



股票代號：2536

宏普建設股份有限公司

一〇九年度年報

# 2020 ANNUAL REPORT

## HONG PU REAL ESTATE DEVELOPMENT

TSE: 2536



<http://mops.twse.com.tw>

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海外有價證券掛牌買賣之交易場所名稱及查詢該海外有價證券資訊之方式：無



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### Auditors

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### Overseas Securities Exchange : None



### The company interested party service line

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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 version and Chinese version, the Chinese version shall prevail.*

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## 2020 Business Report

Dear Shareholders,

Looking back to 2020, The COVID-19 pneumonia has spread globally, and the number of confirmed cases and deaths in many countries has risen. Measures such as isolation and lockdown have brought economic activities to a halt. Fortunately, Taiwan's epidemic prevention has been effective. The economy and daily life are operating as usual. Demand in the real estate market has emerged, and buying momentum has rebounded. Projects, "Economy and Trade", "World Trade Plaza", "AMAX", "Leisurely Days", "Hong Pu Park", "WenDe", "Paris Mansion" and "Hong Pu New Star" were booked in revenues, in addition, projects, "MGH Mitsui Garden Hotel" and "World Trade Plaza", provides the company's rental income. We have a stable performance of revenues and profits in 2020.

### A. Operating Performance in 2020

#### 1. Achievement of operating plan

We have achieved 2020 revenue of NT\$3,977,450K, compared with NT\$2,885,896K in 2019, a increase of NT\$1,091,554K. And we have achieved 2020 earnings before tax of NT\$747,390K, compared with 680,693K in 2019, an increase of NT\$66,697K.

Mainly due to projects, "Hong Pu Park", "Leisurely Days", "Economy and Trade", "World Trade Plaza", "WenDe", "AMAX", "Paris Mansion", "Hong Pu New Star", delivered and booked revenues, furthermore, the sale of small land piece in Beitou and rent of "World Trade Plaza" and "MGH Mitsui Garden Hotel". Therefore, revenues and costs increased in 2020.

#### 2. Budget implementation

Our company is not required to file a financial forecast for fiscal year 2020 and 2019.

#### 3. Financial revenue and expenditure

Financial expenditures include capitalized interest expense NT\$122,428K in 2020, and NT\$84,257K in 2019. It increased NT\$38,171K than previous year, because of acquiring new lands and increase of bank loans. Therefore, interest expenses increased in 2020.

#### 4. Profitability analysis

Item		Year 2020	Year 2019
ROA (%)		3.22	3.63
ROE (%)		5.07	5.13
As a % of paid in capital	Op. income	24.47	17.00
	Pretax profit	22.45	20.45
Net margin (%)		15.40	21.01
EPS (NT\$)	Diluted earnings per share	1.84	1.83
	Adjusted diluted earnings per share	-	1.82



Our analysis is derived from the above figures:

The increase in operating profit in 2020 is mainly due to completed projects, “World Trade Plaza”, “Hong Pu Park”, “Leisurely Days”, “Economy and Trade”, “WenDe”, “AMAX”, “Paris Mansion”, “Hong Pu New Star”, delivered and booked revenue, in addition, rental income for projects, “World Trade Plaza” and “MGH Mitsui Garden Hotel”. Although revenues increased, related rental costs also increased, so the overall gross profit decreased.

5. Research and development status

- (1) Constructions planning and design: In order to design better projects, the location and the corresponding environment must be appealing. In addition, we must evaluate and balance our customer needs against the construction laws set by the government to ensure that the project will be satisfactory to both parties upon completion. In order to do so, we will be incorporating computerized simulation and planning software.
- (2) Construction and management: Our construction department strives to study various technologies and building materials to improve efficiency and bring down construction costs.
- (3) Market research: To truly understand the property market, our marketing department studies land and property market data from various areas regularly and uses the analyzed data as a basis for positioning new projects and marketing strategies.

**B. Business plan in 2021**

Looking forward to 2021, the uncertainty of the U.S. election ended in early 2021. Biden takes office as the new president. U.S.-China relations are relatively moderate. It is expected that many countries will continue to introduce relief fiscal plans and loose monetary policies, and global inflation and low interest rates will remain. The transfer of trade orders and the return of investment from Taiwanese companies are expected to stabilize with the spread of pneumonia vaccines in the future. In addition, the projects, “TaChih”, “XinDian”, “NeiHu”, “Beitou”, “ZhongLi” and other projects will be depend on market conditions to adjust the sales strategy or launching date for sale or pre-sale. We will launch pre-sale projects such as “Garden Park” and “New Era” this year to contribute to future revenues and profits.

Revenues in 2021 will be booked mainly from rental income of income properties such as “World Trade Plaza” and “MGH Mitsui Garden Hotel”. It is expected that this year's revenue and profit will be more conservative than previous years.

We have our 2021 operation schedule below:

1. Business objectives

- (1) Accelerate land-bank development and continue to acquire quality land bank.
- (2) Position our projects within proper niches.
- (3) Maintain strong construction quality and good cost management.
- (4) Sustain sound financial planning and financing strategy.
- (5) Develop assets generate long-term rental income.

2. Sales forecast and sales policy

We are planning to sell projects, “World Trade Plaza”, “Economy and Trade”, “AMAX”, in 2021.

3. Construction and marketing strategies

(1) Construction

- ◆ Focus on Taipei city and New Taipei City.

- ◆ Focus on residential property and office building.

(2) Marketing

- ◆ Design projects based on targeted customer's demand and consumption power.
- ◆ Base our marketing strategy on project plans and Taipei city development to maintain profitability.

