclosed to facilitate timely reply to stakeholders' demands and queries, and could also search information about finance, business and corporate governance.	No major difference.
6) Has the Company appointed a professional registrar for its Shareholders' Meetings?	✓		We have appointed Uni-President as registrar for our Shareholders' Meetings.	No major difference.
7) Information Disclosure A. Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	✓		A. The Company discloses its financials business and corporate governance status on its website and could also search the Company's information at MOPS website.	No major difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
<p>B. Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?</p> <p>C. Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?</p>	✓	✓	<p>B. The Company has designated appropriate employees to handle the collection and disclosure of information on MOPS website and the Company’s website as required by the relevant laws and regulations of Taiwan and other jurisdictions, and designated spokespersons as required by relevant regulations. The Company held the investor conference irregularly every year and disclosed the relevant information on the company website.</p> <p>About corporate governance information disclosure, the Company uploads material information, financial status, calling of shareholders meeting, dividend appropriation, internal audit organization and its operation, company article, etc. to the official website for investors.</p> <p>C. Quarterly reports and annual reports are presented earlier than the deadline at the board of directors meeting, operating performance statuses are also presented earlier than the deadline.</p>	
<p>8) Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of</p>	✓		<p>A. Employee rights : The Company establishes “Rule of Work”, the rule includes employee rights and obligation, worker’s compensation, labor safety regulation, retire and insurance system, etc., the Company also routinely holds employee health examination, we focus on protecting employee’s rights and establishing basis of trust.</p> <p>B. Employee care : The Company establishes employee welfare committee to provide</p>	No major difference.

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?			<p>welfare and subsidy, and plan leisure activities (such as badminton club, camping club) for employees enriching lives and get close to nature, fully take care of employees and protect their lives.</p> <p>C. Investor relations : The Company appoints employees specific for investor relations business, the employee in charge of handling investors' suggestion, communication, and relation maintenance, etc. To improve transparency and symmetry of information disclosure, except disclosing information of financial business and corporate governance on MOPS website and official website, also answers shareholders' questions and responds to shareholder's suggestion.</p> <p>D. Supplier relation, stakeholder right : Handle based on the Company's regulations and implementing accordance with the contract to protect the right of both sides.</p> <p>E. Directors implement continuing education status : The Company's directors have relevant professional knowledge and industrial backgrounds. Directors are encouraged to implement continuing education pursuant to law and "Directions for the Implementation of Continuing Education for Directors". About the implementation, please refers to MOPS\ Corporate governance\ Information of directors and supervisors attend board of directors meeting and implementation of continuing education.</p> <p>F. Risk management policy and risk measurement standard execution status : Establish internal regulation by law to conduct risk assessment and management. The Company stipulates in "Board of directors meeting management" the all directors shall obey interest avoidance principal,</p>	

Assessment Item	Implementation Status			Non-implementation and its Reason(s)
	Yes	No	Explanation	
			<p>directors as stakeholders of the matters shall avoid discussion and voting; In addition, any matters discussed in board of directors meeting would fully consider the opinion from three independent directors to effectively protect the benefit of the Company. Major policy, investment, capital loan, loan bank etc. all analytics by duty department and executed by the Board of Director. Audit department according to result draw up an audit plan and execute. To implement supervise system and each risk management.</p> <p>G. Client policy execution status : The Company set customer center website to provide full after-sale service for customers and tend to improve the quality and professional skills.</p> <p>H. The Company purchases third-party insurance status : The Company has insured third-party insurance for directors and reported to 16th meeting of 12th board of directors on November 9, 2023.</p>	
<p>9) The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange.</p> <p>A. In 2023, in accordance with the 10th Corporate Governance evaluation report, the improvements are as follows :</p> <p>a. Finish publish and upload the ESG report on the Market Observation Post System (MOPS) and official website in August, 2023.</p> <p>b. Disclose the annual greenhouse gas emissions, water consumption and total weight of waste over the past two years.</p> <p>c. According to the Framework of the Task Force on Climate-Related Financial Disclosures (TCFD) for disclosing information on corporate governance, strategies, risk management, metrics, and targets for climate-related risks and opportunities.</p> <p>B. In 2023, in accordance with the 10th corporate governance evaluation, item or measures are required but has not been improved :</p> <p>a. Significant purchase and sale transactions and acquisition or disposal of assets with individual related parties should be reported actual transaction situation to the recent shareholder meeting at the end of the year.</p> <p>b. Follow “The Code of Practice for Corporate Governance”, and prohibit directors, employees, and other insiders from using internal regulations to trade securities based on undisclosed information in the market.</p> <p>c. Add the “Human Right Policy” of the Company to strengthen the importance of human rights.</p>				

Note 1 : CPA independence and suitability evaluation table

Items of Evaluation	Conclusion	Whether confirming the independence and suitability
1) An independent statement issued by accountant.	✓	Yes
2) The audit or non-audit services provided by accountants must be reviewed in advance to ensure that non-audit services do not affect the audit results.	✓	Yes
3) According to the Audit Quality Index (AQIs) and thirteen indicators in five aspects are used to evaluate the accountant's suitability.	✓	Yes
4) Appointed account to certify financial report status in the past 7 years, there's no event that the company engages the same CPA without replacement for 7 years consecutively.	✓	Yes
5) The accountant has not been punished or damage his independence has been impaired.	✓	Yes

4.4 If the Company establishes remuneration committee, should disclose its composition, authority and operation status :

4.4.1 Members of remuneration committee information

Identity	Condition Name	Professional and work experience	Independence Status	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent Director (Convener)	Ming-Hai, Lee	Note	Note	0
Independent Director	Yong-Jen, Tsao	Note	Note	2
Independent Director	Yao-Jia, Wen	Note	Note	0

Note : Please read Disclosure of Professional Qualifications of Directors and Independence of Independent Directors on pp.18-21.

4.4.2 Remuneration Committee operating status :

1) The Company's remuneration committee has three members. Remuneration committee fulfill the following duties as prudent administrator, and submit the suggestions to board of directors for discussion :

- A. Routinely reviews the regulation and make suggestion for amendment, the recent amendment is on January 26, 2021.
- B. Establish and regularly review evaluation standard of directors' and managers' performance, annual and long-term KPI, and the policy, system, standard and structure of remuneration.
- C. Periodically evaluate the Company and manager's achievement of KPI and establish the content and amount of each remuneration.

2) Remuneration Committee's term of service :

2021.08.11~2024.07.29; A total of 3 meetings(A) were held in 2023, members' attendance records are summarized below :

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) 【B/A】	Remarks
Convener	Ming-Hai, Lee	3	0	100%	
Member	Yong-Jen, Tsao	3	0	100%	
Member	Yao-Jia, Wen	3	0	100%	

3) 2023 Remuneration Committee discussion and determination :

Period of Remuneration Committee	Proposal	Measurement on remuneration committee's opinion
4 th discussion of 5 th 2023/03/14	A. Deliberate 2022 remunerate appropriation for director. B. Ratify 2022 manager bonus.	Passed by all present directors with no objection
5 th discussion of 5 th 2023/05/09	A. Appointment of the general manager of the Company B. Appointment of vice general manager of the Company C. The chairman's salary adjustment proposal	Passed by all present directors with no objection
6 th discussion of 5 th 2023/06/19	A. Deliberate 2022 personal remunerate appropriation for director. B. Adjustment of new appointment financial officer salary	Passed by all present directors with no objection

4) If the board of directors does not adopt or amend the recommendations of the Compensation Committee, it shall state the date, period, content of the proposal, resolutions of the board of directors meeting, and the company's handling of the opinions of the compensation committee (if the compensation approved by the board of directors is better than the recommendation of the compensation committee, shall state the difference and the reason) : None.

5) If remuneration committee members have objections or reservations and have records or written statements to the resolutions, shall state the date, period, proposal content, all members' opinions and the measurement of members' opinions : None.

4.5 Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice

Principles for TWSE/TPEX Listed Companies and the Reasons and Climate-Related Information for Listed and OTC Companies :

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1) Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to oversee promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board? (TWSE/ TPEX Listed Companies shall report its implementation, which is not compliance or explanation.)	✓		The Company has established the "Sustainable Development Best Practice Principles". In 2017, the Customer Service Department worked concurrently as the Corporate Social Responsibility Promotion Unit. The Sustainable Promotion Team is composed and promoted by the chairman and the top executives. For internal, the Sustainable Development Promotion Team will regulatory report Sustainable Promotion Plans to the Board of Directors, in which the risks related sustainability, various development, and the achievement of goals will be supervised and identified by the Board of Directors. For external, the team will organize the establishment and review of the ESG report, which will be released on the official and the MOPS website after being reviewed by chairman and approved by the Board of Directors. The implementation of corporate sustainable development in 2023 and the work plan for the following year were reported to the Board of Directors on March 14, 2024, and the Board of Directors was consulted to make recommendations on the implementation direction and target setting, which were also disclosed on the Company's website.	No major difference.
2) Does the Company follow materiality principle to conduct risk assessment for environmental, social and	✓		The Company's 2023 ESG report has a specific chapter on the identification of the materiality principle and sustainable management risk issues. The Sustainable Promotion Team organizes and formulates risk management policies and	No major difference.

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons									
	Yes	No	Summary description										
corporate governance topics related to company operation, and establish risk management related policy or strategy? (TWSE/TPEX Listed Companies shall report its implementation, which is not compliance or explanation.)			<p>implementation guidelines to identify risks that may affect the sustainable development of the Corporate and coordinates various departments to implement risk management.</p> <p>The risk assessment boundary covers subsidiaries-Zongtai Construction Co., Ltd. to reduce the possible risk of operational disruption. The Company's main business site is in Taiwan. Based on the assessed risks, the relevant risk management strategies are formulated as follows :</p> <table border="1"> <thead> <tr> <th>Topic</th> <th>Item</th> <th>Policy or Strategy</th> </tr> </thead> <tbody> <tr> <td>Environmental</td> <td>Protection & Conservation</td> <td>In response to the environmental protection policy, our company gives priority to purchasing "low-pollution, resource-saving and recyclable" energy-saving and carbon-reducing green building materials to reduce excessive consumption of the earth's resources.</td> </tr> <tr> <td>Social</td> <td>Professional Safety</td> <td>A. Obtained "ISO 45001 Occupational Safety and Health Management System" certificate and TOSHMS verification. B. We adopted the Face</td> </tr> </tbody> </table>	Topic	Item	Policy or Strategy	Environmental	Protection & Conservation	In response to the environmental protection policy, our company gives priority to purchasing "low-pollution, resource-saving and recyclable" energy-saving and carbon-reducing green building materials to reduce excessive consumption of the earth's resources.	Social	Professional Safety	A. Obtained "ISO 45001 Occupational Safety and Health Management System" certificate and TOSHMS verification. B. We adopted the Face	
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Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
				<p>Recognition System on-site to achieve effective personnel identification and safety.</p> <p>C. We obtained the patent of anti-scaffolding drop bracket, making construction safer.</p> <p>D. We gave group injury insurance for the engineering personnel working on site to enhance safety protection.</p> <p>E. The fire detection alarm system is integrated with LINE to notify the relevant personnel once smoke is detected, to reduce the risk caused by fire.</p>
			Corporate governance	<p>Social Economy and Legal Compliance</p> <p>Follow all regulations, strictly keep commercial secrets, fulfill ethical management and internal control.</p>
			Strengthening of	A. We plan for the

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons				
	Yes	No	Summary description					
			<table border="1"> <tr> <td>Directors' Functions</td> <td> <p>directors' continuing education and provide them with annual regulatory updates.</p> <p>B. Directors' liability insurance is provided to protect directors against lawsuits or claims.</p> </td> </tr> <tr> <td>Stakeholder Communication</td> <td> <p>A. To avoid misunderstandings between stakeholders and the Company's position, which may lead to business or litigation risks, we have set up a stakeholder area on our official website and disclosed an external communication box and a contact window for each stakeholder to maintain good interaction with stakeholders.</p> <p>B. We established various communication channels and actively</p> </td> </tr> </table>	Directors' Functions	<p>directors' continuing education and provide them with annual regulatory updates.</p> <p>B. Directors' liability insurance is provided to protect directors against lawsuits or claims.</p>	Stakeholder Communication	<p>A. To avoid misunderstandings between stakeholders and the Company's position, which may lead to business or litigation risks, we have set up a stakeholder area on our official website and disclosed an external communication box and a contact window for each stakeholder to maintain good interaction with stakeholders.</p> <p>B. We established various communication channels and actively</p>	
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Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			communicate to reduce confrontation and misunderstanding. We set up a mailbox for investors, and a spokesperson will handle and respond to them.	
<p>3) Environmental Topic</p> <p>A. Has the Company set an environmental management system designed to industry characteristics?</p> <p>B. Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?</p>	<p>✓</p> <p>✓</p>		<p>A. The Company outsources its business to construction company, the contractor deals with maintenance of construction site and disposal of waste and is supervised by the Company. We emphasize environmental protection and cherish resource. Thus, we choose to purchase material with green material, water saving and energy saving certification, in order to control air, noise, water and waste pollution.</p> <p>B. The Company's new project introduces BIM technology to accurately calculate the quantity and control the construction period to reduce the consumption of building materials. In the selection of the building materials, the Building Materials History System is implemented, and locally produced products and green label construction materials are mostly used. The steel reinforcement of main raw material increases the ratio of steel scrap purchases. The disposal of construction waste is commissioned by qualified manufacturers for recycling. The purchase amount of green building materials was NT\$94,928 thousand and awarded the "Taichung City Government -</p>	No major difference.

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons															
	Yes	No	Summary description																
C. Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	✓		Excellent Enterprise in Green Purchase Amount” in 2023.																
D. Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		<p>C. The Company evaluates the risks and opportunities of climate change for the Company in accordance with the Framework of the TCFD and completed the latest climate-related risk assessment by the end of 2022, focusing on 5 risks and 4 opportunities from the climate risk change projects. In the aspect of climate change mitigation, the Company develops projects based on green operations, energy management, material management, and green buildings; in the aspect of climate change adaptation, the Company has implemented measures such as the measure to strengthen the foundation, establish sustainable operating capabilities and make full use of green buildings. The detailed description of the Company's climate change risk and opportunity analysis has been disclosed in the Company's ESG report.</p> <p>D. The inventory data of the Company’s greenhouse gas emissions please refer to the climate related information of listed and OTC companies 1-1-1 Greenhouse Gas Inventory Information Explanation. Water consumption and total weight of waste over the past two years are as follows:</p> <table border="1"> <thead> <tr> <th>Type</th> <th>Description</th> <th>2023</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Water consumption</td> <td>Annual total water consumption (m³)</td> <td>4,694</td> <td>52,466</td> </tr> <tr> <td rowspan="2">Waste</td> <td>Total weight of non-hazardous waste (m³)</td> <td>28,719</td> <td>21,383</td> </tr> <tr> <td>Total weight of non-hazardous waste (Ton)</td> <td>2</td> <td>7</td> </tr> </tbody> </table>	Type	Description	2023	2022	Water consumption	Annual total water consumption (m ³)	4,694	52,466	Waste	Total weight of non-hazardous waste (m ³)	28,719	21,383	Total weight of non-hazardous waste (Ton)	2	7	
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Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			The Company's GHG Reduction Policy includes the purchase of electric vehicles when official vehicles need to be replaced and turning off the lights in the office for 1.5 hours during lunch breaks. Water-saving actions include water conservation advocacy, regular maintenance of pipelines to reduce water leakage rate, planning of sedimentation tanks for car washing devices in the work area to be reused for watering and planting, etc. The wastes generated in the operational activities are mainly waste spoil from construction sites and other construction wastes. After the waste is sorted and collected, a professional and qualified company shall be commissioned to dispose of the waste and all of it shall be collected for disposal.	
4) Social Topic A. Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		A. The Company's Board of Directors approved the establishment of a "Human Rights Policy" on March 14, 2024 to support and uphold basic human rights and comply with labor-related regulations in the place of operation to eliminate any violation of the human right. Recruitment and dismissal of employees, remunerations are in accordance with internal control system management method to protect employee rights. The Company insured group insurance for employees and set breastfeeding room for employees, build a breastfeeding friendly environment. In addition, all manufacturers are mandated to provide employee injury insurance.	No major difference.

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
B. Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	✓		<p>B. The Company's leave system is based on Labor Standards Act and establishes employee welfare committee, which funds welfare annually for providing employees with various benefits, such as subsidies for employee travels, cash gifts for birthday, allowances for marriage, allowances for birth, allowances for funeral, subsidies for club, etc. Encouragement and punishment systems, such as "Performance Examination Method", "Employee Reward and Punishment Management Method" are also established. In accordance with Article 18 of the Company's Articles, the Company shall set aside 0.1% to 5% of the annual profit, if any, as employee compensation. 0.3% of employee compensation amounting to NT\$8,185 thousand was set aside in 2022, which is paid in 2023, and NT\$1,075 thousand was set aside in 2023, which is expected to be paid in 2024. NT\$ 4,088 thousand was set aside as the retire salary in 2023 by the Company.</p> <p><u>Diversity and Equality in the Workplace :</u> The Company has achieved gender equality with equal pay for equal work and promotion opportunities, with 35% of female employees and 40% of female supervisors in 2023.</p> <p><u>Operating performance is reflected in employee remuneration :</u> The Company participates in annual market salary surveys and adjusts salaries according to market salary levels, economic trends, and individual performance in order to maintain overall salary competitiveness.</p>	No major difference.

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
C. Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		<p>C. The company is committed to provide employees with a safe and healthy working environment. In terms of physical health, regular employee health examination held so that employees can control their health status. In 2023, we had conducted health checks for employees under 40 years of age. We will conduct health checks for employees over 40 years of age and the seniority for over 10 years in 2024.</p> <p>In terms of work safety, our company provides quality control and work safety training and promotion twice a year to develop emergency response ability and safety concept of our employees, to strengthen their cognitive ability, and to reduce the occurrence of accidents caused by unsafe behaviors. In 2023, there was one occupational accident (car accident on the way to work). In the future, we will continue to work towards the goal of zero occupational accidents. In 2023, there was no fire accident.</p>	No major difference.
D. Has the Company established effective career development training plans?	✓		<p>D. The company regularly plans education and training courses and provides education and training subsidies for employees to strengthen their career capabilities. During the quarterly assessment, except reviewing the annual achievements, the managers will also understand employees' potential, profession and ability to be improved based on the performance of the colleagues' work, and arrange training, rotation, and project participation plans together.</p> <p>In addition to the monthly meetings for the educational training of the Company's business, we also provide professional training fees to all employees of about NT\$538 thousand in 2023.</p>	No major difference.

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
E. Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling, and set policies to protect consumers' or client rights and consumer appeal procedures?	✓		E. The company follows relevant laws, regulations and international guidelines of marketing and labeling of products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests. For example, the signing of customer purchase and sale contract according to the formalized contract for sale and purchase, implementation of performance guarantee mechanism, etc. The Company sets customer service line to fairly and immediately handle complaint about customer rights.	No major difference.
F. Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	✓		F. The Company has cost control, purchasing, outsourcing department, and assessing suppliers before doing business, we also require supplier provide construction materials which meet regulation standard and assess its competency from time to time. The Contract asks suppliers follow "Occupational safety and health management rule", expect to promote ESG target such as public safety and healthy environment together.	No major difference.
5) Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquired 3rd certification party		✓	The Company entrusts a professional institution to prepare a ESG report on the GRI Standards issued by Global Reporting Initiative (GRI), and discloses the ESG report with reference to TCFD, US Sustainability Accounting Standards (SASB) and important domestic and foreign laws and regulations and simultaneously disclose information related to ESG reports and contact e-mail in the annual report and official website to provide a good	In the future, the report will be confirmed by a third-party verification unit according to the needs.

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
verification or statement of assurance?			information feedback and communication channels for stakeholders and strengthen the sustainable operation of the corporate. This report has not been confirmed by a third-party verification unit.	
<p>6) If the company has established its sustainable development of practice according to “Listed Companies Sustainable Development Code of Practice,” please describe the operational status and differences :</p> <p>The Company has established sustainable development practice rule and process corporate governance pursuant to Corporate Law and Securities and Futures Bureau relevant law, considering trend of sustainable development, the Company presents its commitment to employees, shareholders and customers by promoting sustainable development activities, there’s no difference between the work and the rule.</p>				
<p>7) Other important information to facilitate better understanding of the company’s implementation of sustainable development :</p> <p>A. The implementation of corporate sustainable development in 2023 has been disclosed in the Company's official website "Related Party Center-Corporate Social Responsibility", which includes :</p> <p>a. Environmental protection : Adopted Da Kung footpath and parking lot for cleaning. Total expenditure is NT\$753 thousand. Total amount of green construction material purchase was NT\$ 94.9 million.</p> <p>b. Community involvement : Community activities, holiday activity, and co-organized Halloween activity with total expenditure of NT\$ 45 thousand.</p> <p>c. Social welfare : Donated education foundation, Chinese Hope Badminton Association, Sports Administration, Taichung Cultural Education Foundation for Architecture etc. with total expenditure of NT\$ 6.02 million.</p> <p>d. Culture development : NT\$100,000 for improving the education environment of Buzies Elementary School, NT\$300,000 for Taichung Cultural Education Foundation for Architecture.</p> <p>B. The case “ Together” won the “2023 Yuan Ye Awards” and was received and praised personally by the president. Its landscape greening area which cleverly integrates the environment, people, and me into it reaches nearly 70% of the total green coverage rate. It also won the ”Construction Quality Golden Award“ of the FIABCI-Taiwan Real Estate Excellence Awards.</p> <p>C. Cooperate with Tunghai University Department of Architecture to promote the concept of sustainable and friendly environment through outdoor large-scale installation art. The installation artwork “Build with nature” understands the ESG sustainability awareness covers the circular connection between human, living field, domestic forestry, and the ecosystem is closely related to the sustainable environment.</p>				

Climate-Related Information for Listed and OTC Companies

1. Execution Status of Climate-Related Information

Item	Execution Status			
1) Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management.	<p>1. Board of Directors: Recognizing the increasing impact of climate change on business operations, the Company's board of directors emphasizes the importance of sustainable business expertise in its composition. Therefore, when selecting independent directors, we consider not only proficiency in business practices, financial management, law, and corporate governance but also practical experience and knowledge in climate change-related issues. Additionally, priority is given to climate-related courses in the annual director training hours selection.</p> <p>2. Management Team: The Sustainability Development Task Team serves as the highest authority for climate change management. Led by the Chairman and composed of top-level executives, this task team is responsible for driving corporate social responsibility policies, systems, and relevant management strategies, as well as proposing and implementing specific plans. Operating under the Sustainable Development Best Practice Principles, the Sustainability Development Task Team regularly reports its progress to the board of directors.</p>			
2) Describe how the identified climate risks and opportunities affect the business, strategy and finance of the Company (short-, medium-, and long-term).	<p>The Company evaluates climate-related risks and opportunities by assessing various significant climate-related risks and opportunities that impact our operations across different timeframes and issues. Management timeframes are categorized as short-term (less than three years), medium-term (three to five years), and long-term (greater than five years). We have identified a total of 5 climate change risks and 4 climate change opportunity topics.</p>			
	Impact Timeframe	Climate Risks Issue	Potential Impact on Company Operations	Response Strategies and Action Plans
	Short-Term	The severity of extreme weather events like typhoons and floods has escalated.	Natural disasters can result in property losses and construction delays, such as scaffold collapses, debris from construction sites causing damage to others, flooding, and wall cracks.	<p>1. Acquire construction site accident insurance to mitigate losses from disasters.</p> <p>2. Establish emergency response teams to address specific measures and tasks for various emergency scenarios, including alarm response, engineering rescue, personnel rescue, etc. Assign responsibilities to designated individuals and contractors, and establish communication directories.</p>

Item	Execution Status			
	Impact Timeframe	Climate Risks Issue	Potential Impact on Company Operations	Response Strategies and Action Plans
	Short-Term	Changes in rainfall patterns and extreme climate shifts.	Extended periods of rain can cause project delays, potentially leading to postponed delivery dates and compensation payments to customers.	<ol style="list-style-type: none"> 1. Proactively plan to adapt project schedules to accommodate the rainy season and closely monitor rainfall conditions during construction. 2. Establish emergency response teams to implement specific measures and tasks for various emergency scenarios. 3. Factor assessments of rainy season weather impacts into considerations for customer contract timelines.
	Short-Term	Increasing average temperatures.	High temperatures can lead to heat exhaustion among workers, causing project delays, and contribute to power shortages in Taiwan, resulting in work stoppages and closures at construction sites and business locations, leading to delays and increased personnel costs.	<ol style="list-style-type: none"> 1. For assessed heat hazard levels, implement the following preventive and management measures in accordance with relevant regulations: <ul style="list-style-type: none"> • Provide suitable rest areas. • Install shaded areas and provide shower facilities at the worksite. • Provide cooling snacks during summer, promote hydration, and encourage adequate breaks. • Install temperature sensors to notify workers to cease operations during excessively high temperatures. 2. In case of heat-related emergencies, immediately loosen the affected person's clothing, use water to cool the body, and provide a small amount of salted cold water or diluted electrolyte drinks. Seek medical attention promptly and report to supervisors.

Item	Execution Status			
	Impact Timeframe	Climate Risks Issue	Potential Impact on Company Operations	Response Strategies and Action Plans
	Long-term	Customer Behavioral Changes	In recent years, customers in the real estate market have increasingly focused on service and corporate image. Green building practices have become a crucial part of corporate identity. Failure to adapt to changing customer behavior could impact product sales and market share, leading to decreased revenue.	<ol style="list-style-type: none"> 1.Except for the necessary driveways and walkways paved with permeable surfaces, all other open areas within the premises are utilize high-density, multi-layered greening approaches. Additionally, rooftop gardens, terraces, and vertical greenery are being implemented to reduce building heat. 2.Solar power equipment is installed on rooftops to supply electricity for community stairwell lighting and irrigation system motors. 3.A rainwater collection and reuse system is constructed to gather rainwater from rooftops and ground surfaces. After filtration, the water is channeled to an underground rainwater recovery tank for irrigation of community landscaping.
	Short-Term	Escalating Raw Material Costs	Supply chain disruptions or material shortages due to extreme weather conditions may lead to project delays or the cancellation of certain construction projects. Moreover, an increase in raw material prices could substantially raise construction costs.	<ol style="list-style-type: none"> 1.The Procurement and Engineering departments conduct monthly dynamic assessments of project costs, evaluating actual expenses and subsequent cost estimates to monitor fluctuations and implement timely controls. 2.Addressing the extensive use of materials in the construction industry, such as cement, sand, and steel, strategies involve increasing the number of contracted suppliers to reduce reliance on individual suppliers. Additionally, proactive planning of material quantities and bulk procurement are initiated to mitigate the risk of material shortages.

Item	Execution Status		
	Opportunity Type	Climate-related Opportunities	Response Strategies and Action Plans
	Product and Service	Developing or Expanding Low-Carbon Products and Services	1.Except for the necessary driveways and walkways paved with permeable surfaces, all other open areas within the premises are utilize high-density, multi-layered greening approaches. Additionally, rooftop gardens, terraces, and vertical greenery are being implemented to reduce building heat.
	Product and Service	Responding to Shifting Consumer Preferences	2.Solar power equipment is installed on project rooftops to power community stairwell lighting and irrigation system motors. 3.On a cost-effective basis, prioritize the use of green building materials such as eco-friendly paints, lightweight partition gypsum boards, and environmentally friendly paving.
	Resource Utilization Efficiency	Moving Towards More Efficient Buildings	Energy-Saving and Carbon Reduction Measures for New Developments: 1.Solar power equipment is installed on project rooftops to power community stairwell lighting and irrigation system motors. 2.A rainwater harvesting and reuse system is implemented to collect rainwater from rooftops and ground surfaces. After filtration, the water is directed to an underground rainwater storage tank for irrigation of community landscaping. Carbon Reduction Measures for Project Communities: 1.Providing guidance on community resource recycling practices. 2.Community public area lighting is adjusted based on time periods or utilizes infrared motion sensors to prevent unnecessary power consumption.
	Resource Efficiency	Implementing More Efficient Production and Distribution Processes	1.Utilizing BIM technology and 3D visualization of drawings to improve construction accuracy and reduce waste of resources and materials. 2.Conducting comprehensive training before initiating each task, focusing on potential error points to enhance productivity. 3.Developing detailed construction method guidelines (white papers) for each aspect of the project to establish standardized procedures for better management and increased efficiency.

Item	Execution Status
<p>3) Financial impacts of extreme climate events and transformational actions.</p>	<p>(1) Regarding extreme weather conditions and our transition actions, explanation as of the details mentioned above in item 2.</p> <p>(2) As part of the Company's future diversification efforts, we aim to reduce the financial impact of climate risk factors and incorporate climate change risks into our operational decision-making process.</p> <p>(3) Our approach to building material procurement prioritizes environmental sustainability, carbon reduction, and energy efficiency goals.</p>
<p>4) Describe how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system.</p>	<p>The Company conducts greenhouse gas assessment to quantify and manage overall emissions, identifying significant climate-related risks and opportunities. The Board of Directors has established a Sustainability Development Task Team to oversee risk management responsibilities, coordinating the formulation of risk management policies and execution guidelines. This task team identifies potential risks affecting the Company's sustainable development and coordinates risk management efforts across departments.</p>
<p>5) If scenario analysis is used to assess resilience in the face of climate change risks, the use of scenarios, parameters, assumptions, analysis factors, and major financial impacts shall be described.</p>	<p>Currently, the Company has not implemented climate change scenario analysis.</p>

Item	Execution Status
6) If there is a transformation plan in response to the management of climate-related risks, describe the contents of the plan, and the indicators and goals used to identify and manage physical risks and transformation risks.	<p>In line with the 2050 global net-zero carbon roadmap, the Company strictly complies with environmental, energy, and resource-related policies and regulations. We actively monitor climate change policies and initiatives both domestically and internationally, using regulatory adherence as a major performance indicator. Based on a comprehensive assessment of significant climate-related risks and opportunities across departments, our operational strategies are shaped accordingly. We establish climate-related development objectives to guide implementation and conduct regular assessments of our progress, adjusting performance evaluations on an ongoing basis to continuously enhance our environmental performance.</p> <p>When contemplating and designing architectural projects, our company integrates the foundational brand concept of "Beautiful City, Happy Community" with sustainable objectives, positioning ourselves as advocates for advancing towards net-zero targets. Our new project, "Unveiling" is currently undergoing green building certification application.</p>
7) If the internal carbon pricing is used as a planning tool, the basis for setting the price shall be explained.	The Company has not yet utilized internal carbon pricing assessment tools.
8) If climate-related targets are set, explain the activities covered, greenhouse gas emission scopes, planning periods, and annual progress achieved.	Climate-related goals have not been set by the Company prior to the publication of the annual report.

Item	Execution Status											
<p>If carbon offsets or renewable energy certificates (RECs) are used to meet these targets, explain the source and amount of the carbon reduction or the number of RECs.</p>												
<p>9) Greenhouse gas inventories, assurance status, and reduction targets, strategies, and concrete action plans (please fill in 1-1 and 1-2 separately).</p>	<p>In accordance with the "Sustainable Development Roadmap for Listed and OTS Companies" issued by the Financial Supervisory Commission in March 2022, the Company, classified as having paid-in capital below NT\$5 billion, is subject to the following timeline for greenhouse gas inventory: The individual company (i.e., the parent company) should complete the greenhouse gas assessment by the year 2026 and undergo verification by the year 2028. Additionally, subsidiaries included in consolidated financial statements should complete the greenhouse gas inventory by the year 2027 and undergo verification by the year 2029. We will adhere to the relevant guidelines and regulations issued by the regulatory authority to continuously monitor and disclose the progress of greenhouse gas assessment and verification timelines. This information will be presented to the Board of Directors for review and will be monitored on a quarterly basis.</p> <p>The schedule for greenhouse gas inventory and verification planning is as follows:</p> <table border="1" data-bbox="456 816 1503 1026"> <thead> <tr> <th data-bbox="456 816 684 877">Task</th> <th data-bbox="684 816 984 877">Expected Completion Time for Parent Company</th> <th data-bbox="984 816 1503 877">Expected Completion Time for Subsidiaries in Consolidated Financial Statements</th> </tr> </thead> <tbody> <tr> <td data-bbox="456 877 684 937">Development of Inventory Planning</td> <td data-bbox="684 877 984 937">Completed by June 2025</td> <td data-bbox="984 877 1503 937">Completed by June 2026</td> </tr> <tr> <td data-bbox="456 937 684 1026">Development of Verification Planning</td> <td data-bbox="684 937 984 1026">Completed by June 2027</td> <td data-bbox="984 937 1503 1026">Completed by June 2028</td> </tr> </tbody> </table>			Task	Expected Completion Time for Parent Company	Expected Completion Time for Subsidiaries in Consolidated Financial Statements	Development of Inventory Planning	Completed by June 2025	Completed by June 2026	Development of Verification Planning	Completed by June 2027	Completed by June 2028
Task	Expected Completion Time for Parent Company	Expected Completion Time for Subsidiaries in Consolidated Financial Statements										
Development of Inventory Planning	Completed by June 2025	Completed by June 2026										
Development of Verification Planning	Completed by June 2027	Completed by June 2028										

1-1. The Company's greenhouse gas inspection and confirmation in the last two years:

1.1.1 greenhouse gas inspection information

Details of greenhouse gas emissions for the past two years (tons CO2e), intensity (tons CO2e per NT\$ million), and scope of data coverage.

Type	Description	2023	2022
Greenhouse gases	Category I (Tons CO2e)	20	18
	Category II (Tons CO2e)	749	792
	Total emissions (Tons CO2e)	769	810
	Emission intensity (Ton CO2e/thousand dollars)	50.518%	9.313%

Note 1: Direct emissions (Category I, from sources owned or controlled by the company), energy indirect emissions (Category II, from purchased electricity, heat, or steam), and other indirect emissions (Category III, from activities not classified as energy indirect but from sources owned or controlled by other companies)

Note 2: The data includes the company and its subsidiary Zongtai Construction Co., Ltd.

Note 3: Greenhouse gas emission intensity = emissions (Tons CO2e)/operating revenue (million dollars)

1.1.2 Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans: The Company has not yet undergone an Assurance service.

1-2. Greenhouse gas reduction goals, strategies and concrete action plans:

Details of Greenhouse Gas Reduction Baseline Year and Data, Reduction Objectives, Strategies, Specific Action Plans, and Reduction Objectives:
The Company sets greenhouse gas emission reduction objectives based on assessments of actual conditions and actions taken in response to climate change.
As of the year 2021, which serves as the baseline year, climate-related objectives had not yet been established before the publication of the annual report.

4.6 Taiwan Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission :

Assessment Item	Implementation Status			Causes for the Difference
	Yes	No	Summaries	
<p>1) Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>A. Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>B. Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p>	<p>✓</p> <p>✓</p>		<p>A. The Company has established “Corporate ethical management regulation” and “Insider trading prevention management”, stipulating policy and board of directors and management’s commitment of implementing management policy. The internal education and training of "insider trading" was held online at the end of the year, and 104 people participated in 2023.</p> <p>B. The Company aims on Article 7.2 of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” or takes prevention measure with establishing effective accounting system and implement internal control system on business activities that has higher unethical behavior risk in other business scope, the Company also stipulates “Corporate ethical operation rule”, “Ethical behavior principal” for regulation.</p>	No major difference.

Assessment Item	Implementation Status			Causes for the Difference
	Yes	No	Summaries	
C. Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	✓		C. The Company has established “Report legal and unethical behavior disposal method”. The recent revised was passed in 12 th meeting of 12 th Board of Directors (March 14, 2023).	
2) Ethic Management Practice A. Whether the company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts? B. Whether the company has set up a unit which is dedicated to promoting the company’s ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	✓ ✓		A. The Company makes transactions records and review system of clients and vendors and stipulates ethical behavior clause in contracts which review by the legal department. On-site Investigation on supplier was conducted 13 times in 2023. B. To fulfill ethical management’s duty of supervision, the Board of Director establishes different organization and channel, such as audit committee and remuneration committee. The Company assigns administration service center as ethic promote team, reported ethical management execution status to board of directors on March 14, 2024.	No major difference.

Assessment Item	Implementation Status			Causes for the Difference
	Yes	No	Summaries	
<p>C. Whether the company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p> <p>D. To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?</p> <p>E. Does the company provide internal and external ethical conduct training programs on a regular basis?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>C. When the issues have stake with oneself or corporate represented, the director of the Company could express opinion and response but could not join and should avoid discussion and vote.</p> <p>D. The Company responses to changes of environment and laws and timely amends accounting system and internal control system; all internal audit personnel could work independently. Attend the board of directors and audit Committee regularly and make audit business reports. Auditor will evaluate internal control system by sampling during auditing financial reports and make suggestions based on evaluation.</p> <p>E. The Company conducts internal educational training about ethical management online and total 90 people in 2023.</p>	
<p>3) Implementation of Complaint Procedures</p> <p>A. Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p>	<p>✓</p>		<p>A. The Company establish “Ethical Behavior Principal” to encourage reporting any illegal or unethical behavior. "Measures for the Report on Illegal, Immoral and Dishonest Acts” are formulated to detail describe the complaint procedure and acceptance units.</p>	<p>No major difference.</p>

Assessment Item	Implementation Status			Causes for the Difference
	Yes	No	Summaries	
B. Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	✓		B. The regulation of " Measures for the Report on Illegal, Immoral and Dishonest Acts" of the Company that accepts complaint procedure and related confidentiality mechanisms. And make punishment based on the severity of the circumstances. If the violations are confirmed, it shall be reported to management immediately, and make punishment based on the severity of the circumstances.	
C. Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓		C. The Company's "Measures for the Report on Illegal, Immoral and Dishonest Acts" acknowledges protecting whistleblowers from inappropriate disposal.	
4) Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (MOPS)?	✓		The Company's website established corporate finance, business-related information, and corporate governance information for the reference of shareholders and stakeholders.	No major difference.
5) If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies, please describe any discrepancy between the policies and their implementation : The Company has established Ethical Corporate Management Best Practice Principles, the internal operation can mostly meet the requirement of Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies. There is no major difference.				
6) Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy) : A. The Company's "Board of directors operation management work" stipulates director avoidance of conflict-of-interest system, for any proposal				

Assessment Item	Implementation Status			Causes for the Difference
	Yes	No	Summaries	
<p>in which a Director or the legal person he or she represents is an interested party, the Director shall explain the important aspects of his/her interest at the Board meeting. When his/her interest is likely to compromise the interest of the Company, the Director shall not participate in the discussion and voting on the proposal and the Director shall abstain him or herself from discussion and voting on the proposal.</p> <p>B. The Company establishes “Insider significant information handling and insider transaction management procedure” and stipulates that directors, managers and employees shall not leak any internal significant information to other people, shall not ask relevant people for internal significant information or collect unpublished internal significant information that is not relevant to position, and shall not leak unpublished internal significant information that is not from business to other people.</p> <p>C. The Company has established Ethical Corporate Management Best Practice Principles and amended on March 25, 2020.</p>				

4.7 If the Company establishes corporate governance and relevant regulation, shall disclose searching method :

- 1) The Company establishes “Corporate ethical management principal” as standard to follow. Except disclosing financial and business relevant information. The Company also establishes “Stakeholder Center- Corporate Governance” on the official website to fully disclose corporate governance status.
- 2) The Company establishes “Ethical behavior principal” and “Corporate ethical management principal” as standard to follow, we also set up “Stakeholder Center-Corporate Governance” area on official website for disclosing relevant principles.

The above principal could be search in MOPS website as follows : MOPS\Corporate Governance\ Corporate Governance Structure.

4.8 Other material information that could increase understanding on corporate governance could also be disclosed :

The Company also establishes “Internal significant measurement and insider transaction management procedure” as behavior standards for directors, managers, and employees, we also set up “Stakeholder Center-Corporate Governance” area on official website for disclosing relevant procedures.

4.9 Internal Control :

4.9.1 Internal Control Declaration

Fu Hua Innovation Co., Ltd. Internal Control Declaration

March 14, 2024

We made the following declaration based on self-assessment of the Company's internal control policies from 2023 :

- 1) The Company is aware that the Company's board of directors and managers shall be responsible for the establishment, execution, and maintenance of its internal control policies are the responsibilities. Such policies were implemented throughout the Company. The purposes of these policies are to provide reasonable assurance towards operational results and efficiency (including profitability, performance, and asset security etc.), reliable, timely and transparent financial reporting, and regulatory compliance and other goals.
- 2) Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental, and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- 3) The Company evaluates the effectiveness of its internal control policy design and execution based on the criteria specified in "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (hereinafter referred to as the Regulations"). The criteria of internal control policies adopted in the Regulations were consisted of five major elements designated for the stages of internal control : (1) Control environment; (2) Risk assessment; (3) Control procedures; (4) Information and communication; and (5) Supervision. Each element further contains several items. Please refer to the Regulations for details.
- 4) The Company adopted the above-mentioned criteria to validate the effectiveness of its internal control policy design and execution.
- 5) Based on results of the assessment above, the Company believes that the design and execution of its internal control policies taking effect on December 31, 2023 was effective with respect to the comprehension of business results and target accomplishments, the reliable, timely and transparent financial reporting, and regulatory compliance (including the supervision and management of its subsidiaries) and may provide reasonable assurance to comply with the above targets.
- 6) This statement forms an integral part of the Company's annual report and prospectus and shall be made public. If the information listed above is fraudulent or deceptive to the point that is against the law, the Company shall be held liable under Articles 20, 32, 171, and 174 of the Securities Exchange Act.
- 7) This Statement was passed by the Board of Directors in their meeting held on March 14, 2024, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Fu Hua Innovation Co., Ltd.
Chairman : Wei-Ju, Liu
President : Chin-Jung, Tsai

4.9.2 CPA appointed to review internal control system shall disclose review report : None.

4.10 The Company's employees are punished, or punishment to internal employee that violates internal control system could impact shareholders' equity or security price shall disclose the content, missing and improvement status of penalty from last year to publication date of annual report : None.