**C. Future developing strategies and effects of external competition, legal and macroeconomic environment:**

1. Hong Pu is major in Taipei City and New Taipei City, as well as some potential areas outside greater Taipei. We prefer to choose convenient transportation and life function land-piece to developing selfowned, joint venture or renewal projects. Beside residential buildings, we will put efforts on rent or sale of commercial office buildings.
2. Property development is not only high capital density, but also professional skills of land acquiring and product positioning and project planning. We have competitive strength of market research, quality control and solid financial situation to build up brand name.
3. Under circumstance of low level of interest rate and our healthy financial structure, we plan to develop long-term income properties and adjust business strategies.
4. High sales price projects market is slow, fundamental and middle sales price projects become main stream.

All of our management team will endeavor to accomplish the goals set for the year. Thank you for your continued support and encouragement.

Yours sincerely,

Chairman : J.H.Tuan



Manager : J.H.Tuan



Manager of accounting dept : P.S.Liu





## II. Company Profile

### A. Date of Incorporation : October 5, 1988

### B. Company History

- In October 1988, Hong-pu was incorporated and with a capital of NT\$35 million.
- In May 1990, a capital increased to the amount of NT\$193.88 million, and reorganized as a company limited by shares. In the end of the year, apply to the authority in charge of securities for an approval of public issuance of its shares.
- In March 1991, approved for public company by Securities and Futures Commission, Ministry of Finance. In Dec., for purchasing the land held for construction, a capital increased to the amount of NT\$600 million.
- In December 1992, in order to refund the loans, and reduce the finance stress, a capital increased to the amount of NT\$800 million.
- In February 1993, called a special shareholders' meeting, and had a resolution that the order of seatings in board of directors from 3 to 5. In April.
- In December 1994, a capital increased to the amount of NT\$960 million.
- In June 1995, a capital increased to the amount of NT\$1.104 billion.
- In March 1996, Hong-pu was listed in stock market. In June, in order to refund the loans, and reduce the finance stress, a capital increased to the amount of NT\$1.5696 billion.
- In August 1997, a capital increased to the amount of NT\$2.305 billion.
- In July 1998, a capital increased to the amount of NT\$2.885 billion.
- In September 1998, required for establishment of a subsidiary "Hung-Yuan Investment Limited Company" to proceed investment and manage finance. In 2000, reorganized as a company limited by shares.
- In June 1999, a capital increased to the amount of NT\$2.97155 billion.
- In August 2000, a capital increased to the amount of NT\$3.17956 billion.
- In February 2003, a capital decreased to the amount of NT\$3.13662 billion.
- In July 2004, Hong-pu merged Hong-Yuan Investment Co., Ltd. Hong-pu is the surviving company, NT\$309.21 billion capital held by Hong-Yuan was canceled. A capital decreased to the amount of NT\$282,741 billion.
- In October 2007, a capital increased to the amount of NT\$2.86268 billion.
- In September 2008, a capital increased to the amount of NT\$2.89931 billion.
- In August 2011, a capital increased to the amount of NT\$3.19135 billion.
- In June 2013, a capital increased to the amount of NT\$3.19467 billion.
- In January 2014, a capital increased to the amount of NT\$3.19951 billion.
- In June 2014, a capital increased to the amount of NT\$3.32809 billion.

### C. Mergers and Acquisitions : None

### D. Invested affiliates : None

### E. Restructuring : None

### F. The equity transfers of directors, supervisors or the shareholders with a stake of 10% or more : None

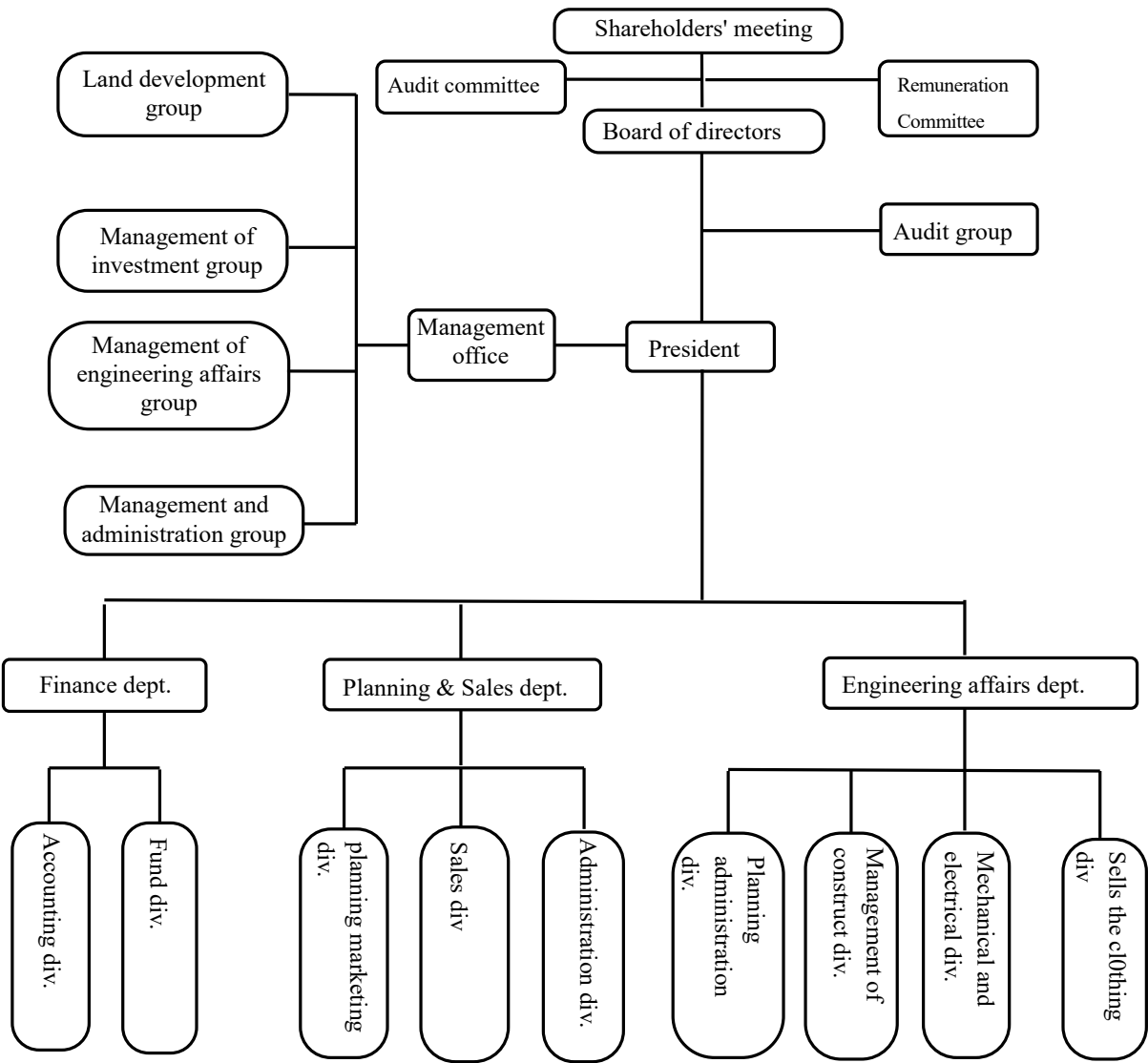
### G. Change of management : None

### H. Major changes of the operation style or business or other affairs, which might have an impact on the rights and interests of the shareholders:

We set up a leasing cooperation with Mitsui Fudosan Group on the hotel project "ZhongXiao" in January 2017. Lease contract was signed in June 2017 and the lease period is 20 years after delivery of the project.

III Company Governance Report

A. Organization chart



## B. Directors, Supervisors and Management Team

### a. Directors and Supervisors

#### Information on the company's directors and supervisors (a)

April 23, 2021

Unit : thousands of NT dollars

Title (Note1)	Nationality or place of Incorporation	Name	Gender	Assumed date	Term	Assumed date at first time (Note2)	Shares held in assumed date		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education ) (Note3)	Additional occupation or position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Taiwan	J.H.Tuan	male	20190614	3	1998.4.28 Note4	11,119	0.0033%	11,119	0.0033%	-	-	-	-	President of San-Poo Real Estate Development Co., Ltd. John Kennedy university National Chengchi University Supervisor of Trade-Van Information Services Co.	President of the company Chairman, Hong Pu Social Welfare and Charity Foundation	None	None	None
Director		Hua-Zhan Investment Co., Ltd		20190614	3	1998.4.28	56,468,745	16.9673%	59,078,745	17.75%	-	-	-	-	-	None	None	None	None
Director Representative	Taiwan	S.L Shen	female	20190614	-	-	-	-	-	-	-	-	-	-	National Taipei University of Science and Technology Tunghai University	Manager, Hong Pu Real Estate Development Co., Ltd Director, Hong Pu Social Welfare and Charity Foundation	None	None	None
Director		Fu-Da Investment Co., Ltd.		20190614	3	1998.4.28	49,945,040	14.0071%	55,712,040	16.73%	-	-	-	-	-	None	None	None	None
Director		Fu-Yi Investment Co., Ltd.		2019.06.14	3	2001.05.15	4,356,077	1.31%	4,356,077	1.31%					-	None	None	None	None
Director Representative	Taiwan	P. S. Liu		20190614	-	-	-	-	-	-	-	-	-	-	Management of BDO Taiwan Union & Co., National Taipei University of Science and Technology Tunghai University	Deputy general manager Chief of Accounter CEO, Hong Pu Social Welfare and Charity Foundation	None	None	None
Director Representative	Taiwan	W. L. You	male	20190614	-	-	-	-	-	-	-	-	-	-	Project Manager, Huang-Hsiang Construction Co., Ltd. EMBA, National Taiwan University of Science and Technology	Vice President, Hong Pu Real Estate Development Co., Ltd Director, Hong Pu Social Welfare and Charity Foundation	None	None	None
Independent Director	Taiwan	PS LI	female	20190614	-	-	-	-	-	-	-	-	-	-	VP, PwC Taiwan AVP, Ernst & Young Master Program, National Taiwan University Professional Education and Continuing Study in Business Administration, National Taiwan University · EMBA of National Taiwan University	Chairman, SHK Consulting Co., Ltd Member of Remuneration Committee, Hong Pu Real Estate Development Co., Ltd and Hsin-Li Chemical Industrial Corp. Member of Remuneration Committee, Financial Advisor, TCI Co., Ltd Supervisor, Yong Jiang Investment Co., Ltd Supervisor, Taiwan Sunshine Bless Association	None	None	None
Independent Director	Taiwan	J.R Wu	female	20190614	-	-	-	-	-	-	-	-	-	-	Member of Committee, ROCCPA Taipei CPA, ROC Deputy Manager, Ernst & Young Partner, CKH & W CPA Office BA, Tunghai University	Chairman, Yun Ting Financial Management Consulting Ltd. Partner, Yu Jin CPA Office Hong Pu Real Estate Development Co., Ltd Member of Remuneration Committee Independent Director, Audit committee and Remuneration Committee of Gongwin Biopharm Holdings Co., Ltd.	None	None	None

Title (Note1)	Nationality or place of Incorporation	Name	Gender	Assumed date	Term	Assumed date at first time (Note2)	Shares held in assumed date		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education ) (Note3)	Additional occupation or position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Taiwan	K.L. YEN	male	2019.06.14	3	108.06.14	-	-	-	-	-	-	-	-	NCCU School of Professional Master's Program in Department of Public Finance Taipei IRS Tax Collector	Partner, Answer-cpa, CPAs Hong Pu Real Estate Development Co., Ltd. Convenor of Remuneration Committee NICHIDENBO CORPORATION Independent Director& Win Win Precision Technology Co., Ltd. Independent Directors and Member of the Remuneration Committee · SUNFON Construction Co., LTD. Supervisor of the company	None	None	None

Note1: Institutional shareholder shall show names of institution and it's representative separately (the representative shall remark the institution's name) and fill in Table 1 below.