4.11 Material decision of shareholder meeting and board of director meeting from last year to publication of annual report :

4.11.1.Important Resolutions of the Shareholders' Meeting

Name and Date	Material decision
<p style="text-align: center;">2023 shareholders meeting June 19</p>	<p>1) Passed 2022 business report and financial statements.</p> <p>2) Passed proposal of 2022 earning appropriation. Execution : Fixing August 26, 2023 as record date. September 22, 2023 as cash dividend appropriation date and new stock list business date. (NT\$ 4.1 per share of cash dividend and NT\$ 4.1 per share of stock dividend)</p> <p>3) Passed amendments to the articles of “Incorporation of the Company”. Execution : Approved by the Ministry of Economic Affairs on July 14, 2023 and disclosing the rule on the official website.</p> <p>4) Passed “Earnings Transferred to Common Stock and Released New Stock”. Execution : 410 shares gratuitously allotted for every thousand share. Approved by the Ministry of Economic Affairs on September 11, 2023. The new stock list business date on September 22, 2023.</p> <p>5) Passed amendment to “Procedure of Acquisition or Disposal of Assets”. Execution : Dealing relevant works pursuant to after amendment and disclosing the rule on the official website.</p>

4.11.2.Board of directors' meeting's material decision :

Name and Date	Material decision
<p>12th meeting of 12th Board of Directors 2023/03/14</p>	<p>1) Passed 2022 remuneration for employees and directors reviewed by remuneration committee.</p> <p>2) Passed 2022 business report and financial report.</p> <p>3) Passed the amendment to the 2022 earnings distribution.</p> <p>4) Passed issue new shares through capital increase from earnings.</p>

Name and Date	Material decision
	<ul style="list-style-type: none"> 5) Passed issuance of “Internal control system statement”. 6) Passed discussion of accountant fee and evaluation of accountant independency and competency. 7) Passed donation of “Yong Fu education Fund”. 8) Passed amendment to regulations for Board of Directors meetings. 9) Passed amendment to regulations shares repurchase to transfer them to employees. 10) Passed the amendment of “Directions for the Continuing Education for Directors and Supervisors.” 11) Passed amendment of “Corporate governance practice rule”. 12) Passed amendment to “Articles of Incorporation”. 13) Passed amendment of “Authority permission table”. 14) Passed the proposed capital increase of the subsidiary Zongtai Construction Co., LTD 15) Passed amendment to “Procedure of Acquisition or Disposal of Assets”. 16) Passed the amendment of “Measures for the Report on Illegal, Immoral and Dishonest Acts.” 17) Passed establishment of 2023 shareholders meeting.
<p>4th extraordinary meeting of 12th Board of Directors 2023/04/20</p>	<ul style="list-style-type: none"> 1) Passed new appointment of the chairman. 2) Passed change of manager of Taichung branch
<p>13th meeting of 12th Board of Directors 2023/05/09</p>	<ul style="list-style-type: none"> 1) Passed the 2023 Q1 Financial Statements prepared by the Company itself. 2) Passed Making of endorsements/Guarantees of subsidiary Zongtai Construction 3) Passed the housing lease agreement between the Company and Dashun Advertising Co., Ltd. 4) Passed new appointment of general manager of the Company. 5) Passed new appointment of vice general manager of the Company. 6) Passed removal of the non-compete clause for managers. 7) Passed changed to the spokesperson of the Company. 8) Passed the appointment of the representative of the corporate shareholder, Dashun Advertising Co., Ltd. 9) Passed adjustment salary of chairman. 10) Passed amendment of “Authority permission table”

Name and Date	Material decision
14 th meeting of 12 th Board of Directors 2023/06/19	<ol style="list-style-type: none"> 1) Passed the discussion the earnings distribution on the ex-dividend date of cash and stock dividends of 2022. 2) Passed examination of 2022 personal remuneration for director appropriation 3) Passed financing through bank credit. 4) Passed the financial officer and acting spokesperson change.
5 th extraordinary meeting of 12 th Board of Directors 2023/07/26	<ol style="list-style-type: none"> 1) Passed the discussion the earnings distribution on the ex-dividend date of cash and stock dividends of 2022 and capital increase date. 2) Passed the proposal of renaming and exchange shares of the Company. 3) Passed the change of the name and Articles of Incorporation of the subsidiary. 4) Passed the appointment of the representative of the corporate shareholder of the subsidiary, Zongtai Real Estate Development Co., Ltd. 5) Passed the capital increase of the subsidiary, Zongtai Construction Co., Ltd.
15 th meeting of 12 th Board of Directors 2023/08/08	<ol style="list-style-type: none"> 1) Passed the 2023 Q2 Financial Statements prepared by the Company itself. 2) Passed the transfer proposal of the accounting supervisor agent. 3) Passed the transfer proposal of the internal acting audit. 4) Passed the appointment of the representative of the corporate shareholder of the subsidiary, Zongtai Construction Co., Ltd. 5) Passed the ESG report of 2022.
16 th meeting of 12 th Board of Directors 2023/11/09	<ol style="list-style-type: none"> 1) Passed the 2023 Q3 Financial Statements prepared by the Company itself. 2) Passed 2024 audit plan. 3) Passed authorizing Chairman purchases real estate under NT\$ 3 billion for development. 4) Passed the application for the employee stock option for 2023. 5) Passed the architectural engineering contracting agreements of signing “Unveiling” with Zongtai Construction Co., Ltd. 6) Passed the architectural engineering contracting agreements of signing “the headquarter of Xin-gang-wei Section” with Zongtai Construction Co., Ltd. 7) Passed financing through bank credit. 8) Passed 2023 budge examination.

Name and Date	Material decision
<p>17th meeting of 12th Board of Directors 2024/03/14</p>	<ol style="list-style-type: none"> 1) Passed 2023 remuneration for employees and directors reviewed by remuneration committee. 2) Passed 2023 business report and financial report. 3) Passed the amendment to the 2023 earnings distribution. 4) Passed issue new shares through capital increase from earnings. 5) Passed issuance of “Internal control system statement”. 6) Passed discussion of accountant fee and evaluation of accountant independency and competency. 7) Passed donation of “Yong Fu education Fund”. 8) Passed amendment to “Articles of Incorporation”. 9) Passed amendment to regulations for Shareholders meeting. 10) Passed amendment to regulations for Board of Directors meetings. 11) Passed amendment to the audit committee charter. 12) Passed amendment to the directions for the implementation of continuing education for directors and supervisors. 13) Passed the establishment of the "Rules Governing the Preparation and Filing of ESG Reports". 14) Passed the amendment to the rules governing financial and business matters between related corporation and its affiliated enterprises. 15) Passed in addition to Human Rights Policy. 16) Passed the amendment to the “Compensation Plan for Directors, Functional Committee Members and Managerial Officers”. 17) Passed amendment of ratification of releasing and purchasing of employee stock option in 2023. 18) Passed amendment of issuance of employee stock option in 2023 19) Passed the Taichung branch company relocation of Fu Hua Innovation Co., Ltd. 20) Passed the transference of financial officer of the Company. 21) Passed the transference of acting spokesman of the Company. 22) Passed the comprehensive election of directors. 23) Passed establishment of 2024 shareholders meeting.
<p>18th meeting of 12th Board of Directors 2024/04/30</p>	<ol style="list-style-type: none"> 1) Passed the list of candidates for directors (including independent directors). 2) Passed removal of the non-compete clause for new directors. 3) Passed the case of changing subsidiary’s name and article of incorporation.

Name and Date	Material decision
19 th meeting of 12 th Board of Directors 2024/05/09	1) Passed the 2024 Q1 Financial Statements prepared by the Company itself. 2) Passed the transfer proposal of the internal acting audit. 3) Passed changed to the general manager of the Company.

4.12 Documented opinions or declarations made by directors against the board's resolutions for the most recent year up to the publication date of the annual report : None.

4.13 Resignation or dismissal of personnel (including the chairman, general manager, accounting managers, financial managers, chief internal auditor, chief corporate governance officer and R&D Manager) for the most recent year up to the publication date of the annual report :

Title	Name	Date of arrival	Date of dismissal	Reason for resigning or dismissal
Vice-Chairman	Shun-Wen, Wu	2020/12/03	2023/03/14	Resign : Career planning
Chairman	Yu-Ling, Weng	2017/10/03	2023/04/20	Resign : Career planning
Financial Manager	Hui-Wen, Ko	2015/07/28	2023/06/30	Dismiss : Corporate governance supervisor
Financial Manager	Chih-Hsin, Lai	2023/07/01	2024/03/14	Dismiss : Position adjustment
General Manager	Chin-Jung, Tsai	2023/06/01	2024/05/09	Dismiss : Position adjustment

5 CPA Fees

5.1 The amount of audit and non-audit fees paid to the certified public accountants, their respective firms and their affiliates, and the content of non-audit services :

CPA Fees

Unit : NT thousand dollars

Accounting Firm	Name of CPA	CPA's Audit Period	Audit Fee	Non-audit Fee (Note)	Total	Remark
Deloitte & Touche	Shu-Chin, Chiang	2023/01/01~ 2023/12/31	1,550	623	2,173	
	Dong-Yun, Zeng	2023/01/01~ 2023/12/31				

Note : Non-audit fee : Transfer price report NT\$ 170 thousand, certification of income tax NT\$170 thousand, business registration of NT\$35 thousand, state-funded stock dividends of common stock NT\$60 thousand, declared employee stock option NT\$90 thousand, training fee NT\$30 thousand, and other NT\$68 thousand.

- 5.2 change Accounting Firms and audit fee paid at the year is less than previous year : None.
- 5.3 Any reduction in audit fees by more than 10% compared to the previous year. State the amount, the percentage and reason of such variation : None.

6 Change of certified public accountant

The Company changed account in the past two years shall disclose following items :

6.1 Former CPA

Date of Change	Q1, 2024		
Reasons and Explanation of Changes	In compliance with regulatory requirements on rotation, the co-signing partner Shu-Chin, Chiang will be replaced by Li-Dong, Wu starting from 2024 Q1. The engagement partner will remain to be Dong-Yun, Zeng.		
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client	CPA	Consignor
	Status		
	Appointment terminated automatically	-	-
	Appointment rejected (discontinued)	-	-
The Opinions Other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions	None		
Is There Any Disagreement in Opinion with the Issuer	Yes	-	Accounting principle or practice
		-	Disclosure of financial statements
		-	Auditing scope or procedures
		-	Others
	No	✓	
	Explanation : None		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

6.2 Successor CPAs

Accounting Firm	Deloitte & Touche
Account	Li-Dong, Wu and Dong-Yun, Zeng
Date of Engagement	Q1, 2024
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	None
Written Opinions from the Successor AUDITORS that are Different from the Former CPA's Opinions	None

6.3 The reply of former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards : None.

7 The Company's Chairman, General manager , or managers in charge of finance or accounting affairs being employed by the accounting firm of its certified public accountant or affiliated enterprise of such accounting firm within the last year : None.

8 Transfer or pledge of shares owned by directors, managers, and all parties holding over 10% for the most recent year up to the publication date of the annual report.

8.1 Directors, Managers and Major Shareholders' holding changes

Title	Name	2023		Year-to-date as at April 14	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director and Major Shareholder	Tso Jung Investment Co., Ltd	7,050,280	0	0	0
Representative of corporate directors and Chairman	Tso Jung Investment Co., Ltd. Representative : Yu-Ling, Weng (Note 1)	-	-	-	-
Representative of corporate directors and Chairman	Tso Jung Investment Co., Ltd. Representative : Wei-Ju, Liu (Note 2)	5,330	0	63,000	0
Director	Shun-Wen, Wu (Note 3)	549,799	0	784,000	0
Director	Tso-Jung, Wu	847,348	0	641,000	0
Director	Zong Tai Construction Development Co., Ltd.	1,371,860	0	0	0
Representative of Corporate Directors	Zong Tai Construction Development Co., Ltd. Representative : Chia-Chi, Kuo	41,222	0	0	0
Representative of Corporate Director	Zong Tai Construction Development Co., Ltd. Representative : Cheng-Yong, Lin	43,512	0	0	0
Independent director	Ming-Hai, Lee	0	0	0	0
Independent director	Yong-Jen, Tsao	0	0	0	0
Independent director	Yao-Jia, Wen	0	0	0	0
General Manager	Chin-Jung, Tsai (Note 4)	0	0	0	0
Vice General Manager	Jui-Hsiang, Lin (Note 5)	-	-	-	-
Vice General Manager	Feng-Chiu, Lin (Note 6)	0	0	0	0
Vice General Manager	Han-Hsin, Lin (Note 6)	0	0	0	0

Title	Name	2023		Year-to-date as at April 14	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Corporate Governance Officer	Hui-Wen, Ko	(192,256)	0	0	0
Senior Manager	Cing-Cyuan, Chen	17,084	0	0	0
Financial Manager	Chih-Hsin, Lai (Note 7)	4,100	0	-	-
Financial Manager and Accounting Manager	Yi-Jing, Fu (Note 8)	(39,000)	0	0	0

Note 1 : Resigned chairman on April 20, 2023.

Note 2 : Took office on April 20, 2023.

Note 3 : Resigned vice-chairman and acting general manager on March 14, 2023.

Note 4 : Took office on June 1, 2023. Resign on May 9, 2024 due to position adjustment.

Note 5 : Resign on May 9, 2023 due to position adjustment.

Note 6 : Took office on May 9, 2023.

Note 7 : Took office on July 1, 2023 and resigned on March 14, 2024 due to position adjustment.

Note 8 : Took office of financial manager on March 15, 2024.

8.2 Director, Manager and shareholders hold over 10% of total shares' transfer counterparty as related party information : None.

8.3 Director, Manager and shareholders hold over 10% of total shares' pledge counterparty as related party information : None.

9 Spouse, relatives of second degree or closer, and relationships among top 10 shareholders.

Relationships among the top ten shareholders, including spouses and second degrees relatives or closer
April 14, 2024

Name (Note 1)	Current Shareholding		Shares held by spouse and underage children		Shares held in the names of others		Spouse, relatives of second degree or closer, and relationships among top 10 shareholders (Note 2)		Remarks
	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Name	Relation	
Tso Jung Investment Co., Ltd Representative: His Kun, Wu	35,395,403 11,172,785	10.34% 3.26%	0 4,944,126	0.00% 1.44%	0 0	0.00% 0.00%	Su-Ru, Liu Tso-Jung, Wu Shun-Wen, Wu	Supervisor Director Director	Director
His Kun, Wu	11,172,785	3.26%	4,944,126	1.38%	0	0.00%	Su-Ru, Liu Tso-Jung, Wu Shun-Wen, Wu	Spouse Son Daughter	
Dian Chiang Chia Investment CO.,LTD Representative: Jing-Song, Chen	10,269,298 484,000	3.00% 0.14%	Note 3	Note 3	Note 3	Note 3	Note 3	Note 3	
Yi Fang, Zheng	8,475,410	2.48%	Note 3	Note 3	Note 3	Note 3	Note 3	Note 3	
Zih-Yun, Zhao	8,350,300	2.44%	Note 3	Note 3	Note 3	Note 3	Note 3	Note 3	
Su-Ru, Liu	4,944,126	1.44%	11,172,785	3.26%	0	0.00%	His Kun, Wu Tso-Jung, Wu Shun-Wen, Wu	Spouse Son Daughter	
Zongtai Construction Development Co., Ltd. Representative: Wen-Yan, Wu	4,717,860 537,000	1.38% 0.16%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	His Kun, Wu	Relatives of second degree	Director
Likun Investment Co., Ltd. Representative: Shu-Hua, Chang	3,853,000 0	1.13% 0.00%	Note 3	Note 3	Note 3	Note 3	Note 3	Note 3	
Tso-Jung, Wu	3,555,052	1.04%	0	0.00%	0	0.00%	His Kun, Wu Su-Ru, Liu Shun-Wen, Wu	Parents Parents Sister	Director
Shun-Wen, Wu	3,517,334	1.03%	0	0.00%	662,169	0.19%	His-Kun, Wu Su-Ru, Liu Tso-Jung, Wu	Parents Parents Brother	Director

Note 1 : All the top ten shareholders should be listed. Those who are legal person shareholders should list the name of the legal person shareholder and the name of the representative separately.

Note 2 : The shareholders listed in the previous disclosure, including legal persons and natural persons, shall disclose their relationship with each other in accordance with the issuer's financial reporting standards.

Note 3 : The shareholder is not an insider declared by the Company, and thus the relevant information of his spouse, minor child(ren) or nominee shareholder(s) is not available.

10 Shares jointly held by the Company, subsidiaries, the Company's directors, managers, and directly/indirectly controlled entities on any single investee. Calculate shareholding percentage in aggregate of the above parties

In thousand shares ; %

Invested businesses (Note 1)	Held by the Company		Held by Directors, Supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Shares held	Shareholding percentage	Shares held	Shareholding percentage	Shares held	Shareholding percentage
Zongtai Construction Co., Ltd.(Note 2)	100,000,000	100.00%	-	-	100,000,000	100.00%
Ritai Asset Management Co., Ltd. (Note 2)	30,000,000	100.00%	-	-	30,000,000	100.00%
Zongtai Real Estate Co., Ltd. (Note 3)	800,000	100.00%	-	-	800,000	100.00%
Dashun Advertising Co., Ltd.	2,000,000	100.00%	-	-	2,000,000	100.00%
Shuo Yi Tai Green Energy Co., Ltd (Note 4)	1,830,000	26.91%	-	-	1,830,000	26.91%

Note 1 : Investments using equity methods.

Note 2 : Capital increase of 79,900,000 shares in June and October, 2023.

Note 3 : Pika Electronic Co., Ltd. renamed in August, 2023.

Note 4 : Shuo Yi Tai applied for cash capital increased on August and December 2023 and the Company did not subscribe by shareholding ratio. The shareholding ratio is changed from 30% to 26.91%.

IV. Capital Overview

1 Capital and shares

1.1 Capital source

1.1.1 Proceeds of capital share issued

In thousand NT\$; In thousand shares

Month, Year	Price issued	Authorized shares		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
11/1997	10.00	2,000	20,000	1,050	10,500	Proceeds from New Issues	None	
06/1998	10.00	2,000	20,000	1,890	18,900	Proceeds from New Issues	None	06/06/1998 Zhu Jian Shan Yi Tzu No. 175591
11/1998	10.00	8,000	80,000	3,500	35,000	Proceeds from New Issues	None	12/18/1998 Zhu Shang Tzu No. 087141472
12/1999	10.00	8,000	80,000	5,000	50,000	Proceeds from New Issues	None	06/14/1999 Jian Shan Zen Tzu No. 185190
04/2000	10.00	16,000	160,000	10,000	100,000	Proceeds from New Issues	None	05/26/2000 Zhu Shang Tzu No.089116984
06/2000	10.00	16,000	160,000	15,000	150,000	Proceeds from New Issues	None	06/23/2000 Zhu Shang Tzu No.089120398
07/2001	10.00	49,000	490,000	24,458	244,580	Proceeds from Earnings	None	07/02/2001 Tai Chai Cheng Tzu No.142144
05/2002	10.00	59,000	590,000	30,789	307,887	Proceeds from Earnings	None	04/29/2002 Tai Chai Cheng Tzu No.119612
08/2003	10.00	59,000	590,000	32,606	326,062	Proceeds from Earnings	None	07/04/2003 Tai Chai Cheng Tzu No.0920129813
10/2004	10.12	59,000	590,000	32,663	326,632	Option conversion	None	11/11/2004 Zhu Shou Chung Tzu No.09332987850
12/2006	10.00	59,000	590,000	16,863	168,632	Capital Reduction	None	01/23/2007 Zhu Shou Chung Tzu No.09631605430
12/2006	8.00	59,000	590,000	16,988	169,882	Private placement	None	01/23/2007 Zhu Shou Chung Tzu No.09631605430
03/2007	7.84	59,000	590,000	33,988	339,882	Private placement	None	04/10/2007 Zhu Shou Chung Tzu No.09631924880
10/2007	10.95	70,000	700,000	43,375	433,751	Corporate Bond and Option conversion	None	10/05/2007 Zhu Shou Chung Tzu No.09632861310
10/2007	11.80	70,000	700,000	43,376	433,761	Option conversion	None	10/30/2007 Zhu Shou Chung Tzu No.09632977140
12/2008	10.00	120,000	1,200,000	32,532	325,321	Capital Reduction	None	12/31/2008 Zhu Shou Chung Tzu No.09701327530
12/2008	7.00	120,000	1,200,000	62,532	625,321	Private placement	None	12/31/2008 Zhu Shou Chung Tzu No.09701327530
09/2009	7.70	120,000	1,200,000	62,557	625,571	Option conversion	None	09/15/2009 Zhu Shou Chung Tzu No.09801211800
11/2009	7.70	120,000	1,200,000	62,656	626,561	Option conversion	None	11/10/2009 Zhu Shou Chung Tzu No.09801259910
02/2010	9.15	120,000	1,200,000	63,123	631,226	Option conversion	None	02/22/2010 Zhu Shou Chung Tzu No.09901033410
05/2010	10.35	120,000	1,200,000	64,434	644,345	Option conversion	None	05/05/2010 Zhu Shou Chung Tzu No.09901090890

Month, Year	Price issued	Authorized shares		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
07/2010	20.00	120,000	1,200,000	89,434	894,345	Proceeds from New Issues	None	07/06/2010 Zhu Shou Chung Tzu No.09901144220
08/2010	7.70	120,000	1,200,000	89,474	894,741	Option conversion	None	08/16/2010 Zhu Shou Chung Tzu No.09901184910
12/2010	10.19	120,000	1,200,000	89,563	895,631	Option conversion	None	12/02/2010 Zhu Shou Chung Tzu No.09901267160
03/2011	10.69	120,000	1,200,000	89,705	897,050	Option conversion	None	03/11/2011 Zhu Shou Chung Tzu No.10001046540
05/2011	10.91	120,000	1,200,000	90,194	901,940	Option conversion	None	05/27/2011 Zhu Shou Chung Tzu No.10001109130
11/2011	20.00	120,000	1,200,000	110,194	1,101,940	Proceeds from New Issues	None	11/24/2011 Zhu Shou Chung Tzu No.10001265860
03/2012	10.83	120,000	1,200,000	110,327	1,103,268	Option conversion	None	03/30/2012 Zhu Shou Chung Tzu No.10101056470
09/2012	10.00	200,000	2,000,000	133,537	1,335,372	Share dividends and bonus	None	09/11/2012 Zhu Shou Chung Tzu No.10101189080
08/2013	10.00	200,000	2,000,000	140,824	1,408,240	Share dividends and bonus	None	08/08/2013 Zhu Shou Chung Tzu No.10201160320
11/2013	26.10	200,000	2,000,000	144,912	1,449,120	Corporate Bond conversion	None	11/28/2013 Zhu Shou Chung Tzu No.10201242480
03/2014	26.10	200,000	2,000,000	149,763	1,497,625	Corporate Bond conversion	None	03/25/2014 Zhu Shou Chung Tzu No.10301046480
06/2014	26.10	200,000	2,000,000	149,946	1,499,464	Corporate Bond conversion	None	06/03/2014 Zhu Shou Chung Tzu No.10301098140
08/2014	21.00	200,000	2,000,000	172,946	1,729,464	Proceeds from New Issues	None	08/15/2014 Zhu Shou Chung Tzu No.10301160320
09/2015	10.00	200,000	2,000,000	199,347	1,993,471	Share dividends and bonus	None	09/16/2015 Zhu Shou Chung Tzu No.10401193280
01/2016	10.50	500,000	5,000,000	229,347	2,293,471	Proceeds from New Issues	None	01/06/2016 Zhu Shou Chung Tzu No.10501001910
07/2016	18.90	500,000	5,000,000	230,485	2,304,847	Corporate Bond conversion	None	07/18/2016 Zhu Shou Chung Tzu No.10501157460
04/2018	8.70	500,000	5,000,000	231,689	2,316,895	Option conversion	None	04/02/2018 Zhu Shou Chung Tzu No.10701035910
11/2018	10.00	500,000	5,000,000	208,521	2,085,205	Capital Reduction	None	11/23/2018 Zhu Shou Chung Tzu No.10701149140
04/2019	8.30	500,000	5,000,000	209,215	2,092,153	Option conversion	None	04/19/2019 Zhu Shou Chung Tzu No.10801044230
11/2019	7.70	500,000	5,000,000	209,288	2,092,877	Option conversion	None	11/27/2019 Zhu Shou Chung Tzu No.10801166170
04/2021	13.55	500,000	5,000,000	210,791	2,107,907	Option conversion	None	04/28/2021 Zhu Shou Chung Tzu No.11001062270
04/2022	12.20	500,000	5,000,000	211,717	2,117,167	Option conversion	None	04/08/2022 Zhu Shou Chung Tzu No.11101052600
08/2022	23.50	500,000	5,000,000	242,717	2,427,167	Proceeds from New Issues	None	23/08/2022 Zhu Shou Chung Tzu No.11101154590
11/2022	11.30	500,000	5,000,000	242,749	2,427,487	Option conversion	None	17/11/2022 Zhu Shou Chung Tzu No.11101220710
09/2023	10.00	1,000,000	10,000,000	342,276	3,422,757	Share dividends and bonus	None	11/09/2023 Zhu Shou Chung Tzu No.11230171010

1.1.2 Types of share

Types of share	Authorized shares			Remark
	Outstanding shares (listed)	Unissued shares	Total	
Ordinary share	342,275,678	657,724,322	1,000,000,000	6,000,000 shares are retained for employee stock option certificate

1.1.3 Self-Registration : None.

1.2 Composition of Shareholders

April 14, 2024

Shareholder structure Numbers	Government institution	Financial institution	Other corporation	Individuals	Foreign institution and Natural Persons	Total
Number of Shareholders	0	3	221	48,602	93	48,919
Shareholding	0	787,297	60,931,995	266,673,961	13,882,425	342,275,678
Holding percentage	0.00%	0.23%	17.80%	77.91%	4.06%	100%

1.3 Distribution of shares

1.3.1 Ordinary shares

April 14, 2024

Shareholder Ownership	Number of shareholders	Total shares held	Holding percentage
1 ~ 999	19,552	2,032,768	0.59%
1,000 ~ 5,000	20,943	47,123,859	13.77%
5,001 ~ 10,000	4,368	31,773,338	9.28%
10,001 ~ 15,000	1,532	19,577,186	5.72%
15,001 ~ 20,000	703	12,373,493	3.61%
20,001 ~ 30,000	698	17,348,686	5.07%
30,001 ~ 40,000	313	10,905,572	3.19%
40,001 ~ 50,000	179	8,062,348	2.36%
50,001 ~ 100,000	346	24,362,210	7.12%
100,001 ~ 200,000	159	22,939,267	6.70%
200,001 ~ 400,000	71	18,726,278	5.47%
400,001 ~ 600,000	25	12,585,290	3.68%
600,001 ~ 800,000	9	6,307,226	1.84%
800,001 ~ 1,000,000	3	2,615,540	0.76%
1,000,001 or over	18	105,542,617	30.84%
Total	48,919	342,275,678	100.00%

1.3.2 Preferred shares : Not applicable

1.4 List of major shareholders

April 14, 2024

Shareholders	Share	Total shares held	Holding percentage
Tso Jung Investment Co., Ltd		35,395,403	10.34%
His Kun, Wu		11,172,785	3.26%
Dian Chiang Chia Investment CO.,LTD		10,269,298	3.00%
Yi-Fang, Jeng		8,475,410	2.48%
Zih-Yun, Zhao		8,350,300	2.44%
Su-Ru, Liou		4,944,126	1.44%
Zong Tai Construction Development Co., Ltd		4,717,860	1.38%
Likun Investment Co., Ltd.		3,853,000	1.13%
Tso-Jung, Wu		3,555,052	1.04%
Shun-Wen, Wu		3,517,334	1.03%
Total		94,250,568	27.54%

1.5 Market price per share, net value, earnings, dividends, and relevant information in last two years

Information about market price per share, net value, earnings and dividends

In NT; In share

Item		Year	2022	2023	January 1, 2024 to May 9, 2024 (Note 7)
Market price per share	Highest		40.85	58.50	36.35
	Lowest		25.55	25.75	26.85
	Average (Note 1)		32.87	42.65	30.92
Net value per share (Note 2)	Before distribution		31.24	20.15	19.60
	After distribution		23.04	Note 8	-
Earning per share	Weight average shares		225,198,798	342,275,678	342,275,678
	Retroactive adjustment shares		-	-	-
	Earning per share	Before adjustment	9.81	0.90	(0.14)
		After adjustment	6.96	Note 8	-
Dividend per share	Cash dividends		4.10	0.41	-
	Issuance of bonus shares	Stock Dividend from Retained Earnings	4.10	Note 8	
		Stock Dividend from capital surplus	-		
	Cumulative unpaid dividend (Note 3)		-	140,333,028	
Return on investment analysis	Price/ earning ratio (Note 4)		3.35	47.39	0
	Price/dividend ratio (Note 5)		8.02	104.02	-
	Cash dividend yield (Note 6)		12.47	0.96%	-

Note 1 : Average market price is calculated on the transaction value and volume of each year.

Note 2 : Based on number of shares issued and fills on appropriation approved by shareholder's

meeting.

Note 3 : If the equity securities issuance conditions stipulate that the dividends not paid in the current year can be accumulated until the surplus is paid in the year, they should separately disclose the accumulated outstanding dividends as of the current year.

Note 4 : Price/earning ratio = Average market price / Earnings per share.

Note 5 : Price/dividend ratio = Average market price purchase / Cash dividend per share.

Note 6 : Cash dividend yield = Cash dividend per share / Average market price per share.

Note 7 : Net value per share, earning per share filled with information audited by auditor as for publication date of the latest season; other column filled for publication date of the latest season.

1.6 The Company's dividend policy and execution

1.6.1 The Company's dividend policy recorded in article of association :

Article 18. If there is profit at the end of each fiscal year, a ratio of 0.1% - 5% of the profit of current year distributable as employees' compensation and a ratio less than 2% of the profit of current year distributable as directors' compensation shall be appropriated. However, the Company's accumulated losses shall have been covered first if any.

The employees' compensation shall be in the form of shares or cash, and the distribution targets include employees who meet certain conditions of affiliated companies. The directors' remuneration mentioned in the preceding article shall be only in cash.

The proposals for distribution of employees' compensation and directors' remuneration shall be resolved by the Board of Directors and reported to the shareholders meetings.

Article 18.1 The Company should not appropriate stock and cash dividend when the Company has no earnings.

If the Company makes surplus in the annual final accounts, the "distributable profit" shall be calculated in the following order and the portion shall be reserved according to the business conditions and capital requirement. The proposal for profit distribution shall be prepared by the Board of Directors and submitted to shareholders' meetings for distribution :

- (1) Withholding Tax
- (2) Cover Accumulated Deficit
- (3) Appropriation of Legal Reserve
- (4) Legal Appropriation or Reversal Special Reserve
- (5) Opening Undistributed Earnings and the "Adjustment Amount of the Undistributed Earnings of the Year"

Where all or part of the dividend and bonus distribution is paid in cash, such distribution may be adopted by a majority of directors in a Board of Directors' meeting attended by 2/3 or more of all directors before reporting to the shareholders' meeting; the resolution adopted by shareholders' meeting as prescribed in the

preceding paragraph shall not apply. The dividend policy of the Company is based on the company operation situation, capital requirement, and change in internal and external overall circumstances that the dividend is distributed fully or partially with the consideration of the interest of the shareholders. Distribution of earnings may be made in cash dividend or share dividend. Limits of dividend distribution shall remain the proportion between 20% and 100% of the distributable earnings of the current year; however, the distribution of cash dividend shall be in principle not lower than 50% of the total dividend.

1.6.2 Proposition of the shareholder's meeting appropriation of dividend :

On March 14, 2024 the Board of Directors determined to appropriate cash dividend NT\$ 140,333,028 (NT\$ 0.41/per share) and stock dividend NT\$ 136,910,270 (40 shares/per thousand shares), the appropriation is subject to the resolution in the shareholders' meeting to be held on June 12, 2024.

1.7 When dividend policy should be stated when it is expected to have significant changes :

The Company's board of directors passed the resolution on March 14, 2024 to amend the dividend policy in Article 18-1 of the company's articles of association. It must be submitted to the shareholders' meeting for approval on June 12, 2024. The revised provision is expected to be as follows :

Article 18.1 The Company should not appropriate stock and cash dividend when the Company has no earning.

If the Company makes surplus in the annual final accounts, the "distributable profit" shall be calculated in the following order and the portion shall be reserved according to the business conditions and capital requirement. The proposal for profit distribution shall be prepared by the Board of Directors and submitted to shareholders' meeting for distribution :

- (1) Withholding Tax
- (2) Cover Accumulated Deficit
- (3) Appropriation of Legal Reserve
- (4) Legal Appropriation or Reversal Special Reserve
- (5) Opening Undistributed Earnings and the "Adjustment

Amount of the Undistributed Earnings of the Year”

Where all or part of the dividend and bonus distribution is paid in cash, such distribution may be adopted by majority of directors in a Board of Directors’ meeting attended by 2/3 or more of all directors before reporting to the shareholders’ meeting. The resolution adopted by shareholders’ meeting as prescribed in the preceding paragraph shall not apply. The dividend policy of the Company is based on the company operation situation, capital requirement, and change in internal and external overall circumstances that the dividend is distributed fully or partially with the consideration of the interest of the shareholders. Distribution of earnings may be made in cash dividend or share dividend. Limits of dividend distribution shall remain the proportion between 20% and 100% of the distributable earnings of the current year. However, the distribution of cash dividend shall be in principle not lower than 10% of the total dividend.

- 1.8 Impact on the Company’s operating performance and earnings per share arising from the issuance of bonus shares proposed by shareholder’s meeting :

Item	Year	2024(estimate)
Beginning paid-in capital		3,422,756,780
Distribution of shares and dividends in the current fiscal year (Note 1)	Cash dividend per share	0.41
	Number of shares allotted for capital transferred from earnings	0.40
	Capital reserve to capital increase	-
Changes in operating performance	Operating Income	(Note 2)
	Operating profit increase (decrease) ratio over the same period last year	
	Net income after tax	
	Ratio of increase (decrease) in Net income after tax compared with the same period in previous year	
	Earnings (loss) per share (NT\$)	
	Earnings per share increase (decrease) ratio over the same period last year	
Annual average return on investment (annual		

Item	Year		2024(estimate)
	average P/E ratio)		
Pro-forma earnings per share and P/E ratio	If capital transferred from capital reserve is replaced by cash dividends distribution	Proposed Earnings Per Share	(Note 2)
		Pro-forma Average Annual Return on Investment	
	If capital transferred from capital reserve is not conducted	Proposed Earnings Per Share	
		Pro-forma Average Annual Return on Investment	
	If capital reserve has not been prepared and capital transferred from earnings is changed into distribution of cash dividends	Proposed Earnings Per Share	
		Pro-forma Average Annual Return on Investment	

Note 1 : The estimates for 2024 stock and cash dividends are prepared based on the proposal for earnings distribution resolved by the Board of Directors on March 14, 2024.

Note 2 : The Company did not publish the 2024 financial forecasts. In accordance with per 1 February 2000 Order No. Taiwan-Finance-Securities-I-00371, no estimate information for the year 2024 shall be disclosed.

1.9 Employees and directors' remuneration :

1.9.1 Percentage or range of employees and directors' remuneration recorded in article of association :

If there is profit at the end of each fiscal year, a ratio of 0.1% - 5% of the profit of current year distributable as employees' compensation and a ratio less than 2% of the profit of current year distributable as directors' compensation shall be appropriated. However, the Company's accumulated losses shall have been covered first if any.

The employees' compensation shall be in the form of shares or cash, and the distribution targets include employees who meet certain conditions of affiliated companies. The directors' remuneration mentioned in the preceding article shall be only in cash.

The proposals for distribution of employees' compensation and directors' remuneration shall be resolved by the Board of Directors and reported to the shareholders meetings.

1.9.2 The accounting treatment of estimation basis on remuneration for employees and directors and calculation basis on remuneration for employees appropriated with shares, and if actual appropriated amount is different from estimation :

The remuneration for employees and directors is based on net profit before tax less benefit before appropriating remuneration for employees and directors, after considering factors such as legal reserve, the remuneration will be estimated on the percentage recorded in article of association (remuneration for employees at 0.3%, remuneration for directors at 1.5%) and recognized as operating expense in 2023.

Calculation basis on remuneration for employees appropriated in shares is according to the closing price on the day before Board of Director's determination day.

If the actual appropriation amount determined by board of director's meeting is different from estimation, the Company recognizes the difference as profit or loss at the year of board of director's meeting.

1.9.3 Remuneration appropriation approved by Board of Directors :

1) Amount of remuneration for employees and directors appropriated in cash or shares :

On March 14, 2024 the Company's Board of Directors approved appropriation of remuneration for employees with NT\$ 1,075,048 and remuneration for directors with NT\$ 5,375,241, both appropriations are in cash; amount of proposing appropriation is the same as estimation amount in year of expense recognition.

2) Percentage of remuneration for employees appropriated in shares accounts profit after tax plus total remuneration for employees :

The Board of Directors approved employees' remuneration which will be distributed in cash.

1.9.4 Actual appropriation of remuneration for employees, directors and supervisors last year :

The Company appropriates remuneration for employees with NT\$ 8,184,810 and remuneration for directors with NT\$ 16,369,620 in 2023, same as in 2022.

1.10 Buying back the Company's share : As for the ended of the financial report publication date, the Company does not buyback its shares.

2 Status of Corporate Bonds :

Type of Corporate Bonds	First Secured Ordinary Corporate Bonds in 2020 (Code : B87501)	
Issue Date	September 29, 2020	
Face Value	NT\$1 million	
Place of Issuance and Trading (Note)	Not Applicable	
Par Value (NT\$)	Fully Issued According to Face Value	
Issue Amount	NT\$2 Billion	
Interest Rate	Coupon Rate : Fixed Annual Interest Rate 0.62%	
Duration	5-year term Expiry Date : September 29, 2025	
Assurance Agency	First Commercial Bank	
Trustee	Land Bank of Taiwan	
Underwriter	First Securities Inc.	
Attorney	Far East Law Office Attorney at Law Ya-Wen, Chiu	
Accountant	Deloitte & Touche CPA Haiso-Fang, Yen	
Repayment Method	Bullet Repayment After 5 Full Years Since the Issue Date	
Outstanding Principal Amount	NT\$2 Billion	
Terms of Redemption or Early Repayment	Not Applicable	
Restriction	None	
Credit Rating Agency, Date of Assessment and Corporate Bond Assessment Results	Not Applicable	
Other Rights	Amount of Converted (Exchange or Subscription) Ordinary Stock, Overseas Depository Receipts	Not Applicable
	Rules of Issuance and Conversion (Exchange or Subscription)	Please Refer to the Prospectus of First Secured Ordinary Corporate Bonds in 2020
Possible Dilution Conditions and	Please Refer to the Prospectus of First	

Influence on Shareholders' Equity Caused by the Issuance and Conversion, Exchange or Subscription Rules and Issuance Terms	Secured Ordinary Corporate Bonds in 2020
Custodian of the Subject After Conversion	Not Applicable

Note : Fill in the Overseas Corporate Bonds

3 Status of Preferred Share : None

4 Issuance of Depository Shares : None

5 Status of Employee Stock Option Plan

5.1 Unexpired employee stock option granted and impact on shareholders equity should be disclosed as for publication date :

May 9, 2024

Types of employee option certification	Employee stock option in 2024
Approval Date & Total Units	January 9, 2024 3,000 units (each unit could subscribe 1,000 ordinary shares)
Issue date	April 24, 2024
Issued units	3,000 units
Yet issued units	-
Shares of stock options to be issued as a percentage of outstanding shares	0.88%
Option Duration	April 24, 2024 to April 23, 2028
Conversion measures	Issue new shares
Conditional conversion periods and percentages	2nd Year : up to 60% 3rd Year : up to 100%
Converted shares	0 unit
Value of Shares Exercised (NT\$)	NT\$ 0
Shares Unexercised	3,000,000 units
Adjusted exercise price for those who have yet to exercise their rights (NT\$)	NT\$ 30.60
Unexercised shares as a percentage of total issued shares	0.88%
Impact on shareholder's equity	Dilution to Shareholders' Equity is limited

5.2 Employee stock options granted to management team and Top 10 employees :

May 9, 2024

	Title	Name	Number of share options granted	% of shares exercisable to outstanding ordinary shares	Executed				Unexecuted			
					Shares exercised	Exercise price per share	Value of shares exercised (NT\$)	% of shares exercised to outstanding ordinary shares	Shares unexercised (Note 1)	Exercise price per share	Value of shares exercised (NT\$)	% of shares exercised to outstanding ordinary shares
Manager	General manager	Chin-Jung, Tsai (Note)	256,000	0.07%	-	-	-	-	256,000	30.60	7,833,600	0.07%
	Vice general manager	Feng-Chiu, Lin										
	Corporate Governance Officer	Hui-Wen, Ko										
	Accounting manager	Yi-Jing, Fu										
	Senior manager	Cing-Cyuan, Chen										
Employee	General manager of subsidiary	Chien-Chung, Lu	693,000	0.20%	-	-	-	-	693,000	30.60	21,205,800	0.20%
	Vice general manager of subsidiary	Wen-Yan, Han										
	Manager	Jia-Hong, Kang										
	Manager	Yi-Chia, Hou										
	Manager	Hui-Qing, Wu										
	Special Assistant	Ji-Sheng, Tasi										
	Audit manager	Ai-Chen, Huang										
	Legal	Chung-Hsin, Huang										
	Senior manager of subsidiary	Jin-Jiun, Lin										
	Manager	Mei-Ling, Hung										

Note : Resign on May 9, 2024 due to position adjustment.