Note2: It shall show when did he/she/it assume position of director or supervisor at first time. If it is discontinuous, it shall be described in the note.

Note3: If work experience related to position now is in accounting firm or affiliated company in the period showed above, it shall show his/her title and function of position.

Noet4: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers):

The chairman of the company also serves as the general manager, in order to enhance the efficiency of operation and decision-making execution, but in order to strengthen the independence of the board of directors, the company has actively trained suitable candidates; in addition, the chairman of the board also closely communicates with the directors on the company's operating status and The plan and policy are to implement corporate governance. In the future, the company also plans to increase the number of independent directors to enhance the functions of the board of directors and strengthen the supervision function. At present, the company has the following specific measures:

- 1.The current three independent directors have expertise in the fields of financial accounting and construction, and can effectively perform their supervisory functions.
- 2.Every year, all directors are arranged to participate in professional director courses of external institutions such as the Securities and Futures Institute to enhance the operational effectiveness of the board of directors.
- 3.Independent directors can fully discuss and make suggestions in each functional committee for the board of directors' reference to implement corporate governance.



Major shareholders of the institutional shareholders

April 23,2021

Name of institutional shareholders (Note 1)	Major shareholders of the institutional shareholders (Note 2)	
Hua-Zhan Investment Co., Ltd.	Yi-Li Investment Co., Ltd.	(Shares held : 18.79%)
	Sheng-Hui Investment Co., Ltd.	(Shares held : 18.79%)
	Tong-Chang Investment Co., Ltd.	(Shares held : 18.79%)
	Fu-Yi Investment Co., Ltd.	(Shares held : 18.79%)
	Fu-Ta Investment Co., Ltd.	(Shares held : 18.79%)
	Wen-Shan Investment Co., Ltd.	(Shares held : 6.02%)
	PuWei Investment Company Ltd.	(Shares held : 0.03%)
Fu-Ta Investment Co., Ltd.	Fu-Yi Investment Co., Ltd.	(Shares held : 16.04%)
	Sheng-Hui Investment Co., Ltd.	(Shares held : 16.04%)
	Yi-Li Investment Co., Ltd.	(Shares held : 16.04%)
	Tong-Chang Investment Co., Ltd.	(Shares held : 16.04%)
	Hua-Zhan Investment Co., Ltd.	(Shares held : 16.05%)
	Tai-Ban Investment Co., Ltd.	(Shares held : 19.75%)
	PuWei Investment Company Ltd.	(Shares held : 0.05%)
Fu-Yi Investment Co., Ltd.	Tong-Chang Investment Co., Ltd.	(Shares held : 19.99%)
	Yi-Li Investment Co., Ltd.	(Shares held : 19.99%)
	Hua-Zhan Investment Co., Ltd.	(Shares held : 19.99%)
	Fu-Ta Investment Co., Ltd.	(Shares held : 19.99%)
	Sheng-Hui Investment Co., Ltd.	(Shares held : 19.99%)
	PuWei Investment Company Ltd.	(Shares held : 0.05%)
Tong-Chang Investment Co., Ltd.	Sheng-Hui Investment Co., Ltd.	(Shares held : 19.99%)
	Hua-Zhan Investment Co., Ltd.	(Shares held : 19.99%)
	Fu-Ta Investment Co., Ltd.	(Shares held : 19.99%)
	Yi-Li Investment Co., Ltd.	(Shares held : 19.99%)
	Fu-Yi Investment Co., Ltd.	(Shares held : 19.99%)
	PuWei Investment Company Ltd.	(Shares held : 0.05%)

Note1: When director or supervisor is the representative of a corporate, name of the corporate shall be showed.

Note2: Company shall show the major shareholders' (top ten) names and holding ratios of the corporate. When the major shareholder is a corporate, company shall fill the table below.

Major shareholders of the major shareholders that are juridical persons

April 23,2021

Name of juridical persons (Note 1)	Major shareholders of the juridical persons (Note 2)	
Sheng-Hui Investment Co.,Ltd.	Fu-Yi Investment Co., Ltd.	(Shares held : 19.99%)
	Fu-Ta Investment Co., Ltd.	(Shares held : 19.99%)
	Tong-Chang Investment Co., Ltd.	(Shares held : 19.99%)
	Yi-Li Investment Co., Ltd.	(Shares held : 19.99%)
	Hua-Zhan Investment Co., Ltd.	(Shares held : 19.99%)
	PuWei Investment Company Ltd.	(Shares held : 0.05%)
Yi-Li Investment Co., Ltd.	Fu-Ta Investment Co., Ltd.	(Shares held : 19.99%)
	Sheng-Hui Investment Co., Ltd.	(Shares held : 19.99%)
	Tong-Chang Investment Co., Ltd.	(Shares held : 19.99%)
	Fu-Yi Investment Co., Ltd.	(Shares held : 19.99%)
	Hua-Zhan Investment Co., Ltd.	(Shares held : 19.99%)
	PuWei Investment Company Ltd.	(Shares held : 0.05%)
Wen-Shan Investment Co., Ltd.	PuWei Investment Company Ltd.	(Shares held : 100%)
Tai-Ban Investment Co., Ltd.	PuWei Investment Company Ltd.	(Shares held : 100%)

Note1:When major shareholders are juridical persons, the name of the corporate shall be showed.

Note2: Company shall show the major shareholders' (top ten) names and holding ratios of the corporate.