- 6 Status of Employee Restricted Stock : Not applicable.
- 7 Status of New Share Issuance in Connection with Mergers and Acquisitions : Not applicable.
- 8 Funding Plans and Implementation : The Company has no uncompleted capital usage plan or unshown effect of completed plan.

V.Operational Highlights

1 Business Activities

1.1 Business Scope

1.1.1 Business activities: The Group's main businesses are to entrust construction companies to build and to rent or sell residential buildings and business buildings, as well as to operate the contract engineering of domestic and foreign civil construction and hydraulic engineering activities.

1.1.2 Main business activities and its operating proportion unit :

NTD thousands; %

Business Activities	2023 Revenue	Operating Proportion
Sales revenue from property	1,460,658	95.95%
Engineering revenue	12,166	0.80%
Other	49,415	3.25%
Total	1,522,239	100.00%

1.1.3 Current main products : renting of houses, shops, and shopping mall, etc.

1.1.4 New products planning to be developed :

The Company will examine market and capital conditions and successively initiate new construction projects at the right time in the future. To lower investment risks and accelerate capital recovery, the Company is planning to introduce products that meet consumers' needs, to strengthen brand power, to achieve product differentiation, and to continuously promote the marketing business' digitalization process for the continual cultivation of the company.

1.2 Industry Overview

1.2.1 Current situation and development of the construction industry :

The affected by weak global terminal market demand, Taiwan's imports and exports were negative in 2023. At the same time, multiple interest rate increases since March 2022 and except in certain circumstances of the Equalization of Land Rights Act which is for the contracts of pre-sold houses or newly completed houses is not allowed to transfer or resell, and the revision of the specification will affect the

performance of whole real estate market. In addition, with the expected introduction of carbon fees, the prices for some building materials may show a trend of bottoming out and rebounding. The unfavorable factors such as increased cost pressure on construction companies have led to a strong reserve attitude of customers and the purchasing sentiment remains flat or even weakness. However, as the hot area for project promotion has entered the peak period for housing handovers, it can still have a supporting effect on transaction volume.

1.2.2 The relevance among the up, middle, and downstream of the industry

- 1) The manufacturing process of real estate begins from landowners, land agents, escrows, and the financial industry, to measurements, design, construction, water and electricity, construction materials, advertisements, and refurbishments, up until assets management and property management, etc. This expansive range of coverage can be described as each industry's front-runner, which marks an important indicator purpose for economic development.
- 2) For real estates, the first step is to purchase land, and develop according to its strength. The developmental process requires both escrows and the financial industry to carry out schemes for land transfer registrations and financing activities, etc. Measurement companies are to carry out field measurements; drilling companies are to conduct geological sensing; as for the planning and design stage, interior design companies or landscape design companies will design the buildings' soft and hardware and apply for related licenses.
- 3) For the selling stage, it requires the business department and advertising companies to execute marketing and selling businesses. It also requires the furnishing industry to furnish, design, and construct selling centers, sample houses, and furnished houses. It also requires various media's publicizing in the meantime.
- 4) For the constructing stage, it requires massive human power and materials provided by construction companies, mechatronics, and fire protection, etc. There are countless of fields of industry involved. After the completion and handover, it still requires

building management, mechanics (water) and electricity, fire protection, and other professional companies to carry out the management and maintenance of the building. The incoming users' furniture, home accessories, home appliances, and other needs are a series of procedure from top to bottom, which effectively promotes economic circulation and provides positive contributions to the rise of the economy.

1.2.3 All developmental trends of products

As the people of Taiwan gradually pay more attention to the quality of living, the planning of products for individual cases and space utilization have become important factors for house buyers when choosing houses. Life function and school district are also the factors taken into consideration when buying houses. As for construction quality, it is the key to building reputation. Therefore, designs that are exquisite and humane, functions that are practical and diversified, and construction cases that are located at sectors with better life function are the developmental trends for future housing products.

Furthermore, the land reservation to the planning buildings and use of buildings after construction and completion have been gradually integrated into the energy conservation and sustainability concepts due to rising environmental awareness. With the promotion of environmental protection issues, ecological concepts, and government policies, the trend of green building has gradually become a forward-looking development direction in the construction industry. Under the promotion of government organizations, the trend has been driven, and with the encouragement of private enterprises to follow up, the market mechanism and environment for the green building industry have naturally formed, enabling the public to practice green buildings together to achieve effective use of resources and energy conservation, as well as the goal of reducing carbon dioxide emissions. Under the concepts of meeting the concept of energy saving, ecology, environmental protection, and upgrade the healthy and comfortable life, green building will be the trend of the future.

1.2.4 Competitive situations

The Company's operating team cultivates our brand image in the Taichung area and exhibits our operating strengths through listed companies' platforms. We value the preciseness, speed, and futurism for the development of sectors for construction cases and maintain our advantage in our information for land development. With the aid of market investigation information and acuity, we decide land-purchasing strategies in a cautious manner to achieve the goal of operational sustainability. Moreover, we keep the sustainable concept of business operation, thinking about the International Net Zero of Carbon Neutrality trend by 2050, and incorporating brand development connotation with ESG sustainable spirit. We are hoped to shape the differentiated characteristics of the products with long-term cultivation.

1.3 Skills and Research and Development Highlights

1.3.1 We actively gather all kinds of land and housing market information in the future, and further discuss and analyze these information to achieve correct product positioning and advantageous marketing strategies. We establish digital database for lands and appoint case evaluations to enhance developmental efficiency. We select and entrust foreign and domestic renowned design teams, architectures, and construction companies, and enhance our skills and standards to achieve the goal of added value to our product and services.

1.3.2 We established the department of digital architecture 3D illustration, consolidated the control for engineering management. We actively participate in exhibitions for construction materials and furniture, to accumulating knowledge and strengthen product planning.

1.3.3 The Company and subsidiary companies have invested a considerable amount of human resources and cost in the past years and have continuously introduced new services and systems to satisfy the consumers' needs. However, the Company and subsidiary companies mainly provide services of housing and architecture development and is not applicable for research and development and investment. Therefore, there is no future research and development plan and

expected expense invested in research and development.

1.4 Long-Term and Short-Term Business Developmental Plans

1.4.1 Short-term goal: smooth selling of individual cases.

1.4.2 Mid-term goal :

- 1) Deepen the company's brand value.
- 2) Expand the field of business investment.
- 3) Develop land with good prospect.
- 4) Enhance residential brand recognition.

1.4.3 Long-term goal :

- 1) Operating firmly, openly and clearly
With a stable financial status and a public transparent platform, create a sustainable development business model.
- 2) Focus on the main business, operate a diversity
The Company has been actively engaging in other industries based on its core business to broaden its revenue channels and increase its brand value.
- 3) Business culture and brand assets
Combine entrepreneurship with business culture, and deepen the brand with humanism, also combine with the ESG sustainability spirit so that we make our brand one of a kind.

2 Marketing and Production Activities

2.1 Market Analysis

2.1.1 Main areas of product sales

Currently, the main market for land development and selling is in Taichung City.

2.1.2 Market share

From 2021 to 2023, the Company respectively introduced “The Way Home” and “Unveiling”. The calculation of our market share based on the cases introduced in the Taichung area is as follow :

Unit : NTD 100 million

Item/Year	2020	2021	2022	2023
Fu Hua Innovation (A)	0	159	0	86
Number of cases introduced in the Taichung area (B)	1,914	2,536	3,158	3,534
Market share (A/B)	0.00%	6.27%	0.00%	2.43%

Source : 2020~2023 Cathay Real Estate Index quarterly report

2.1.3 Market's Future Supply-Demand Situation and Growth

1) Supply situation :

According to the research information regarding the research on domestic real estate gathered by Cathay Real Estate Development Co., Ltd. and NCCU Taiwan Real Estate Research Center, nationwide number of individual new cases introduced to the market in 2023 amounted to NTD 1,426 billion, which decreased 10.89% comparing to 2022. The average deal price in each city rose slightly by 5.64%. The average final price in Taichung City reaches its highest in history – NTD 455 thousand/ping.

With the continued promotion of the “Sound Real Estate Market Plan” measures, the Equalization of Land Rights Act, hoarding 2.0 will continue to ferment. However, the Central Bank has not loosened the control policy and the inflation has slowed down compared with last year. It needs to be observed continually after the election. In addition, judging from the full-year review, the demand for self-occupied is still the main force in the housing market in 2024, continuing the expected trend of price and volume consolidation in the housing market in 2024.

Nationwide Project Introduction Situations for Each Quarter in 2022 and 2023

Item \ Year	2022					2023				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
No. of Cases	231	187	256	233	907	204	243	218	201	866
Total saleable households (household)	20,559	16,473	25,800	25,857	88,689	16,349	22,716	18,700	20,799	78,564
Total saleable amount (NTD 100 million)	3,820	2,908	4,586	4,688	16,002	2,669	4,143	3,467	3,981	14,260

Source : 2022 and 2023 Cathay Real Estate Index press release (Cathay Real Estate Development Co., Ltd./NCCU Taiwan Real Estate Research Center)

2023 Number of Cases Introduced for Each Area and Possible Final Price per Ping

Item		Nationwide	Taipei City	New Taipei City	Taoyuan & Hsinchu Area	Taichung City	Tainan City	Kaohsiung City
No. of Cases Introduced (NTD 100 million)	Amount	14,260	1,868	3,140	2,534	3,534	1,043	2,141
	Annual Rate of Change (%)	-10.89	-33.04	-15.42	-18.13	11.91	-24.96	15.28
Possible Final Price per Ping (NTD 10 thousand)	Amount	48.57	113.12	57.32	41.79	45.50	33.39	31.81
	Annual Rate of Change (%)	5.64	4.62	10.99	4.50	7.10	8.02	2.55

Source : 2023 Cathay Real Estate Index press release (Cathay Real Estate Development Co., Ltd./NCCU Taiwan Real Estate Research Center)

2) Demand situation :

The main demands within the housing market can be classified into two major categories residential customers and investing customers. Residential house buyers' demand for real estate has always been stable. With the increase of national income and the natural growth of population, citizens will not only continue to pursue the expansion of living space and the addition of equipment but also value the enhancement of living quality. The demand for moving to new homes and eliminating old houses will continue to happen. Thus, residential customers are still the main

factor for future demands. As for investment demand, it is more prone to be influenced by factors such as the fluctuation in the real estate economy, polit and inflation, political stability, tight or loose policies, psychological predictability etc.

According to the statistics from the Department of Statistics, MOI below, in the end of 2023, the total households nationwide was 9,240 thousand. Viewing from the national population of about 23,420 thousand, there is about 2.53 people per household. As the economy continues to grow, the urbanization effect is gradually burgeoning, which results in the trend of the miniaturization of family structures becoming more obvious. Thus, although there was a negative growth rate of population from 2020, family households continue to grow stably. This shows that there still exist basic demands for the future housing market owing to the continuous increase in family households.

Number of Households and Population in Taiwan from the End of 2019 to the End of 2023

Year	No. of Households (Household)	Annual No. of Household Increase Rate (%)	Population (Persons)	Annual Population Increase Rate (%)	Household Capacity (Person(s)/Household)
End of 2019	8,832,745	1.13	23,603,121	0.06	2.67
End of 2020	8,933,814	1.14	23,561,236	-0.18	2.64
End of 2021	9,006,580	0.81	23,375,314	-0.79	2.60
End of 2022	9,089,450	0.92	23,264,640	-0.47	2.56
End of 2023	9,240,823	1.67	23,420,442	0.67	2.53

Source : Department of Statistics, MOI

3) Growth

The score of March 2024 of Housing Windsock is 52.6 and it corresponds to the yellow-red light level which is represented as active. It discontinued the green light level which is represented as the meaning of the stable housing market for 15 months in December 2022 and it also was looking forward to meeting the

yellow-red light level for 16 years after April 2008. It expects that the consumption was stimulated in the stock market in March. The market funds are transferred into the housing market abundantly and causing the dramatic growth in the demand side.

After the presidential election in January, the external disruption of the housing market came to a conclusion. It just waiting for the House tax 2.0 to be launched in July 2024. Although there is still not any reason for investors to enter the housing market, the basic housing market has returned to the basic supply and demand due to the support from self-occupation and property purchase. The mainstream of buying is still low price and small square products.

2.1.4 Competitive niche

1) Excellent land development ability

Since the Company has accumulated multiple years of constructing experience, and possesses rich sources regarding land information, we are able to lay hold of development potentials for excellent land sections in advance. We can actively analyze urban developmental trends and introduce construction cases that meet the market's needs in accordance with our operating situation.

2) Lay hold of market needs and exquisite design and planning

The Company can substantially lay hold of the quotation for construction cases and is familiar with consumers' characteristics. The Company can plan and design products that meet house buyers' needs, so currently our case introduction and sales rate is performing well.

3) Precise control of construction quality, process, and cost

The Company always plans cautiously before introducing new cases and estimates our funds in advance. In addition to keeping credit with the bank, most of our constructions are mainly outsourced to construction companies that are qualified by the government and registered with good reputation. We strictly control the constructing process, product quality, and constructing

cost. Thus, under the condition that the settlement period and quality are both able to meet the customers' demand, we can make profit stably.

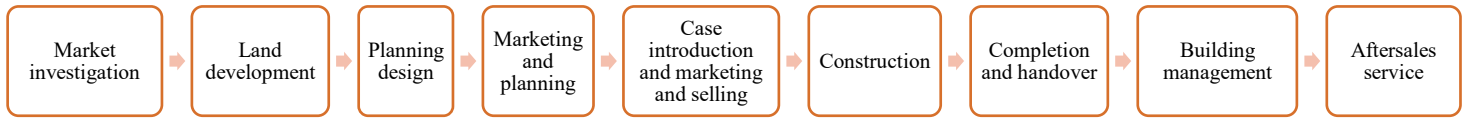
2.1.5 Advantageous and Disadvantageous Factors for Developmental Visions and Responding Strategies

Influencing Factors	Advantageous Factors	Disadvantageous Factors	Responding Strategies
Policies	<ol style="list-style-type: none"> 1) Promotion of significant public facilities. 2) Government's promotion of the planning of social housing, reconstruction of old housings, and green buildings. 3) The uncertainty of the political situation after the presidential election is eliminated. 	<ol style="list-style-type: none"> 1) All eyes were on the War in Ukraine, Israel-Palestine Conflict, and president in U.S.A by the market. It will add variables of China-United States relations to the future and international politics. 2) The Central Bank raise the interest rate affects the willingness to purchase houses. 3) The implementation of House Tax 2.0. 	<ol style="list-style-type: none"> 1) Strengthen land development, product planning to create communities with distinguishing features, and establish the brand reputation to launch the products that meet consumers needs and develop towards green building. 2) Entrust construction companies that meet quality conditions and cost control, to enhance product competitiveness. 3) Healthy real estate market, reasonable house prices.
Economy	<ol style="list-style-type: none"> 1) The improvement of the economic sign 2) The improvement of manufacturing prosperity 	The impact of inflation is expanding, geopolitical conflicts, and the economic outlook are unclear.	<ol style="list-style-type: none"> 4) Five rigorous examination processes and confirmed by the third-party notary unit to ensure every resident's right.
Housing-Market Fundamentals	<ol style="list-style-type: none"> 1) Under the concept of purchasing houses and the expectation of rising prices, the real estate still has the effect of the investment value. 2) The policy of Government Housing Subsidies for the Youth 2.0 reduces the burden of housing for young people. 	<ol style="list-style-type: none"> 1) The trend of rising raw materials, wage, and the land costs are constantly increasing. 2) It's expected that government start to collection the carbon fee will cause effect to the building material supply chain. 	<ol style="list-style-type: none"> 5) "Digitalized service with zero distant" keeps deepens society building and brand operation.

2.2 Important use and production process of main products

2.2.1 Important use of main products: residential buildings, including residences and parking spaces.

2.2.2 Production process :



2.3 Supply situation for main raw materials.

2.3.1 Land: Active development to search for appropriate areas, with the central part of Taiwan as the main development market, especially Taichung City as the main development core. The Company purchases land depending on actual needs, or cooperates with land's owners by co-building, so that there will be no shortage in terms of supply.

2.3.2 Construction: The main targets of cooperation are excellent construction companies.

2.3.3 Materials: To better control and make flexible usage of the general outsourcing operation, the Company had gradually changed the way of outsourcing to the contract of labors and materials. Thus, the sources for the supply of materials are stable.

2.4 Name of customer(s) whose total purchasing (selling) amount once accounted for more than 10% in any year of the last two years and its purchasing (selling) amount and percentage.

2.4.1 Information on main suppliers for the last two years

Unit : NTD thousands

Item	2022				2023				2024 as of the previous quarter (note)			
	Title	Amount	Percentage of Annual Net Purchases	Relationship with the Issuer	Title	Amount	Percentage of Annual Net Purchases	Relationship with the Issuer	Title	Amount	Percentage of Annual Net Purchases	Relationship with the Issuer
1	Yincai Engineering Co., Ltd.	443,505	13.86%	None	Dien Jang Engineering Co., Ltd.	347,018	10.92%	None	Hong Sheng Hydroelectric Exhibition Industry Co., Ltd.	119,200	14.00%	None
2	Hong Sheng Hydroelectric Exhibition Industry Co., Ltd.	347,086	10.85%	None	Hong Sheng Hydroelectric Exhibition Industry Co., Ltd.	297,800	9.37%	None	Other	732,072	86.00%	None
3	Other	2,408,830	75.29%	None	Other	2,531,944	79.71%	None				
	Net Purchases	3,199,421	100.00%		Net Purchases	3,176,762	100.00%		Net Purchases	851,272	100.00%	

Note : 2024 as of the previous quarter was read and approved by accountants.

Reasons for increased and decreased changes : Due to the case of “The way home” being a large scale, the cost of the purchasing manufacturer of templates, hydro, and mechatronic is higher in the proportion of purchases.

2.4.2 Information on main customers for the last two years

Unit : NTD thousands

Item	2022				2023				2024 as of the previous quarter (note)			
	Title	Amount	Percentage of Annual Net Sales	Relationship with the Issuer	Title	Amount	Percentage of Annual Net Sales	Relationship with the Issuer	Title	Amount	Percentage of Annual Net Sales	Relationship with the Issuer
1	Other	8,697,505	100.00%	None	Mr./Ms. Tseng	385,849	25.35%	None	Ambassador Theatres Company, Taichung Zhongxiao Branch	3,822	10.67%	None
2					Other	1,136,390	74.65%	None	Other	31,995	89.33%	None
	Net sales	8,697,505	100.00%		Net sales	1,522,239	100.00%		Net sales	35,817	100.00%	

Note : 2024 as of the previous quarter was read and approved by accountants.

Reasons for increased and decreased changes : The main sales target of the product is the public, so there were no sales customers who accounted for more than 10% of the total sales in 2022. The Land No.38 in Goubei Section was sold to Mr./Ms. Zeng and recognized as the Current Land Revenue in 2023. The main source of revenue in the Q1 of 2024 were subsidiary engineering, leasing, and catering income. Due to the fixed leasing targets of assets of Ritai Assets, the rental revenue of Ambassador Theatres accounted for a relatively high proportion.

2.5 Production value in the last two years

Unit : NTD thousands

Year Department	2022			2023		
	No. of Households	Parking Space	Cost	No. of Households	Parking Space	Cost
Construction Department	1207	1261	5,686,469	189	22	849,640
Other Department	-	-	11,405	-	-	31,322
Total	1207	1261	5,697,874	189	22	880,962

Note : 1) Productivity is recognized as total number of households (parking spaces) in the year of completion.

2) Production value is listed as total cost for individual cases in the year of completion.

2.6 Sales volume in the last two years

Unit : NTD thousands

Year Department	2022			2023		
	Domestic sale			Domestic sale		
	No. of Households	Parking Space	Sales	No. of Households	Parking Space	Sales
Construction Department	1207	1261	8,680,015	189	22	1,472,824
Other Department	-	-	17,490	-	-	49,415
Total	1207	1261	8,697,505	189	22	1,522,239

3 Employees

In the last two years and as of the printing date of the annual report, the number of employees, average years of service, average age, and distribution ratio of academic qualifications are as follow.

Year		2022	2023	May 9, 2024
No. of Employees	Directors & Managers	17	19	17
	Others	108	113	126
	Total	125	132	143
Average Age		38.04	38.54	38.00
Average Years of Service		6.86	6.17	5.60
Distribution Ratio of Academic Qualification	Doctoral Degree	-	-	-
	Master's Degree	10.40%	12.88%	11.89%
	College	76.00%	71.21%	73.43%
	High School	9.60%	11.36%	10.48%
	Junior High and Under	4.00%	4.55%	4.20%

4 Information Regarding Environmental Protection Expenses

4.1 To reduce the harm caused on the environment when constructing at construction sites, the Company has entrusted contracted construction companies that preservation and the disposal of wastes related to construction site environment are all handled by the contractors. The Company is responsible for supervising. In terms of the surrounding environment, the construction companies send people to inspect and preserve the tidiness of surrounding streets and sidewalks indefinitely each month.

4.2 The latest year and as of the printing date of the annual report – loss caused due to environment pollution :

There are 4 violations and fines related to the Noise Control Act in 2023.

Disciplinary Date	Disciplinary No.	In accordance with the law		fine
2023/02/22	Taichung-Environmental Auditing-No.1120017880	Noise Control Act	Article 8 Paragraph 4	NT\$ 3,000
2023/03/22	Taichung-Environmental Auditing-No.1120029543	Noise Control Act	Article 8 Paragraph 4	NT\$ 3,000
2023/04/25	Taichung-Environmental Auditing-No.1120042839	Waste Disposal Act	Article 27 Paragraph 2	NT\$ 4,800
2023/05/31	Taichung-Environmental Auditing-No.1120059128	Noise Control Act	Article 8 Paragraph 4	NT\$ 3,000

4.3 Current and future possible estimated amount and responding measures :

The Company and the construction companies determined in the construction contract that the responsibility for environment pollution during the construction period belongs to the construction company, and the Company is responsible for supervising. The Company's measures to prevent pollution are as follow :

4.3.1 Choose appropriate construction methods depending on the geological and neighboring housing conditions, to reduce noise and concussion.

4.3.2 Set up protective nets around the building to prevent flying sands and falling stones.

4.3.3 Fixed placement of waste, and the burning of wastes is prohibited during the construction period. Labors are hired to transport and discard the wastes regularly.

Currently, there is no significant pollution from the Company, so there will be no significant environmental protection expense in the future.

5 Labor Relation

5.1 All the company's employee benefit measures, further education, training, retirement system and their implementation status, as well as the negotiations between employees and employers and status of maintenance measures for all employees' rights.

5.1.1 Employee benefit measures

- 1) Employee's group insurance.
- 2) Indefinite domestic and overseas travelling activities.
- 3) Holiday bonus and birthday coupon.
- 4) Indefinite lunch or dinner parties to connect with colleagues.
- 5) Capital will be increased every time to pre-estimate 10% as employee's subscription. The percentage for subscription is distributed depending on the employee's performance.
- 6) Performance bonus : issued according to the employee's performance.
- 7) Employee's remuneration : allocated according to the bylaws depending on the annual settled profit.
- 8) Provide a breastfeeding (pumping) room to support employees in continuing to breastfeed (pump).
- 9) Subsidize club for activities. To allow employees to enrich their lifestyle and get close to nature during their vacant times.

5.1.2 Further education and training : The Company had established regulations for employee's education and training. The employees can make the initiative in attending all kinds of education or training programs, or supervisors may send employees to such programs depending on business needs. Additionally, the Employee Benefit Committee provides subsidies for further education every year. Employees' further education expense for 2023 was NTD 538 thousand.

5.1.3 Retirement system and implementation status

The retirement policies set for formal employees are as follows :

- 1) Labor Retirement Reserve Fund (the Old Fund) of the Labor

Standards Act : There is no employee in the Company that applies to the Old Fund.

- 2) Labor Retirement Reserve Fund (the New Fund) of the Labor Standards Act : implemented since July 1, 2005.

Allocate 6% of the salary for the employees as the labor retirement fund every month and is saved in the personal account for the labor retirement fund set by the Labor Insurance Bureau. The account's ownership rights belong to the labor. NTD 4.088 million was allocated in 2023.

- 5.1.4 Negotiations between employees and employers and status maintenance measures for all employees' rights :

All the Company's systems are handled according to related regulations of the Labor Standards Act. The Company's the Employees Benefit Committee promotes all kinds of beneficial measures. The relationship between the employees and the employers is amicable, as there is no dissension between employees and employers and loss caused.

- 5.2 In the latest year and as of the printing date of the annual report, the loss caused owing to employee-employer dissension, and the disclosure of current or future possible estimated amount and responding measures. If it cannot be reasonably estimated, the fact for the inability to reasonably estimate reasonably should be stated : no such event.

- 5.3 Protective measures regarding the working environment and the personal safety of employees :

5.3.1 The Company strictly requires contractors and their subcontractors for individual invested construction cases to comply with the "Occupational Safety and Health Act" and the "Labor Standards Act," and all other regulations related to labor laws and regulations. Moreover, when these contractors and subcontractors are at work, they should be prepared with related certification qualifications and have passed professional training.

5.3.2 The Company's 100% reinvestment subsidiary company – Zongtai Construction Co., Ltd. is a comprehensive A class construction company, which obtained the certificate of "ISO 45001 Safety and

Health Management System” and TOSHMS verification in 2024. Occupational safety and health personnel are stationed at each construction area to help first-level unit supervisors draw up, implement, check, and improve management functions, to achieve safety and health management goals and to enhance safety and health management standards.

5.3.3 Construction site :

- 1) Personal protective gears : Helmets should be worn when entering all construction places of the Company. Safety harnesses should be worn when working at heights above 2 meters and working on scaffolds.
- 2) Access control and face recognition system.
- 3) Toilet and shower room at construction sites.
- 4) Tidying and cleaning of the environment : Working areas remain clean and tidy. Workplaces should be tidied up and cleaned, and scraps and domestic wastes should be gathered at designated premises before the end of each day.
- 5) The work safety inspection team spot-checks each construction site’s construction situation, and the deficiencies will be reviewed in the meetings every quarter.
- 6) Regular inspection for safety and protective equipment, as well as safety education and training.
- 7) Obtained the patent for scaffold’s anti-fall rods.
- 8) The fire detection alarm system is combined with LINE notification during the construction site’s construction period.

5.3.4 Office place :

- 1) The surveilling and access control systems in the office to ensure the employees’ safety.
- 2) The outsourcing management of the building conducts fire drill practices in June every year.
- 3) The regular changing of the water dispensers’ equipment and filter to ensure the hygiene and quality of drinking water.
- 4) The outsourcing management of the building conducts office interior sterilization once every three months and public area’s sterilization once every month.

5.3.5 The Company had already insured group insurance for all employees.

6 Cyber security management

6.1 Cyber security and risk management structure, cyber security policy, concrete management project and the resource put into cyber security management :

6.1.1 Structure of cyber security management :

Information department is the responsible unit of cyber security. The department cooperate with Deloitte and in charge of planning inside cyber security policy, planning and executing cyber security works and promoting cyber security policy. Auditing room oversees cyber security monitoring. If any error is found, auditing room shall request the unit under investigation to offer improvement plan and specification and tracking the effectiveness to decrease inside risk.

6.1.2 Cyber security policy : Establish “Cyber security policy” and make 5 key management point.

- 1) Computer equipment security management
- 2) Internet security management
- 3) System access control
- 4) Ensuring system operation
- 5) Promotion and training of cyber security

6.1.3 Actual management project : Separate management project to 4 parts

- 1) Authority management (Employee account, system authority Outside threat management)
- 2) Access management (Access inside and outside system, manage data transmission channel)
- 3) Threat from outside (Potential weakness in inside system, virus information and protection measurement)
- 4) System availability (System available status, measurement during service suspended)

6.1.4 Resource put into cyber security management :

The specified machine room is equipped with UPS and voltage stabilization equipment to protect computer system from interruption during power failure. The access hub is equipped with enterprise level firewall to block hackers. Every year we implement recovery practice

and daily and offsite data backup system. We also promote cyber security matter to strengthen colleagues' awareness.

- 6.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided : None.

7 Important Contracts

7.1 Fu Hua Innovation Co., Ltd.

Contract Nature	Party	Contract Start and End Date	Main Content	Restriction Clause
Construction Contract (Note 1)	Hong Sheng Hydropower Industry Co., Ltd.	January 15, 2019 until warranty expiry date	“Zongtai 2020” mechanical and electrical work	None
	Zongtai Construction Co., Ltd.	November 16, 2019 until warranty expiry date	“Good together Melody” assumptions and new structural construction	None
	Zongtai Construction Co., Ltd.	December 30, 2019 until warranty expiry date	“Get together” assumptions and new structural construction	None
	Hong Sheng Hydropower Industry Co., Ltd.	April 5, 2020 until warranty expiry date	“Get together” mechanical and electrical work	None
	Wu Liu He Architects	June 18, 2020 until usage license applications	“The Way Home” architecture design	None
	Feng Yi Engineering	October 20, 2020 until warranty expiry date	“Get together” masonry work	None
	Long Dian Engineering Co., Ltd.	October 20, 2020 until warranty expiry date	“Get together” masonry work	None
	Ya Tung Ready Mixed Concrete Co., Ltd., Taichung Plant	April 8, 2021 until completion of construction	“The Way Home” concrete material (structural construction)	None
	Zongtai Construction Co., Ltd.	April 1, 2021 until warranty expiry date	“The Way Home” assumptions and new structural construction	None
	Chih I Enterprise Co., Ltd.	May 6, 2021 until completion of construction	“The Way Home” rebar material (structural construction)	None
	Tung Ho Steel Enterprise Co., Ltd.	May 10, 2021 until completion of construction	“The Way Home” rebar material (structural construction)	None
	Da Xin Sandstone Co., Ltd.	May 30, 2021 until completion of construction	“The Way Home” earthwork	None
	Ya Tung Ready Mixed Concrete Co., Ltd., Taichung Plant	November 15, 2021 until completion of construction	“Unveiling” concrete material (structural construction)	None
	Tung Ho Steel Enterprise Co., Ltd.	January 7, 2022 until completion of construction	“The Way Home” rebar material (structural construction)	None
	Chih I Enterprise Co., Ltd.	January 7, 2022 until completion of construction	“The Way Home” rebar material (structural construction)	None
	Tong Wen Fa Engineering	March 3, 2022 until warranty expiry date	“The Way Home” waterproof work	None
	You Shin Aluminum Ltd.	March 16, 2022 until warranty expiry date	“The Way Home” aluminum door and window work	None
Bao Lai Interior Design Co., Ltd.	March 24, 2022 until warranty expiry date	“The Way Home” Dry wall work	None	
Hong Sheng Hydropower Industry Co., Ltd.	March 30, 2022 until warranty expiry date	“The Way Home” mechanical and electrical work	None	

Contract Nature	Party	Contract Start and End Date	Main Content	Restriction Clause
	Taiwan Sakura Co., Ltd.	May 3, 2022 until warranty expiry date	“The Way Home” kitchenware work	None
	Dian Zhang Engineering Co., Ltd.	May 25, 2022 until warranty expiry date	“The Way Home” mechanical and electrical work	None
	Shang Yi Engineering Co., Ltd.	May 30, 2022 until warranty expiry date	“The Way Home” masonry work	None
	Otis Elevator Co., Ltd.	June 6, 2022 until warranty expiry date	“The Way Home” mental of elevator	None
	Tung Ho Steel Enterprise Co., Ltd.	August 23, 2022 until completion of construction	“The Way Home” rebar material (structural construction)	None
	Chih I Enterprise Co., Ltd.	August 23, 2022 until completion of construction	“The Way Home” rebar material (structural construction)	None
	Jun Han Industrial Co., Ltd.	August 29, 2022 until warranty expiry date	“The Way Home” Entrance door & fireproof door work	None
	Chung Ke Opticoeleoron Scievc & Technology Co., Ltd.	February 5, 2023 until warranty expiry date	“The Way Home” weak electricity work	None
	Qi Hui Metal Co., Ltd.	March 7, 2023 until warranty expiry date	“The Way Home” aluminum board of wall work	None
	Cas Metal Building Materials Co., Ltd.	April 26, 2023 until warranty expiry date	“The Way Home” roof shaped grille engineering	None
	Zongtai Construction Co., Ltd.	November 15, 2023 until warranty expiry date	“Unveiling” assumptions and new structural construction	None
	Zongtai Construction Co., Ltd.	November 15, 2023 until warranty expiry date	“The Cooperate Headquarter” assumptions and new structural construction	None
	Tung Ho Steel Enterprise Co., Ltd.	November 24, 2023 until warranty expiry date	“Unveiling” rebar material (structural construction)	None
Tung Ho Steel Enterprise Co., Ltd.	April 22, 2024 until warranty expiry date	“Unveiling” rebar material (structural construction)	None	
Superficies	National Property Administration, Ministry of Finance	2023/05/22-2093/05/21	Establishment of Superficies on National Non-public Use Land	Note 2
	Finance Bureau of Taichung City Government	2024/04/22-2074-04/21	Establishment of Superficies on Taichung Non-public Use Land	Note 3
Long term loan	Land Bank of Taiwan	2023/11/20-2043-11/20	Long-term house construction secured loans	None

Note 1 : construction contracts only show total contractual price (untaxed) of those over NTD 50 million.

Note 2 : (1) Land rent should be paid monthly starting from the date of the signing of the Contract.

(2) The Company should be the constructor for the construction of private properties on superficies targets. However, those that have been approved by Party A via written consent are not subjected to this limitation.

(3) It is not allowed to lease or lend properties of superficies targets to others for construction use. If leased or lent to others for construction use, the final date of its use

duration period cannot be after the final date of the superficieses' duration period.

Note 3 : (1)The Company shall be the applicant. However, this does not apply if the party agree in writing.

(2)It is not allowed to apply for build bulk.

(3)Within 3 years from the date when the original winning bidder signs this contract, the construction license shall be obtained and construction shall begin for all the subjects for which the land rights are established in accordance with the provisions of the Construction Law.

7.2 Zongtai Construction Co., Ltd.

Contract Nature	Party	Contract Start and End Date	Main Content	Restriction Clause
Joint Construction Contract	Yong Feng Tai Real Estate Co., Ltd.	January 4, 2019 until the completion of co-construction handover	13 pieces of land located in Land Serial No. 11-7, Zhengyi Section, South District, Taichung City; jointly constructed and sold separately	None
Contract	Fu Hua Innovation Co., Ltd.	November 16, 2019 until warranty expiry date	“Good Together Melody” assumptions and new structural construction	None
	Fu Hua Innovation Co., Ltd.	December 30, 2019 until warranty expiry date	“Get Together” assumptions and new structural construction	None
	Fu Hua Innovation Co., Ltd.	April 1, 2021 until warranty expiry date	“The Way Home” assumptions and new structural construction	None
	Fu Hua Innovation Co., Ltd.	November 15, 2023 until warranty expiry date	“Unveiling” assumptions and new structural construction	None
	Fu Hua Innovation Co., Ltd.	November 15, 2023 until warranty expiry date	“The Cooperate Headquarter” assumptions and new structural construction	None
	National Housing and Urban Regeneration Center	June 30, 2023 until warranty expiry date	The turnkey project for the construction of the new society resident houses “Dongguang Housing” and the “Songzhu Housing” in Beitun District, Taichung City.	None
	Buzi Junior High School, Taichung City	January 15, 2024 until warranty expiry date	The first phase of school building project of Buzi Junior High School, Taichung City.	None
Construction Contract (Note)	Yincai Engineering Co., Ltd.	September 18, 2019 until warranty expiry date	“Good together Melody” panel construction	None
	Yong Feng Tai Real Estate Co., Ltd.	January 5, 2020 until warranty expiry date	“Wonderful Brand” building's new structural construction	None
	Yincai Engineering Co., Ltd.	March 15, 2021 until warranty expiry date	“The Way Home” panel construction	None
	Bao Jin Enterprise Co., Ltd.	March 25, 2021 until warranty expiry date	“The Way Home” rebar lashing	None
	You Mao Co., Ltd.	June 30, 2021 until warranty expiry date	“The Way Home” scaffolding work	None
	Yong Liang Engineering Co., Ltd.	June 30, 2021 until warranty expiry date	“The Way Home” scaffolding work	None
	Yingcai Engineering Co., Ltd.	December 20, 2023 until warranty expiry date	“Unveiling” panel construction	None

Note: construction contracts only show total contractual price (untaxed) of those over NTD 50 million.

7.3 Ritai Assets Management Co., Ltd.

Contract Nature	Party	Contract Start and End Date	Main Content	Restriction Clause
Superficies	Central Region Branch, National Property Administration, MOF	August 18, 2015 to August 17, 2085	State-owned non public land's establishment of superficies contract	Note 2
Long-Term Loans	Land Bank of Taiwan	August 5, 2019 to August 5, 2039	Long-term house construction secured loans	None

Note 1 : construction contracts only show total contractual price (untaxed) of those over NTD 50 million.

Note 2 : 1) Land rent should be paid monthly starting from the date of the signing of the Contract.

- 2) Ritai should be the constructor for the construction of private properties on superficies targets. However, those that have been approved by Party A via written consent are not subjected to this limitation.
- 3) Ritai is not allowed to lease or lend properties of superficies targets to others for construction use. If leased or lend to others for construction use, the final date of its use duration period cannot be after the final date of the superficies' duration period.

VI. Financial Information

1 Concise balance sheet and statement of comprehensive income in the past 5 years

1.1 Concise Balance Sheet (5 years)

1.1.1 Concise Balance Sheet after adopting IFRS (consolidated)

Unit : NT\$ thousands

Year (Note1)		Financial information (5 years)					Financial information for the period March 31, 2024
		2019	2020	2021	2022	2023	
Item							
Current Assets		13,816,531	17,110,844	19,480,025	20,023,451	21,235,213	22,143,497
Property, Plants and Equipment		141,466	140,895	133,847	131,723	278,308	277,057
Intangible Assets		18,515	19,255	19,010	18,371	20,859	20,538
Other assets		228,641	456,728	606,682	655,206	823,779	914,189
Total assets		14,205,153	17,727,722	20,239,564	20,828,751	22,358,159	23,355,281
Current Liabilities	Before distribution	9,349,521	10,326,143	13,058,917	10,971,769	13,184,005	14,366,446
	After distribution	9,977,384	11,253,622	13,376,492	11,967,039	Note 2	Note 2
Non-current liabilities		50,373	2,186,560	2,243,539	2,273,569	2,279,004	2,281,314
Total Liabilities	Before distribution	9,399,894	12,512,703	15,302,456	13,245,338	15,463,009	16,647,760
	After distribution	10,027,757	13,440,182	15,620,031	14,240,608	Note 2	Note 2
Interests attribute to owners of parent company		4,805,259	5,215,019	4,937,108	7,583,413	6,895,150	6,707,521
Capital		2,092,877	2,103,341	2,111,499	2,427,487	3,422,757	3,422,757
Capital Surplus		814,043	816,615	822,657	1,261,649	1,261,782	1,261,782
Retained earnings	Before distribution	1,898,339	2,295,063	2,002,952	3,894,277	2,210,611	2,022,982
	After distribution	1,270,476	1,367,584	1,685,377	1,903,738	Note 2	Note 2
Other equity		-	-	-	-	-	-
Treasury shares		-	-	-	-	-	-
Non – controlling equity		-	-	-	-	-	-
Total equity	Before distribution	4,805,259	5,215,019	4,937,108	7,583,413	6,895,150	6,707,521
	After distribution	4,177,396	4,287,540	4,619,533	5,592,874	Note 2	Note 2

Note 1 : Financial information from 2019 to 2023 was certified by accountants ; Financial information for Q1, 2024 was reviewed by accountants.

Note 2 : Earnings appropriation of the year has not approved by shareholder's meeting.

1.1.2 Concise Balance Sheet after adopting IFRS (Unconsolidated)

Unit : NT\$ thousands

Item \ Year (Note1)		Financial information (5 years)				
		2019	2020	2021	2022	2023
Current Assets		12,768,044	16,172,538	18,710,052	19,181,600	19,815,451
Property, Plants and Equipment		140,499	139,300	133,183	126,751	265,295
Intangible Assets		661	1,401	1,156	517	2,964
Other assets		676,007	689,242	598,073	763,186	1,914,517
Total assets		13,585,211	17,002,481	19,442,464	20,072,054	21,998,227
Current Liabilities	Before distribution	8,779,180	9,785,328	12,505,285	10,402,970	13,004,850
	After distribution	9,407,043	10,712,807	12,822,860	11,398,240	Note 2
Non-current liabilities		772	2,002,134	2,000,071	2,085,671	2,098,227
Total Liabilities	Before distribution	8,779,952	11,787,462	14,505,356	12,488,641	15,103,077
	After distribution	9,407,815	12,714,941	14,822,931	13,483,911	Note 2
Interests attribute to owners of parent company		4,805,259	5,215,019	4,937,108	7,583,413	6,895,150
Capital		2,092,877	2,103,341	2,111,499	2,427,487	3,422,757
Capital Surplus		814,043	816,615	822,657	1,261,649	1,261,782
Retained earnings	Before distribution	1,898,339	2,295,063	2,002,952	3,894,277	2,210,611
	After distribution	1,270,476	1,367,584	1,685,377	1,903,738	Note 2
Other equity		-	-	-	-	-
Treasury shares		-	-	-	-	-
Non – controlling equity		-	-	-	-	-
Total equity	Before distribution	4,805,259	5,215,019	4,937,108	7,583,413	21,998,227
	After distribution	4,177,396	4,287,540	4,619,533	5,592,874	Note 2

Note 1 : Financial information from 2019 to 2023 was certified by accountants.

Note 2 : Earnings appropriation of the year has not approved by shareholder's meeting.

1.2 Concise statement of comprehensive income (5 years)

1.2.1 Concise statement of comprehensive income after adopting IFRS
(consolidated)

Unit : NT\$ thousands except earnings per share in NT\$

Item \ Year(Note)	Financial information (5 years)					Financial information for the period March 31, 2024
	2019	2020	2021	2022	2023	
Operating Revenue	3,742,423	4,684,643	3,647,336	8,697,505	1,522,239	35,817
Gross Profit from Operations	737,587	1,526,729	1,055,846	2,999,631	641,277	12,883
Net Operating Income	488,243	1,276,748	792,676	2,687,985	350,377	(86,070)
Total non-operating income and expenses	19,749	(4,315)	6,306	22,727	62,120	24,278
Profit before tax	507,992	1,272,433	798,982	2,710,712	412,497	(61,792)
Profit from continuing operations	471,367	1,024,587	635,368	2,208,900	306,874	(47,296)
Loss from discontinued operations	-	-	-	-	-	-
Net income	471,367	1,024,587	635,368	2,208,900	306,874	(47,296)
Other comprehensive income (net, after tax)	-	-	-	-	-	-
Total comprehensive income	471,367	1,024,587	635,368	2,208,900	306,874	(47,296)
Net income attributable to shareholders of the parent	471,367	1,024,587	635,368	2,208,900	306,874	(47,296)
Net income attributable to non-controlling interest	-	-	-	-	-	-
Comprehensive income, attributable to Shareholders of the parent	471,367	1,024,587	635,368	2,208,900	306,874	(47,296)
Comprehensive income, attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share	1.60	3.47	2.14	6.96	0.90	(0.14)

Note : Financial information from 2019 to 2023 was certified by accountants ; Financial information for Q1, 2024 was reviewed by accountants.

1.2.2 Concise statement of comprehensive income after adopting IFRS
(Unconsolidated)

Unit : NT\$ thousands, except earnings per share in NT\$

Item	Year(Note)	Financial information (5 years)				
		2019	2020	2021	2022	2023
Operating Revenue		3,690,892	4,617,207	3,549,606	8,653,201	547,143
Gross Profit from Operations		716,284	1,465,169	1,047,711	2,937,716	273,923
Net Operating Income		480,346	1,232,106	800,832	2,641,950	70,785
Total non-operating income and expenses		21,419	32,238	(6,252)	61,766	281,114
Profit before tax		501,765	1,264,344	794,580	2,703,716	351,899
Profit from continuing operations		471,367	1,024,587	635,368	2,208,900	306,874
Loss from discontinued operations		-	-	-	-	-
Net income		471,367	1,024,587	635,368	2,208,900	306,874
Other comprehensive income (net, after tax)		-	-	-	-	-
Total comprehensive income		471,367	1,024,587	635,368	2,208,900	306,874
Net income attributable to shareholders of the parent		471,367	1,024,587	635,368	2,208,900	306,874
Net income attributable to non-controlling interest		-	-	-	-	-
Comprehensive income, attributable to Shareholders of the parent		471,367	1,024,587	635,368	2,208,900	306,874
Comprehensive income, attributable to non-controlling interests		-	-	-	-	-
Earnings per share		1.60	3.47	2.14	6.96	0.90

Note : Financial information from 2019 to 2023 was certified by accountants.

1.3 Name of independent Auditors and audit opinion in past 5 years

Year	Name of Accountancy Firms	Name of Auditors	Audit Opinion
2019	Deloitte & Touche	Yen, Haiso-Fang 、Chiang, Shu-Chin	Unqualified opinion
2020	Deloitte & Touche	Yen, Haiso-Fang 、Chiang, Shu-Chin	Unqualified opinion
2021	Deloitte & Touche	Chiang, Shu-Chin 、Zeng, Dong-Yun	Unqualified opinion
2022	Deloitte & Touche	Chiang, Shu-Chin 、Zeng, Dong-Yun	Unqualified opinion
2023	Deloitte & Touche	Chiang, Shu-Chin 、Zeng, Dong-Yun	Unqualified opinion

2 Financial analysis for the past 5 years

2.1 Financial analysis after adopting IFRS (consolidated)

Item		Year (Note)	Financial analysis (5 years)					Financial information for the period March 31, 2024
		2019	2020	2021	2022	2023		
Capital structure analysis	Debt ratio (%)	66.17	70.58	75.60	63.59	69.16	71.28	
	Long-term funds to property, plant and equipment (%)	3,432.36	5,253.25	5,364.81	7,483.11	3,296.40	3,244.39	
Liquidity analysis	Current ratio (%)	147.77	165.70	149.17	182.49	161.06	154.13	
	Quick ratio (%)	15.03	31.72	25.00	57.46	40.00	37.73	
	Times interest earned	911.37	264.88	51.99	150.13	21.86	(11.32)	
Operating performance analysis	Accounts receivable turnover (times)	1,726.20	5,610.35	2,050.21	6,042.03	10,682.37	330.11	
	Days to collect accounts receivable	0.21	0.06	0.17	0.06	0.03	1.10	
	Average inventory turnover (times)	0.30	0.24	0.17	0.38	0.05	-	
	Account payable turnover (times)	9.76	9.91	8.91	23.46	2.02	0.16	
	Average days to sell inventory	1,216.66	1,520.83	2,147.05	960.52	7,300.00	-	
	Property, plants, and equipment turnover (times)	25.82	33.18	26.55	65.50	7.42	0.51	
	Total asset turnover (times)	0.31	0.29	0.19	0.42	0.07	-	
Return on investment analysis	Rate of return on assets (%)	3.95	6.44	3.41	10.82	1.49	(0.18)	
	Rate of return on equity (%)	9.97	20.45	12.51	35.28	4.23	(0.69)	
	Profit before tax to capital (%)	24.27	60.79	37.90	111.66	12.05	(1.80)	
	Profit to sales (%)	12.59	21.87	17.42	25.39	20.15	(132.04)	
	Earnings per share (NTD)	1.60	3.47	2.14	6.96	0.90	(0.14)	
Cash flow	Cash flow ratio (%)	Note 2	Note 2	Note 2	42.05	Note 2	Note 2	
	Cash flow adequacy ratio (%)	40.19	26.46	5.86	Note 2	Note 2	13.80	
	Cash reinvestment ratio (%)	Note 2	Note 2	Note 2	43.39	Note 2	Note 2	
Leverage	Operating Leverage	1.04	1.01	1.03	1.01	1.16	0.76	
	Financial Leverage	1.00	1.00	1.02	1.00	1.05	0.94	
Please explain the reason of changes in each financial ratio in the past two years (If the changes of increase/ decrease under 20% are, the analysis is exempted) .								
1) Long-term funds to property, plant, and equipment ratio : The increase in decoration projects of the reception hall in								

2023 results in an increase in the value of property, plant, and equipment ratio.

- 2) Quick ratio : The increase in bank loans of the construction project in 2023 results in an increase in current liabilities.
- 3) Interest coverage ratio : The difference in the construction project for revenue recognition in 2023 result in a decrease in pre-tax net profit.
- 4) Operating performance analysis : The difference in the construction project for revenue recognition in 2023 result in a decrease in operating income and operation costs.
- 5) Return on investment analysis : The difference in the construction project for revenue recognition in 2023 result in a decrease in net income after tax.
- 6) Cash flow : The decrease in pre-tax net income and the continued increase in construction in progress in 2023 result in cash outflows.

Note 1 : Financial information from 2019 to 2023 was certified by accountants ; Financial information for Q1, 2024 was reviewed by accountants.

Note 2 : Cash flow from operating activities are negative, thus not express in the statement.

Note 3 : The formulas of financial analysis are as follows :

- 1) Capital structure
 - A. Debt ratio = Total liabilities / Total assets
 - B. Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net
- 2) Liquidity analysis
 - A. Current ratio = Current assets / Current liability
 - B. Quick ratio = (Current Assets - Inventories - Prepaid expenses) / Current liability
 - C. Times interest earned = Profit Before Credit for Income Tax / interest expense
- 3) Operating performance analysis
 - A. Average collection turnover = Net Sales / Average collection (including accounts receivable and note receivable arise from operation)
 - B. Days to collect accounts receivable = 365 / Average collection turnover
 - C. Average inventory turnover = Cost of goods sold / Average inventories
 - D. Accounts Payable (including accounts receivable and note receivable arises from operation) Turnover Ratio = Cost of goods sold / Average accounts payable (including accounts receivable and note receivable arise from operation)
 - E. Average days to sell inventory = 365 / Average inventory turnover
 - F. Property, plants, and equipment turnover = Net Sales / Average Net Property, plants and equipment
 - G. Total assets turnover = Net Sales / Average total assets
- 4) Return on investment analysis
 - A. Rate of return on assets = [Net income + Interest expense *(1 - Tax rate)] / Average assets
 - B. Rate of return on equity = Net income / Average total Equity
 - C. Profit to sales = Net income / Net Sales
 - D. Earnings per share = (Net income attributable to shareholders of the parent-preferred stock) / Weighted average outstanding shares
- 5) Cash flow
 - A. Cash flow ratio = Net cash provided by operating activities / Current liability
 - B. Cash flow adequacy ratio = 5-year net cash provided by operating activities / 5-year (Capital expense + Increase in inventories + Cash dividend)
 - C. Cash reinvestment ratio = (Net cash provided by operating activities - Cash dividend) - (Gross Property, plant and equipment, net + Long-term investments + Other non-current assets + Operating Capital)
- 6) leverage
 - A. operating leverage = (Net operating income – Variable operating costs and expenses) / Operating profit
 - B. financial leverage = Operating profit / (Operating profit – Interest expense).

2.2 Financial analysis after adopting IFRS(Unconsolidated)

Item		Year (Note 1)	Financial analysis (5 years)			
		2019	2020	2021	2022	2023
Capital structure analysis	Debt ratio (%)	64.62	69.32	74.60	62.21	68.65
	Long-term funds to property, plant and equipment (%)	3,420.68	5,181.01	5,208.75	7,628.40	3,389.95
Liquidity analysis	Current ratio (%)	145.43	165.27	149.61	184.38	152.36
	Quick ratio (%)	11.89	29.86	23.61	57.58	28.88
	Times interest earned	7,272.95	377.96	61.26	195.93	23.50
Operating performance analysis	Accounts receivable turnover (times)	Note 2	106,142.68	25,085.55	61,808.57	5,759.40
	Days to collect accounts receivable	Note 2	0.00	0.01	0.00	0.06
	Average inventory turnover (times)	0.32	0.25	0.17	0.39	0.01
	Account payable turnover (times)	10.16	10.95	9.70	27.49	0.66
	Average days to sell inventory	1,140.62	1,460.00	2,147.05	935.89	36,500.00
	Property, plants, and equipment turnover (times)	25.77	33.00	26.05	66.57	2.79
	Total asset turnover (times)	0.32	0.30	0.19	0.43	0.02
Return on investment analysis	Rate of return on assets (%)	4.13	6.72	3.54	11.23	1.51
	Rate of return on equity (%)	9.97	20.45	12.51	35.28	4.23
	Profit before tax to capital (%)	23.97	60.41	37.69	111.37	10.28
	Profit to sales (%)	12.77	22.19	17.89	25.52	56.08
	Earnings per share (NTD)	1.60	3.47	2.14	6.96	0.90
Cash flow	Cash flow ratio (%)	Note 3	0.33	Note 3	44.14	Note 3
	Cash flow adequacy ratio (%)	46.08	31.11	9.69	3.75	Note 3
	Cash reinvestment ratio (%)	Note 3	Note 3	Note 3	44.04	Note 3
Leverage	Operating Leverage	1.03	1.01	1.01	1.00	1.61
	Financial Leverage	1.00	1.00	1.01	1.00	1.28

Please explain the reason of changes in each financial ratio in the past two years (If the changes of increase/ decrease under 20% are, the analysis is exempted) .

- 1) Long-term funds to property, plant, and equipment ratio : The increase in decoration projects of the reception hall in 2023 results in an increase in the value of property, plant, and equipment ratio.
- 2) Quick ratio : The increase in bank loans of the construction project in 2023 results in an increase in current liabilities.
- 3) Interest coverage ratio : The difference in the construction project for revenue recognition in 2023 result in a decrease in pre-tax net profit.
- 4) Operating performance analysis : The difference in the construction project for revenue recognition in 2023 result in a decrease in operating income and operation costs.
- 5) Return on investment analysis : The difference in the construction project for revenue recognition in 2023 result in a decrease in net income after tax.
- 6) Cash flow : The decrease in pre-tax net income and the continued increase in construction in

progress in 2023 result in cash outflows.

- 7) Balance : The difference in the construction project for revenue recognition in 2023 result in a decrease in operating profits.

Note 1 : Financial information from 2019 to 2023 was certified by accountants.

Note 2 : No accounts receivable for the year ended December 31, 2019, thus not expressed in the statement.

Note 3 : Cash flow from operating activities are negative, thus not express in the statement.

Note 4 : For financial analysis formula please refer to Note 3 in the above table.

3 Audit committee auditing report of last year's annual financial report

Audit Report from Audit Committee

2023 operation report, financial statement, and proposal of earnings appropriation, etc. are composed by Board of Directors, Deloitte & Touche is appointed to audit financial statements and issue Independent Auditor's report. The above operation report, financial statement and proposal of earnings appropriation are reviewed and confirmed by the Audit Committee. The reports are based on Article 14-4 of Securities and Exchange Act and Article 219 of Company Act.

Sincerely,

2024 Shareholder's Meeting of Zongtai Real Estate Development Co. Ltd.

Fu Hua Innovation Co. Ltd.
Convener of the Audit Committee : Tsao, Yong-Jen

March 14, 2024

4 Financial statements of the latest fiscal year

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Fu Hua Innovation Company Limited as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Fu Hua Innovation Company Limited and Subsidiaries do not prepare separate combined financial statements.

hereby declare

FU HUA INNOVATION COMPANY LIMITED

By

Liu, Wei-Ju

Chairman

March 14, 2024

INDEPENDENT AUDITOR'S REPORT

Fu Hua Innovation Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Fu Hua Innovation Company Limited (originally: Zongtai Real Estate Development Company Limited) and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement and Audit and Attestation Engagements of 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 Group under The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities by these requirements. We believe 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 that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ending in 2023. These matters were addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matters for the consolidated financial statements of the Group for the year ended in 2023 are stated as follows :

Revenue Recognition

The main source of revenue of Fu Hua Group comes from the sales of real estate revenues. The revenue is only recognized after the completion of the property rights transfer and final walk-through of the property with clients. The sales of real estate revenues account for a big share of the consolidated revenues and are considered as a significant item in the consolidated financial statements. Therefore, the sales revenue is listed as a key audit item. Please refer to Note 4 of the consolidated financial statements for the accounting policy to recognize of sales revenue.

The main audit procedures that the auditors have implemented for the issues which are mentioned above are as follows :

1. Understand and test the design of internal control and the effectiveness of implementation in the sales cycle.
2. Select the samples from the recognized sales of the real estate detail lists to check the corresponding documents of real estate handover and registration of property rights to ensure the appropriateness of the real estate revenue recognition sales.

Inventory Impairment Assessment

Inventory of the Fu Hua Group as of December 31, 2023-the balance of the construction industry was NT\$ 15,951,227 thousand, accounting for 71% of the total assets. The Fu Hua Group uses the profit rate of the construction project to assess whether there is an impairment of the inventory. Moreover, evaluated by the lower cost and net realizable value, the net realizable value is determined based on the recent transaction prices of development projects and the real market price of the near regions. Due to the above matters involving the significant accounting estimates and judgments of the management, the assessment of the net realizable value of inventories is listed as a key audit item. Please refer to Notes 4, 5, and 8 of the consolidated financial report for inventory information.

The main audit procedures that the accountant has implemented for the issues which are mentioned above are as follows :

1. Review the newly added construction costs this year, select samples and check the relevant vouchers, and confirm that the above costs have been appropriately attributed to the construction project.
2. Review the year-round inventory impairment loss evaluation documents, to check whether the net realizable value is consistent with the supporting documents.

Calculate the correctness of the estimated inventory impairment evaluation from the managerial level for verification.

Other Matter

Fu Hua Innovation Co., Ltd. has prepared the parent company only financial statements for the years 2023 and 2022, and the audit report with a unqualified opinion issued by the auditors is filed for reference.

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 following the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and 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 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concerned basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable insurance is a higher level of assurance but is not a guarantee that an audit conducted by 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 based on these consolidated financial statements.

As part of an audit following 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' reports. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express and 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 in significant audit findings, including any significant deficiencies and internal control that we identify during our audit.

We also provided 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 determined those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chiang, Shu-Chin and Zeng, Dong-Yun.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 14, 2024

Fu Hua Innovation Company Limited and Subsidiaries
(Originally: Zongtai Real Estate Development CO., LTD)

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022

Unit : In Thousands of New Taiwan Dollars

CODE	ASSETS	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
CURRENT ASSETS					
1100	Cash and cash equivalents (Note 4 and 6)	\$ 2,978,769	13	\$ 2,612,293	13
1110	Financial assets at fair value through profit or loss—current (Note 4 and 7)	1,176,106	6	1,651,479	8
1136	Financial assets at amortized cost—current (Note 4, 6 and 30)	840,538	4	1,880,829	9
1140	Contract asset—current (Note 4 and 22)	5,343	-	-	-
1172	Notes and accounts receivable (Note 4 and 22)	201	-	84	-
1200	Other receivables (Note 4 and 24)	955	-	244	-
1320	Inventories (Note 4, 5, 8, and 30)	15,951,515	71	13,679,701	66
1470	Other current assets (Note 15)	223,900	1	92,927	-
1480	Current assets recognized as incremental costs to obtain contract with customers (Note 4 and 22)	57,886	-	105,894	-
11XX	Total current assets	<u>21,235,213</u>	<u>95</u>	<u>20,023,451</u>	<u>96</u>
NONCURRENT ASSETS					
1510	Financial assets at fair value through profit or loss—noncurrent (Note 4 and 7)	88,075	-	98,050	1
1550	Investments accounted for using equity method (Note 4 and 10)	17,080	-	18,101	-
1600	Property, plant and equipment (Note 4, 11 and 30)	278,308	1	131,723	1
1755	Right-of-use assets (Note 4, 12 and 30)	333,175	2	301,479	1
1760	Investment property (Note 4, 13 and 30)	365,391	2	217,676	1
1780	Intangible assets (Note 4 and 14)	20,859	-	18,371	-
1840	Deferred tax assets (Note 4 and 24)	3,578	-	3,145	-
1990	Other noncurrent assets (Note 15)	16,480	-	16,755	-
15XX	Total noncurrent assets	<u>1,122,946</u>	<u>5</u>	<u>805,300</u>	<u>4</u>
1XXX	Total assets	<u>\$ 22,358,159</u>	<u>100</u>	<u>\$ 20,828,751</u>	<u>100</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
2100	Short-term loans (Note 16 and 30)	\$ 9,447,550	42	\$ 7,774,800	38
2130	Contract liabilities—current (Note 4, 22 and 31)	2,738,784	13	2,134,172	10
2150	Notes payable	4,658	-	46,708	-
2170	Accounts payable	596,310	3	221,304	1
2219	Other payables (Note 18)	315,141	1	326,524	2
2230	Current tax liabilities (Note 4 and 24)	62,479	-	415,453	2
2280	Lease liabilities—current (Note 4 and 12)	8,244	-	10,945	-
2320	Long-term liabilities—current portion (Note 16 and 30)	6,703	-	6,112	-
2399	Other current liabilities (Note 18)	4,136	-	35,751	-
21XX	Total current liabilities	<u>13,184,005</u>	<u>59</u>	<u>10,971,769</u>	<u>53</u>
NONCURRENT LIABILITIES					
2527	Contract liabilities—noncurrent (Note 4 and 22)	180	-	-	-
2530	Bonds payable (Note 17 and 30)	1,998,839	9	1,998,176	10
2540	Long-term bank loans (Note 16 and 30)	113,003	-	116,148	-
2570	Deferred tax liabilities (Note 4 and 24)	1,172	-	3,139	-
2580	Lease liabilities—noncurrent (Note 4 and 12)	159,672	1	149,888	1
2645	Guarantee deposit received	6,138	-	6,218	-
25XX	Total noncurrent liabilities	<u>2,279,004</u>	<u>10</u>	<u>2,273,569</u>	<u>11</u>
2XXX	Total liabilities	<u>15,463,009</u>	<u>69</u>	<u>13,245,338</u>	<u>64</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital					
3110	Capital - common stock	3,422,757	15	2,427,487	11
3200	Capital surplus	1,261,782	6	1,261,649	6
Retained earnings					
3310	Legal reserve	925,916	4	705,026	4
3350	Unappropriated earnings	1,284,695	6	3,189,251	15
3XXX	Total equity	<u>6,895,150</u>	<u>31</u>	<u>7,583,413</u>	<u>36</u>
Total liabilities and equity		<u>\$ 22,358,159</u>	<u>100</u>	<u>\$ 20,828,751</u>	<u>100</u>

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

Fu Hua Innovation Company Limited and Subsidiaries
(Originally: Zongtai Real Estate Development CO., LTD)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
January 1 to December 31, 2023 and 2022

Unit : In Thousands of New Taiwan Dollars,
Except Earnings Per Share

CODE		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Note 4, 22 and 29)	\$ 1,522,239	100	\$ 8,697,505	100
5000	Operating costs (Note 23)	<u>880,962</u>	<u>58</u>	<u>5,697,874</u>	<u>65</u>
5900	Gross profit from operations	<u>641,277</u>	<u>42</u>	<u>2,999,631</u>	<u>35</u>
	Operating expenses (Note 22, 23 and 29)				
6100	Selling expenses	181,138	12	182,227	2
6200	Administrative expenses	<u>109,762</u>	<u>7</u>	<u>129,419</u>	<u>2</u>
6000	Total operating expenses	<u>290,900</u>	<u>19</u>	<u>311,646</u>	<u>4</u>
6900	Net operating income	<u>350,377</u>	<u>23</u>	<u>2,687,985</u>	<u>31</u>
	Non-operating income and expenses				
7050	Finance costs	(19,766)	(1)	(18,176)	-
7100	Interest income	34,709	2	9,490	-
7130	Dividend income	4,410	-	1,400	-
7190	Other income (Note 29)	11,715	1	9,685	-
7210	Gains on disposals of property, plant and equipment (Note 4)	193	-	-	-
7230	Foreign exchange gains(loss) (Note 4)	(140)	-	15,253	-
7235	Gains on financial assets at fair value through profit (Note 4)	32,829	2	5,630	-
7590	Miscellaneous Disbursements	(676)	-	(362)	-
7770	Share of loss of associates and joint ventures accounted for using equity method (Note 4)	(1,154)	-	(193)	-
7000	Non-operating income and expenses Total	<u>62,120</u>	<u>4</u>	<u>22,727</u>	<u>-</u>

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<u>CODE</u>		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
7900	Profit before tax	\$ 412,497	27	\$ 2,710,712	31
7950	Income tax expense (Note 4 and 24)	<u>105,623</u>	<u>7</u>	<u>501,812</u>	<u>6</u>
8500	Total comprehensive income	<u>\$ 306,847</u>	<u>20</u>	<u>\$ 2,208,900</u>	<u>25</u>
	Earnings per share (Note 25)				
9750	Basic earnings per share	<u>\$ 0.90</u>		<u>\$ 6.96</u>	
9850	Diluted earnings per share	<u>\$ 0.90</u>		<u>\$ 6.95</u>	

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

Fu Hua Innovation Company Limited and Subsidiaries
(Originally: Zongtai Real Estate Development CO., LTD)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
January 1 to December 31, 2023 and 2022

Unit : In Thousands of New Taiwan Dollars

CODE		Capital Stock - Common	Advance receipts for	Capital surplus	Retained earnings (Note 21)		Total equity
		Stock (Note 21)	share capital (Note 21)	(Note 21)	Legal reserve	Unappropriated earnings	
A1	BALANCE, JANUARY 1, 2022	\$ 2,107,907	\$ 3,592	\$ 822,657	\$ 641,490	\$ 1,361,462	\$ 4,937,108
	Appropriations of prior year's earnings in 2021						
B1	Legal reserve	-	-	-	63,536	(63,536)	-
B5	Cash dividends of ordinary share	-	-	-	-	(317,575)	(317,575)
D5	Total comprehensive income in 2022	-	-	-	-	2,208,900	2,208,900
E1	Issue of shares	310,000	-	418,500	-	-	728,500
N1	Share-based payments	9,580	(3,592)	20,492	-	-	26,480
Z1	BALANCE, DECEMBER 31, 2022	2,427,487	-	1,261,649	705,026	3,189,251	7,583,413
	Appropriations of prior year's earnings in 2022						
B1	Legal reserve	-	-	-	220,890	(220,890)	-
B5	Cash dividends of ordinary share	-	-	-	-	(995,270)	(995,270)
B9	Stock dividends of ordinary share	995,270	-	-	-	(995,270)	-
C7	Capital surplus, changes in equity of associates and joint ventures accounted for using equity method	-	-	133	-	-	133
D5	Total comprehensive income in 2023	-	-	-	-	306,874	306,874
Z1	BALANCE, DECEMBER 31, 2023	\$ 3,422,757	\$ -	\$ 1,261,782	\$ 925,916	\$ 1,284,695	\$ 6,895,150

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

Fu Hua Innovation Company Limited and Subsidiaries
(Originally: Zongtai Real Estate Development CO., LTD)
CONSOLIDATED STATEMENTS OF CASH FLOWS
January 1 to December 31, 2023 and 2022

Unit : In Thousands of New Taiwan Dollars

CODE		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit before tax	\$ 412,497	\$ 2,710,712
A20010	Adjustments to reconcile profit (loss) :		
A20100	Depreciation expense	52,941	29,958
A20200	Amortization expense	843	733
A20400	Gain on financial assets at fair value through profit or loss	(32,829)	(5,630)
A20900	Finance costs	19,766	18,176
A21200	Interest income	(34,709)	(9,490)
A21300	Dividend income	(4,410)	(1,400)
A21900	Share-based payments	-	18,414
A22300	Share of loss of associates and joint ventures accounted for using equity method	1,154	193
A22500	Gains on disposals of property, plant and equipment	(193)	-
A30000	Changes in operating assets and liabilities		
A31125	Contract assets	(5,343)	-
A31150	Notes and accounts receivable	(117)	2,711
A31180	Other receivable	(13)	4
A31200	Inventories	(2,056,951)	2,711,656
A31240	Other current assets	(162,653)	72,553
A31270	Assets recognized as incremental costs to obtain contract with customers	473	(47,990)
A32125	Contract liabilities	604,792	(670,821)
A32130	Notes payable	(42,050)	18,336
A32150	Accounts payable	375,006	32,094
A32180	Other payable	(16,855)	61,722
A32230	Other current liabilities	(<u>31,616</u>)	<u>18,485</u>
A33000	Cash inflow (outflow) generated from operations	(920,267)	4,960,416
A33100	Interest received	34,003	9,293
A33300	Interest paid	(222,992)	(216,780)
A33500	Income tax paid	(<u>460,990</u>)	(<u>139,095</u>)
AAAA	Net cash flows from (used in) operating activities	(<u>1,570,246</u>)	<u>4,613,834</u>

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CODE		2023	2022
	NET CASH FLOW FROM INVESTMENT ACTIVITIES		
B00040	Acquisition of financial assets at amortized cost	\$ -	(\$ 151,048)
B00050	Proceeds from disposal of financial assets at amortised cost	1,040,291	-
B00100	Acquisition of financial assets at fair value through income	(2,473,000)	(2,717,346)
B00200	Proceeds from disposal of financial assets at fair value through profit or loss	2,991,177	1,099,807
B01800	Acquisition of investments accounted for using equity method	-	(18,050)
B02700	Acquisition of property, plant and equipment	(125,536)	(5,194)
B02800	Proceeds from disposal of property, plant and equipment	305	-
B03700	Increase in refundable deposits	(25)	-
B04500	Acquisition of intangible assets	(3,331)	(94)
B05350	Acquisition of use-of-right assets	(162,126)	-
B06800	Decrease in other non-current assets (increase)	300	(300)
B07600	Dividends received	<u>4,410</u>	<u>1,400</u>
BBBB	Net cash flows from (used in) investing activities	<u>1,272,465</u>	(<u>1,790,825</u>)
	CASH FLOWS USED IN FINANCING ACTIVITIES		
C00100	Increase(decrease) in short-term loans	1,672,750	(1,905,700)
C01700	Repayments of long-term debt	(2,553)	(6,171)
C03100	Decrease in guarantee deposits received	(80)	(10,018)
C04020	Payments of lease liabilities	(10,590)	(10,618)
C04500	Cash dividends paid	(995,270)	(317,575)
C04600	Proceeds from issuing shares	-	728,500
C04800	Exercise of employee share options	<u>-</u>	<u>8,066</u>
CCCC	Net cash flows from (used in) financing activities	<u>664,257</u>	(<u>1,513,516</u>)
EEEE	Net increase in cash and cash equivalents	336,476	1,309,493
E00100	Cash and cash equivalents at beginning of period	<u>2,612,293</u>	<u>1,302,800</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 2,978,769</u>	<u>\$ 2,612,293</u>

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

Fu Hua Innovation Company Limited and Subsidiaries
(Originally: Zongtai Real Estate Development Company Limited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 1 to December 31, 2023 and 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1 GENERAL

Fu Hua Innovation Company Limited (the Company), a Republic of China (R.O.C.) corporation, was established in November 1997 in accordance with the Company Law and relevant laws and regulations and was approved for supplemental public issuance by Financial Supervision Commission Banking Bureau on July 14, 2000. Approved by the Taiwan Stock Exchange, stocks were officially listed on March 3, 2003. The Company has changed name, which formerly known as “Zongtai Real Estate Development Company Limited”, to “Fu Hua Innovation Company Limited” on July 14, 2023.

The Company's service items are leasing or selling residential and commercial buildings entrusted to builders.

The accompanying consolidated financial statements were expressed with the Company's functional currency (New Taiwan Dollar).

2 THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 14, 2024.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the accounting policies of Fu Hua Innovation Company Limited and its subsidiaries.

3.2 The IFRS endorsed by the FSC with effective date starting 2024.

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 “ leaseback of Lease Liabilities”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note3)

Note 1 : Except for those noted, the New/Amended/Revised Standards and Interpretations will be effective during the annual reporting period starting after each date.

Note 2 : Sellers and lessees should retrospectively apply the amendment to IRFS 16 on sale and leaseback transaction signed after first application of IFRS 16.

Note 3 : When the first-apply the amendment, it exempts the part of revelatory provision.

Up till the release date of consolidated financial reports, the other regulation concerning the merged company’s evaluation, adjustments for explanation would not impact on the financial status and performance.

3.3 The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC.

New/Revised/Amended Standards and Interpretations	Effective Date Issued 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”	Undecided
IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments of IFRS 17 : The comparison between the first-applied IFRS 17 and IFRS 9	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1 : Except for those noted, the New/Amended/Revised Standards and Interpretations will be effective during the annual reporting period starting after each date.

Note 2 : It’s effective during the annual reporting period starting after January 1, 2025. For the first-time application amendment, the effects shall be recognized in retained earnings on the first-time application date. When the consolidated company uses non-functional currency as the presentation currency, the effects will be adjusted as the exchange difference of the foreign operation under the equity on the first-time

application date.

As of the date the accompanying consolidated financial statements were authorized for issue, the merged Company continues in evaluating the impact on its financial position and financial performance from the initial adoption of the standards or interpretations and related applicable period. The related impact will be disclosed when the merged Company completes its evaluation.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC with the effective dates (collectively, “Taiwan-IFRS Accounting Standards”).

4.2 Basis of Preparation

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

Fair value measurements are grouped into Levels 1 to 3 based on the observable degree of relevant inputs and on importance:

1. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4.3 Classification of Current and Noncurrent Assets and Liabilities

An asset is classified as current when :

1. Hold the asset primarily for the purpose of trading.
2. Expect to realize the asset within twelve months after the balance sheet date.

3. Cash or cash equivalent. (It does not include those restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.)

A liability is classified as current when :

1. Hold the liability primarily for the purpose of trading.
2. The liability is due to be settled within twelve months after the balance sheet date.
3. Does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

The part of the combined company engaged in construction projects has an operating cycle exceeding one year. It is based on the assets and liabilities related to the construction business, and the normal operating cycle is used as the standard for dividing current or non-current.

4.4 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Adjustments have been made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intragroup transactions, balances, income, and expenses are eliminated in full on consolidation.

When the merging company's changes in the ownership and equity of the subsidiary do not result in the loss of control, it is treated as an equity transaction. The carrying amount of the consolidated company and non-controlling interests has been adjusted to reflect changes in its relative equity in the subsidiary. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity and attributable to the owners of the company.

For details of subsidiaries, shareholding ratios and business items, please refer to Note 9 and Attached Table 7.

4.5 Foreign Currencies

In preparing the financial statements of each company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Due to the reason for clearing monetary items or monetary item conversions, such exchange differences are recognized in profit or loss in the year in which they arise.

4.6 Inventories—Construction Industry

The investment and construction of houses are calculated according to the cost of different projects; the allocation of the sold or unsold costs of the project is calculated according to the proportion of the purchase price; however, the same project cannot be changed after the selection the year before or after.

For the purchase or exchange of lands, the lands purchase price paid before the acquisition of lands ownership is recorded as the advance land purchases, and after the ownership is acquired, it is recorded as the construction lands; the construction lands and construction costs invested in various projects are recorded as the building under construction. Once the project is completed, it will be carried forward to property for sale.

Lands for construction, houses under construction and premises for sale are accounting basis based on cost. At the end of the period, if there is sufficient evidence that the net realizable value is lower than the cost, the difference shall be provided as an allowance for falling price losses.

4.7 Borrowing Costs

The borrowing cost directly attributable to the acquisition, construction or production of a qualified asset is a part of the cost of the asset until almost all necessary activities for the asset to reach its intended use or sale status have been completed.

Specific borrowings, such as investment income earned by temporary investment before the occurrence of capital expenditures that meet the requirements, are deducted from the borrowing costs that meet the capitalization conditions.

Except for the above, all other borrowing costs are recognized as profit or loss in the current period.

4.8 Investment in Affiliated Companies

Affiliated companies refer to companies that have significant influence on the combined company but are not subsidiaries or joint ventures.

The merging company adopts the equity method for investment in affiliated companies.

Under the equity method, investment in affiliated companies is initially recognized at cost, and the future carrying amount obtained is increased or decreased with the share of the affiliated company's profits and losses and other comprehensive profits and losses and profit distribution enjoyed by the combined company. In addition, changes in the equity of affiliated companies are recognized based on the shareholding ratio.

When the consolidated company's share of losses in the affiliated company equals or exceeds its equity in the affiliated company, the recognition of further losses shall cease. The company only recognizes additional losses and liabilities within the scope of statutory obligations, constructive obligations, or payments made on behalf of related companies.

When assessing impairment, the consolidated company regards the overall book value of the investment (including goodwill) as a single asset, compares the recoverable amount with the book amount, and conducts impairment tests. The recognized impairment loss is not allocated to the component of the investment book value. Any assets, including goodwill. Any reversal of the impairment loss shall be recognized within the scope of the subsequent increase in the recoverable amount of the investment.

4.9 Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. Subsequently measured at the cost minus accumulated depreciation and accumulated impairment losses.

Property, plant and equipment during construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. The cost includes the fee of professional services and borrowing costs which is eligible for capitalization. The assets are costs at the lower of cost or net realizable value before completed and ready for intended use. The selling price and the cost under the income. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Property, plant and equipment are depreciated on a straight-line basis within their useful lives. If significant parts have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The merging company shall review the estimated useful lives, residual value and depreciation method at least at the end of each year and postpone the effect of changes in applicable accounting estimates.

When property, plant and equipment are on disposal, the difference between the net disposal price and the asset's carrying amount is recognized in profit or loss.

4.10 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both.

Self-owned investment property is measured at cost (including transaction costs) on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses.

Investment property is depreciated on a straight-line basis.

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

4.11 Goodwill

Once the goodwill acquired through merge will be counted on the day of purchase as the cost for goodwill acquisition, afterwards it could be evaluated with the cost minus the accumulated loss.

For impairment test, the cost of goodwill will be amortized to the expected cash generating unit due to the synergy of merge.

Through the comparison of the book value and recoverable amount, the cash generating unit can conduct the impairment test for the amortized goodwill annually (and when there is sign of the unit has decreased value). If the amortized goodwill to the cash generating unit is acquired as the same year for merging, the unit shall conduct impairment test by the end of the accounting year. If the recoverable amount of the amortized goodwill of the cash generating unit is lower than the book value, firstly, impairment loss shall deduct the amortized goodwill from the book value of the cash generating unit. Secondly, the book values of other assets of the unit shall be deducted based on the proportion of individual asset book value. Any impairment loss shall be recognized as loss of the period. Goodwill impairment loss shall not be considered as reversal on impairment loss.

When disposing certain operation of the amortized goodwill of the cash generating unit and the money value of the disposed operation goodwill shall include the book value of that operation to determine the final disposal on gains and losses.

4.12 Intangible Assets

The durability of the solely-acquired intangible assets shall be evaluated by cost initially, afterwards, it shall be evaluated with cost minus the accumulated amortization and impairment loss. Intangible assets shall be amortized on a straight-line base for amortization. The company who has merged shall at least check the estimated durability, residual value and amortization methods on the last day of accounting year and defer the effect the adjustments on the applied accounting estimation. The uncertain durability of the intangible assets shall be listed with the amount of the cost minus the accumulated loss on impairment.

When the intangible asset was derecognized, the differences between the net disposal price and the book value of assets shall be listed as the loss or gain for that period.

4.13 Contract cost related assets

The sales commission for the real estate property salespeople and the fee about contract will be actualized when the customer receive the contract. The amount of money within the coverable range will be listed as the incremental

cost for contract gaining and will be written off when the real estate was completed and handover to the clients.

4.14 The impairments of property, plants and equipment, right-of-use assets and intangible assets (goodwill excluded)

The merged company shall evaluate any sign for impairment on property, plants and equipment, right-of-use assets and intangible assets (goodwill excluded) on the day for balance sheet declaration. If there's any sign of impairment, then the recoverable amount shall be estimated. If individual asset's recoverable amount cannot be estimated, the merged company shall estimate the recoverable amount of the asset belonging to the cash generating unit. Shared assets shall be amortized to individual cash generating unit on the consistent and rational basis.

The coverable amount would be fair value minus the cost and the higher in use value. If the recoverable value of individual asset or cash generating unit is lower than book value, then the book value of such asset or cash generating unit shall adjusted lower to the recoverable amount, the impairment loss shall be recognized in profit or loss.

When the impairment loss was reversed afterwards, the book value of the asset or cash generating unit shall be adjusted up to the recoverable amount only if the increase book value shall not exceed the listed impairment loss book value from previous year if such asset or cash generating unit (deduct the amortization and depreciation). The impairment loss shall be recognized in profit or loss.

4.15 Financial Instruments

Financial assets and debt shall be recognized on the combined balance sheet if the instruments were listed within the articles of the contract when companies merge.

When the initial recognition of the financial assets and debts, if not evaluated based on fair value, the financial assets and debts can be evaluated by the fair value plus with the transaction cost of the acquired or issued financial assets or debts. The transaction costs of the directly acquired or financial assets or debts issued based on the loss and gain with fair values shall be recognized in the balance sheet and income statement.

4.15.1 Financial Assets

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

A. Evaluating categories

The types of financial assets owned by the merged company are the financial assets at the fair value through profit or loss and the amortized cost.

a. Financial assets at the fair value through profit or loss

Financial assets at the fair value through profit or loss include the enforced or assigned financial assets at the fair value. The financial assets at the fair value enforced through profit or loss consist of the unassigned equity instrument of other comprehensive income : unrealized gains or losses on fair value through other comprehensive income financial assets and the uncategorized debt instrument investment measured by amortized cost.

Financial assets measured at fair value through other comprehensive income are valued based on fair value and recognized in the balance sheets and income statements for the gains or loss they generated (any of the dividend or the interest accrued from the financial assets). See Note 28 for the fair value measurement.

b. Financial assets evaluated by the amortized costs.

If the merged company's financial assets fit the following requirements, then the following categories of which financial assets were evaluated by the amortized costs.

- i. Owned under certain business operating mode. The purpose of such mode is to hold the financial assets to receive the contracted cash flow; and
- ii. The cash flow accrued on the designated date based on the contract articles. The amount of such cash flow was paid totally for the interest accrued from the principal and outstanding principal.

The amortized cost financial assets (including cash and cash equivalents, account and bill receivable amortized by

cost, other account receivable, construction deposit paid and refundable deposits), once after the original recognition, it is determined by effective interest method of taking the total book value minus any amortized cost of impairment loss, any profit or loss on foreign exchange is recognized on the financial statements.