**Information on the company's directors, supervisors (b)**

Name (Note 1)	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at least Five Years Work Experience			Independence Criteria (Note2)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a profession Necessary for the Business of Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Director : J.H.Tuan		—	—	✓	—	—	✓	✓	—	—	—	—	✓	✓	✓	✓	0
Director :Hua-Zhan Investment Co., Ltd. Representative : S.L.Shen		—	—	—	—	—	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	0
Director : Fu-Ta Investment Co., Ltd. Representative : W. L. You		—	—	—	—	—	✓	✓	✓	✓	—	✓	✓	✓	✓	✓	0
Director :Fu-Yi Investment Co., Ltd. Representative : P.S. Liu		—	—	✓		—	✓	—	✓	—	✓	✓	✓	✓	✓	✓	0
Independent Director : P.S.Li		—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director : J.R. Wu		—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director : K.L. YEN		—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1 : Please tick the corresponding boxes.

Note 2 : Directors or Supervisors, during the two years before being elected or during the term of office, have been or be any of the following, please tick the appropriate corresponding boxes:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, -21- subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (8) Not a director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company

(not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;

(11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.

(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC

## b. Management Team

April 23, 2021 (Unit: NT\$ thousands)

Title	Nationality	Name	Gender	Assumed date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Additional occupation or position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Taiwan	J. H. Tuan	M	1993.02.02	11,119	0.0033%	0	0%	0	0%	President of San-Poo Real Estate Development Co., Ltd. John Kennedy university National Chengchi University Supervisor of Trade-Van Information Services Co.	President of the company Chairman, Hong Pu Social Welfare and Charity Foundation	None	None	None
Vice-President	Taiwan	W. L. You	M	2008.10.28	0	0%	0	0%	0	0%	Project Manager of Huang-Hsiang Construction Co., Ltd. National Taiwan University of Science and Technology	Vice President, Hong Pu Real Estate Development Co., Ltd Director, Hong Pu Social Welfare and Charity Foundation	None	None	None
Audit Manager	Taiwan	C.H.chan	M	2017.03.23	0	0%	0	0%	0	0%	MBA in Department of Finance, National Sun Yat-sen University	None	None	None	None
Manager of finance dept.	Taiwan	P. S. Liu	F	2000.06.01	0	0%	0	0%	0	0%	Management of BDO Taiwan Union & Co., National Taipei University of Science and Technology Tunghai University	Deputy general manager Chief of Acounter CEO, Hong Pu Social Welfare and Charity Foundation	None	None	None

Associate Vice President of the Engineering Department	Taiwan	Z. H. Lu	M	2020.06.01	0	0%	0	0%	0	0%	assistant manager of Engineering Department of GuoYuan Construction site supervisor of Reiju Construction Civil Engineering Section of MingHsin Engineering College Civil Engineering and Disaster Prevention Institute of National Taipei University of Technology	Associate Vice President of the Engineering Department, Hong pu Director, Hong Pu Social Welfare and Charity Foundation	None	None	None
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Note1: Include president, vice-presidents, assistant vice-presidents, and the chiefs of all the company's divisions and branches. Despite the position, company shall show the assignments equivalent to president, vice-presidents, and assistant vice-presidents.

Note2: If work experience related to position now is in accounting firm or affiliated company in the period showed above, it shall show his/her title and function of position.

Note3: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers):

The chairman of the company also serves as the general manager, in order to enhance the efficiency of operation and decision-making execution, but in order to strengthen the independence of the board of directors, the company has actively trained suitable candidates; in addition, the chairman of the board also closely communicates with the directors on the company's operating status and The plan and policy are to implement corporate governance. In the future, the company also plans to increase the number of independent directors to enhance the functions of the board of directors and strengthen the supervision function. At present, the company has the following specific measures:

1. The current three independent directors have expertise in the fields of financial accounting and construction, and can effectively perform their supervisory functions.
2. Every year, all directors are arranged to participate in professional director courses of external institutions such as the Securities and Futures Institute to enhance the operational effectiveness of the board of directors.
3. Independent directors can fully discuss and make suggestions in each functional committee for the board of directors' reference to implement corporate governance

c. Payroll of Directors (Include Independent Directors), Supervisors, President And Vice President

(1) Remuneration of Directors (Include Independent Directors)

(Unit: NT\$ thousands)

Title	Name(Note1)	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%) (Note 10)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%) (Note10)		Compensation paid to directors from an invested company other than the company's subsidiary (Note 11)
		Base Compensation(A) (Note 2)		Severance Pay(B))		Remuneration of director (C) (Note 3)		Allowance(D) (Note4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employees' compensation (G) (Note 6)						
		The Company	Financial Report (Note7)	The Company	Financial Report (Note 7)	The Company	Financial Report (Note 7)	The Company	Financial Report (Note 7)	The Company	Financial Report (Note 7)	The Company	Financial Report (Note 7)	The Company	Financial Report (Note 7)	The Company		Financial Report (Note 7)		The Company	Financial Report (Note 7)	
Chairman	J. H. Tuan	0	-	0	-	2,200	2,200	390	390	0.4218	0.4227	5,981	7,125	0	-	5,970	0	5,970	-	2.3683	2.5601	None
Director	Hua-Zhan Investment Co., Ltd Representative: S.L,Shen																					
Director	FU-TA Investment Co., Ltd Representative: W.L.YOU																					
Director	Fu-Yi Investment Co., Ltd. Representative: P. S. Liu																					
Independent Director	P.S,Lee																					
Independent Director	J.R,WU																					
Independent Director	K.L. YEN																					
1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The remuneration of independent directors of the company takes into account the evaluation results of directors’ performance evaluation. The Remuneration Committee deliberates on the degree of participation and contribution value of each director to the company’s operations, links the reasonableness and fairness of performance risks with the remuneration, and considers the company’s operating performance and the level of payment of peers. The proposal is submitted to the board of directors for resolution. 2. Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None.																						