Except the following two conditions, interest income is calculated by the effective interest rate times the total book value of the financial assets :

- i. Purchase or initiate the credit-impaired financial assets, the interest income is calculated by the post credit adjustment interest rate times the amortized cost of financial assets.
- ii. Non-purchased or initiated credit-impaired, once became credit-impaired financial assets, during the period of credit impairment to the next term of recognition, the interest income shall be calculated with effective interest rate times the amortized cost of the financial assets.

Credit impairment financial assets refers to the issuers or debtors have major financial difficulties, breach of contract. Debtors are likely to file for bankruptcy or financial reconstructing which may lead to the disappearing vitality of financial markets.

Cash equivalents include short-term certificate of deposit and repo bonds with high market liquidity which can be convertible into fixed amount of cash to satisfy the short-term cash promise.

B. Impairment loss of financial assets

The merged company will recognize the impairment loss based on expected credit impairment of the financial assets (including account receivable) at amortized cost on every balance sheet day.

Account receivable is recognized as allowed loss in the duration expected credit impairment. Other financial assets are self-evaluated whether there is significant increase in credit risk beforehand. If the credit risk did not increase significantly, it will

be recognized as allowed loss as expected credit impairment for 12 months. If the credit risk has increased significantly, it will be recognized as allowed loss as expected credit impairment for the duration.

Expected credit impairment is the weighted average of credit loss with the weights based on the risk of contract breach. The expected credit impairment for 12 months means the expected impaired credit caused by the breached items within the contract of the financial instruments within 12 months of the reporting day. The expected impaired credit of duration signifies the expected credit impairment induced by the breached items within the contract of the financial instruments of the duration.

The purpose of the merged company of inner credit risk management without the consideration of the holding of collateral will be judged as breach of contract of the financial assets under the following conditions :

- a. Inner or external information indicates that the debtors are impossible to clear the debts.
- b. Overdue for more than 90 days. Unless reasonable and supporting information indicates the delay of breach of contract is more appropriate.

All book values of the impairment loss of financial assets are deducted through allowed account, only with the exception that the allowed impairment of other conglomerated debt instrument at fair value through profit or loss would be recognized as other comprehensive income will not lower the book values.

C. Derecognition of financial assets

The merged company only lose the contact rights of the financial assets' cash flow or the financial assets have been transferred and the risks and payment of the ownership of financial assets have been transferred to other enterprises, which is when the financial assets can be derecognized.

When the financial assets amortized at cost were derecognized as a whole, the gap of the book values and the collected

consideration were recognized as gains and loss. When the debt instrument investments measured at fair value through other comprehensive income were derecognized as the whole, the book values and the collected consideration were recognized as the gap between the accumulated gain or loss of other comprehensive income. When the equity instrument investments measured at fair value through other comprehensive income were derecognized as the whole, the accumulated loss and gain will directly transferred as retained earnings without reclassifying as loss or gain.

4.15.2 Financial debts

A. Valuation afterwards

All the financial debts were valued by effective interest method amortized at cost value.

B. Derecognition of the financial debts

When derecognizing financial debts, the gap between the book value and the collected consideration (including any transferred non-cash assets or debts with-taken) is recognized as loss and gain.

4.16 Income Recognition

Once the merged company has recognized the performance obligations in clients' contract, the transaction price will be allocated within the performance obligations and when fulfilling the performance obligations, the transaction price will be recognized as income.

4.16.1 Product Sales Revenue

Properties sales within normal operation range is as fixed transaction price by stages and recognized as contract liabilities. After considering major financial compositions, it shall be recognized as sales revenue once each property has finished construction and handover the ownership to the buyer.

4.16.2 Construction Revenue

During the construction process, the real estate is controlled by the customer owned by the property construction contract, and the

merged company will gradually be recognized as sales revenue based on the schedule. Due to the endowed cost and the completion of contract fulfilling are directly related, the merged company finished the progress based on the ration of actual endowed cost to expected total cost. The emerged company will gradually recognized the assets in contract and changed to account receivable when issuing the bills. If the received construction payment exceeds the amount of recognized revenues, the gap shall be recognized as contract liabilities. Based on the contract article that the customer retains the construction project retention is to ensure the merged company can fulfill all the contract duties and before the merged company fulfill the contract duty shall be recognized as contract assets.

4.16.3 Rental Revenue

The revenue from the lease is recognized when an asset is used in lease, provided that it is probable the economic benefits will flow to the Consolidated Company and the amount of revenue of revenue can be measured reliably.

4.16.4 Food service Revenue

The food service income is main from banquets. Because the product selling is that after customers sign and confirm the related content of an agreement, they appointed a day and had the interest to use of the product so that it shall be recognized as the income. The deposit of the banquets have been paid on the day of the appointment and shall be recognized as the contract liability.

4.17 Lease

The merged company shall evaluate the contract effective date shall considered or belonged to lease.

4.17.1 The merged company as lessor

When the leasing articles refers to the ownership and all the included risks and payments transferred to the leasers, it is categorized as finance lease, while other kinds of lease are categorized as operating lease.

In finance lease, lease payments include fixed payments. Net lease investment is the sum of current value of lease receivable and unguaranteed residual value at initial direct costs and denoted as finance lease receivable. Finance revenues shall be evened out in each accounting periods to reflect the fixed rate of return (ROE) of unexpired net lease investment in different accounting periods.

In operating lease, lease payment minus lease incentives is recognized as income based on straight-line method during the lease periods. The initial direct cost due to operating lease is added to the book value of the targeted assets based on straight-line method and recognized as expense during the lease period.

When lease include lands and building compartment, the merged company is affiliated to the ownership of compartment and all the risk and return have transferred to leaser to evaluate the categorization of each compartment shall belong to finance lease or operating lease. Lease payment is amortized to lands or buildings based on the relative ratio of lands and building lease rights at fair value on contract effective date. If lease payment can reliably amortize to these two compartments, then each element shall be dealt with accordingly by the applied lease category. If not, then the whole lease will be categorized as finance lease unless these two compartments obviously fitting the operating lease standards or else the overall lease will be categorized as operating lease.

4.17.2 Merged company as lessee

Besides the low-value targeted leased assets with recognized exemptions and short-term lease payment are recognized as expenses within the lease periods, other kinds of leasing would be recognized as right-of-use assets and as lease liabilities on the starting day of leasing.

Right-of-use assets originally was evaluated by cost (including the lease liabilities at initial measurement, lease payment before the leasing day starts minus the demanded lease incentives, initial direct cost and estimated cost. Afterwards, the amount was evaluated with accumulated depreciation was deducted at cost and the accumulated

impairment loss and the re-evaluated adjusted lease liabilities. Right-of-use property is expressed alone on the consolidated balance sheet.

Right-of-use assets by straight line method from the date of lease till the durability expired or the lease period expired which will adopt the earlier time to be recognized as depreciation.

Initial lease liabilities (including fixed payment) at present value, if the implied lease interest is easy to be fixed, the lease payment shall be discounted with implied lease interest. If such interest is not easy to be exact, then lessee's incremental borrowing rate of interest will be adopted for discount.

What follows are lease liabilities by effective interest method evaluated at amortized cost and the interest expense is divided pro rata during the lease period. If the adjustment during the lease period leading to the adjustment for future lease payment, the merged company will evaluate the lease liabilities again and relatively adjust the right-of-use assets with the exception that the book value of the right-of-use assets has deducted to zero, and the residual of the reevaluated amounts were recognized in profit or loss. Lease liabilities is on the stand-alone basis on the consolidated balance sheet.

4.18 Employee Benefits

4.18.1 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 service rendered by employees.

4.18.2 Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

4.19 Employee Stock Option

Employee stock option is based on the equity instrument on vest day at fair value and the optimal number of estimations of expected vest and is recognized as expense by accrual straight-line basis within the vested duration,

at the same time, adjust capital surplus- employee stock option. If vested right on the vested day, then all the employee stock options shall be recognized as expenses on the vested day. The merged company handled the proposal to increase its capital by retaining employee stock option, which would be issued when the number and price of shares were confirmed.

The merged company will adjust the expected vest of the estimated number of employee stock option on the balance sheet day. If any adjustment on the original number, the adjusted number will be recognized in profit or loss so that the accumulated expense can reflect the adjusted number of estimation and relatively adjust the capital surplus-employee stock option.

4.20 Income Tax

Income tax expenses is the sum of the income tax of the current period and the deferred income tax.

4.20.1 Income 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 Law 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.

4.20.2 Deferred Income 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, net operating loss carryforwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be

available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4.20.3 Current and Deferred Income 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 AND UNCERTAINTY

In the application of the merged Company's accounting policies, the Company is required to make judgments, estimates and assumptions about 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 relevant. Actual results may differ from these estimates.

When the consolidated company develops significant accounting estimates, possible effects such as cash flow projections, growth rate, discount rate, profitability and other significant estimates shall be included. Management team will continue to review the estimation and basic assumption.

Key Sources of Estimation and Uncertainty-the impairment in inventory

Inventory net realized value is the residual estimation of estimated sales price during operating process minus the estimated cost for completion of the construction and all the estimated cost for sales, such estimation is evaluated based on the current status quo of the market and the historical sales records of similar products, the changes in markets can affect the estimated results.

6 CASH AND CASH EQUIVALENTS

	<u>December 31,2023</u>	<u>December 31,2022</u>
Cash on hand and working fund	\$ 378	\$ 219
Deposits in banks	2,672,439	3,251,062
Cash equivalents		
Bank time deposit	1,054,130	1,119,763
Repo bonds	<u>92,360</u>	<u>122,078</u>
	3,819,307	4,493,122
Minus : Restricted deposit	(773,988)	(1,842,330)
Pledge time deposit	<u>(66,500)</u>	<u>(38,499)</u>
	<u>\$ 2,978,769</u>	<u>\$ 2,612,293</u>

Restricted deposit and pledge time deposit are financial assets at amortized cost-current , please refer to Note 30 for the pledge information.

7 FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT AND LOSS

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Financial Assets-Current</u>		
Fund Beneficiary Certificate	\$ 1,092,083	\$ 1,577,812
Domestic listed and OTC stock	<u>84,023</u>	<u>73,667</u>
	<u>\$ 1,176,106</u>	<u>\$ 1,651,479</u>
<u>Financial Assets-Non-current</u>		
Domestic unlisted and OTC stock	<u>\$ 88,075</u>	<u>\$ 98,050</u>

8 INVENTORY

8.1 Inventory - Construction

	<u>December 31,2023</u>	<u>December 31,2022</u>
Land held for construction site	\$ 2,861,367	\$ 3,017,086
Construction in progress	12,921,898	10,394,742
Buildings and land held for sale	<u>167,962</u>	<u>267,873</u>
	<u>\$ 15,951,227</u>	<u>\$ 13,679,701</u>

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Land held for construction site</u>		
Land serial No.15, Wenshang Section	\$ 2,839,556	\$ 2,801,705
Land serial No.38, Goubei Section	-	193,570
Others	<u>21,811</u>	<u>21,811</u>
	<u>\$ 2,861,367</u>	<u>\$ 3,017,086</u>

<u>Construction in progress</u>		
The Way Home	\$ 9,083,801	\$ 6,082,570
Unveiling	2,209,547	2,159,393
Land serial No.53, Wenshang Section	1,628,231	1,594,145
Live as the Queen	-	558,634
Others	<u>310</u>	<u>-</u>
	<u>\$ 12,921,898</u>	<u>\$ 10,394,742</u>

<u>Buildings and land held for sale</u>		
Zongtai 2020	\$ 120,437	\$ 132,596
Get Together	31,525	119,277
East New York	<u>16,000</u>	<u>16,000</u>
	<u>\$ 167,962</u>	<u>\$ 267,873</u>

Information about interest capitalization is as follows :

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
Amount of interest capitalization	\$ 209,361	\$ 198,228
Interest capitalization rate (%)	2.21-2.68	1.55-2.40

Setting the amount of inventory as a guarantee for the loan, please refer to Note 30.

8.2 Inventory— Other industries

	<u>December 31,2023</u>	<u>December 31,2022</u>
Restaurant supplies	<u>\$ 288</u>	<u>\$ -</u>

The operating expenses which are related to the inventory in 2023 and 2022 are NT 859,874 thousand and NT 5,686,469 thousand. The year of 2023 and 2022 do not recognized the situation of inventory valuation losses and reversal.

9 SUBSIDIARY COMPANY

The entities included in the consolidated statements are listed below :

<u>Subsidiary Title</u>	<u>Business</u>	<u>(Weighted)Percentage shares of holdings (%)</u>	
		<u>December 31,2023</u>	<u>December 31,2022</u>
Zongtai Construction Co.,Ltd. (Zongtai Construction Co.)	General Construction Industry	100	100
Ritai Asset Management Co, Ltd. (Ritai Management Co.)	Property Management Service Industry	100	100
Zongtai Real Estate Development Co., Ltd. (Zongtai Real Estate Co.) (Note)	Housing and Building Development and Rental	100	100
Dashun Advertising Co., Ltd. (Dashun Advertising Co.)	Restaurants	100	100

Note: Play Fun Industrial Co., Ltd. was renamed to Pika Electronic Co., Ltd. in March 2022 and it was renamed again to Zongtai Real Estate Development Co., Ltd in August 2023.

In the above-mentioned subsidiaries, the financial reports of Zongtai Real Estate Company and Dashun Advertising Company for 2023&2022 have not been audited by accountants. The financial reports of the remaining subsidiaries for 2023 and 2022 are all audited by accountants. However, the management believes that there is no material impact from the financial statements of the above-mentioned investees that have not been audited.

10 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

<u>Invested company name</u>	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Common stocks of non-listed companies</u>		
Shuo Yi Tai Green Energy Co., Ltd. (Shuo Yi Tai Co.)	\$ 17,080	\$ 18,101

Percentage (%) of the merged company's ownership interest and voting rights in related companies are as follows :

<u>Invested company name</u>	<u>December 31,2023</u>	<u>December 31,2022</u>
Shuo Yi Tai Co.	27	30

Shou Yi Tai Green Power Co., Ltd. has applied for cash capital increase on August 21, 2023 and December 12,2023 respectively. The Company did not subscribe in accordance with shareholding ratio. Therefore, he shareholding ratio dropped from 30% to 26.91%. Additional paid-in capital of NT\$133 thousand was adjusted.

The equity-method investees' financial statements, which were used to determine the carrying amount of the merged company's investments and the share of profit and other comprehensive income of associates, had been audited. The management of the merged company believes that there is no material impact from the financial statements of the above-mentioned investees that have not been audited.

	Land	Building	Transportation Equipment	Leasehold improvements	Other Equipment	Property under construction	Total Cost
<u>Cost</u>							
January 1, 2023	\$ 45,623	\$ 101,051	\$ 13,087	\$ 4,702	\$ 10,670	\$ -	\$ 175,133
Additions	-	-	6,966	102,453	15,365	752	125,536
Disposals	-	-	(2,680)	-	(168)	-	(2,848)
Reclassification	-	-	-	47,535	-	-	47,535
December 31, 2023	<u>\$ 45,623</u>	<u>\$ 101,051</u>	<u>\$ 17,373</u>	<u>\$ 154,690</u>	<u>\$ 25,867</u>	<u>\$ 752</u>	<u>\$ 345,356</u>

Accumulated
Depreciation

January 1, 2023	\$ -	\$ 23,404	\$ 8,094	\$ 4,437	\$ 7,475	\$ -	\$ 43,410
Additions	-	3,749	1,563	17,224	3,838	-	26,374
Disposals	-	-	(2,680)	-	(56)	-	(2,736)
December 31, 2023	<u>\$ -</u>	<u>\$ 27,153</u>	<u>\$ 6,977</u>	<u>\$ 21,661</u>	<u>\$ 11,257</u>	<u>\$ -</u>	<u>\$ 67,048</u>

January 1, 2023 Net Value	<u>\$ 45,623</u>	<u>\$ 77,647</u>	<u>\$ 4,993</u>	<u>\$ 265</u>	<u>\$ 3,195</u>	<u>\$ -</u>	<u>\$ 131,723</u>
December 31, 2023 Net Value	<u>\$ 45,623</u>	<u>\$ 73,898</u>	<u>\$ 10,396</u>	<u>\$ 133,029</u>	<u>\$ 14,610</u>	<u>\$ 752</u>	<u>\$ 278,308</u>

<u>Cost</u>							
January 1, 2022	\$ 45,623	\$ 101,051	\$ 8,230	\$ 4,702	\$ 10,333	\$ -	\$ 169,939
Additions	-	-	4,857	-	337	-	5,194
December 31, 2022	<u>\$ 45,623</u>	<u>\$ 101,051</u>	<u>\$ 13,087</u>	<u>\$ 4,702</u>	<u>\$ 10,670</u>	<u>\$ -</u>	<u>\$ 175,133</u>

Accumulated
Depreciation

January 1, 2022	\$ -	\$ 19,654	\$ 7,304	\$ 2,870	\$ 6,264	\$ -	\$ 36,092
Additions	-	3,750	790	1,567	1,211	-	7,318
December 31, 2022	<u>\$ -</u>	<u>\$ 23,404</u>	<u>\$ 8,094</u>	<u>\$ 4,437</u>	<u>\$ 7,475</u>	<u>\$ -</u>	<u>\$ 43,410</u>

January 1, 2022 Net Value	<u>\$ 45,623</u>	<u>\$ 81,397</u>	<u>\$ 926</u>	<u>\$ 1,832</u>	<u>\$ 4,069</u>	<u>\$ -</u>	<u>\$ 133,847</u>
December 31, 2022 Net Value	<u>\$ 45,623</u>	<u>\$ 77,647</u>	<u>\$ 4,993</u>	<u>\$ 265</u>	<u>\$ 3,195</u>	<u>\$ -</u>	<u>\$ 131,723</u>

11 PROPERTIES, PLANTS AND EQUIPMENT

Depreciation Expenses are recognized by the following with straight-line method :

Building	
Main Buildings of Improvements	50 years
Electromechanical power equipment	10-15years
Transportation Equipment	5-6 years
Leasehold improvements	3-4 years
Other Equipment	3-15 years

See Note 30 for the properties, plants and equipment amounts designated as bonds payable.

12 LEASE AGREEMENT

12.1 Right-of-use Assets

	<u>December 31,2023</u>	<u>December 31,2022</u>
Book Value of Right-of-use Assets		
Lands	\$ 228,263	\$ 209,926
Building	104,630	90,158
Transportation Equipment	282	1,395
	<u>\$ 333,175</u>	<u>\$ 301,479</u>
	<u>Years ended</u>	<u>Years ended</u>
	<u>December 31,2023</u>	<u>December 31,2022</u>
Additions to Right-of-use Assets	<u>\$ 185,382</u>	<u>\$ 50,786</u>
Depreciation charge for right-of-use assets		
Lands	\$ 6,216	\$ 4,486
Buildings	9,438	8,482
Transportation Equipment	1,113	1,139
	<u>\$ 16,767</u>	<u>\$ 14,107</u>

To make the assets are used effectively, the merged company rented the free space which is in the South District of Taichung City and reclassified it to investment property. Please refer to Note 13. Except for the recognized depreciation expenses and the above descriptions, the merged company's right-of-use assets did not undergo significant sublease and impairment in 2023 and 2022.

12.2 Lease Liabilities

	<u>December 31,2023</u>	<u>December 31,2022</u>
Carrying amounts		
Current	\$ 8,244	\$ 10,945
Non-current	\$ 159,672	\$ 149,888

Range of discount rate for lease liabilities was as follows :

	<u>December 31,2023</u>	<u>December 31,2022</u>
Lands	2.050%-2.700%	1.550%-2.150%
Buildings	1.710%-2.495%	1.550%-2.095%
Transportation Equipment	1.770%	1.770%

12.3 Material lease-in activities and terms

The merged company leased several lands, buildings, and transportation equipment for operational use for a period of 3 to 70 years. The lease contracts for these lands, buildings and transportation equipment do not contain terms for the right of renewal.

13 INVESTMENT PROPERTY

	<u>December 31,2023</u>	<u>December 31,2022</u>
Buildings	\$ 209,145	\$ 217,676
Right-of-use asset	<u>156,246</u>	<u>-</u>
	<u>\$ 365,391</u>	<u>\$ 217,676</u>

<u>Cost</u>	<u>Buildings</u>	<u>Right-of-use asset</u>	<u>Total cost</u>
January 1, 2023	\$ 238,296	\$ -	\$ 238,296
Reclassification	<u>-</u>	<u>\$ 168,928</u>	<u>\$ 168,928</u>
December 31, 2023	<u>\$ 238,296</u>	<u>\$ 168,928</u>	<u>\$ 407,224</u>
<u>Accumulated Depreciation</u>			
January 1, 2023	\$ 20,620	\$ -	\$ 20,620
Depreciation Expense	8,531	1,269	9,800
Reclassification	<u>-</u>	<u>11,413</u>	<u>11,413</u>
December 31, 2023	<u>\$ 29,151</u>	<u>\$ 12,682</u>	<u>\$ 41,833</u>
January 1, 2023 Net value	<u>\$ 217,676</u>	<u>\$ -</u>	<u>\$ 217,676</u>
December 31, 2023 Net value	<u>\$ 209,145</u>	<u>\$ 156,246</u>	<u>\$ 365,391</u>
<u>Cost</u>			
January 1, 2022 & December 31, 2022	<u>\$ 238,296</u>	<u>\$ -</u>	<u>\$ 238,296</u>
<u>Accumulated Depreciation</u>			
January 1, 2022	\$ 12,087	\$ -	\$ 12,087
Depreciation Expense	<u>8,533</u>	<u>-</u>	<u>8,533</u>
December 31, 2022	<u>\$ 20,620</u>	<u>\$ -</u>	<u>\$ 20,620</u>
January 1, 2022 Net value	<u>\$ 226,209</u>	<u>\$ -</u>	<u>\$ 226,209</u>
December 31, 2022 Net value	<u>\$ 217,676</u>	<u>\$ -</u>	<u>\$ 217,676</u>

The lease term for investment property leasing is 3-15 years, also the lessee has the priority to renew the lease. The lessee does not have the preferential right to the investment property at the end of the lease period.

The total amount of lease payments, which will be received in the future for leasing investment property by operating lease is as follows :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not more than 1 year	\$ 22,024	\$ 17,439
1 to 5 years	69,020	64,570
More than 5 years	<u>98,107</u>	<u>112,307</u>
	<u>\$ 189,151</u>	<u>\$ 194,316</u>

Depreciation expenses are calculated on a straight-line basis based on the following durable years :

Buildings	8 to 50 years
Right-of-use asset	70 years

The merged company's fair value of investment property is assessed by the independent appraiser Zhan-Mao Real Estate Appraisers Firm on the date of balance sheet. The evaluation is based on the evidence of similar property transaction prices. The fair value of investment property appraised on December 31, 2023 and 2022 was NT\$417,478 thousand and NT\$ 271,601 thousand.

For investment property set as a loan guarantee, please refer to Note 30.

14 INTANGIBLE ASSETS

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Book Value of each category</u>		
Goodwill	\$ 17,854	\$ 17,854
Computer Software	<u>3,005</u>	<u>517</u>
	<u>\$ 20,859</u>	<u>\$ 18,371</u>

The amortization expenses of computer software were amortized on a straight-line basis based with a useful life of 3-5 years.

15 OTHER ASSETS

	<u>December 31,2023</u>	<u>December 31,2022</u>
Excess business tax paid	\$ 195,862	\$ 41,823
Prepayments	9,028	38,628
Guarantee deposits paid	15,934	15,909
Payment on behalf of others	9,503	4,287
Construction deposits paid	2,493	2,036
Others	<u>7,560</u>	<u>6,999</u>
	<u>\$ 240,380</u>	<u>\$ 109,682</u>
Current	\$ 223,900	\$ 92,927
Non-current	<u>16,480</u>	<u>16,755</u>
	<u>\$ 240,380</u>	<u>\$ 109,682</u>

16 BANK LOANS

16.1 Short-term loans

	<u>December 31,2023</u>	<u>December 31,2022</u>
Secured Loans (Note 30)	\$ 6,973,550	\$ 7,774,800
Credit Loans	<u>2,474,000</u>	<u>-</u>
	<u>\$ 9,447,550</u>	<u>\$ 7,774,800</u>

Annual interest rate (%)

	<u>December 31,2023</u>	<u>December 31,2022</u>
Secured Loans	2.34-2.68	2.21-2.40
Credit Loans	2.66	-

16.2 Long-term bank loans

	<u>December 31,2023</u>	<u>December 31,2022</u>
Secured Loans (Note 30)	\$ 119,706	\$ 122,260
Less : Listed as due within 1 year	(6,703)	(6,112)
	<u>\$ 113,003</u>	<u>\$ 116,148</u>
<u>Annual interest rate (%)</u>		
Secured Loans	2.30-2.85	2.05

17 BONDS PAYABLE

	<u>December 31,2023</u>	<u>December 31,2022</u>
First time domestic secured ordinary corporate bonds (Note 30)	\$ 2,000,000	\$ 2,000,000
Discount on bonds payable	(1,161)	(1,824)
	1,998,839	1,998,176
Less : Listed as due within 1 year	<u>-</u>	<u>-</u>
	<u>\$ 1,998,839</u>	<u>\$ 1,998,176</u>

On September 29, 2020, the Company issued a secured domestic ordinary corporate bond in Taiwan for NT\$2,000,000 thousand with 5 years issuance period, in addition the annual interest rate (%) is 0.62%, and the interest is calculated and paid once a year based on the coupon rate. The principal shall be repaid once at the expiry of 5 years from the issuance date.

18 OTHER LIABILITIES

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Other payables</u>		
Construction retainage received	\$ 266,746	\$ 266,065
Employee bonus payable and compensation due to directors	17,336	27,136
Payables for salaries or bonuses	15,978	19,907
Interest payable	10,667	5,240
Others	<u>4,414</u>	<u>8,176</u>
	<u>\$ 315,141</u>	<u>\$ 326,524</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Other current payables</u>		
Receipts under custody	\$ 3,618	\$ 35,140
Others	<u>518</u>	<u>611</u>
	<u>\$ 4,136</u>	<u>\$ 35,751</u>

19 RETIREMENT BENEFIT PLANS

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

20 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The assets and liabilities of the merged company related to the construction business are classified as current or non-current standards according to the business cycle, and the relevant account amounts, which are expected to be recovered or repaid within 1 year and more than 1 year after the balance sheet date, are as follows :

	Expected to be recovered or repaid within 1 year	Expected to be recovered or repaid more than 1 year	Total
<u>December 31, 2023</u>			
Assets			
Contract assets	\$ -	\$ 5,343	\$ 5,343
Notes and accounts receivable	201	-	201
Other receivables	955	-	955
Inventories — Construction Industry	9,356,909	6,594,318	15,951,227
Other current assets	219,500	4,400	223,900
Current assets recognized as incremental costs to obtain contract with customers	<u>57,886</u>	<u>-</u>	<u>57,886</u>
	<u>\$ 9,635,451</u>	<u>\$ 6,604,061</u>	<u>\$ 16,239,512</u>
<u>December 31, 2023</u>			
Liabilities			
Short-term loans	\$ 5,515,000	\$ 3,932,550	\$ 9,447,550
Contract liabilities	2,714,297	24,667	2,738,964
Notes payable	4,658	-	4,658
Accounts payable	596,310	-	596,310
Other payable	116,829	198,312	315,141
Lease liabilities	8,244	159,672	167,916
Bonds payable	-	1,998,839	1,998,839

	Expected to be recovered or repaid within 1 year	Expected to be recovered or repaid more than 1 year	Total
Long-term debt payable - bank (Including the part due within a business cycle)	6,703	113,003	119,706
Other current liabilities	4,136	-	4,136
	<u>\$ 8,966,177</u>	<u>\$ 6,427,043</u>	<u>\$ 15,393,220</u>
<u>December 31, 2023</u>			
Assets			
Notes and accounts receivable	\$ 84	\$ -	\$ 84
Other receivables	244	-	244
Inventories — Construction Industry	826,507	12,853,194	13,679,701
Other current assets	90,217	2,710	92,927
Current assets recognized as incremental costs to obtain contract with customers	473	105,421	105,894
	<u>\$ 917,525</u>	<u>\$ 12,961,325</u>	<u>\$ 13,878,850</u>
Liabilities			
Short-term bank loans	\$ -	\$ 7,774,800	\$ 7,774,800
Contract liabilities	48,186	2,085,986	2,134,172
Notes payable	46,708	-	46,708
Accounts payable	221,304	-	221,304
Other accounts payable	87,799	238,725	326,524
Lease liabilities	10,945	149,888	160,833
Bonds payable	-	1,998,176	1,998,176
Long-term debt payable - bank (Including the part due within a business cycle)	6,112	116,148	122,260
Other current liabilities	35,751	-	35,751
	<u>\$ 456,805</u>	<u>\$ 12,363,723</u>	<u>\$ 12,820,528</u>

21 EQUITY

21.1 Common Stock Capital

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>342,276</u>	<u>242,749</u>
Shares issued	<u>\$ 3,422,757</u>	<u>\$ 2,427,487</u>

Fully paid ordinary shares, with a par value of NT\$10, each of which carries one vote per share and carry a right to receive dividends.

The alternation of share capital of the company was due to the profit transferred to common stock.

The Board of Directors resolved to increase its capital in cash by issuance of 31,000 new shares with par value of NT\$10, which would be issued at a premium of NT\$23.5 per share on Mar. 15, 2022. The paid-in capital after cash increase was 2,427,167 thousand. The above cash capital increase proposal was reported to and approved by the Securities and Futures Bureau, FSC on May 23, 2022. Moreover, the Board of Directors resolved Jul. 26, 2022 as the record date for the capital increase.

In accordance with the Company Act, 10% of the total new shares to be issued were reserved for employee stock options. In accordance with the provision of Share-based Payment in IFRS 2, the Company recognized the salary expense of NT\$18,414 thousand and the capital surplus (issuance of shares at a premium) with the same amount in 2022.

The Company resolved to distribute share stock dividends NT\$995,270 thousand in June 2019 by the shareholder meeting, which was approved by the FSC. The subscription base date was August 26, 2023 as determined by the board of directors.

21.2 Capital Surplus

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares(1)	\$ 1,092,949	\$ 1,092,949
Conversion of bonds(1)	168,700	168,700
<u>Only be used to offset a deficit</u>		
Changes in interests in associates accounted for using the equity method (2)	<u>133</u>	<u>-</u>
	<u>\$ 1,261,782</u>	<u>\$ 1,261,649</u>

- Such capital reserve may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital only

limited to a certain percentage of the Company's capital surplus and to once a year.

2. Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulting from equity transactions, other than actual disposals or acquisitions.

21.3 Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution. The Company resolved the amendment to Policy on Distribution of Earnings and Dividends in the Articles of Incorporation during the General Meeting of Shareholders on Jun. 8, 2022. Where all or part of the dividend and bonus distribution is paid in cash, such distribution may be adopted by a majority of directors in a Board of Directors' meeting attended by 2/3 or more of all directors before reporting to the shareholders' meeting; the resolution adopted by shareholders' meeting as prescribed in the preceding paragraph shall not apply. For the policies on distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 23.

Moreover, according to the Company's articles of association, the dividend policy of the Company is based on the company operation situation, capital requirement, and change in internal and external overall circumstances that the dividend is distributed fully or partially with the consideration of the interest of the shareholders. Distribution of earnings may be made in cash dividend or share dividend. Limits of dividend distribution shall remain the proportion between 20% and 100% of the distributable earnings of the current year; however, the distribution of cash dividend shall be in principle not lower than 50% of the total dividend.

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

The appropriations of earnings for 2022 and 2021 were as follows :

	<u>The appropriations of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>Years ended December 31, 2022</u>	<u>Years ended December 31, 2021</u>	<u>Years ended December 31, 2022</u>	<u>Years ended December 31, 2021</u>
Legal reserve	\$ 220,890	\$ 63,536		
Cash Dividends	995,270	317,575	\$ 4.1	\$ 1.5
Stock Dividends	995,270	-	4.1	-

The cash dividend of 2022 was to be presented for approval in the Board of Directors' meeting on March 14, 2023. The other earning distribution items would be approved in regular shareholders' meeting on June 19, 2023 and June 8, 2022.

The appropriations of earnings and dividends per share of year 2023 which proposed by the Company's board of directors on March 14, 2024, are as follows :

	<u>The appropriations of earnings</u>	<u>Dividend per share (NT\$)</u>
Legal capital reserve	\$ 30,687	
Cash Dividends	140,333	\$ 0.41
Stock Dividends	136,910	0.40

The cash dividend was to be presented for approval in the Board of Directors' meeting. The other is to be presented for approval in the shareholders' meeting to be held on June 12, 2024 (expected).

22 REVENUE

	<u>Years ended December 31, 2023</u>	<u>Years ended December 31, 2022</u>
Revenue from contracts with customers		
Revenue from real estate sales	\$ 1,460,658	\$ 8,653,201
Engineering Service Income	12,166	26,814
Rental revenue	19,180	17,490
Food service revenue	30,235	-
	<u>\$ 1,522,239</u>	<u>\$ 8,697,505</u>

22.1 Contract balances

	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>	<u>Jun 1, 2022</u>
Notes and accounts receivable	<u>\$ 201</u>	<u>\$ 84</u>	<u>\$ 2,795</u>
Contract assets—current			
Real estate construction	<u>\$ 5,343</u>	<u>\$ -</u>	<u>\$ -</u>
Contract liabilities—current			
Real estate sales	\$ 2,729,308	\$ 2,124,866	\$ 2,793,773
Real estate construction	-	6,163	11,220
Other	<u>9,476</u>	<u>3,143</u>	<u>-</u>
	<u>\$ 2,738,784</u>	<u>\$ 2,134,172</u>	<u>\$ 2,804,993</u>
Contract liabilities—non-current			
Other	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ -</u>

22.2 Assets related to the contract cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Current assets recognized as incremental costs to obtain contract with customers	<u>\$ 57,886</u>	<u>\$ 105,894</u>

Considering the past historical experience and the default clauses of the real estate sales contract, the merged company believes that the commission paid for obtaining the contract can be fully recovered. The costs in 2023 and 2022 are NT\$ 473 thousand and NT\$ 36,162 thousand respectively.

22.3 Disaggregation of the revenue from contracts with customers

Please refer to Note 34 for the information of the disaggregation of revenue.

23 EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
EXPENSES

Types	Belong to operating cost	Belong to operating expenses	total
<u>Years ended December</u>			
<u>31, 2023</u>			
Short-term employee benefits	\$ 87,377	\$ 46,537	\$ 133,914
Defined contribution plans	3,269	815	4,084
Remuneration of directors	-	9,131	9,131
Other employee benefits	3,177	2,884	6,061
Depreciation	11,615	41,326	52,941
Amortization	-	843	843
<u>Years ended December</u>			
<u>31, 2022</u>			
Short-term employee benefits	\$ 72,045	\$ 84,891	\$ 156,936
Defined contribution plans	2,773	1,054	3,827
Share-based Payment Equity-settled	-	18,414	18,414
Remuneration of directors	-	17,671	17,671
Other employee benefits	2,431	7,091	9,522
Depreciation	11,043	18,915	29,958
Amortization	-	733	733

Employee compensation and director compensation

The Company accrued employees' compensation and remuneration of directors at the rates 0.1%-5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The estimated employees' compensation and directors' remuneration for year 2023 and 2022 were resolved by the board of directors on March 14, 2024 and March 14, 2023 as follows :

Cash	Years ended December 31, 2023		Years ended December 31, 2022	
	Estimated ratio	Amount	Estimated ratio	Amount
Employees' compensation	0.3%	\$ 1,075	0.3%	\$ 8,185
Remuneration of directors	1.5%	5,375	0.6%	16,370

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

There's no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year 2022 and 2021.

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

24 INCOME TAX

24.1 Major components of income tax expense recognized in profit or loss are as follows :

	Years ended <u>December 31, 2023</u>	Years ended <u>December 31, 2022</u>
Current income tax		
In respect of the current year	\$ 67,904	\$ 484,086
Surtax of unappropriated earnings	-	12,713
Income tax adjustments on prior years	818	(78)
Land value increment tax	<u>39,301</u>	<u>496</u>
	108,023	497,217
Deferred income tax		
In respect of the current year	(<u>2,400</u>)	<u>4,595</u>
Income tax expense recognized in profit or loss	<u>\$ 105,623</u>	<u>\$ 501,812</u>

The adjusting of accounting income and income tax expense is as follows :

	Years ended <u>December 31, 2023</u>	Years ended <u>December 31, 2022</u>
Income tax expense at the statutory rate	\$ 131,647	\$ 548,099
Non-deductible expenses on tax	67	1
Taxable expenses		
Tax effect of adjusting items :		
Tax-free income	(65,890)	(59,828)

	Years ended December 31, 2023	Years ended December 31, 2022
Deductible items in determining taxable	(113)	(458)
Surtax of unappropriated earnings	-	12,713
Land value increment tax	39,301	496
Unrecognized deductible temporary differences	(207)	867
Reversal of uncertain tax position upon finalization	<u>818</u>	<u>(78)</u>
Income tax expense recognized in profit or loss	<u>\$ 105,623</u>	<u>\$ 501,812</u>

24.2 Current tax assets and liabilities

	December 31, 2023	December 31, 2022
Current tax assets		
income tax refund receivable (Accounting : Other receivables)	<u>\$ -</u>	<u>\$ 8</u>
Current tax liabilities		
Income tax payable	<u>\$ 62,479</u>	<u>\$ 415,453</u>

24.3 Deferred income tax assets and liabilities

The movements of deferred income tax assets and liabilities are as follows :

Years ended December 31, 2023	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred income tax assets</u>			
Temporary differences			
Investments accounted for using equity method	\$ 1,515	\$ 531	\$ 2,046
Unrealized exchange loss	-	15	15
Loss deducts	<u>1,630</u>	<u>(113)</u>	<u>1,517</u>
	<u>\$ 3,145</u>	<u>\$ 433</u>	<u>\$ 3,578</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			
Unrealized exchange gains	<u>\$ 3,139</u>	<u>(\$ 1,967)</u>	<u>\$ 1,172</u>
<u>Years ended December 31, 2022</u>			
<u>Deferred income tax assets</u>			

Temporary differences			
Investments accounted for using equity method	\$ 1,692	(\$ 177)	\$ 1,515
Unrealized exchange loss	818	(818)	-
Deficits tax credits	<u>2,091</u>	<u>(461)</u>	<u>1,630</u>
	<u>\$ 4,601</u>	<u>(\$ 1,456)</u>	<u>\$ 3,145</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			
Unrealized exchange gains	<u>\$ -</u>	<u>\$ 3,139</u>	<u>\$ 3,139</u>

24.4 Income tax examination

The income tax returns through 2021 of the merged company has been examined by the tax authorities.

25 EARNINGS PER SHARE

	<u>Net profit for the year</u>	<u>Number of Shares (in thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>Years ended December 31, 2023</u>			
Basic earnings per share			
Net profit for the year	\$ 306,874	342,276	<u>\$ 0.90</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	<u>-</u>	<u>82</u>	
Diluted earnings per share			
Effect of net profit for the year and potentially ordinary shares	<u>\$ 306,874</u>	<u>342,358</u>	<u>\$ 0.90</u>
<u>Years ended December 31, 2022</u>			
Basic earnings per share			
Net profit for the year	\$ 2,208,900	317,530	<u>\$ 6.96</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	<u>-</u>	<u>325</u>	
Diluted earnings per share			
Effect of net profit for the year and potentially ordinary shares	<u>\$ 2,208,900</u>	<u>317,855</u>	<u>\$ 6.95</u>

In calculating earnings per share, the impact of allotment of shares without compensation has been retroactively adjusted and the base date for the allotment August 26, 2023. Due to retroactive adjustment, the changes in basic and diluted earnings per share in 2022 are as follows :

	Earnings per share (NT\$)	
	Before retroactive adjustment	After retroactive adjustment
Basic earnings per share	<u>\$ 9.81</u>	<u>\$ 6.96</u>
Diluted earnings per share	<u>\$ 9.79</u>	<u>\$ 6.95</u>

If the Company can choose to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus would be settled in shares, and if the resulting potential shares have a dilutive effect, these shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26 SHARE-BASED PAYMENT ARRANGEMENT

26.1 Plan of employee stock option

The Company approved 3,000 units of employee stock option on December 20, 2018, and each unit can subscribe for 1,000 common stocks. The recipients include employees of the Company and its subsidiaries who meet specific conditions. The duration of the stock options is 4 years respectively. The scrip-holder can exercise a certain percentage of the stock options from the date when the issuance expires 2 years. The exercise price of the stock options is the closing price of the Company's common stocks on the day of issuance. After the issuance of stock options, when there is a change in the Company's common stocks, or when the Company issues cash dividends, if the common stock cash dividends accounting over the current price per share exceeds the prescribed ratio, the exercise price of the stock option shall be adjusted in accordance with the prescribed formula.

The relevant information of employee stock option is as follows :

<u>Employee stock option</u>	<u>Years ended December 31, 2022</u>	
	<u>Unit</u>	<u>Weighted -average exercise price</u>
Options outstanding on January 1	924	\$ 12.2
Options waived this year	(24)	12.2
Options exercised this year	(900)	12.2
Options outstanding on December 31	<u> -</u>	-
Options exercisable on December 31	<u> -</u>	-
Weighted average fair value of stock option granted this year (NT\$)	<u>\$ -</u>	

The employee stock option granted of the Company in December 2018 is measured using the Binary tree pricing model, and the input values used in the pricing mode are as follows :

	<u>December 2018</u>
Stock price at the grant date	NT\$16.10
The exercise price	NT\$16.10
Expected price volatility	23.48%
Duration(years)	4
Risk-free interest rate	0.6710%

The expected volatility is based on the historical stock price volatility of the past 5 years, and the effect of early execution has been taken into consideration.

26.2 Capital increase in cash by retaining employee stock options

The Board of Directors resolved to increase its capital in cash by issuance of new shares and retained 3,100 thousand shares for employee subscription in accordance with the Company Act on Mar. 15, 2022. If any employee under-subscribed or renounced the shares, the Chairman was authorized to contact a specific person to subscribe.

The Company adopted the Black-Scholes option pricing model for capital increase in cash by retaining employees stock options on Jun. 22, 2022. The input values used in the pricing mode are as follows :

	<u>June 22, 2022</u>
Stock price at the grant date	NT\$29.43
The exercise price	NT\$23.50
Expected price volatility	17.62%
Duration(years)	0.077
Risk-free interest rate	0.5884%

The costs of cash capital increase for employee subscription rights accounted for in 2022 is NT\$18,414 thousand.

27 CAPITAL RISK MANAGEMENT

The merged company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the merged company consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising issued capital, capital reserves, retained earnings and other equity).

The main management of the merged company regularly reviews the group's capital structure, including consideration of the cost and related risks of various types of capital. Based on the recommendations of the main management, the merged company will balance its overall capital structure by paying dividends, issuing new shares, buying back shares, and issuing new debt or repaying old debt.

28 FINANCIAL INSTRUMENTS

28.1 Fair value of financial instruments not measured at fair value

The carrying amounts of financial assets and financial liabilities not measured at fair value of the merged company approximate their fair values.

28.2 Fair value of financial instruments measured at fair value on a recurring basis

1. Fair-Value Hierarchy

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2023</u>				
Financial assets at FVTPL				

	Level 1	Level 2	Level 3	Total
Domestic listed company	\$ 84,023	\$ -	\$ -	\$ 84,023
Domestic unlisted company	12,075	-	76,000	88,075
Domestic fund beneficiary certificate	<u>1,092,083</u>	<u>-</u>	<u>-</u>	<u>\$ 1,092,083</u>
	<u>\$1,188,181</u>	<u>\$ -</u>	<u>\$ 76,000</u>	<u>\$ 1,264,181</u>
<u>December 31, 2023</u>				
Financial assets at FVTPL				
Domestic listed company	\$ 73,667	\$ -	\$ -	\$ 73,667
Domestic unlisted company	22,050	-	76,000	98,050
Domestic fund beneficiary certificate	<u>1,577,812</u>	<u>-</u>	<u>-</u>	<u>1,577,812</u>
	<u>\$1,673,529</u>	<u>\$ -</u>	<u>\$ 76,000</u>	<u>\$ 1,749,529</u>

There were no transfers between Levels 1 and 2 on January 1 and December 31 in 2023 and 2022.

2. Level 3 fair value measurement that are carried at fair value and input

The merged company hold the marketable securities of domestic unlisted company. Due to there was no market value, it use valuation method to estimate. The fair value refer to the asset-based approach by the invested company.

28.3 Categories of financial instruments

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 1,264,181	\$ 1,749,529
Financial assets at amortized cost	3,838,890	4,511,387
<u>Financial liabilities</u>		
Measured at amortized cost	12,455,029	10,448,947

The balances of the financial assets at amortized cost included cash and cash equivalents, financial assets at amortized cost-current, notes and accounts receivables, other receivables, construction deposits paid, and guarantee deposits paid etc.

The balances of the financial liabilities at amortized cost included short-term loans, notes payable, accounts payable, other payable, bonds payable, long-term bank loans and guarantee deposits received etc.

28.4 Financial risk management objectives and policies

The merged company's major financial instruments included equity investment, notes, and accounts receivables, notes payable, accounts payable, bonds payable, borrowings and lease liabilities. The merged company's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1. Market risk

The merged company's operating activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

A. Foreign currency risk

The merged company did not engage in sales and purchase transactions denominated in foreign currencies, and the exchange rate risk is only the risk of US dollars deposits and the market price fluctuations risk of the investments due to exchange rate fluctuations, so that the management assesses that the risks are not significant.

B. Interest rate risk

The merged company generated interest rate exposure due to borrowing funds at fixed and floating interest rates at the same time, and the carrying amounts of the financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows :

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
Financial assets	\$ 1,146,490	\$ 1,241,841
Financial liabilities	2,166,755	2,159,009
Cash flow interest rate risk		
Financial assets	2,672,193	3,250,991
Financial liabilities	9,567,256	7,897,060

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for financial instruments at the date of balance sheet. For floating-rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 1% change was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. When interest rates been 1% higher and all other variables were held constant, the pre-tax profits in 2023 and 2022 would decrease by NT\$68,951 thousand and NT\$46,461 thousand, respectively.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk approximates the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The merged company's counterparties are companies and persons with sound credit ratings, and mainly sign the contract at the time of the pre-sale and collect the payment on schedule, so no significant credit risk is expected.

3. Liquidity risk

The merged company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the merged company's operations and mitigate the effects of

fluctuations in cash flows. In addition, management monitors the utilization of bank loan and ensures compliance with loan covenants.

The merged company relies on bank loan as a significant source of liquidity. As of December 31, 2023, and 2022, the merged company's available unutilized short-term loan facilities are NT\$387,000 thousand and NT\$1,131,000 thousand.

Note 20 detailed the merged company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods, and it based on the undiscounted cash flows of financial liabilities (included both interest and principal) from the earliest date on which the Group can be required to pay.

29 TRANSACTIONS WITH RELATED PARTIES

Transactions, balances, income and expenses between the Company and its subsidiaries, which are the related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Except as disclosed in other notes, the details of transactions between the Company and other related parties are disclosed below :

29.1 The Company's related parties and relationship

<u>Related Party</u>	<u>Relationship with the merged company</u>
Wu, His Kun	First relatives of the directors of the company
Weng, Jin-Zhong (Note)	First relatives of the chairman of the company
Tso Jung Investment Co., Ltd (Tso Jung Investment Co.)	Corporate director of the Company
Zong Tai Construction Development Co., Ltd. (Zong Tai Construction Co.)	Corporate director of the Company
Xue yang Management Consulting Co., Ltd. (Xue yang Management Consulting Co.)	Other related parties
Sheng Lin Real Estate Co., Ltd. (Sheng Lin Real Estate Co.)	Substantive Related Parties
Yung-Fu Education Foundation	Substantive Related Parties

Note: Weng, Jin-Zhong was not the related party from April, 2023.

29.2 Operating Income

Account	Related Party	Year ended of December 31,2023	Year ended of December 31,2022
Food Service Revenue	Corporate director of the Company	\$ 344	\$ -
	Other related parties	<u>63</u>	<u>-</u>
		<u>\$ 407</u>	<u>\$ -</u>

The sales and conditions with related parties are not huge differences with non-related parties.

29.3 Operating Expenses

Account	Related Party	Year ended of December 31,2023	Year ended of December 31,2022
Donation expense	Yong-Fu Education Foundation	\$ 1,500	\$ 1,600
Other expense	Other related parties	<u>231</u>	<u>219</u>
		<u>\$ 1,731</u>	<u>\$ 1,819</u>

29.4 Non-operating income and expenses

Account	Related Party	Year ended of December 31,2023	Year ended of December 31,2022
Other income	Corporate director of the Company	<u>\$ 1,050</u>	<u>\$ -</u>

29.5 The merged company paid Wu, His Kun the land agency fee for NT\$7,000 thousand from January 1, 2022 to December 31, 2022.

29.6 Remuneration of key management personnel

	Years ended December 31, 2023	Years ended December 31, 2022
Short-term employee benefits	\$ 36,715	\$ 35,663
Post-employment benefits	348	272
Share-based payment	<u>-</u>	<u>6,237</u>
	<u>\$ 37,063</u>	<u>\$ 42,172</u>

The remuneration of directors and key executives is determined by the remuneration committee based on the performance of individuals and market trends.

30 ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank guarantees of bank loan and performance guarantees of ordinary corporate bonds :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Inventories—Construction		
Industry	\$ 15,561,173	\$ 13,011,498
Financial assets at amortized cost	840,538	1,880,829
Net property, plant and equipment	111,972	113,536
Net investment property	365,391	217,676
Right-of-use assets	<u>-</u>	<u>161,115</u>
	<u>\$ 16,879,074</u>	<u>\$ 15,384,654</u>

31 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company on December 31, 2023 were as follows :

The details of the pre-sale house purchase and sale contract signed by the merged Company and the customer are as follows :

<u>Construction project name</u>	<u>Total price of the contract (tax included)</u>	<u>Received total price</u>
The way home	\$ 15,942,220	\$ 2,683,237
Unveiling	<u>2,238,050</u>	<u>45,771</u>
	<u>\$ 18,180,270</u>	<u>\$ 2,729,008</u>

32 SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The merged company entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows :

	<u>December 31,2023</u>			<u>December 31,2022</u>		
	Foreign Currencies	Exchange Rate	NT Dollar	Foreign Currencies	Exchange Rate	NT Dollar
<u>Monetary items</u>						
USD	\$ 5,318	30.705	\$163,291	\$ 5,102	30,710	\$156,695

The significant realized and unrealized foreign exchange gains and losses were as follows :

Foreign Currencies	Years ended December 31, 2023		Years ended December 31, 2022	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange (Loss)
USD	31.155 (USD : NTD)	<u>(\$ 140)</u>	29.805 (USD : NTD)	<u>\$ 15,253</u>

33 SEPARATELY DISCLOSED ITEMS

33.1 Information about significant transactions and 33.2 information on investees :

1. Financing provided to others : None.
2. Endorsements/guarantees provided : Table 1.
3. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) : Table 2.
4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital : Table 3
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 : Table 4.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital : Table 5.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None.
9. Trading in derivative instruments : None.
10. Other : Intercompany relationships and significant intercompany transactions : Table 6.
11. Information on investees : Table 7

33.3 Information on investments in mainland China

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area : None

2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses : None
- 33.4 Information on major shareholders : Table 8.

34 SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on each type of product or service delivered or provided. The merged company's segment information which is disclosed is as follows :

Segment Revenues and Operating Results

	Segment revenue		Segment income	
	Years ended December 31, 2023	Years ended December 31, 2022	Years ended December 31, 2023	Years ended December 31, 2022
Construction segment	\$ 1,472,824	\$ 8,680,015	\$ 342,693	\$ 2,684,159
Other segment	<u>49,415</u>	<u>17,490</u>	<u>7,684</u>	<u>3,826</u>
Amount of continuing operations	<u>\$ 1,522,239</u>	<u>\$ 8,697,505</u>	350,377	2,687,985
Finance costs			(19,766)	(18,176)
Interest income			34,709	9,490
Dividend income			4,410	1,400
Other income			11,715	9,685
Gain on disposal of property, plant and equipment			193	-
Gain (loss) on foreign currency exchange			(140)	15,253
Gain on financial assets at fair value through profit or loss			32,829	5,630
Miscellaneous expense			(676)	(362)
Share of loss of associates accounted for using equity method			(<u>1,154</u>)	(<u>193</u>)
Net profit from continuing operations before tax			<u>\$ 412,497</u>	<u>\$ 2,710,712</u>

Segment profit represented the profit earned by each segment without finance costs, interest income, dividend income, other income, gain on disposal of property, plant and equipment, gain or loss on foreign currency exchange, gain on financial assets at fair value through profit or loss, miscellaneous expense, share of loss of

associates accounted for using equity method 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.

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
ENDORSEMENT / GUARANTEE PROVIDED
FROM JANURANY 1, 2023 TO DECEMBER 31, 2023

Table 1 (In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed / Guaranteed this year	Outstanding Endorsement/ Guarantee at the End of this year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Maximum Collateral/ Guarantee Amounts Allowable	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	Zongtai Construction Co., Ltd.	Subsidiaries	\$ 689,514 (Note 1)	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.15%	\$ 2,758,059 (Note 1)	Y	—	—
0	The Company	Ritai Management Co., Ltd.	Subsidiaries	689,514 (Note 1)	121,759	116,706	116,706	-	1.69%	2,758,059 (Note 1)	Y	—	—
1	Zongtai Construction Co., Ltd.	The Company	Parent company	12,721,350 (Note 2)	1,280,070	1,280,070	1,280,070	-	100.62%	15,265,620 (Note 2)	—	Y	—
1	Zongtai Construction Co., Ltd.	Yong Feng Tai Company	None	12,721,350 (Note 2)	341,500	-	-	-	-	15,265,620 (Note 2)	—	—	—

Note 1 : The ceilings on amount of endorsement/guarantee provided to a single entity by the Company shall not exceed 10% of the net worth of the Company, and the total amount of endorsement/guarantee provided by the Company shall not exceed 40% of the net worth in the current year.

Note 2 : The co-creators required to the contract projects shall mutual guarantee in accordance with the provisions of the contract, and the inter-industry joint guarantee of the performance guarantee for pre-sale house sales contract, but only the individual endorsement/guarantee limit shall not exceed 10 times the net value of Zongtai Construction Co., Ltd. in the current year, and the total endorsement/guarantee shall not exceed 12 times the net value of Zongtai Construction Co., Ltd. in the current year.

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

Table 2

(In Thousands of New Taiwan Dollars)

Holding Company	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	The end of the year				Note
				Shares/Unit	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Stocks</u>							
	Hotai Finance Corporation	None	Financial assets at fair value through profit or loss - current	132	\$ 16,896	-	\$ 16,896	
	Largan Precision Co., Ltd.	None	Financial assets at fair value through profit or loss - current	3	8,610	-	8,610	
	Taiwan Semiconductor Manufacturing Co., Ltd.	None	Financial assets at fair value through profit or loss - current	9	5,337	-	5,337	
	Hon Hai Precision Industry Co., Ltd.	None	Financial assets at fair value through profit or loss - current	415	43,367	-	43,367	
	Taichung International Entertainment Corporation	None	Financial assets at fair value through profit or loss – non-current	-	4,025	-	4,025	
	Gateweb Co., Ltd.	None	Financial assets at fair value through profit or loss – non-current	61	1,000	1	1,000	
	Tron-e Technology Corp.	None	Financial assets at fair value through profit or loss – non-current	1,000	75,000	2	75,000	
	<u>Funds & Beneficiary Certificate</u>							
	Cathay Pacific Taiwan Low Volatility Dividend Selection 30 Fund	None	Financial assets at fair value through profit or loss - current	519	13,712	-	13,712	
	Cathay Pacific Taiwan ESG Perpetual High Dividend ETF Fund	None	Financial assets at fair value through profit or loss - current	665	14,497	-	14,497	
	Risheng Money Market Fund	None	Financial assets at fair value through profit or loss - current	18,449	281,432	-	281,432	
	Taishin 1699 Money Market Fund	None	Financial assets at fair value through profit or loss - current	4,325	60,307	-	60,307	
	Mega Global Bond ETF	None	Financial assets at fair value through profit or loss - current	800	7,921	-	7,921	
	Zongtai Construction Co., Ltd.	<u>Stocks</u>						
Fubon Financial Holdings		None	Financial assets at fair value through profit or loss - current	-	22	-	22	Preferred stock. B
Fubon Financial Holdings		None	Financial assets at fair value through profit or loss - current	-	-	-	-	Preferred stock. C
Fubon Financial Holdings		None	Financial assets at fair value through profit or loss - current	-	1	-	1	
Chailase International Leasing Co., Ltd.		None	Financial assets at fair value through profit or loss - current	100	9,790	-	9,790	
Taichung International Entertainment Corporation		None	Financial assets at fair value through profit or loss – non-current	-	8,050	-	8,050	
<u>Funds & Beneficiary Certificate</u>								
Taishin 1699 Money Fund	None	Financial assets at fair value through profit or loss - current	47,632	664,111	-	664,111		
Risheng Money Market Fund	None	Financial assets at fair value through profit or loss - current	3,284	50,103	-	50,103		

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FROM JANURANY 1, 2023 TO DECEMBER 31, 2023

Table 3 (In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other		Ending Balance	
					Shares/Unit	Amount	Shares/Unit	Amount	Shares/Unit	Price	Carrying Amount	Gain (Loss) on Disposal	Shares/Unit	Amount	Shares/Unit	Amount (Note)
The Company	<u>Stocks</u> Zongtai Construction Co., Ltd.	Investments accounted for using equity method	—	Subsidiaries	20,100	\$229,231 (Note 1)	77,009	\$ 770,090	-	\$ -	\$ -	\$ -	2,891 (Note 2)	\$222,878 (Note 3)	100,000	\$1,222,199 (Note 1&4)
The Company	<u>Fund and Beneficiary Certificate</u> Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	—	—	61,141	\$841,616 (Note 5)	101,183	1,400,000	157,999	2,189,163	2,180,000	9,163			4,325	60,307 (Note 5)
	Risheng Money Market Fund	Financial assets at fair value through profit or loss - current	—	—	38,696	583,178 (Note 5)	18,449	280,000	38,696	584,499	580,000	4,499			18,449	281,432 (Note 5)
Zongtai Construction Co.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	—	—	-	-	47,632	660,000	-	-	-	-			47,632	664,111 (Note 5)

Note 1: The beginning and the ending balance includes the realized gain/loss on equity investment.

Note 2: It's the number of shares in the allocated dividend from allocated for stock dividends from distributed earnings of the subsidiary in 2022.

Note 3: It's the total of the share of profit (loss) and distributed cash dividend of associates and joint ventures accounted for using equity method.

Note 4 : It has been charged off.

Note 5: Net Asset Value of the balance sheet date.

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
DISPOSAL OF REAL ESTATE PRICE TOTALING NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FROM JANURANY 1, 2023 TO DECEMBER 31, 2023

Table 4 (In Thousands of New Taiwan Dollars)

Disposal of property	Name of property	Date of occurrence	Original acquisition date	Carrying amount	Transaction amount	Payment collection status	Profit or loss on disposal	Counterparty	Relationship	Purpose of Disposal	Basis or reference for price setting	Agreements
The Company	Land serial No. 38, Goubei Section, Beitun District, Taichung City	2023.4.17	2015.7.20	\$ 197,294	\$ 385,849	\$ 385,849	\$ 188,555	Natural person	None	Gain on disposal	Bargain	—

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
TOTAL PRUCHASE OR SALES WITH RELATED PARTIES TOTALING NT\$100 MILLION OR MORE THAN 20% OF THE PAID-IN CAPITAL.
FROM JANURANY 1, 2023 TO DECEMBER 31, 2023

Table 5 (In Thousands of New Taiwan Dollars)

Name of company	Counterparty	Relationship	Transaction details				Transaction with terms different from others		Notes and trade receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage of total purchase/(sales)	Payment term	Unit price	Payment term	Balance	Percentage of total notes/ trade receivable (payable)	
The Company	Zongtai Real Estate Development Co.	Subsidiary	Contract project	\$708,256	22%	According to the contract	\$ -	—	(\$ 41,951)	(7%)	

Note : It has been charged off.

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
INTERCOMPANY RELATIONSHIPS, SIGNIFICANT INTERCOMPANY TRANSACTIONS AND AMOUNT
FROM JANURANY 1, 2023 TO DECEMBER 31, 2023

Table 6 (In Thousands of New Taiwan Dollars)

No.	Investee Company	Counter party (Note)	Flow of Transactions	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (%)
0	The Company	Zongtai Construction Co., Ltd.	From the parent company to its subsidiary	Purchase	\$ 708,256	According to the contract	47

Note : It has been charged off.

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
INFORMATION ON INVESTEES
FROM JANURANY 1, 2023 TO DECEMBER 31, 2023

Table 7 (In Thousands of New Taiwan Dollars/ Thousand shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of the end of the year			Net Income (Loss) of the Investee	Recognized investment Gain (Loss)	Note
				The end of the year	The end of last year	shares	%	Carrying Amount			
The Company	Zongtai Construction Co., Ltd.	Taichung City	Comprehensive construction industry	\$ 967,200	\$ 197,110	100,000	100	\$ 1,222,199	\$ 240,741	\$ 222,887	Subsidiaries
	Ritai Management Co., Ltd.	Taichung City	Asset management service industry	300,000	300,000	30,000	100	304,735	4,998	4,998	Subsidiaries
	Zong Tai Real Estate Co., Ltd	Taichung City	Housing and Building Development and Rental	8,000	8,000	800	100	6,878	(216)	(216)	Subsidiaries
	Dashun Advertising Company	Taichung City	Restaurants	20,000	20,000	2,000	100	12,404	(1,548)	(1,390)	Subsidiaries
	Shuo Yi Tai Co.,	Hsinchu County	Energy tech service industry	18,300	18,300	1,830	27	17,080	(3,866)	(1,154)	—

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2023

Table 8

Major shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Tso Jung Investment Co., Ltd	35,395,403	10.34%

Note 1 : The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2 : If the above information belongs to the shareholder who transfers the shares to the trust, it shall be disclosed in the individual sub-account of the trustor who opened the trust account by the trustee. As for shareholders apply for insider equity declarations with more than 10% shareholding in accordance with the Securities Exchange Act, their shareholdings include their own shareholdings, plus the shares they have transferred to the trust and have the right to decide on use the trust property, etc. For information on insiders' share declaration, please refer to the Public Information Observatory.

5 Independent financial report audited by account of the latest fiscal year

INDEPENDENT AUDITOR'S REPORT

Fu Hua Innovation Company Limited

Opinion

We have audited the accompanying parent company only financial statements of Fu Hua Innovation Company Limited (originally: Zongtai Real Estate Development Company Limited), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, statements of changes in equity, statements of cash flows, notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for 2023 and January 1 to December 31, 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Standards issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement and Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our 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 Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements for the year ended in 2023. These matters were addressed in the context of our audit of parent

company only the financial statements, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended in 2023 are stated as follows :

Revenue Recognition

The main source of revenue of the Company comes from the sales of the real estate revenues. The revenue is only recognized after the completion of property rights transfer and final walk-through of property with clients. The sales of the real estate revenues accounts for the big share of the revenues and are considered as a significant item in the parent company only financial statements. Therefore, the sales revenue is listed as a key audit item; please refer to Note 4 of the parent company only financial statements for the accounting policy for the recognition of sales revenue.

The main audit procedures that the auditors have implemented for the issues which are mentioned above are as follows :

1. Understand and test the design of internal control and the effectiveness of implementation in the sales cycle.
2. Select the samples from the recognized sales of the real estate detail lists to check the corresponding documents of real estate handover and registration of property rights to ensure the appropriateness of the real estate revenue recognition sales.

Inventory Impairment Assessment

Inventory of the Company as of December 31, 2023-the balance of the construction industry was NT\$ 16,054,336 thousand, accounting for 73% of the total assets. The Company uses the profit rate of the construction project to assess whether there is impairment of inventory. Moreover, evaluated by the lower cost and net realizable value, the net realizable value is determined based on the recent transaction prices of development projects and the real market price of the near regions. Due to the above matters involve significant accounting estimates and judgments of the management, the assessment of the net realizable value of inventories is listed as a key audit item; please refer to Notes 4, 5 and 8 of the parent company only financial statements for inventory information.

The main audit procedures that the accountant has implemented for the issues which are mentioned above are as follows :

1. Review the newly added construction costs this year, selecting samples and check the relevant vouchers, and confirm that the above costs have been appropriately

- attributed to the construction project.
2. Review the year-round inventory impairment loss evaluation documents, to check whether the net realizable value is consistent with the supporting documents. Calculate the correctness of the estimated inventory impairment evaluation from the managerial level for verification.

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements 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 higher level of assurance but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 based on these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :

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

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chiang, Shu-Chin and Zeng, Dong-Yun.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 14, 2024

Fu Hua Innovation Company Limited
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2023 and 2022

Unit : In Thousands of New Taiwan Dollars

CODE	ASSETS	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 2,264,597	10	\$ 2,463,256	12
1110	Financial assets at fair value through profit or loss— current (Note 4 and 7)	452,079	2	1,510,981	8
1136	Financial assets at amortized cost— current (Note 4,6 and 27)	798,788	4	1,879,530	9
1172	Notes and accounts receivable (Note 4, 19 and 26)	106	-	84	-
1200	Other receivables (Note 4)	15	-	23	-
1320	Inventories— Construction Industry (Note 4,5,8, 26 and 27)	16,054,336	73	13,179,998	66
1470	Other current assets (Note 12)	187,644	1	41,834	-
1480	Current assets recognized as incremental costs to obtain contract with customers (Note 4 and 19)	57,886	-	105,894	1
11XX	Total current assets	<u>19,815,451</u>	<u>90</u>	<u>19,181,600</u>	<u>96</u>
	NONCURRENT ASSETS				
1510	Financial assets at fair value through profit or loss— noncurrent (Note 4 and 7)	80,025	-	90,700	-
1550	Investments accounted for using equity method (Note 4 and 9)	1,563,296	8	567,957	3
1600	Property, plant and equipment (Note 4, 10 and 27)	265,295	1	126,751	1
1755	Right-of-use assets (Note 4, 11 and 26)	266,145	1	99,709	-
1780	Intangible assets (Note 4)	2,964	-	517	-
1840	Deferred tax assets (Note 4 and 21)	2,064	-	1,515	-
1990	Other noncurrent assets (Note 12)	3,005	-	3,305	-
15XX	Total noncurrent assets	<u>2,182,776</u>	<u>10</u>	<u>890,454</u>	<u>4</u>
1XXX	Total assets	<u>\$ 21,998,227</u>	<u>100</u>	<u>\$ 20,072,054</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term loans (Note 13 and 27)	\$ 9,447,550	43	\$ 7,358,900	37
2130	Contract liabilities— current (Note 4, 19 and 28)	2,729,308	13	2,124,866	11
2150	Notes payable	3,817	-	44,718	-
2170	Accounts payable (Note 26)	580,387	2	197,215	1
2219	Other payables (Note 15)	224,175	1	213,009	1
2230	Current tax liabilities (Note 4 and 21)	3,789	-	414,383	2
2280	Lease liabilities— current (Note 4, 11 and 26)	12,523	-	14,555	-
2399	Other current liabilities (Note 15)	3,301	-	35,324	-
21XX	Total current liabilities	<u>13,004,850</u>	<u>59</u>	<u>10,402,970</u>	<u>52</u>
	NONCURRENT LIABILITIES				
2530	Bonds payable (Note 14 and 27)	1,998,839	9	1,998,176	10
2540	Long-term bank loans (Note 13 and 27)	3,000	-	-	-
2570	Deferred tax liabilities (Note 4 and 21)	1,172	-	1,526	-
2580	Lease liabilities— noncurrent (Note 4,11 and 26)	95,056	1	85,729	-
2645	Guarantee deposits received	160	-	240	-
25XX	Total noncurrent liabilities	<u>2,098,227</u>	<u>10</u>	<u>2,085,671</u>	<u>10</u>
2XXX	Total liabilities	<u>15,103,077</u>	<u>69</u>	<u>12,488,641</u>	<u>62</u>
	EQUITY				
	Capital				
3110	Capital - common stock	3,422,757	16	2,427,487	12
3200	Capital surplus	1,261,782	5	1,261,649	6
	Retained earnings				
3310	Legal reserve	925,916	4	705,026	4
3350	Unappropriated earnings	1,284,695	6	3,189,251	16
3XXX	Total equity	<u>6,895,150</u>	<u>31</u>	<u>7,583,413</u>	<u>38</u>
	Total liabilities and equity	<u>\$ 21,998,227</u>	<u>100</u>	<u>\$ 20,072,054</u>	<u>100</u>

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

Fu Hua Innovation Company Limited
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
January 1 to December 31, 2023 and 2022

		Unit : In Thousands of New Taiwan Dollars, Except Earnings Per Share			
		2023		2022	
CODE		Amount	%	Amount	%
4000	Operating revenue (Note 4 and 19)	\$ 547,143	100	\$ 8,653,201	100
5000	Operating costs (Note 20 and 26)	<u>273,220</u>	<u>50</u>	<u>5,715,485</u>	<u>66</u>
5900	Gross profit from operations	<u>273,923</u>	<u>50</u>	<u>2,937,716</u>	<u>34</u>
	Operating expenses (Note 19, 20 and 26)				
6100	Selling expenses	131,434	24	182,545	2
6200	Administrative expenses	<u>71,704</u>	<u>13</u>	<u>113,221</u>	<u>2</u>
6000	Total operating expenses	<u>203,138</u>	<u>37</u>	<u>295,766</u>	<u>4</u>
6900	Net operating income	<u>70,785</u>	<u>13</u>	<u>2,641,950</u>	<u>30</u>
	Non-operating income and expenses				
7050	Finance costs (Note 26)	(15,639)	(3)	(13,870)	-
7070	Share of profit of subsidiary and associates and joint ventures accounted for using equity method (Note 4)	225,125	41	46,978	1
7100	Interest income	27,700	5	7,806	-
7130	Dividend income	4,019	1	1,008	-
7190	Other Income (Note 26)	13,081	2	9,174	-
7230	Foreign exchange gains(loss) (Note 4)	(67)	-	7,186	-
7235	Gains on financial assets at fair value through profit (Note 4)	27,532	5	3,833	-

(Continued)

(Continue from previous page)

<u>CODE</u>		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
7590	Miscellaneous Disbursements	(\$ <u>637</u>)	<u>-</u>	(\$ <u>349</u>)	<u>-</u>
7000	Non-operating income and expenses Total	<u>281,114</u>	<u>51</u>	<u>61,766</u>	<u>1</u>
7900	Profit before tax	351,899	64	2,703,716	31
7950	Income tax expense (Note 4 and 21)	<u>45,025</u>	<u>8</u>	<u>494,816</u>	<u>5</u>
8500	Total comprehensive income	<u>\$ 306,874</u>	<u>56</u>	<u>\$ 2,208,900</u>	<u>26</u>
	Earnings per share (Note 22)				
9750	Basic earnings per share	<u>\$ 0.90</u>		<u>\$ 6.96</u>	
9850	Diluted earnings per share	<u>\$ 0.90</u>		<u>\$ 6.95</u>	

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

Fu Hua Innovation Company Limited
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
January 1 to December 31, 2023 and 2022

Unit : In Thousands of New Taiwan Dollars

CODE		Capital Stock -	Advance receipts for	Capital surplus	Retained earnings		Total equity
		Common Stock	share capital	(Note18)	(Note 18)		
		(Note 18)	(Note 18)	(Note18)	Legal reserve	Unappropriated earnings	
A1	BALANCE, JANUARY 1, 2022	\$ 2,107,907	\$ 3,592	\$ 822,657	\$ 641,490	\$ 1,361,462	\$ 4,937,108
	Appropriations of prior year's earnings in 2021						
B1	Legal reserve	-	-	-	63,536	(63,536)	-
B5	Cash dividends of ordinary share	-	-	-	-	(317,575)	(317,575)
D5	Total comprehensive income in 2022	-	-	-	-	2,208,900	2,208,900
E1	Issue of shares	310,000	-	418,500	-	-	728,500
N1	Share-based payments	9,580	(3,592)	20,492	-	-	26,480
Z1	BALANCE, DECEMBER 31, 2022	2,427,487	-	1,261,649	705,026	3,189,251	7,583,413
	Appropriations of prior year's earnings in 2022						
B1	Legal reserve	-	-	-	220,890	(220,890)	-
B5	Cash dividends of ordinary share	-	-	-	-	(995,270)	(995,270)
B9	Stock dividends of ordinary share	995,270	-	-	-	(995,270)	-
C7	Capital surplus, changes in equity of associates and joint ventures accounted for using equity method	-	-	133	-	-	133
D5	Total comprehensive income in 2023	-	-	-	-	306,874	306,874
Z1	BALANCE, DECEMBER 31, 2023	\$ 3,422,757	\$ -	\$ 1,261,782	\$ 925,916	\$ 1,284,695	\$ 6,895,150

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

Fu Hua Innovation Company Limited
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

January 1 to December 31, 2023 and 2022

Unit : In Thousands of New Taiwan Dollars

CODE		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit before tax	\$ 351,899	\$ 2,703,716
A20010	Adjustments to reconcile profit (loss) :		
A20100	Depreciation expense	40,580	12,933
A20200	Amortization expense	833	733
A20400	Gain on financial assets at fair value through profit	(27,532)	(3,833)
A20900	Finance costs	15,639	13,870
A21200	Interest income	(27,700)	(7,806)
A21300	Dividend income	(4,019)	(1,008)
A21900	Share-based payments	-	18,414
A22400	Share of profit of subsidiaries and associates accounted for using equity method	(225,125)	(46,978)
A30000	Changes in operating assets and liabilities		
A31150	Notes and accounts receivable	(21)	112
A31180	Other receivable	43	2
A31200	Inventories	(2,665,519)	2,755,328
A31240	Other current assets	(150,392)	90,466
A31270	Assets recognized as incremental costs to obtain contract with customers	473	(47,990)
A32125	Contract liabilities	604,442	(668,907)
A32130	Notes payable	(40,900)	20,458
A32150	Accounts payable	383,172	47,645
A32180	Other payable	5,211	15,306
A32230	Other current liabilities	(<u>32,023</u>)	<u>18,687</u>
A33000	Cash inflow (outflow) generated from operations	(1,770,939)	4,921,148
A33100	Interest received	27,665	7,786
A33300	Interest paid	(213,258)	(204,277)
A33500	Income tax paid	(<u>456,505</u>)	(<u>132,419</u>)
AAAA	Net cash flows from (used in) operating activities	(<u>2,413,037</u>)	<u>4,592,238</u>

(Continued)

(Continue from previous page)

CODE		2023	2022
	NET CASH FLOW FROM INVESTMENT ACTIVITIES		
B00040	Acquisition of financial assets at amortized cost	\$ -	(\$ 151,048)
B00050	Proceeds from disposal of financial assets at amortised cost	1,080,741	-
B00100	Acquisition of financial assets at fair value through income	(1,713,000)	(2,452,346)
B00200	Proceeds from disposal of financial assets at fair value through profit or loss	2,810,109	961,457
B01800	Acquisition of investments accounted for using equity method	(770,090)	(48,050)
B02700	Acquisition of property, plant, and equipment	(114,693)	(169)
B04500	Acquisition of intangible assets	(3,280)	(94)
B06800	Decrease in other non-current assets (increase)	300	(300)
B05350	Acquisition of use-of-right assets	(161,889)	-
B07600	Dividends received	<u>4,028</u>	<u>27,370</u>
BBBB	Net cash flows (used in) investing activities	<u>1,132,226</u>	(<u>1,663,180</u>)
	CASH FLOWS USED IN FINANCING ACTIVITIES		
C00100	Increase (decrease) in short-term loans	2,088,650	(1,905,700)
C01600	Increase in long-term loans	3,000	-
C03000	Increase in guarantee deposits received	(80)	160
C04020	Payments of lease liabilities	(14,148)	(5,841)
C04500	Cash dividends paid	(995,270)	(317,575)
C04600	Proceeds from issuing shares	-	728,500
C04800	Exercise of employee share options	<u>-</u>	<u>8,066</u>
CCCC	Net cash flows from (used in) financing activities	<u>1,082,152</u>	(<u>1,492,390</u>)
EEEE	Net increase (decrease) in cash and cash equivalents	(198,659)	1,436,668
E00100	Cash and cash equivalents at beginning of period	<u>2,463,256</u>	<u>1,026,588</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 2,264,597</u>	<u>\$ 2,463,256</u>

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

Fu Hua Innovation Company Limited

(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

January 1 to December 31, 2023 and 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Fu Hua Innovation Company Limited (the Company), a Republic of China (R.O.C.) corporation, was established in November 1997 in accordance with the Company Law and relevant laws and regulations and was approved for supplemental public issuance by Financial Supervision Commission Banking Bureau on July 14, 2000. Approved by the Taiwan Stock Exchange, stocks were officially listed on March 3, 2003. The Company has changed name, which formerly known as “Zongtai Real Estate Development Company Limited”, to “Fu Hua Innovation Company Limited” on July 14, 2023.

The Company's service items are leasing or selling residential and commercial buildings entrusted to builders.

The accompanying parent financial statements were expressed with the Company's functional currency (New Taiwan Dollar).

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on March 14, 2024.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the accounting policies of Fu Hua Innovation Company Limited.

3.2. The IFRSs endorsed by the FSC with effective date starting 2024.

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IFRS 16 “ leaseback of Lease Liabilities”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1 : Except for those noted, the New/ Amended/ Revised Standards and Interpretations will be effective during the annual reporting period starting after each date.

Note 2 : Sellers and lessees should retrospectively apply the amendment to IFRS 16 on sale and leaseback transaction signed after first application of IFRS 16.

Note 3 : When the first-apply the amendment, it exempts the part of revelatory provision.

Up till the release date of parent company only financial reports, the other regulation concerning the Company’s evaluation, adjustments for explanation would not impact on the financial status and performance.

3.3. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC.

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Undecided
IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments of IFRS 17 : The comparison between the first-applied IFRS 17 and IFRS 9	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1 : Except for those noted, the New/Amended/Revised Standards and Interpretations will be effective during the annual reporting period starting after each date.

Note 2 : It’s effective during the annual reporting period starting after January 1, 2025. For the first-time application amendment, the effects shall be recognized in retained earnings on the first-time application date. When the consolidated company uses non-functional currency as the presentation currency, the effects will be adjusted as the exchange difference of the foreign operation under the equity on the first-time application date.

As of the date the accompanying the parent company only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance from the initial adoption of the standards or interpretations and related applicable period. The related impact will be disclosed when the Company completes its evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.2. Basis of Preparation

The accompanying parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

Fair value measurements are grouped into Levels 1 to 3 based on the observable degree of relevant inputs and on importance:

1. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When preparing the parent company only financial statements, the Company account for subsidiaries and associates by using the equity method. In order to same as the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

4.3. Classification of Current and Noncurrent Assets and Liabilities

An asset is classified as current when :

1. Hold the asset primarily for the purpose of trading.
2. Expect to realize the asset within twelve months after the balance sheet date.
3. Cash or cash equivalent. (It does not include those restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.)

A liability is classified as current when :

1. Hold the liability primarily for the purpose of trading.
2. The liability is due to be settled within twelve months after the balance sheet date.
3. Does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

The part of the company engaged in construction projects has an operating cycle exceeding one year. It is based on the assets and liabilities related to the construction business, and the normal operating cycle is used as the standard for dividing current or non-current.

4.4. Foreign Currencies

In preparing the parent company only financial statement of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Due to the reason for clearing monetary items or monetary item conversions, such exchange differences are recognized in profit or loss in the year in which they arise.

4.5. Inventories - Construction Industry

The investment and construction of houses are calculated according to the cost of different projects; the allocation of the sold or unsold costs of the project is calculated according to the proportion of the purchase price; however, the same project cannot be changed after the selection the year before or after.

For the purchase or exchange of lands, the lands purchase price paid before the acquisition of lands ownership is recorded as the advance land purchases, and after the

ownership is acquired, it is recorded as the construction lands; the construction lands and construction costs invested in various projects are recorded as the building under construction. Once the project is completed, it will be carried forward to property for sale.

Lands for construction, houses under construction and premises for sale are accounting basis based on cost. At the end of the period, if there is sufficient evidence that the net realizable value is lower than the cost, the difference shall be provided as an allowance for falling price losses.

4.6. Borrowing Costs

The borrowing cost directly attributable to the acquisition, construction or production of a qualified asset is a part of the cost of the asset until almost all necessary activities for the asset to reach its intended use or sale status have been completed.

Specific borrowings, such as investment income earned by temporary investment before the occurrence of capital expenditures that meet the requirements, are deducted from the borrowing costs that meet the capitalization conditions.

Except for the above, all other borrowing costs are recognized as profit or loss in the current period.

4.7. Investments in subsidiaries

Investments accounted for using the equity method include investments in subsidiaries and associates.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses, if any.

Any excess of the cost of acquisition over the Company'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 Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized in profit or loss.

The Company 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. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss as profit; 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.

Profits or losses resulting from downstream transactions is eliminated in full only in the parent company's financial statements. Profit and losses resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company's financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

4.8. Investment in Associates

Affiliated companies refer to companies that have significant influence on the combined company but are not subsidiaries or joint ventures.

The Company adopts the equity method for investment in affiliated companies.

Under the equity method, investment in affiliated companies is initially recognized at cost, and the future carrying amount obtained is increased or decreased with the share of the Company's profits and losses and other comprehensive profits and losses and profit distribution enjoyed by the combined company. In addition, changes in the equity of affiliated companies are recognized based on the shareholding ratio.

When the company's share of losses in the affiliated company equals or exceeds its equity in the affiliated company, the recognition of further losses shall cease. The company only recognizes additional losses and liabilities within the scope of statutory obligations, constructive obligations, or payments made on behalf of related companies.

When assessing impairment, the Company regards the overall book value of the investment (including goodwill) as a single asset, compares the recoverable amount

with the book amount, and conducts impairment tests. The recognized impairment loss is not allocated to the component of the investment book value. Any assets, including goodwill. Any reversal of the impairment loss shall be recognized within the scope of the subsequent increase in the recoverable amount of the investment.

4.9. Property, Plant, and Equipment

Property, plant, and equipment are initially recorded at cost. Subsequently measured at the cost minus accumulated depreciation and accumulated impairment losses.

Property, plant, and equipment during construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. The cost includes the fee of professional services and borrowing costs which is eligible for capitalization. The assets are costs at the lower of cost or net realizable value before completed and ready for intended use. The selling price and the cost under the income. Such assets are classified to the appropriate categories of property, plant, and equipment when completed and ready for intended use.

Property, plant, and equipment are depreciated on a straight-line basis within their useful lives. If significant parts have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment. The Company shall review the estimated useful lives, residual value, and depreciation method at least at the end of each year and postpone the effect of changes in applicable accounting estimates.