## Range of Payroll

Range of Payroll (Unit: NT\$)	Director's Names			
	Sum of Payroll(A+B+C)		Sum of Payroll(A+B+C+D+E)	
	The company (Note 8)	Financial report (Note 9) G	The company (Note8)	Financial report (Note 9) H
Below 1,000,000	W.L.You B.S,Li J.R.Wu S.L.Shen P. S. Liu K.L. YEN J.H. Tuan	W.L.You B.S,Li J.R.Wu S.L.Shen P. S. Liu K.L. YEN J.H. Tuan	B.S,Li J.R.Wu K.L. YEN	B.S,Li J.R.Wu K.L. YEN
1,000,000(included) ~ 2,000,000(not included)	-	-	P. S. Liu 、 S.L.Shen	P. S. Liu 、 S.L.Shen
2,000,000(included) ~ 3,500,000(not included)	-	-	W.L.You	W.L.You
3,500,000(included) ~ 5,000,000(not included)	-	-	J.H. Tuan	J.H. Tuan
5,000,000(included) ~ 10,000,000(not included)	-	-	-	-
10,000,000(included) ~ 15,000,000(not included)	-	-	-	-
15,000,000(included) ~ 30,000,000(not included)	-	-	-	-
30,000,000(included) ~ 50,000,000(not included)	-	-	-	-
50,000,000(included) ~ 100,000,000(not included)	-	-	-	-
More than 100,000,000	-	-	-	-
Total	7	7	7	7

Note1: Director's names shall be showed separately (names of company and representative shall be showed for institution shareholder), but company may show combined payment for each item. If director is president or vice-president simultaneously, the payment shall be showed in this table and in table below.

Note2: It is director's payment (include salary, duty allowance, retirement pension, severance pay, bonus and incentive, etc.) of latest year.

Note3: It is the board's suggested amount of director's reward of earning allocation held for the latest earning allocation.

Note4: It is the relative executive expense (include carfare, special expenditure, subsidy, dormitory and car, etc.). When company provides residences, cars, other vehicles or several expenditures, it shall disclose quality and cost, and actual or fair rents, oil price and other expenditures of the assets. If there is a wheelsman, it shall disclose the relative payment, but this amount is not payroll of director.

Note5: It is director's salary, duty allowance, retirement pension, severance pay, bonus, incentive, carfare, special expenditure, subsidy, dormitory, car, etc. When he/she is employee (include president, vice-president, manager, employee) simultaneously in the latest year. When company provides residences, cars, other vehicles or several expenditures, it shall disclose quality and cost, and actual or fair rents, oil price and other pay of the assets. If there is a wheelsman, it shall disclose the relative payment, but this amount is not payroll of director. And, salaries expense on share-based payment of IFRS2 should be charged to remuneration, including employee stock option certificates, restricted employee right shares and new shares reserved for subscription by employee.

Note6: It is director's remuneration (include stock and cash) of earning allocation. It is the board's suggested amount of employees' compensation of earning allocation before the shareholders' meeting held for the latest earning allocation. When he/she is employee (include president, vice-president, manager, employee) simultaneously in the latest year. If company could not predict the amount, it might use actual allocation ratio of last year for suggested amount of this year and shall fill Table 1-3. Company listed on TSEC or OTC shall calculate fair value (close price on balance sheet ended date) according Financial Statement Rule of Securities Issuer. If it is not a listing company, it might use book value per share on the end of fiscal year.

Note7: Company shall show directors' total payments of each item from all entities (include the company) showed in consolidated financial report.

Note8: Company shall show the names of director in each range of directors' each payment.

Note9: Company shall show the names of director in each range of directors' each payment from all entities (include the company) showed in consolidated financial report.

Note10: It is net income after tax of the latest year ; If the company has adopted IFRSs, it's net income after tax of only or individual financial report recently year.

Note11: (a) Company shall show "yes" or "no" for directors' receiving relative payments from invested corporate beside subsidiaries.

(b) If yes, company shall show amount of payments, and combine payments (from invested corporate according to his/her status) and G and H in range of payroll, and change to "all invested corporate".

(c) It is the payment, reward of earning allocation, employees' compensation of earning allocation and allowance of the director who is also a director, supervisor or manager of invested corporate.

\*The content showed in this table is different form the notion of Tax Act. And this table is only use for information disclosure, not for taxation.

(2) Remuneration of Supervisors : None

(Unit: NT\$ thousands)

(3) Compensation of President and Vice President

(Unit: NT\$ thousands)

Title	Name (Note 1)	Salary(A) (Note2)		Retirement Pension (B)		Bonus and Perquisite(C) (Note3)		Employees' compensation (D) (Note4)				A + B + C and D sum as a percentage of net income after tax(%) (Note8)		Compensation or Fees Received from Investments Other than Subsidiary (Note9)
		The company	Financial Report (Note 5)	The company	Financial Report (Note 5)	The company	Financial Report (Note 5)	The company		Consolidated financial statements (Note5)		The company	Financial Report (Note 5)	
President	J. H. Tuan													
Vice President	W. L. You	3,987	3,987	0	-	544	544	4,210	0	4,210	-	1.4236	1.4267	None

Regardless of title, position function is equivalent to president or vice president (e.g. chairman, CEO, director, etc.) should be shown in this table

#### Range of Payroll

Range Of Payroll (Unit: NT\$)	President's and Vice President's Names	
	The company (Note 6)	Financial Report (Note 7)E
Below 1,000,000	-	-
1,000,000(included) ~ 2,000,000 (not included)	-	-
2,000,000(included) ~ 3,500,000 (not included)	-	-
3,500,000(included) ~ 5,000,000 (not included)	W. L. You	W. L. You
5,000,000(included) ~ 10,000,000 (not included)	J. H. Tuan	J. H. Tuan
10,000,000(included) ~ 15,000,000 (not included)	-	-
15,000,000(included) ~ 30,000,000 (not included)	-	-
30,000,000(included) ~ 50,000,000 (not included)	-	-
50,000,000(included) ~ 100,000,000 (not included)	-	-
More than 100,000,000	-	-
Total	2	2

\* Despite the position, company shall show the assignments equivalent to president and vice-presidents.