When property, plant and equipment are on disposal, the difference between the net disposal price and the asset's carrying amount is recognized in profit or loss.

4.10. Intangible Assets

The durability of the solely acquired intangible assets shall be evaluated by cost initially, afterwards, it shall be evaluated with cost minus the accumulated amortization and impairment loss. Intangible assets shall be amortized on a straight-line base for amortization. The Company shall at least check the estimated durability, residual value, and amortization methods on the last day of accounting year and defer the effect the adjustments on the applied accounting estimation. The uncertain durability of the intangible assets shall be listed with the amount of the cost minus the accumulated loss on impairment.

When the intangible asset was derecognized, the differences between the net disposal price and the book value of assets shall be listed as the loss or gain for that period.

4.11. Contract Cost Related Assets

The sales commission for the real estate property salespeople and the fee about contract will be actualized when the customer receive the contract. The amount of money within the coverable range will be listed as the incremental cost for contract gaining and will be written off when the real estate was completed and handover to the clients.

4.12. The impairments of property, plants and equipment, right-of-use assets, and intangible assets (goodwill excluded)

The Company shall evaluate any sign for impairment on property, plants and equipment, right-of-use assets, and intangible assets (goodwill excluded) on the day for balance sheet declaration. If there's any sign of impairment, then the recoverable amount shall be estimated. If individual asset's recoverable amount cannot be estimated, the Company shall estimate the recoverable amount of the asset belonging to the cash generating unit. Shared assets shall be amortized to individual cash generating unit on the consistent and rational basis.

The coverable amount would be fair value minus the cost and the higher in use value. If the recoverable value of individual asset or cash generating unit is lower than book value, then the book value of such asset or cash generating unit shall adjusted lower to the recoverable amount, the impairment loss shall be recognized in profit or loss.

When the impairment loss was reversed afterwards, the book value of the asset or cash generating unit shall be adjusted up to the recoverable amount only if the increase book value shall not exceed the listed impairment loss book value from previous year if such asset or cash generating unit (deduct the amortization and depreciation). The impairment loss shall be recognized in profit or loss.

4.13. Financial Instruments

Financial assets and liabilities shall be recognized in parent company only balance sheet when the Company becomes a party to the contractual provisions of the instruments.

When the initial recognition of the financial assets and debts, if not evaluated based on fair value, the financial assets and debts can be evaluated by the fair value plus

with the transaction cost of the acquired or issued financial assets or debts. The transaction costs of the directly acquired or financial assets or debts issued based on the profit or loss with fair values shall be recognized in profit or loss.

4.13.1 Financial assets

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

A. Evaluating categories

The types of financial assets owned by the merged company are the financial assets at the fair value through profit or loss and the amortized cost.

a. Financial assets at the fair value through profit or loss

Financial assets at the fair value through profit or loss include the enforced or assigned financial assets at the fair value. The financial assets at the fair value enforced through profit or loss consist of the unassigned equity instrument of other comprehensive income : unrealized gains or losses on fair value through other comprehensive income financial assets and the uncategorized debt instrument investment measured by amortized cost.

Financial assets measured at fair value through other comprehensive income are valued based on fair value and recognized in the balance sheets and income statements for the gains or loss they generated (any of the dividend or the interest accrued from the financial assets). See note 25 for the fair value measurement.

b. Financial assets evaluated by the amortized costs

If the Company's financial assets fit the following requirements, then the following categories of which financial assets were evaluated by the amortized costs.

- i. Owned under certain business operating mode. The purpose of such mode is to hold the financial assets in order to receive the contracted cash flow ; and
- ii. The cash flow accrued on the designated date based on the contract articles. The amount of such cash flow was paid totally for the interest accrued from the principal and outstanding principal.

The amortized cost financial assets (including cash and cash equivalents, notes and account receivable amortized by cost, other account

receivable, construction refundable deposits and refundable deposits), once after the original recognition, it is determined by effective interest method of taking the total book value minus any amortized cost of impairment loss, any profit or loss on foreign exchange is recognized on the financial statements.

Except the following two conditions, interest income is calculated by the effective interest rate times the total book value of the financial assets :

- i. Purchase or initiate the credit-impaired financial assets, the interest income is calculated by the post credit adjustment interest rate times the amortized cost of financial assets.
- ii. Non-purchased or initiated credit-impaired, once became credit-impaired financial assets, during the period of credit impairment to the next term of recognition, the interest income shall be calculated with effective interest rate times the amortized cost of the financial assets.

Credit impairment financial assets refers to the issuers or debtors have major financial difficulties, breach of contract. Debtors are likely to file for bankruptcy or financial reconstructing which may lead to the disappearing vitality of financial markets.

Cash equivalents include short-term certificate of deposit and repo bonds with high market liquidity which can be convertible into fixed amount of cash to satisfy the short-term cash promise.

B. Impairment loss of financial assets

The Company will recognize the impairment loss based on expected credit impairment of the financial assets (including account receivable) at amortized cost on every balance sheet day.

Account receivable is recognized as allowed loss in the duration expected credit impairment. Other financial assets are self-evaluated whether there is significant increase in credit risk beforehand. If the credit risk did not increase significantly, it will be recognized as allowed loss as expected credit impairment for 12 months. If the credit risk has increased significantly, it will be recognized as allowed loss as expected credit impairment for the duration.

Expected credit impairment is the weighted average of credit loss with the weights based on the risk of contract breach. The expected credit impairment for 12 months means the expected impaired credit caused by the breached items within the contract of the financial instruments within 12 months of the reporting day. The expected impaired credit of duration signifies the expected credit impairment induced by the breached items within the contract of the financial instruments of the duration.

The purpose of the Company of inner credit risk management without the consideration of the holding of collateral will be judged as breach of contract of the financial assets under the following conditions :

- a. Inner or external information indicates that the debtors are impossible to clear the debts.
- b. Overdue for more than 90 days. Unless reasonable and supporting information indicates the delay of breach of contract is more appropriate.

All book values of the impairment loss of financial assets are deducted through allowed account, only with the exception that the allowed impairment of other conglomerated debt instrument at fair value through profit or loss would be recognized as other comprehensive income will not lower the book values.

C. Derecognition of financial assets

The Company only lose the contact rights of the financial assets' cash flow or the financial assets have been transferred and the risks and payment of the ownership of financial assets have been transferred to other enterprises, which is when the financial assets can be derecognized.

When the financial assets amortized at cost were derecognized as a whole, the gap of the book values and the collected consideration were recognized as gains and loss. When the debt instrument investments measured at fair value through other comprehensive income were derecognized as the whole, the book values and the collected consideration were recognized as the gap between the accumulated gain or loss of other comprehensive income. When the equity instrument investments measured at fair value through other comprehensive income were derecognized as the whole, the accumulated loss and gain will directly transfer as retained earnings without reclassifying as loss or gain.

4.13.2 Financial liabilities

A. Valuation afterwards

All the financial debts were valued by effective interest method amortized at cost value.

B. Derecognition of financial liabilities

When derecognizing financial debts, the gap between the book value and the collected consideration (including any transferred non-cash assets or debts with-taken) is recognized as loss and gain.

4.14. Income Recognition

Once the Company has recognized the performance obligations in clients' contract, the transaction price will be allocated within the performance obligations and when fulfilling the performance obligations, the transaction price will be recognized as income.

Product Sales Revenue

Properties sales within normal operation range is as fixed transaction price by stages and recognized as contract liabilities. After considering major financial compositions, it shall be recognized as sales revenue once each property has finished construction and handover the ownership to the buyer.

4.15. Leases

The Company shall evaluate the contract effective date shall considered or belonged to lease.

1. The Company as lessor

When the leasing articles refers to the ownership and all the included risks and payments transferred to the lesasers, it is categorized as finance lease, while other kinds of lease are categorized as operating lease.

In finance lease, lease payments include fixed payments. Net lease investment is the sum of current value of lease receivable and unguaranteed residual value at initial direct costs and denoted as finance lease receivable. Finance revenues shall be evened out in each accounting periods to reflect the fixed rate of return (ROE) of unexpired net lease investment in different accounting periods.

In operating lease, lease payment minus lease incentives is recognized as income based on straight-line method during the lease periods. The initial direct

cost due to operating lease is added to the book value of the targeted assets based on straight-line method and recognized as expense during the lease period.

When lease include lands and building compartment, the Company is affiliated to the ownership of compartment and all the risk and return have transferred to leaser to evaluate the categorization of each compartment shall belong to finance lease or operating lease. Lease payment is amortized to lands or buildings based on the relative ratio of lands and building lease rights at fair value on contract effective date. If lease payment can reliably amortize to these two compartments, then each element shall be dealt with accordingly by the applied lease category. If not, then the whole lease will be categorized as finance lease unless these two compartments obviously fitting the operating lease standards or else the overall lease will be categorized as operating lease.

2. The Company as lessee

Besides the low-value targeted leased assets with recognized exemptions and short-term lease payment are recognized as expenses within the lease periods, other kinds of leasing would be recognized as right-of-use assets and as lease liabilities on the starting day of leasing.

Right-of-use assets originally was evaluated by cost (including the lease liabilities at initial measurement, lease payment before the leasing day starts minus the demanded lease incentives, initial direct cost and estimated cost. Afterwards, the amount was evaluated with accumulated depreciation was deducted at cost and the accumulated impairment loss and the re-evaluated adjusted lease liabilities. Right-of-use assets are presented separately in the parent company only balance sheets.

Right-of-use assets by straight line method from the date of lease till the durability expired or the lease period expired which will adopt the earlier time to be recognized as depreciation.

Initial lease liabilities (including fixed payment) at present value, if the implied lease interest if easy to be fixed, the lease payment shall be discounted with implied lease interest. If such interest is not easy to be exact, then lessee's incremental borrowing rate of interest will be adopted for discount.

What follows are lease liabilities by effective interest method evaluated at amortized cost and the interest expense is divided por rata during the lease period. If the adjustment during the lease period leading to the adjustment for

future lease payment, the merged company will evaluate the lease liabilities again and relatively adjust the right-of-use assets with the exception that the book value of the right-of-use assets has deducted to zero, and the residual of the reevaluated amounts were recognized in profit or loss. Lease liabilities is on the stand-alone basis on the parent company only balance sheets.

4.16. 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 service rendered by employees.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

4.17. Employee Stock Option

1. Employee stock option to the employees

Employee stock option is based on the equity instrument on vest day at fair value and the optimal number of estimations of expected vest and is recognized as expense by accrual straight-line basis within the vested duration, at the same time, adjust paid-in-capital- employee stock option. If vested right on the vested day, then all the employee stock options shall be recognized as expenses on the vested day. The Company handled the proposal to increase its capital by retaining employee stock option, which would be issued when the number and price of shares were confirmed.

The Company will adjust the expected vest of the estimated number of employee stock option on the balance sheet day. If any adjustment on the original number, the adjusted number will be recognized on the income statement so that the accumulated expense can reflect the adjusted number of estimation and relatively adjust the paid-in-capital-employee stock option.

2. Employee stock option to the employees of subsidiaries

The employee stock options that the Company grants to the employees of its subsidiaries to be delivered by the Company's equity instruments are regarded as capital investment in the subsidiaries, and are measured by the fair value of the equity instruments on the grant date and recognized as an increase in the

book value of the investment in the subsidiary during the vesting period, in addition the capital surplus—employee stock options, is relatively adjust.

4.18. Income Tax

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

1. Income 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 Law 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 parent company only 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, net operating loss carryforwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 assets to be

recovered. A previously unrecognized deferred tax asset is also reviewed at the end of 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 liabilities are settled or assets are 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 way 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 for the year

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 AND UNCERTAINTY

In the application of the Company's accounting policies, the Company is required to make judgments, estimates and assumptions about 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 relevant. Actual results may differ from these estimates.

When the Company develops significant accounting estimates, possible effects such as cash flow projections, growth rate, discount rate, profitability and other significant estimates shall be included. Management team will continue to review the estimation and basic assumption.

Key Sources of Estimation and Uncertainty-the impairment in inventory

Inventory net realized value is the residual estimation of estimated sales price during operating process minus the estimated cost for completion of the construction and all the estimated cost for sales, The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. The changes in markets can affect the estimated results.

6. CASH AND CASH EQUIVALENTS

	<u>December 31,2023</u>	<u>December 31,2022</u>
Cash on hand and working fund	\$ 110	\$ 149
Deposits in banks	2,567,489	3,201,694
Cash equivalents		
Bank time deposit	454,858	1,101,764
Repo bonds	<u>40,928</u>	<u>39,179</u>
	3,063,385	4,342,786
Minus : Restricted deposit	(773,988)	(1,842,330)
Pledge time deposit	<u>(24,800)</u>	<u>(37,200)</u>
	<u>\$ 2,264,597</u>	<u>\$ 2,463,256</u>

Restricted deposit, pledge time deposit are financial assets at amortized cost-current, please refer to Note 27 for the pledge information.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Financial Assets-Current</u>		
Fund Beneficiary Certificate	\$ 377,869	\$ 1,447,126
Domestic listed and OTC stock	<u>74,210</u>	<u>63,855</u>
	<u>\$ 452,079</u>	<u>\$ 1,510,981</u>
<u>Financial Assets-Non-current</u>		
Domestic unlisted and OTC stock	<u>\$ 80,025</u>	<u>\$ 90,700</u>

8. INVENTORY- CONSTRUCTION INDUSTRY

	<u>December 31,2023</u>	<u>December 31,2022</u>
Land held for construction site	\$ 2,861,367	\$ 3,017,086
Construction in progress	13,025,007	9,895,039
Buildings and land held for sale	<u>167,962</u>	<u>267,873</u>
	<u>\$ 16,054,336</u>	<u>\$ 13,179,998</u>
<u>Land held for construction site</u>	<u>December 31,2023</u>	<u>December 31,2022</u>
Land serial No.15, Wenshang Section	\$ 2,839,556	\$ 2,801,705
Land serial No. 38, Goubei Section	-	193,570
Others	<u>21,811</u>	<u>21,811</u>
	<u>\$ 2,861,367</u>	<u>\$ 3,017,086</u>
<u>Construction in progress</u>	<u>December 31,2023</u>	<u>December 31,2022</u>
The Way Home	\$ 9,190,880	\$ 6,141,501
Unveiling	2,205,896	2,159,393
Land serial No.53, Wenshang Section	<u>1,628,231</u>	<u>1,594,145</u>
	<u>\$ 13,025,007</u>	<u>\$ 9,895,039</u>

<u>Buildings and land held for sale</u>		
Zongtai 2020	120,437	132,596
Get Together	31,525	119,277
East New York	16,000	16,000
	<u>\$ 167,962</u>	<u>\$ 267,873</u>

The operating expenses which are related to the inventory in 2023 and 2022 are NT 273,220 thousand and NT 5,715,485 thousand. The year of 2023 and 2022 do not recognized the situation of inventory valuation losses and reversal.

Information about interest capitalization is as follows :

	Years ended <u>December 31,2023</u>	Years ended <u>December 31,2022</u>
Amount of interest capitalization	\$ 204,237	\$ 189,208
Interest capitalization rate (%)	2.21-2.68	1.55-2.37

Setting the amount of inventory as a guarantee for the loan, please refer to Note 27.

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31,2023</u>	<u>December 31,2022</u>
Investments in subsidiaries	\$ 1,546,216	\$ 549,856
Investments in associates	<u>17,080</u>	<u>18,101</u>
	<u>\$ 1,563,296</u>	<u>\$ 567,957</u>

9.1. Investments in subsidiaries

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Common stocks of non-listed companies</u>		
Zongtai Construction Co.,Ltd. (Zongtai Construction Co.)	\$ 1,222,199	\$ 229,231
Ritai Asset Management Co., Ltd. (Ritai Management Co.)	304,735	299,737
Zongtai Real Estate Dvelopment Co., Ltd. (Zongtai Real Estate Co.)(Note)	6,878	7,094
Dashun Advertising Co., Ltd. (Dashun Advertising Co.)	<u>12,404</u>	<u>13,794</u>
	<u>\$ 1,546,216</u>	<u>\$ 549,856</u>

<u>Subsidiary Title</u>	<u>Percentage shares of holdings and voting rights</u>	
	<u>December 31,2023</u>	<u>December 31,2022</u>
Zongtai Construction Co.	100%	100%
Ritai Management Co.	100%	100%
Zongtai Real Estate Co.	100%	100%
Dashun Advertising Co.	100%	100%

Note : Play Fun Industrial Co., Ltd. was renamed to Pika Electronic Co., Ltd. in March 2022 and it was renamed again to Zongtai Real Estate Development Co., Ltd in August 2023.

In the above-mentioned subsidiaries, the financial reports of Zongtai Real Estate Company and Dashun Advertising Company for 2023 and 2022 have not been audited by accountants. The financial reports of the remaining subsidiaries for 2023 and 2022 are all audited by accountants. However, the management believes that there is no material impact from the financial statements of the above-mentioned investees that have not been audited.

9.2. Investments in associates

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Common stocks of non-listed companies</u>		
Shuo Yi Tai Green Energy Co., Ltd. (Shuo Yi Tai Co.)	\$ <u>17,080</u>	\$ <u>18,101</u>

<u>Company Title</u>	<u>Business</u>	<u>Business Place</u>	<u>Percentage shares of holdings and voting rights</u>	
			<u>December 31,2023</u>	<u>December 31,2022</u>
Shuo Yi Tai Co.	Energy Technical Services	Hsinchu County	27%	30%

Shou Yi Tai Green Power Co., Ltd. has applied for cash capital increase on August 21, 2023 and December 12, 2023 respectively. The Company did not subscribe in accordance with shareholding ratio. Therefore, the shareholding ratio dropped from 30% to 26.91%. Additional paid-in capital of NT\$133 thousand was adjusted.

The equity-method investees' financial statements, which were used to determine the carrying amount of the merged company's investments and the share

of profit and other comprehensive income of associates, had been audited. The management of the merged company believes that there is no material impact from the financial statements of the above-mentioned investees that have not been audited.

10. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Building</u>	<u>Transportation Equipment</u>	<u>Leasehold improvements</u>	<u>Other Equipment</u>	<u>Property under construction</u>	<u>Total Cost</u>
<u>Cost</u>							
January 1, 2023	\$ 45,623	\$ 101,051	\$ 4,415	\$ 4,702	\$ 8,129	\$ -	\$ 163,920
Additions	-	-	2,555	102,453	8,933	752	114,693
Reclassification	-	-	-	47,535	-	-	47,535
December 31, 2023	<u>\$ 45,623</u>	<u>\$ 101,051</u>	<u>\$ 6,970</u>	<u>\$ 154,690</u>	<u>\$ 17,062</u>	<u>\$ 752</u>	<u>\$ 326,148</u>
<u>Accumulated Depreciation</u>							
January 1, 2023	\$ -	\$ 23,404	\$ 3,807	\$ 4,437	\$ 5,521	\$ -	\$ 37,169
Additions	-	3,749	424	17,224	2,287	-	23,684
December 31, 2023	<u>\$ -</u>	<u>\$ 27,153</u>	<u>\$ 4,231</u>	<u>\$ 21,661</u>	<u>\$ 7,808</u>	<u>\$ -</u>	<u>\$ 60,853</u>
January 1, 2023 Net Value	<u>\$ 45,623</u>	<u>\$ 77,647</u>	<u>\$ 608</u>	<u>\$ 265</u>	<u>\$ 2,608</u>	<u>\$ -</u>	<u>\$ 126,751</u>
December 31, 2023 Net Value	<u>\$ 45,623</u>	<u>\$ 73,898</u>	<u>\$ 2,739</u>	<u>\$ 133,029</u>	<u>\$ 9,254</u>	<u>\$ 752</u>	<u>\$ 265,295</u>
<u>Cost</u>							
January 1, 2022	\$ 45,623	\$ 101,051	\$ 4,415	\$ 4,702	\$ 7,960	\$ -	\$ 163,751
Additions	-	-	-	-	169	-	169
December 31, 2022	<u>\$ 45,623</u>	<u>\$ 101,051</u>	<u>\$ 4,415</u>	<u>\$ 4,702</u>	<u>\$ 8,129</u>	<u>\$ -</u>	<u>\$ 163,920</u>
<u>Accumulated Depreciation</u>							
January 1, 2022	\$ -	\$ 19,654	\$ 3,490	\$ 2,870	\$ 4,554	\$ -	\$ 30,568
Additions	-	3,750	317	1,567	967	-	6,601
December 31, 2022	<u>\$ -</u>	<u>\$ 23,404</u>	<u>\$ 3,807</u>	<u>\$ 4,437</u>	<u>\$ 5,521</u>	<u>\$ -</u>	<u>\$ 37,169</u>
January 1, 2022 Net Value	<u>\$ 45,623</u>	<u>\$ 81,397</u>	<u>\$ 925</u>	<u>\$ 1,832</u>	<u>\$ 3,406</u>	<u>\$ -</u>	<u>\$ 133,183</u>
December 31, 2022 Net Value	<u>\$ 45,623</u>	<u>\$ 77,647</u>	<u>\$ 608</u>	<u>\$ 265</u>	<u>\$ 2,608</u>	<u>\$ -</u>	<u>\$ 126,751</u>

Depreciation Expenses are depreciated on a straight-line basis over their estimated useful lives as follows :

Building	
Main Buildings of Improvements	50 years
Electromechanical power equipment	10-15 years
Transportation Equipment	6 years
Leasehold improvements	3-4 years
Other Equipment	3-15 years

For the properties, plants and equipment amounts designated as bonds payable, please refer to Note 27.

11. LEASE ARRANGEMENTS

11.1. Right-of-use assets

	<u>December 31,2023</u>	<u>December 31,2022</u>
Book Value of Right-of-use Assets		
Land	\$ 228,263	\$ 48,811
Buildings	37,600	49,503
Transportation Equipment	282	1,395
	<u>\$ 266,145</u>	<u>\$ 99,709</u>
	<u>Years ended</u>	<u>Years ended</u>
	<u>December 31,2023</u>	<u>December 31,2022</u>
Additions to Right-of-use Assets	<u>\$ 185,145</u>	<u>\$ 100,719</u>
Depreciation Charge for Right-of-use Assets		
Land	\$ 4,949	\$ 1,975
Buildings	10,834	3,218
Transportation Equipment	1,113	1,139
	<u>\$ 16,896</u>	<u>\$ 6,332</u>

Except for the recognized depreciation expenses, the Company's right-of-use assets did not undergo significant sublease and impairment in 2023 and 2022.

11.2. Lease liabilities

	<u>December 31,2023</u>	<u>December 31,2022</u>
Carrying amounts		
Current	\$ <u>12,523</u>	\$ <u>14,555</u>
Non-current	\$ <u>95,056</u>	\$ <u>85,729</u>

Range of discount rate for lease liabilities was as follows :

	<u>December 31,2023</u>	<u>December 31,2022</u>
Land	2.37-2.70%	2.15%
Buildings	1.71%-2.50%	1.55%-1.71%
Transportation Equipment	1.77%	1.77%

11.3. Material lease activities and terms

The Company leases certain land, buildings and transportation equipment for product manufacturing and operational uses with lease terms of 3 to 70 years. The Company does not have bargain purchase options to acquire the land, buildings, and transportation equipment at the end of the lease terms.

12. OTHER ASSETS

	<u>December 31,2023</u>	<u>December 31,2022</u>
Excess business tax paid	\$ 172,610	\$ 21,388
Prepayments	4,259	10,614
Temporary debits	7,014	6,153
Guarantee deposits paid	2,459	2,459
Construction deposits paid	2,129	1,935
Payment on behalf of others	1,632	1,744
Others	546	846
	<u>\$ 190,649</u>	<u>\$ 45,139</u>
Current	\$ 187,644	\$ 41,834
Non-current	<u>3,005</u>	<u>3,305</u>
	<u>\$ 190,649</u>	<u>\$ 45,139</u>

13. BANK LOANS

13.1 Short-Term Loans

	<u>December 31,2023</u>	<u>December 31,2022</u>
Secured Loans (Note 27)	\$ 6,973,550	\$ 7,358,900
Credit Loans	<u>2,474,000</u>	<u>-</u>
	<u>\$ 9,447,550</u>	<u>\$ 7,358,900</u>
<u>Annual interest rate (%)</u>		
Secured Loans	2.34-2.68	2.21-2.37

	<u>December 31,2023</u>	<u>December 31,2022</u>
Credit Loans	2.66	-

13.2 Long-Term Loans

	<u>December 31,2023</u>	<u>December 31,2022</u>
Secured Loans (Note 27)	\$ 3,000	\$ -
Less : Listed as due within 1 year	<u>-</u>	<u>-</u>
	<u>\$ 3,000</u>	<u>\$ -</u>

Annual interest rate (%)

Secured Loans	2.85	-
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14. BONDS PAYABLE

	<u>December 31,2023</u>	<u>December 31,2022</u>
First time domestic secured ordinary corporate bonds (Note 27)	\$ 2,000,000	\$ 2,000,000
Discount on bonds payable	(1,161)	(1,824)
	1,998,839	1,998,176
Less : Listed as due within 1 year	<u>-</u>	<u>-</u>
	<u>\$ 1,998,839</u>	<u>\$ 1,998,176</u>

On September 29, 2020, the Company issued a secured domestic ordinary corporate bond in Taiwan for NT\$2,000,000 thousand with 5 years issuance period, in addition the annual interest rate (%) is 0.62%, and the interest is calculated and paid once a year based on the coupon rate. The principal shall be repaid once at the expiry of 5 years from the issuance date.

15. OTHER LIABILITIES

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Other payables</u>		
Construction retainage received	\$ 199,938	\$ 168,762
Employee bonus payable and compensation due to directors	6,450	24,555
Payables for salaries or bonuses	5,024	8,891
Others	<u>12,763</u>	<u>10,801</u>
	<u>\$ 224,175</u>	<u>\$ 213,009</u>
<u>Other current payables</u>		
Receipts under custody	\$ 2,849	\$ 34,727
Others	<u>452</u>	<u>597</u>
	<u>\$ 3,301</u>	<u>\$ 35,324</u>

16. RETIREMENT BENEFIT PLANS

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

17. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The assets and liabilities of the Company related to the construction business are classified as current or non-current standards according to the business cycle, and the relevant account amounts, which are expected to be recovered or repaid within 1 year and more than 1 year after the balance sheet date, are as follows :

	Expected to be recovered or repaid within 1 year	Expected to be recovered or repaid more than 1 year	Total
<u>December 31, 2023</u>			
Assets			
Notes and accounts receivable	\$ 106	\$ -	\$ 106
Other receivables	15	-	15
Inventories—			
Construction Industry	9,358,841	6,695,495	16,054,336
Other current assets	185,655	1,989	187,644
Current assets recognized as incremental costs to obtain contract with customers	<u>57,886</u>	<u>-</u>	<u>57,886</u>
	<u>\$ 9,602,503</u>	<u>\$ 6,697,484</u>	<u>\$ 16,299,987</u>
Liabilities			
Short-term loans	\$ 5,515,000	\$ 3,932,550	\$ 9,447,550
Contract liabilities	2,683,237	46,071	2,729,308
Notes payable	3,817	-	3,817
Accounts payable	580,387	-	580,387
Other payable	82,337	141,838	224,175
Lease liabilities	12,523	95,056	107,579
Bonds payable	-	1,998,839	1,998,839
Long-term loan	-	3,000	3,000
Other current liabilities	<u>3,301</u>	<u>-</u>	<u>3,301</u>
	<u>\$ 8,880,602</u>	<u>\$ 6,217,354</u>	<u>\$ 15,097,956</u>

<u>December 31,2022</u>	Expected to be recovered or repaid within 1 year	Expected to be recovered or repaid more than 1 year	Total
Assets			
Notes and account receivables	\$ 84	\$ -	\$ 84
Other receivables	23	-	23
Inventories— Construction Industry	267,873	12,912,125	13,179,998
Other current assets	39,817	2,017	41,834
Current assets recognized as incremental costs to obtain contract with customers	<u>473</u>	<u>105,421</u>	<u>105,894</u>
	<u>\$ 308,270</u>	<u>\$ 13,019,563</u>	<u>\$ 13,327,833</u>
Liabilities			
Short-term loans	\$ -	\$ 7,358,900	\$ 7,358,900
Contract liabilities	38,880	2,085,986	2,124,866
Notes payable	44,718	-	44,718
Accounts payable	193,401	3,814	197,215
Other payable	52,241	160,768	213,009
Lease liabilities	14,555	85,729	100,284
Bonds payable	-	1,998,176	1,998,176
Other current liabilities	<u>35,324</u>	<u>-</u>	<u>35,324</u>
	<u>\$ 379,119</u>	<u>\$ 11,693,373</u>	<u>\$ 12,072,492</u>

18. EQUITY

18.1. Common Stock Capital

	<u>December 31,2023</u>	<u>December 31,2022</u>
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>342,276</u>	<u>242,749</u>
Shares issued	<u>\$ 3,422,757</u>	<u>\$ 2,427,487</u>

Fully paid ordinary shares, with a par value of NT\$10, each of which carries one vote per share and carry a right to receive dividends.

The alternation of share capital of the company was due to the profit transferred to

common stock.

The Board of Directors resolved to increase its capital in cash by issuance of 31,000 new shares with par value of NT\$10, which would be issued at a premium of NT\$23.5 per share on Mar. 15, 2022. The paid-in capital after cash increase was 2,427,167 thousand. The above cash capital increase proposal was reported to and approved by the Securities and Futures Bureau, FSC on May 23, 2022. Moreover, the Board of Directors resolved Jul. 26, 2022 as the record date for the capital increase.

In accordance with the Company Act, 10% of the total new shares to be issued were reserved for employee stock options. In accordance with the provision of Share-based Payment in IFRS 2, the Company recognized the salary expense of NT\$18,414 thousand and the capital surplus (issuance of shares at a premium) with the same amount in 2022.

The Company resolved to distribute share stock dividends NT\$995,270 thousand in June 2019 by the shareholder meeting, which was approved by the FSC. The subscription base date was August 26, 2023 as determined by the board of directors.

18.2. Capital Surplus

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares(1)	\$ 1,092,949	\$ 1,092,949
Conversion of bonds(1)	168,700	168,700
<u>Only be used to offset a deficit</u>		
Changes in interests in associates accounted for using the equity method (2)	<u>133</u>	<u>-</u>
	<u>\$ 1,261,782</u>	<u>\$ 1,261,649</u>

- Such capital reserve may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital only limited to a certain percentage of the Company's capital surplus and to once a year.
- Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulting from equity transactions, other than actual disposals or acquisitions.

18.3. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution. The Company resolved the amendment to Policy on Distribution of Earnings and Dividends in the Articles of Incorporation during the General Meeting of Shareholders on Jun. 8, 2022. Where all or part of the dividend and bonus distribution is paid in cash, such distribution may be adopted by a majority of directors in a Board of Directors' meeting attended by 2/3 or more of all directors before reporting to the shareholders' meeting; the resolution adopted by shareholders' meeting as prescribed in the preceding paragraph shall not apply. For the policies on distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 20.

Moreover, according to the Company's articles of association, the dividend policy of the Company is based on the company operation situation, capital requirement, and change in internal and external overall circumstances that the dividend is distributed fully or partially with the consideration of the interest of the shareholders. Distribution of earnings may be made in cash dividend or share dividend. Limits of dividend distribution shall remain the proportion between 20% and 100% of the distributable earnings of the current year; however, the distribution of cash dividend shall be in principle not lower than 50% of the total dividend.

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

The appropriations of earnings for 2021 and 2020 were as follows :

	<u>The appropriations of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>Years ended December 31, 2022</u>	<u>Years ended December 31, 2021</u>	<u>Years ended December 31, 2022</u>	<u>Years ended December 31, 2021</u>
Legal reserve	\$ 220,890	\$ 63,536		
Cash Dividends	995,270	317,575	\$ 4.1	\$ 1.5
Stock Dividends	995,270	-	4.1	-

The cash dividend of 2022 was to be presented for approval in the Board of Directors' meeting on March 14, 2023. The other earning distribution items would be approved in regular shareholders meeting on June 19, 2023 and June 8, 2022.

The appropriations of earnings and dividends per share of year 2023 which proposed by the Company's board of directors on March 14, 2024, are as follows :

	The appropriations of earnings	Dividend per share (NT\$)
Legal reserve	\$ 30,687	
Cash Dividends	140,333	\$ 0.41
Stock Dividends	136,910	0.40

The cash dividend was to be presented for approval in the Board of Directors' meeting. The other is to be presented for approval in the shareholders' meeting to be held on June 12, 2024 (expected).

19. REVENUE

	<u>Years ended December 31, 2023</u>	<u>Years ended December 31, 2022</u>
Revenue from contracts with customers		
Revenue from real estate sales	<u>\$ 547,143</u>	<u>\$ 8,653,201</u>

19.1. Contract balances

	<u>Dec. 31,2023</u>	<u>Dec. 31,2022</u>	<u>January 1, 2022</u>
Notes and accounts receivable	<u>\$ 106</u>	<u>\$ 84</u>	<u>\$ 196</u>
Contract liabilities — current			
Real estate sales	<u>\$ 2,729,308</u>	<u>\$ 2,124,866</u>	<u>\$ 2,793,773</u>

19.2. Assets related to the contract cost

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Current</u>		
Current assets recognized as incremental costs to obtain contract with customers	<u>\$ 57,886</u>	<u>\$ 105,894</u>

Considering the past historical experience and the default clauses of the real estate sales contract, the Company believes that the commission paid for obtaining the contract can be fully recovered. The costs in 2023 and 2022 are NT\$ 473 thousand and NT\$ 36,162 thousand respectively.

20. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

Types	Belong to operating cost	Belong to operating expenses	total
<u>Years ended December 31, 2023</u>			
Short-term employee benefits			
Salary expenses	\$ 18,021	\$ 33,083	\$ 51,104
Labor and health insurance costs	2,011	2,239	4,250
Defined contribution plans	887	754	1,641
Remuneration of directors	-	5,877	5,877
Other employee benefits	924	1,852	2,776
Depreciation	-	40,580	40,580
Amortization	-	833	833
<u>Years ended December 31, 2022</u>			
Short-term employee benefits			
Salary expenses	\$ 15,480	\$ 76,669	\$ 92,149
Labor and health insurance costs	1,861	4,015	5,876
Defined contribution plans	830	1,010	1,840
Share-based Payment			
Equity-settled	-	18,414	18,414
Remuneration of directors	-	16,886	16,886
Other employee benefits	768	6,548	7,316
Depreciation	-	12,933	12,933
Amortization	-	733	733

As of 2023 and 2022, the average numbers of employees of the Company were 52 and 66 employees. Among them, the number of directors not concurrently serving as employees are both 7 and 5; the basis of calculation is the same as employee benefits expenses.

The Company's average employee benefits expense was NT\$1,328 thousand and NT\$2,059 thousand for the year 2023 and 2022, respectively; and the Company's average employees' wages and salaries was NT\$1,136 thousand and NT\$1,813 thousand for the year 2023 and 2022, respectively, average employee salary expenses was adjusted by -37.3%.

The remuneration of the directors, managers and employees of the Company is determined based on their responsibilities, the value of their contributions and their performance, with reference to the usual standards of the industry. According to the Company's articles of association, the remuneration of directors and managers shall be submitted to the board of directors for resolution after reviewed by the remuneration committee. In addition to reference to the usual standards of the industry, the Company's operating performance, the Company's financial status and the Company's future development plans, the reasonable remuneration will also be given based on the individual's

participation in the Company's operations, responsibilities and performance goals achieved. The Company also reviews relevant performance appraisal standards and the reasonableness of remuneration content in a timely manner to reduce future risks and implement the company's sustainable operation strategy.

Employee compensation and director compensation

The Company accrued employees' compensation and remuneration of directors at the rates 0.1%-5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The estimated employees' compensation and directors' remuneration for year 2023 and 2022 were resolved by the board of directors on March 14, 2024 and March 14, 2023 as follows :

Cash	Years ended December 31,2023		Years ended December 31,2022	
	Estimated ratio	Amount	Estimated ratio	Amount
Employees' compensation	0.3%	\$ 1,075	0.3%	\$ 8,185
Remuneration of directors	1.5%	5,375	0.6%	16,370

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

There's no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the year 2022 and 2021.

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

21. INCOME TAX

21.1. Major components of income tax expense recognized in profit or loss are as follows :

	Years ended December 31,2023	Years ended December 31,2022
Current income tax		
In respect of the current year	\$ 6,226	\$ 479,598
Surtax of unappropriated earnings	-	12,713
Income tax adjustments on prior years	383	(78)
Land value increment tax	<u>39,301</u>	<u>496</u>

	Years ended December 31,2023	Years ended December 31,2022
	45,910	492,729
Deferred income tax		
In respect of the current year	(885)	2,087
Income tax expense recognized in profit or loss	<u>\$ 45,025</u>	<u>\$ 494,816</u>

The adjusting of accounting income and income tax expense is as follows :

	Years ended December 31,2023	Years ended December 31,2022
Income tax expense at the statutory rate	\$ 70,380	\$ 540,743
Non-deductible expenses on tax	9	-
Tax effect of adjusting items :		
Tax-Free income	(64,728)	(59,466)
Surtax of unappropriated earnings	-	12,713
Land value increment tax	39,301	496
Unrecognized deductible temporary differences	(320)	408
Reversal of uncertain tax position upon finalization	<u>383</u>	<u>(78)</u>
Income tax expense recognized in profit or loss	<u>\$ 45,025</u>	<u>\$ 494,816</u>

21.2. Current tax liabilities

	December 31, 2023	December 31, 2022
Current tax liabilities		
Income tax payable	<u>\$ 3,789</u>	<u>\$ 414,383</u>

21.3. Deferred income tax assets and liabilities

The movements of deferred income tax assets and liabilities are as follows :

Years ended December 31,2023	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred income tax assets</u>			
Temporary differences			
Investments accounted for using equity method	\$ 1,515	\$ 531	\$ 2,046
Unrealized exchange loss	-	-	-
	<u>\$ 1,515</u>	<u>\$ 531</u>	<u>\$ 2,046</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			

Unrealized exchange gains	\$ 1,526	(\$ 354)	\$ 1,172
Years ended December 31,2022			
<u>Deferred income tax assets</u>			
Temporary differences			
Investments accounted for using equity method	\$ 1,692	(\$ 177)	\$ 1,515
Unrealized exchange loss	384	(384)	-
	<u>\$ 2,076</u>	<u>(\$ 561)</u>	<u>\$ 1,515</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			
Unrealized exchange gains	\$ -	\$ 1,526	\$ 1,526

21.4. Income tax examination

The income tax returns through 2021 of the Company, has been examined by the tax authorities.

22. EARNINGS PER SHARE

	Net profit for the year	Number of Shares (in thousands)	Earnings per share (NT\$)
<u>Years ended December 31,2023</u>			
Basic earnings per share			
Net profit for the year	\$ 306,874	342,276	<u>\$ 0.90</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	-	82	
Diluted earnings per share			
Effect of net profit for the year and potentially ordinary shares	<u>\$ 306,874</u>	<u>342,358</u>	<u>\$ 0.90</u>
<u>Years ended December 31,2022</u>			
Basic earnings per share			
Net profit for the year	\$ 2,208,900	317,530	<u>\$ 6.96</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	-	325	
Diluted earnings per share			

	<u>Net profit for the year</u>	<u>Number of Shares (in thousands)</u>	<u>Earnings per share (NT\$)</u>
Effect of net profit for the year and potentially ordinary shares	<u>\$ 2,208,900</u>	<u>317,855</u>	<u>\$ 6.95</u>

In calculating earnings per share, the impact of allotment of shares without compensation has been retroactively adjusted and the base date for the allotment August 26, 2023. Due to retroactive adjustment, the changes in basic and diluted earnings per share in 2022 are as follows :

	Earnings per share (NT\$)	
	<u>Before the retroactive adjustment</u>	<u>After the retroactive adjustment</u>
Basic earnings per share	<u>\$ 9.81</u>	<u>\$ 6.96</u>
Diluted earnings per share	<u>\$ 9.79</u>	<u>\$ 6.95</u>

If the Company can choose to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus would be settled in shares, and if the resulting potential shares have a dilutive effect, these shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. SHARE-BASED PAYMENT ARRANGEMENT

23.1. Plan of employee stock option

The Company approved 3,000 units of employee stock option on December 20, 2018, and each unit can subscribe for 1,000 common stocks. The recipients include employees of the Company and its subsidiaries who meet specific conditions. The duration of the stock options is 4 years respectively. The scrip-holder can exercise a certain percentage of the stock options from the date when the issuance expires 2 years. The exercise price of the stock options is the closing price of the Company's common stocks on the day of issuance. After the issuance of stock options, when there is a change in the Company's common stocks, or when the Company issues cash dividends, if the common stock cash dividends accounting over the current price per share exceeds the prescribed ratio, the exercise price of the stock option shall be adjusted in

accordance with the prescribed formula.

The relevant information of employee stock option is as follows :

<u>Employee stock option</u>	<u>Years ended December 31, 2022</u>	
	<u>Unit</u>	<u>Weighted-average exercise price</u>
Options outstanding on January 1	924	\$ 12.2
Options waived this year	(24)	12.2
Options exercised this year	(900)	12.2
Options outstanding on December 31	<u> -</u>	-
Options exercisable on December 31	<u> -</u>	-
Weighted average fair value of stock option granted this year (NT\$)	<u>\$ -</u>	

The employee stock option granted of the Company in December 2018 is measured using the Binary tree pricing model, and the input values used in the pricing mode are as follows :

	<u>December 2018</u>
Stock price at the grant date	NT\$16.10
The exercise price	NT\$16.10
Expected price volatility	23.48%
Duration(years)	4
Risk-free interest rate	0.6710%

The expected volatility is based on the historical stock price volatility of the past 5 years, and the effect of early execution has been taken into consideration.

23.2. Capital increase in cash by retaining employee stock options

The Board of Directors resolved to increase its capital in cash by issuance of new shares and retained 3,100 thousand shares for employee subscription in accordance with the Company Act on Mar. 15, 2022. If any employee under-subscribed or renounced the shares, the Chairman was authorized to contact a specific person to subscribe.

The Company adopted the Black-Scholes option pricing model for capital increase in cash by retaining employees stock options on Jun. 22, 2022. The input values used in the pricing mode are as follows :

	<u>June 22, 2022</u>
Stock price at the grant date	NT\$29.43
The exercise price	NT\$23.50

	<u>June 22, 2022</u>
Expected price volatility	17.62%
Duration(years)	0.077
Risk-free interest rate	0.5884%

The costs of cash capital increase for employee subscription rights accounted for in 2022 is NT\$18,414 thousand.

24. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising issued capital, capital reserves, retained earnings and other equity).

The main management of the Company regularly reviews the capital structure, including consideration of the cost and related risks of various types of capital. Based on the recommendations of the main management, the Company will balance its overall capital structure by paying dividends, issuing new shares, buying back shares, and issuing new debt or repaying old debt.

25. FINANCIAL INSTRUMENTS

25.1. Fair value of financial instruments not measured at fair value

The carrying amounts of financial assets and financial liabilities not measured at fair value of the Company approximate their fair values.

25.2. Fair value of financial instruments measured at fair value on a recurring basis

1. Fair-Value Hierarchy

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2023</u>				
Financial assets at FVTPL				
Domestic listed company	\$ 74,210	\$	\$	\$ 74,210
Domestic unlisted company	4,025		76,000	80,025
Domestic fund beneficiary certificate	<u>377,869</u>	<u>-</u>	<u>-</u>	<u>377,869</u>
	<u>\$ 456,104</u>	<u>\$</u>	<u>\$ 76,000</u>	<u>\$ 532,104</u>
<u>December 31, 2023</u>				

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed company	\$ 63,855	\$ -	\$ -	\$ 63,855
Domestic unlisted company	14,700		76,000	90,700
Domestic fund beneficiary certificate	<u>1,447,126</u>			<u>1,447,126</u>
	<u>\$1,525,681</u>	<u>\$ -</u>	<u>\$ 76,000</u>	<u>\$ 1,601,681</u>

There were no transfers between Levels 1 and 2 on January 1 and December 31 in 2023 and 2022.

2. Level 3 fair value measurement that are carried at fair value and input

The merged company hold the marketable securities of domestic unlisted company. Due to there was no market value, it uses valuation method to estimate. The fair value refers to the asset-based approach by the invested company.

25.3. Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 532,104	\$ 1,601,681
Financial assets at amortized cost	3,068,094	4,347,287
<u>Financial liabilities</u>		
Measured at amortized cost	12,246,454	9,778,812

The balances of the financial assets at amortized cost included cash and cash equivalents, financial assets at amortized cost-current, notes and account receivable, other receivables, construction deposits paid and guarantee deposits paid etc.

The balances of the financial liabilities at amortized cost included short-term loans, notes payable, accounts payable, other payable, bonds payable, guarantee deposits received etc.

25.4. Financial risk management objectives and policies

The Company's major financial instruments included equity investment, notes and accounts receivables, notes payable, accounts payable, bonds payable, borrowings and lease liabilities. The Company's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1. Market risk

The Company's operating activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

A. Foreign currency risk

The company did not engage in sales and purchase transactions denominated in foreign currencies, and the exchange rate risk is only the risk of US dollars deposits and the market price fluctuations risk of the investments using the equity method due to exchange rate fluctuations, so that the management assesses that the risks are not significant.

B. Interest rate risk

The company generated interest rate exposure due to borrowing funds at fixed and floating interest rates at the same time, and the carrying amounts of the financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
Financial assets	\$ 495,786	\$ 1,140,943
Financial liabilities	2,106,418	2,098,460
Cash flow interest rate risk		
Financial assets	2,567,469	3,201,664
Financial liabilities	9,450,550	7,358,900

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for financial instruments at the date of balance sheet. For floating-rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 1% change was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. When interest rates been 1% higher and all other variables were held constant, the pre-tax profits in 2023 and 2022 would decrease by NT\$ 68,831 thousand and NT\$ 41,572 thousand, respectively.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the maximum exposure to credit risk approximates the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company's counterparties are companies and persons with sound credit ratings, and mainly sign the contract at the time of the pre-sale and collect the payment on schedule, so no significant credit risk is expected.

3. Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023, and 2022, the Company's available unutilized short-term loan facilities are NT\$387,000 thousand and NT\$1,131,000 thousand.

Note 17 detailed the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods, and it based on the undiscounted cash flows of financial liabilities (included both interest and principal) from the earliest date on which the Company can be required to pay.

26. TRANSACTIONS WITH RELATED PARTIES

Except as disclosed in notes, the details of transactions between the Company and related parties are disclosed below :

26.1. The Company's related parties and relationship

<u>Related Party</u>	<u>Relationship with the merged company</u>
Wu, His Kun	First relatives of the directors of the company
Weng, Jin-Zhong (Note)	First relatives of the chairman of the company
Zong Tai Construction Development Co., Ltd. (Zong Tai Construction Co.)	Corporate director of the Company
Yung-Fu Education Foundation	Substantive Related Parties

Related Party	Relationship with the merged company
Xue yang Management Consulting Co., Ltd.	Other related parties
Zongtai Construction Co.	Subsidiaries
Ritai Asset Management Co.	Subsidiaries
Dashun Advertising Co.	Subsidiaries
Zongtai Real Estate Co.	Subsidiaries

Note: Weng, Jin-Zhong was not the related party from April, 2023.

26.2. The details of the outsourcing project contract signed by the Company and Zongtai Construction Co. are as follows :

Construction project name	Contract sum (tax exclude)	Construction cost of the year	Construction cost sum	Construction payables
<u>December 31, 2023</u>				
Get Together	\$ 762,864	\$ -	\$ -	\$ 3,814
The way home	1,816,040	708,256	1,625,356	38,137
Unveiling	597,630	-	-	-
Xin Gang Wei Section	<u>78,257</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,254,791</u>	<u>\$ 708,256</u>	<u>\$ 1,625,356</u>	<u>\$ 41,951</u>
<u>December 31, 2022</u>				
Good Together				
Melody	\$ 281,804	\$ 45,104	\$ 281,804	\$ 1,315
Get Together	762,864	68,658	762,864	15,257
The Way Home	<u>1,816,040</u>	<u>762,737</u>	<u>917,100</u>	<u>-</u>
	<u>\$ 2,860,708</u>	<u>\$ 876,499</u>	<u>\$ 1,961,768</u>	<u>\$ 16,572</u>

The construction outsourcing of related parties is determined after negotiation between the two parties, and the payment shall be composed according to the contract.

26.3. Lessee agreement

<u>Related Party</u>		<u>Years ended December 31, 2023</u>	<u>Years ended December 31, 2022</u>
<u>Acquired right-of-use asset</u>			
Zongtai Construction Co.		\$ <u> -</u>	\$ <u> 49,933</u>

<u>Account</u>	<u>Related Party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease liability	Zongtai Construction Co.	\$ <u> 38,246</u>	\$ <u> 48,509</u>

<u>Account</u>	<u>Related Party</u>	<u>Years ended December 31, 2023</u>	<u>Years ended December 31, 2022</u>
Interest expense	Zongtai Construction Co.	\$ <u> 1,058</u>	\$ <u> 113</u>
Lease expense	Subsidiaries	\$ <u> 211</u>	\$ <u> 240</u>

The Company leased houses and buildings from Zongtai Construction Co., Ltd. and other subsidiaries of the Company for a period of 1 to 5 years in 2022. The lease payments paid to the said parties are paid in amounts with references to lease payment level of the similar assets and monthly in accordance with agreed interval in the lease agreement entered with the said parties.

The lease expense includes expenses for short-term leases and low-value asset leases. The total amounts payable in the future for short-term leases and low-value asset leases are as follows :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total payment in the future for leases	\$ <u> -</u>	\$ <u> 240</u>

26.4. Sublease Agreement

Sublease of the operating lease

The Company has subleased the right to use of the operating lease building to the subsidiary for four years. Lease is collected at a monthly fixed amount. As of 2023, the total of the lease collected will be NT\$ 19,536 thousand. The lease income recognized in 2023 was NT\$3,915 thousand.

26.5. Accounts Payable – Related Parties

<u>Account</u>	<u>Related Party</u>	<u>Year ended of December 31,2023</u>	<u>Year ended of December 31,2022</u>
Notes Receivable	Subsidiaries	\$ <u> 98</u>	\$ <u> -</u>

26.6. Operating Expenses

<u>Account</u>	<u>Related Party</u>	<u>Year ended of December 31,2023</u>	<u>Year ended of December 31,2022</u>
Donation	Yong-Fu Education		
expense	Foundation	\$ 1,500	\$ 1,600
Other expense	Subsidiaries	553	-
	Other related parties	<u>121</u>	<u>210</u>
		<u>\$ 2,174</u>	<u>\$ 1,819</u>

26.7. Non-operating income and expenses

<u>Account</u>	<u>Related Party</u>	<u>Year ended of December 31,2023</u>	<u>Year ended of December 31,2022</u>
Other income	Subsidiaries	\$ 4,856	\$ 1,183
	Zongtai Construction Co.	<u>1,050</u>	<u>-</u>
		<u>\$ 5,906</u>	<u>\$ 1,183</u>

26.8. The Company paid Wu, His Kun the land agency fee for NT\$7,000 thousand in 2022.

26.9. The Company paid subsidiaries Zongtai Construction Co. same-trade collateral handling fee for NT\$5,878 thousand in 2022.

26.10. Remuneration of key management personnel

	<u>Years ended December 31, 2023</u>	<u>Years ended December 31, 2022</u>
Short-term employee benefits	\$ 26,433	\$ 26,856
Post-employment benefits	310	217
Share-based payment	<u>-</u>	<u>6,237</u>
	<u>\$ 26,743</u>	<u>\$ 33,310</u>

The remuneration of directors and key executives is determined by the remuneration committee based on the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank guarantees of bank loan and performance guarantees of ordinary corporate bonds :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Inventories—Construction Industry	\$ 15,561,173	\$ 12,511,794
Financial assets at amortized cost	798,788	1,879,530
Net property, plant, and equipment	<u>111,972</u>	<u>113,536</u>
	<u>\$ 16,471,933</u>	<u>\$ 14,504,860</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company on December 31, 2023 were as follows :

The details of the pre-sale house purchase and sale contract signed by the Company and the customer are as follows :

<u>Construction project name</u>	<u>Total price of the contract (tax included)</u>	<u>Received total price</u>
The way home	\$ 15,942,220	\$ 2,683,237
Unveiling	<u>2,238,050</u>	<u>45,771</u>
	<u>\$ 18,180,270</u>	<u>\$ 2,729,008</u>

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATES IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows :

Foreign currency assets	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	Foreign Currencie s	Exchange Rate	NT Dollar	Foreign Currencie s	Exchange Rate	NT Dollar
<u>Monetary items</u>						
USD	\$ 2,509	30.705	\$ 77,038	\$ 2,403	30.710	\$ 73,794

The significant realized and unrealized foreign exchange gains and losses were as follows :

Foreign Currencies	<u>Years ended December 31, 2023</u>		<u>Years ended December 31, 2022</u>	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange (Loss)
USD	31.155(USD : NTD)	(\$ <u>67</u>)	29.805(USD : NTD)	\$ <u>7,186</u>

30. SEPARATELY DISCLOSED ITEMS

30.1. Information about significant transactions and 30.2 information on investees :

1. Financing provided to others : None.
2. Endorsements/guarantees provided : Table 1.
3. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) : Table 2.

4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital : Table 3.
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 : Table 4.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital : Table 5.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None.
9. Trading in derivative instruments : None.
10. Intercompany relationships and significant intercompany transactions : Table 6.

30.3 Information on investments in mainland China

30.3.1 Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area : None.

30.3.2 Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses : None.

30.4 Information on major shareholders : Table 7.

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
ENDORSEMENT/GUARANTEE PROVIDED
FROM JANURANY 1, 2023 TO DECEMBER 31, 2023

Table 1 (In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/Guar anteed this year	Outstanding Endorsement/ Guarantee at the End of this year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Maximum Collateral/ Guarantee Amounts Allowable	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	Zongtai Construction Co., Ltd.	Subsidiaries	\$ 689,514 (Note 1)	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.15%	\$ 2,758,059 (Note 1)	Y	—	—
0	The Company	Ritai Management Co., Ltd.	Subsidiaries	689,514 (Note 1)	121,759	116,706	116,706	-	1.69%	2,758,059 (Note 1)	Y	—	—
1	Zongtai Construction Co., Ltd.	The Company	Parent company	12,721,350 (Note 2)	1,280,070	1,280,070	1,280,070	-	100.62%	15,265,620 (Note 2)	—	Y	—
1	Zongtai Construction Co., Ltd.	Yong Feng Tai Company	None	12,721,350 (Note 2)	341,500	-	-	-	-	15,265,620 (Note 2)	—	—	—

Note 1 : The ceilings on amount of endorsement/guarantee provided to a single entity by the Company shall not exceed 10% of the net worth of the Company, and the total amount of endorsement/guarantee provided by the Company shall not exceed 40% of the net worth in the current year.

Note 2 : The co-creators required to the contract projects shall mutual guarantee in accordance with the provisions of the contract, and the inter-industry joint guarantee of the performance guarantee for pre-sale house sales contract, but only the individual endorsement/guarantee limit shall not exceed 10 times the net value of Zongtai Construction Co., Ltd. in the current year, and the total endorsement/guarantee shall not exceed 12 times the net value of Zongtai Construction Co., Ltd. in the current year.

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
MARKETABLE SECURITIES HELD
DECEMBER 31, 2023

Table 2

(In Thousands of New Taiwan Dollars)

Holding Company	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	The end of the year				Note
				Shares/Unit	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u>							
	Hotai Finance Corporation	None	Financial assets at fair value through profit or loss - current	132	\$16,896	-	\$16,896	
	Largan Precision Co., Ltd.	None	Financial assets at fair value through profit or loss - current	3	8,610	-	8,610	
	Taiwan Semiconductor Manufacturing Co., Ltd.	None	Financial assets at fair value through profit or loss - current	9	5,337	-	5,337	
	Hon Hai Precision Industry Co., Ltd.	None	Financial assets at fair value through profit or loss - current	415	43,367	-	43,367	
	Taichung International Entertainment Corporation	None	Financial assets at fair value through profit or loss – non-current	-	4,025	-	4,025	
	Gateweb Co., Ltd.	None	Financial assets at fair value through profit or loss – non-current	61	1,000	1	1,000	
	Tron-e Technology Corp.	None	Financial assets at fair value through profit or loss – non-current	1,000	75,000	2	75,000	
	<u>Funds & Beneficiary Certificate</u>							
	Cathay Pacific Taiwan Low Volatility Dividend Selection 30 Fund	None	Financial assets at fair value through profit or loss - current	519	13,712	-	13,712	
	Cathay Pacific Taiwan ESG Perpetual High Dividend ETF Fund	None	Financial assets at fair value through profit or loss - current	665	14,497	-	14,497	
	Risheng Money Market Fund	None	Financial assets at fair value through profit or loss - current	18,449	281,432	-	281,432	
	Taishin 1699 Money Market Fund	None	Financial assets at fair value through profit or loss - current	4,325	60,307	-	60,307	
	Mega Global Bond ETF	None	Financial assets at fair value through profit or loss - current	800	7,921	-	7,921	
Zongtai Construction Co., Ltd.	<u>Shares</u>							
	Fubon Financial Holdings	None	Financial assets at fair value through profit or loss - current	-	22	-	22	Preferred stock. B
	Fubon Financial Holdings	None	Financial assets at fair value through profit or loss - current	-	-	-	-	Preferred stock. C
	Fubon Financial Holdings	None	Financial assets at fair value through profit or loss - current	-	1	-	1	
	Chailease International Leasing Co., Ltd.	None	Financial assets at fair value through profit or loss - current	100	9,790	-	9,790	
	Taichung International Entertainment Corporation	None	Financial assets at fair value through profit or loss – non-current	-	8,050	-	8,050	
	<u>Funds & Beneficiary Certificate</u>							
Taishin 1699 Money Fund	None	Financial assets at fair value through profit or loss - current	47,632	664,111	-	664,111		
Risheng Money Market Fund	None	Financial assets at fair value through profit or loss - current	3,284	50,103	-	50,103		

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FROM JANURANY 1, 2023 TO DECEMBER 31, 2023

Table 3 (In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other		Ending Balance	
					Shares/Unit	Amount (Note)	Shares/Unit	Amount	Shares/Unit	Price	Carrying Amount	Gain (Loss) on Disposal	Shares/Unit	Amount	Shares/Unit	Amount (Note)
The Company	<u>Shares</u> Zongtai Construction Co., Ltd. <u>Fund and Beneficiary Certificate</u>	Investments accounted for using equity method	—	Subsidiaries	20,100	\$229,231 (Note 1)	77,009	\$ 770,090	-	\$ -	\$ -	\$ -	2,891 (Note 2)	\$222,878 (Note 3)	100,000	\$1,222,199 (Note 1&4)
The Company	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	—	—	61,141	841,616 (Note 4)	101,183	1,400,000	157,999	2,189,163	2,180,000	9,163			4,325	60,307 (Note 4)
	Risheng Money Market Fund	Financial assets at fair value through profit or loss - current	—	—	38,696	583,178 (Note 4)	18,449	280,000	38,696	584,499	580,000	4,499			18,449	281,432 (Note 4)
Zongtai Construction Co.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	—	—	-	-	47,632	660,000	-	-	-	-			47,632	664,111 (Note 4)

Note 1: The amount of the beginning balance and ending balance are including investment loss accounted for using equity method.

Note 2: It's the number of shares in the allocated dividend from allocated for stock dividends from distributed earnings of the subsidiary in 2022.

Note 3: It's the total of the share of profit (loss) and distributed cash dividend of associates and joint ventures accounted for using equity method.

Note 4: Net Asset Value of the balance sheet date.

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FROM JANURANY 1, 2023 TO DECEMBER 31, 2023

Table 4 (In Thousands of New Taiwan Dollars)

Disposal of property	Name of property	Date of occurrence	Original acquisition date	Carrying amount	Transaction amount	Payment collection status	Profit or loss on disposal	Counterparty	Relationship	Purpose of Disposal	Basis or reference for price setting	Agreements
The Company	Land serial No. 38, Goubei Section, Beitun District, Taichung City	2023.4.17	2015.7.20	\$ 197,294	\$ 385,849	\$ 385,849	\$ 188,555	Natural person	None	Gain on disposal	Bargain	—

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID IN CAPITAL
FROM JANURANY 1, 2023 TO DECEMBER 31, 2023

Table 5 (In Thousands of New Taiwan Dollars)

Name of company	Counterparty	Relationship	Transaction Details				Transaction with terms different from others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	Zongtai Construction Co., Ltd.	Subsidiaries	Contract project	\$ 708,256	22%	According to the contract	\$ -	—	(\$ 41,951)	(7%)	

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
INFORMATION ON INVESTEES
FROM JANURANY 1, 2023 TO DECEMBER 31, 2023

Table 6

(In Thousands of New Taiwan Dollars/ Thousand shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of the end of the year			Net Income (Loss) of the Investee	Recognized investment Gain (Loss)	Note
				The end of the year	The end of last year	shares	%	Carrying Amount			
The Company	Zongtai Construction Co., Ltd.	Taichung City	Comprehensive construction industry	\$967,200	\$197,110	100,000	100	\$1,222,199	\$240,741	\$222,887	Subsidiaries
	Ritai Management Co., Ltd.	Taichung City	Asset management service industry	300,000	300,000	30,000	100	304,735	4,998	4,998	Subsidiaries
	Zong Tai Real State Co., Ltd	Taichung City	Housing and Building Development and Rental	8,000	8,000	800	100	6,878	(216)	(216)	Subsidiaries
	Dashun Advertising Company	Taichung City	Restaurants	20,000	20,000	2,000	100	12,404	(1,548)	(1,390)	Subsidiaries
	Shuo Yi Tai Co.,	Hsinchu County	Energy tech service industry	18,300	18,300	1,830	27	17,080	(3,866)	(1,154)	—

FU HUA INNOVATION CO., LTD AND SUBSIDIARIES
(Originally: ZONGTAI REAL ESTATE DEVELOPMENT CO., LTD.)
INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2023

Table 7

Major shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Tso Jung Investment Co., Ltd	35,395,403	10.34%

Note 1 : The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2 : If the above information belongs to the shareholder who transfers the shares to the trust, it shall be disclosed in the individual sub-account of the trustor who opened the trust account by the trustee. As for shareholders apply for insider equity declarations with more than 10% shareholding in accordance with the Securities Exchange Act, their shareholdings include their own shareholdings, plus the shares they have transferred to the trust and have the right to decide on use the trust property, etc. For information on insiders' share declaration, please refer to the Public Information Observatory.

6 Any financial distress experienced by the Company or its affiliated enterprises and impacts on the Company's financial position for the most recent year up to the publication date of the annual report : None.

VII. Review of Financial Conditions, Operating Results, and Risk Management

1 Analysis of Financial status

1.1 Main reasons for significant changings on assets, liabilities, and equities in the past two years.

Comparative Statement of Financial Position

Unit : NT\$ thousands

Item	Year	2022	2023	Difference	
				Amount	%
Current assets		20,023,451	21,235,213	1,211,762	6.05
Property, plant and equipment		131,723	278,308	146,585	111.28
Other noncurrent assets		673,577	844,638	171,061	25.40
Total Assets		20,828,751	22,358,159	1,529,408	7.34
Short-term Loan		7,774,800	9,447,550	1,672,750	21.52
Current liabilities		3,196,969	3,736,455	539,486	16.87
Non-current liabilities		2,273,569	2,279,004	5,435	0.24
Total liabilities		13,245,338	15,463,009	2,217,671	16.74
Capital		2,427,487	3,422,757	995,270	41.00
Capital surplus		1,261,649	1,261,782	133	0.01
Retained earnings		3,894,277	2,210,611	(1,683,666)	(43.23)
Other equity		-	-	-	-
Total equity		7,583,413	6,895,150	(688,263)	(9.08)

Explanation of increase/decrease percentage analysis (Changings compared to last period exceed 20%, and the amounts of changing equal or exceed NT\$ 10 million) :

- 1) Property, plant and equipment : Due to the decoration project of the reception hall has increased.
- 2) Other non-current assets : Due to acquire the superficies of Xin-gangwei Section, Xitun District, Taichung City and recognize the right of use asset.
- 3) Short-term loan : Due to drawing bank loan for construction project.
- 4) Capital and retained earnings : Due to release the stock dividends and cash dividends.

1.2 Responding plan for items of significant changings in the future :

The above changes have no significant impact on the Group, thus responding plan is not required.

2 Analysis of Financial performance

2.1 Main reasons for significant changings of operating income, net operating profit and net profit before tax in the past two years :

Analysis Table of Financial Performance

Unit : NT\$ thousands

Item	Year		Difference	
	2022	2023	Amount	%
Operating revenue	8,697,505	1,522,239	(7,175,266)	(82.50)
Operating costs	5,697,874	880,962	(4,816,912)	(84.54)
Gross profit from operations	2,999,631	641,277	(2,358,354)	(78.62)
Operating Expense	311,646	290,900	(20,746)	(6.66)
Net operating income	2,687,985	350,377	(2,337,608)	(86.97)
Non-operating income and expenses	22,727	62,120	39,393	173.33
Profit before tax	2,710,712	412,497	(2,298,215)	(84.78)
Income tax expense	501,812	105,623	(396,189)	(78.95)
Net income	2,208,900	306,874	(1,902,026)	(86.11)
Other comprehensive income	-	-	-	-
Total comprehensive income	2,208,900	306,874	(1,902,026)	(86.11)

Explanation of increase/decrease percentage analysis (Changes over 50% compared to former or later period, and amounts of changes reach NT\$ 10 million)

- 1) The main reason of reducing profit was due to the revenue recognition is different from the construction plan in 2023. The cases “Get Together” and “Good Together Melody” were completed and handed over in 2022. However, in 2023, we sold land which held for construction site and the case “Live as the Queen” which was jointly constructed and sold in partitions of subsidiary was completed and handed over.
- 2) Non-operating income and expenses : Due to the investment rating appreciated.

2.2 Possible impacts on future financial business arise and responding plan arise from anticipated sales number and its accordance :

The residential and stores of “The Way Home” were sold out and the total sales amounted to NT\$ 1.59 billion. It was expected that it would begin to hand over and be recognized to the operating revenue when the Q4 in 2024. However, the case “Unveiling” released by the Company in Shuinan, Taichung City was sold such a big hit in 2023. The existing land held for the

construction site and the superficies in the same area were being planned as a future project and will help the operating revenue and cashflow in.

3 Analysis of Cash Flow

3.1 Analysis of changes on cash flow at the year :

Unit : NT\$ thousands

Item	Year	2022	2023	Amount of Change
Operating activities		4,613,834	(1,570,246)	(6,184,080)
Investing activities		(1,790,825)	1,272,465	3,063,290
Financing activities		(1,513,516)	664,257	2,177,773
Changings on interest rate impact on cash		-	-	-
Total		1,309,493	366,476	(943,017)

Analysis of cash flow changes :

- 1) Operating activity : In 2023, the continuous investment in construction cases led to the cashflow out.
- 2) Investing activity : Selling the money fund in 2023 led to cashflow in.
- 3) Financing activity : Drawing the bank loan in 2023 led to cashflow in.

3.2 Improvement plan for insufficient liquidity ratio :

3.2.1 Liquidity analysis

Item	Year	2022	2023	Increase (decrease) ratio
Cash flow ratio (%)		42.05	-	(100.00)
Cash flow adequacy ratio (%)		-	-	-
Cash reinvestment ratio (%)		43.39	-10.76	(124.80)

Explanation of increase(decrease) ratio :

The net cashflow out from operating activities was due to continuous investment in construction projects.

3.2.2 Remedy for insufficient cash : Not applicable.

3.3 Analysis of cash liquidity for next year :

Unit : NT\$ thousands

Cash balance, beginning of the year (1)	Anticipated cash flow from operating activities at the year (2)	Cash flow from other activities (3)	Cash surplus (insufficient) amount (1)+(2)+(3)	Remedy for insufficient cash	
				Investment plan	Financing plan
2,978,769	2,832,052	(2,019,900)	3,790,921	-	-

4 Impact of significant capital expenditure to financial business in recent years :

None.

5 Main reason of profit or loss for reinvestment policies in recent years,

improvement plan and investment plan for next year :

Unit : NT\$ thousands

Detail of investment	Amount of Investment	Policies	Main reason for profit (loss)	Improvement plan	Other plan in the future
Zongtai Construction Co., Ltd.	967,200	Integrate the Company's operation to make sure the control of construction's quality	The jointly constructed case "Live as the Queen" is completed and handed over. Recognized construction income.	None	None
Ritai Asset Management Co., Ltd.	300,000	Expand business in multiple field and undertake BOT project from government and non-government	Lease revenue	None	None
Zongtai Real Estate Development Co., Ltd (Note)	8,000	Housing and building development and rental	Operating expenses	None	None
Dashun Advertising Co., Ltd.	20,000	Restaurant	Food service revenue	None	None
Shuo Yi Tai Green Energy Co., Ltd	18,300	Energy technology service	Operating expenses	None	None

Note : Pika Electronic Co., Ltd was renamed in August, 2023.

6 Valuation of risk item analysis for last year and as for publication date of annual report :

6.1 Impacts of interest rate, exchange rate changes, inflation on company's profit and countermeasures for the future

6.1.1 The domestic credit rate has increased 0.875 percentage points from 2022 and the increase in land and construction financing interest rate will increase the company's cost. In the future, the Company will pay close attention to changes on interest rate and trend of global economy. The Group maintains a good credit relationship with the corresponding banks, will actively strive for the lowest interest rate with the corresponding banks, and take necessary measures to raise funds in a timely manner to avoid the risk of rising interest rates.

6.1.2 Impacts of exchange rate changes on the Company's profit and loss and countermeasures for the future

The Group are mainly engaged in construction businesses, most of the cooperating vendors are domestic vendors which using New Taiwan dollars as functional currency, thus changes on interest rate do not significantly impact to the Group. In addition, the Group opens foreign currency accounts to manage holdings of foreign currency and adjust balances of foreign currency accounts for decreasing impact of interest rate changes on the Company's profit and loss.

6.1.3 Impacts of inflation on the Company's profit and loss and countermeasures for the future

Inflation will lead to increasing on construction costs, but since people consider buying residences as a way for value maintenance, residence demands will not be impacted. The Group keeps good relationship with clients and vendors, and timely adjusts price of products and raw material inventory for decreasing impact of inflation.

6.2 Main reasons of policy, profit or loss of engaging in high risk and high leverage investments, lending to others, endorsement guarantee and derivative transaction :

The Group takes steady and conservative investment policy, the Company does not engage in high risk and high leverage investments and lending capital to others. Due to the long-term borrowing needs of the subsidiary Ri

Tai Asset Management Company, the Company is the joint debtor and the balance of endorsement and guarantee at the end of the period is NT\$116,706 thousand. And subsidiary—Zongtai Construction Co. builds on rented land, the Company acted as joint guarantor based with endorsement guarantee amount NT\$ 10,000 thousand on the agreement with the owner of land. Subsidiary—Zongtai Construction Co., Ltd due to needs of contracted construction, acted as a guaranteed provider and joint debtor of credit loan amounted NT\$ 341,500 thousand borrowed by Yong-Fung-Tai Real Estate Co., Ltd. Due to the project was completed and got the user license, was over in June, 2023. In May, 2023 due to requirement of the Company to measure the pre-sale house performance guarantee, the subsidiary — Zongtai Construction Co., Ltd. provided industrial joint guarantees for the company, with an endorsement guarantee amount of NT\$ 1,280,070 thousand. The Company has established procedure of capital lending to others and endorsement guarantee and dealing procedure of derivatives.

6.3 Research and development plan in the future and estimated investment in research and development expenses :

The Group does not set up a research and development department because unlike manufacturing industry and high-tech industry require invent and design for new products, construction industry 's main business is real estate development, so the Group has no research and development relevant expenses and achievements.

6.4 Impact and countermeasures of domestic and foreign changes in important policy and law to the Group's financial business :

The Group attaches great importance to the information on major domestic and foreign policies and legal changes and has always complied with the relevant laws and regulations promulgated by the government, and consulted accountant for professional advice to develop necessary measures and countermeasures promptly, adhere to principle of stable operation, so as to maintain sustainable company developments. Domestic and foreign changes in important policy and law have no significant impact to the Group's financial business.

6.5 Impact and countermeasures of changes in technology (including cyber security risk) and industry to the Company's financial business :

The Group creates revenue and profit through investing in land in Taichung urban district and building residence, to respond to changes in technology and industry, the Group keeps tracking changes in the market and expanding business with information acquired through different ways; The Group endeavors to digitalize information works in order to catch industry accurately information and improve working efficiency to enhance competitiveness. With the popularity of mobile devices and thriving of big data, we expand in social media and online marketing, in buildings we promote “Wise home” for customers to enjoy convenient living experience. So far, there’s no significant impact to the Group’s financial business arising from changes in technology or industry. The Company internal control has built information safety policy and management program and has already completed cloud data backup and firewall enforcement and has conducted system management on new purchase computers to make share that information safety is maintained. Information technology personnel also conducts improvement and enhancement of information technology system through irregular examination. As for the publication date of annual report, the Group does not have significant information safety event that causes negative effect on business and operation, and not involved in any legal cases or supervision related to information safety. Changing in technology (including cyber security risk) and industry have no significant impact to the Company’s financial business.

6.6 Impact and countermeasures of the Group’s crisis management of changes in corporation image :

The Company stick to the sustainable business concept. In view of the rapid changes in the market caused by the policies of housing market in recent years, the Company has transformed into the diversified management since June 2023. In addition, we incorporate the sustainable spirit of ESG into the brand to develop connotation and cooperate with industries, government, and other parties. Hoping to create more sparks in the architectures and deepen it into the community creation, good interaction, and communication channels with the community and residents. It’s expected to create the corporate brand image of innovative intelligent, modern elegant and warmth by humanistic spirits and life aesthetics. Through long-term cultivation, we hope to shape

the differentiated characteristics of the products.

- 6.7 Expected profit, probable risk and countermeasure of merge : None.
- 6.8 Expected profit, probable risk and countermeasure of pant expansion : None.
- 6.9 Risk and countermeasures of concentration on purchase and sales :
The Company main create revenue and profit through land investment and residence building, the major purchase item is land, the way of purchase is diversified, it requires to take appropriate land investment strategy on the consideration of market situation of the year to decrease risks of development. In addition, due to industrial characteristic, in order to control the quality of individual project, the constructions are entrusted to a 100% held subsidiary — Zongtai Construction Co., Ltd which has fine construction skill and financial status. The Company also controls the construction qualities regularly or irregularly on the subsidiary management method in order to avoid the risks of concentrating purchase. The Company's sales targets are society and corporations, so there's no sales concentration.
- 6.10 Expected profit, probable risk and countermeasure of impact of directors, supervisors and shareholders holding more than 10 percent of the shares of the company's large transfer of shares or changes : None.
- 6.11 Expected profit, probable risk and countermeasure of impact to the Company of franchise changings : None.
- 6.12 Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the company and/or any company director, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report : None.
- 6.13 Other significant risks and responding measures : None.
- 7 Other significant items : None.

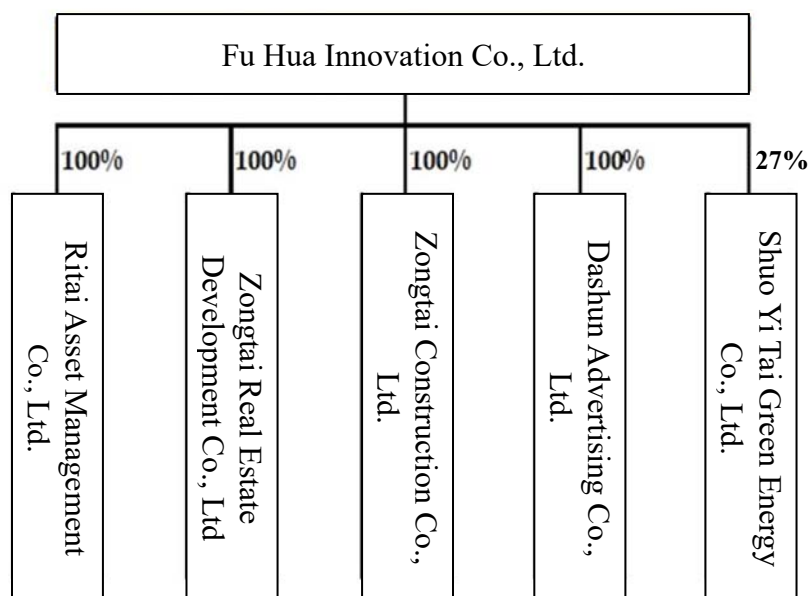
VIII. Special Disclosure

1 Information about Affiliated Companies

1.1 2023 Consolidated operation report Covering Affiliated Enterprises :

1.1.1 Organizational chart of Affiliated Enterprises :

Fu Hua Innovation Co., Ltd. (3056) Associate Chart



1.1.2 The Company has no existence of the controlling and subordinate relation as in Company Act, article 369-3 and has no controlling company and mutual investment companies as in Company Act, article 369-2-2 and article 369-9.

1.1.3 Basic information about affiliated companies

Unit : NT\$ thousands

Corporation	Date of Establishment	Address	Paid-in Capital	Main business or product
Zongtai Construction Co., Ltd.	December 17, 1976	1F, No. 1315 Sec. 3 Taiyuan Rd. Beitun Dist. Taichung City, Taiwan (R.O.C.)	1,000,000	Comprehensive construction, residence and building lease and sales
Ritai Asset Management Co., Ltd.	January 24, 2013	2F, No. 163 Zhong Xiao Rd, North Dist. Taichung City, Taiwan (R.O.C.)	300,000	Asset management, Property lease

Corporation	Date of Establishment	Address	Paid-in Capital	Main business or product
Zongtai Real Estate Development Co., Ltd. (Note)	August 28, 2018	1F., No.239, Sec. 2, Dunhua Rd., Beitun Dist., Taichung City (R.O.C.)	8,000	Housing and Building Development and Rental
Dashun Advertising Co., Ltd.	November 22, 2019	1F., No.239, Sec. 2, Dunhua Rd., Beitun Dist., Taichung City (R.O.C.)	20,000	Restaurant
Shuo Yi Tai Green Energy Co., Ltd	September 11, 2021	No. 3 Sec.1 Gong Ye Rd. Hukou Township, Hsinchu County (R.O.C.)	68,000	Energy technology service

Note : Pika Electronic Co., Ltd. was renamed in August 2023.

1.1.4 Information about same shareholders of company presumed as presumption of a relationship of control or subordination : None.

1.1.5 The operating business of entire associates including : Construction, Residence and building lease and sales, asset management, property lease, Restaurant and Energy technology service.

1.1.6 Information about directors, supervisors and general manager of associates

Corporation	Title	Name or representative	Holding	
			Shares	Percentage (%)
Zongtai Construction Co., Ltd.	Chairman	Fu Hua Innovation Co., Ltd. Representative : Tien-Fu, Wu	100,000,000	100.00%
	Director	Fu Hua Innovation Co., Ltd. Representative : Chien-Chung, Lu		
	Director	Fu Hua Innovation Co., Ltd. Representative : Wen-Yan, Han		
	Supervisor	Fu Hua Innovation Co., Ltd. Representative : Hui-Wen, Ko		
Ritai Asset Management Co., Ltd.	Chairman	Fu Hua Innovation Co., Ltd. Representative : Yi-Jing, Fu	30,000,000	100.00%

Corporation	Title	Name or representative	Holding	
			Shares	Percentage (%)
Zongtai Real Estate Development Co., Ltd. (Note)	Chairman	Fu Hua Innovation Co., Ltd. Representative : Wei-Ju, Liu	800,000	100.00%
Dashun Advertising Co., Ltd.	Chairman	Fu Hua Innovation Co., Ltd. Representative : Shun-Wen, Wu	2,000,000	100.00%
	Supervisor	Zongtai Real Estate Development Co., Ltd. Representative : Yi-Jing, Fu		
Shuo Yi Tai Green Energy Co., Ltd	Chairman	Mintron Energy Co., Ltd Representative : Zhen-Sheng, Huang	2,530,000	37.21%
	Director	Gigastorage Co., Ltd Representative : Ji-Ming, Chen	2,440,000	35.88%
	Director	Fu Hua Innovation Co., Ltd. Representative : Chung-Hsin, Huang	1,830,000	26.91%
	Supervisor	Jiang-Qing, Lin	0	0%

Note : Pika Electronic Co., Ltd. was renamed in August 2023.

1.1.7 Associates operating status

Unit : NT\$ thousands, except earnings (loss) per share in NT\$

Corporation	Paid-in Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit(loss)	Profit (loss) (after tax)	Earnings (loss)per share (after tax)
Zongtai Construction Co., Ltd.	1,000,000	1,588,462	316,327	1,272,135	1,608,185	279,730	240,741	6.27
Ritai Asset Management Co., Ltd.	300,000	448,493	143,758	304,735	19,380	6,286	4,998	0.17
Zongtai Real Estate Development Co., Ltd. (Note)	8,000	6,879	1	6,878	-	(259)	(216)	(0.27)
Dashun Advertising Co., Ltd.	20,000	50,314	38,068	12,246	30,873	(1,432)	(1,548)	(0.77)
Shuo Yi Tai Green Energy Co., Ltd	68,000	182,653	119,183	63,470	1,450	(2,835)	(3,866)	(0.63)

Note : Pika Electronic Co., Ltd. was renamed in August 2023.

1.2 Consolidated Financial Statements Covering Affiliated Enterprises :

The Company is pursuant to the Regulations Governing Preparation of Consolidated Financial Statements Covering Affiliated Enterprises, the entities that must be included in preparing the consolidated financial statements covering affiliated enterprises are entirely the same as those that IFRS 10 requires to be included in preparing the consolidated financial report comprising the parent and its subsidiaries, and if the required disclosures to be made in the consolidated financial statements covering affiliated enterprises are already made in the consolidated financial report comprising the parent and its subsidiaries, then the consolidated financial statements covering affiliated enterprises need not be prepared.

1.3 Reports on Affiliations : None.

2 Private placement securities as of the date of publication of the annual report :
None.

3 Share of the Group held and disposed by subsidiaries as of the date of publication of the annual report : None.

4 Other necessary supplement : None.

IX. shareholders' rights and interests or securities prices as of the date of publication of the annual report :

Director, Wu, Shun-Wen, resigned vice-chairman and acting general manager on March 14, 2023 due to her personal career plan; the chairman, Weng, Yu-Ling, resigned on April 20, 2023 due to her personal career plan. Tso Jung Investment Co., Ltd reassigned a representative Liu, Wei-Ju to take office and new appointment as chairman by the board of director. This change will not have significant impact on shareholders' equity and share price of the Company.

Name of Company :

Fu Hua Innovation Co.,Ltd.

Responsible Person : Liu, Wei-Ju