Note1: President's and vice-presidents' names shall be showed separately, but company may show combined payment of each item. If the director is the president or vice-president simultaneously, company shall fill this table and table above.

Note2: It is president's and vice-presidents' salary, duty allowance, retirement pension and severance pay of the latest year.

Note3: It is the president's and vice-presidents' bonus, incentive, carfare, perquisite, subsidy, dormitory, car and other payments. When company provides residences, cars, other vehicles or several expenditures, it shall disclose quality and cost, and actual or fair rents, oil price and other expenditures of the assets. If there is a wheelsman, it shall disclose the relative payment, but this amount is not payroll of president and vice-presidents. And, salaries expense on share-based payment of IFRS2 should be charged to remuneration, including employee stock option certificates, restricted employee right shares and new shares reserved for subscription by employee.

Note4: It is the board's suggested amount of president and vice-presidents' compensation of earning allocation (include stock and cash) before the shareholders' meeting held for the latest earning allocation. If company could not predict the amount, it shall fill Table 1-3. Company listed on TSEC or OTC shall calculate fair value (close price on balance sheet ended date) according Financial Statement Rule of Securities Issuer. If it is not a listing company, it might use book value per share on the end of fiscal year. It is net income after tax of the latest year; If the company has adopted IFRSs, it's net income after tax of only or individual financial report recently year.

Note5: Company shall show presidents' and vice-presidents' total payments of each item from all entities (include the company) showed in consolidated financial statement.

Note6: Company shall show the names of president and vice-president in each range of president's and vice-presidents' each payment.

Note7: Company shall show the names of president and vice-president in each range of president's and vice-presidents' each payment from all entities (include the company) showed in consolidated financial statement.

Note8: It is net income after tax of the latest year; If the company has adopted IFRSs, it's net income after tax of only or individual financial report recently year.

Note9: (a) Company shall show "yes" or "no" for president's and vice-presidents' receiving relative payments from invested corporate beside subsidiaries.

(b) If yes, company shall show amount of payments, and combine payments (from invested corporate according to his/her status) and D in range of payroll, and change to "all invested corporate".

(c) It is the payment, reward of earning allocation, employees' compensation of earning allocation and allowance of the supervisor who is also a director, supervisor or manager of invested corporate.

\* The content showed in this table is different from the notion of Tax Act. And this table is only use for information disclosure, not for taxation.

(4) Employees' compensation Granted to Management Team

April 23, 2021  
(Unit: NT\$ thousands)

	Title (Note1)	Name (Note1)	Stock compensation	Cash compensation	Total	As a percentage of net income after tax(%)
Executive Officers	President	J. H. Tuan	-	6,320	6,320	1.0315
	Vice-president	W. L. You				
	Chief of Accounter	P.S.Liu				
	Audit Manager	C.H.Chan				
	Associate Vice President of the Engineering Department	Z. H. Lu				

Note1: Company shall show names and position separately, but it may show combined compensation of earning allocation.

Note2: It is the board's suggested amount of managers' compensation of earning allocation (include stock and cash) before the shareholders' meeting held for the latest earning allocation. If company could not predict the amount, it might use actual earning allocation ratio of last year for suggested amount of earning of this year. It is net income after tax of the latest year; If the company has adopted IFRSs, it's net income after tax of only or individual financial report recently year.

Note3: According to 2003/3/27 official letter No.0920001301 by Financial Supervisory Commission on March27,2003 the definition of manager is showed as follows:

- (1) President or equivalent.
- (2) Vice-president or equivalent.
- (3) Assistant vice-president or equivalent.
- (4) Manager of Finance Dept.
- (5) Manager of Accounting Dept.
- (6) Other employee who administers business or has right of signature.

Note4: If director, president, or vice-president receive compensation of earning allocation (include stock and cash), company shall fill Table 1-2 and this table.

d.Compensation Paid to Directors, Supervisors, President and Vice presidents

(Unit: NT\$ thousands)

Title	Year 2020		Year 2019	
	The company	All consolidated Entities	The company	All consolidated Entities
Director	2,590	2,590	2,479	2,479
Supervisor	0	0	311	311
President 、 Vice president	8,743	8,743	7,429	7,429
Total	11,333	11,333	10,219	10,219
As a percentage of net income after tax	1.8458%	1.8498%	1.6815%	1.6851%

Note:

In addition to the evaluation results obtained by the directors' performance evaluation, the remuneration committee reviews the degree of participation and contribution value of each director to the company's operations, links the reasonable fairness of performance risks with the compensation received, and refers to the company's operating performance and the usual paid level of industry, the proposal is submitted to the board of directors for resolution.



- e. Separate analysis of payments percentage to earnings after tax to Directors, Supervisors, President and Vice presidents in Hong Pu and companies in consolidated financial statement in recent 2 years and relevance to remuneration policies, standards and combination, procedures, performance and future risk.

1. Percentage of remuneration to earnings after tax in recent 2 years:

Company: the percentage is 1.6815% in 2019 and 1.8458% in 2020.

2. Compensation:

(1) Directors:

Traveling expenses: pay on numbers of attendance of meeting.

Remuneration: If the company makes a profit in annual statement, it shall not be higher than 3%.

(2) President and Vice Presidents:

Salary: under the salary principle passed by Board.

Bonus: under the bonus principle passed by Board.

(3) Directors remuneration are processed under corporate articles given reasonable rewards based on performance of operation. President and vice presidents remuneration policies are refer to standard of salaries in peers and market and responsibilities and contributions. Procedures of remuneration setting are taken into consideration of performance of operation, future industrial risk of operation and trend of growth simultaneously. And, adjust the remuneration system constantly under operating situations and relevant rules in order to maintain the balance of sustainable operation and risk control.

## C. Implementation of Corporate Governance

### a. Board of Directors

#### Boar of Directors Meeting Status

During the 2020 calendar year, 6 regular meetings were convened. Director attendance status is as follows:

Title	Name (Note1)	Attendance in Person	By Proxy	Attendance Rate(%) (Note2)	Remark
Chairman	J. H. Tuan	6	0	100%	-
Director	Fu-Ta Investment Co., Ltd. Representative : W.L.You	5	0	83.33%	-
Director	Hua-Zhan Investment Co., Ltd Representative:S.L.Shen	6	0	100%	-
Director	Fu-Yi Investment Co., Ltd Representative: P. S. Liu	6	0	100%	-
Independent Director	P.S.Lee	6	0	100%	-
Independent Director	J.R.Wu	6	0	100%	-
Independent Director	K.L. YEN	6	0	100%	-

Independent Directors Attendance at 6 Board Meetings in 2020:

Independe nt Director	2020					
	1st	2nd	3nd	4nd	5nd	6nd
P.S.Lee	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person
C.J.Wu	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person
K.L. YEN	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person

Other matters:

1.The operation of the board of directors in any of the following circumstances shall state the date, period, content of the proposal, the opinions of all independent directors and the company's handling of the opinions of independent directors:

(1) Matters listed in Article 14-3 of the Securities and Exchange Act

Date, Period	Proposal content and resolution results
MAR 18, 2020 6 <sup>th</sup> of 11 <sup>th</sup> Session	<p>Proposal</p> <p>◎The company donated NT \$ 1 million to the "Hong Pu Social Welfare and Charity Foundation"</p> <p>◎It is proposed to sign a project management contract with ChuanYue Development Co., Ltd., and the company will charge management fees.</p> <p>Independent director's opinions: no objections and reservations.</p> <p>ThThe company's handling of independent directors' opinions: n/a.</p> <p>Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.</p>
APR 15, 2020 7 <sup>th</sup> of 11 <sup>th</sup> Session	<p>Proposal</p> <p>◎It is proposed amendments to part of the company's "Articles of Incorporation".</p> <p>◎It is proposed amendments to part of the company's "Audit Committee Charter" and "Rules of Procedure for Board of Directors Meetings".</p> <p>◎It is proposed to amend part of the company's "Corporate Governance Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct".</p> <p>◎In accordance with the provisions of Article 14-1 of the Securities and Exchange Act, it is proposal to amend the Company's "Internal Control Systems".</p> <p>◎It is Intended to contract for the construction of the project "Palace Forever".</p> <p>Independent director's opinions: no objections and reservations.</p> <p>The company's handling of independent directors' opinions: n/a.</p> <p>Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.</p>



Date, Period	Proposal content and resolution results
AUG 5, 2020 9 <sup>th</sup> of 11 <sup>th</sup> Session	<p>Proposal</p> <p>◎It is proposed revision of the company's "Remuneration Committee Charter".</p> <p>Independent director's opinions: no objections and reservations.</p> <p>The company's handling of independent directors' opinions: n/a.</p> <p>Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.</p>
NOV 4, 2020 10 <sup>th</sup> of 11 <sup>th</sup> Session	<p>Proposal</p> <p>◎It is submitting the CPA audit fee for year 2020.</p> <p>Independent director's opinions: no objections and reservations..</p> <p>The company's handling of independent directors' opinions: n/a</p> <p>Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.</p>
DEC 23, 2020 11 <sup>h</sup> of 11 <sup>th</sup> Session	<p>Proposal</p> <p>◎It is proposed to amend part of the company's "Rules of Procedure for Board of Directors Meetings", "Rules Governing Financial and Business Matters between this Corporation and its Affiliated Enterprises", "Guidelines for the Adoption of Codes of Ethical Conduct", "Procedures for Election of Directors", "Self-Evaluation or Peer Evaluation of the Board of Directors", "Rules Governing the Scope of Powers of Independent Directors" and "Audit Committee Charter".</p> <p>◎It is proposed revision of the company's "Procedures for Verification and Disclosure of Material Information".</p> <p>Independent director's opinions: no objections and reservations.</p> <p>The company's handling of independent directors' opinions: n/a</p> <p>Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.</p>

(2) Except for the matters above, other directors' meeting records or written statements that are opposed or reserved by independent directors and have a written statement: None.

2. Implementation situation of the directors for the avoidance of the conflicts of interest proposal. It shall state the names of the directors, the content of the proposal, the reasons for the avoidance of conflicts of interest, and the situation of participation and voting:

The 6th Meeting of the 11th Session of the Board of Directors on 2020/03/18

1. • Proposal content: The proposed donation of NT\$1 million to the Hongpu Social Welfare and Charity Foundation.
- Interest avoidance directors: Chairman J. H. Tuan, W. L. You – representative of FuTa Investment Co., Ltd., S. L. Shen-representative of HuaZhan Investment Co., Ltd., B. S. Liu-representative of FuYi Investment Co., Ltd. and the deputy accounting manager Y. F. Huang.
- Reasons for avoiding interests and participation in voting: Because Chairman J. H. Tuan, W. L. You-representative of FuTa Investment Co., Ltd., S. L. Shen-representative of HuaZhan Investment Co., Ltd., attending deputy accounting manager Y. F. Huang, and B. S. Liu served as the foundation CEO and director of the board and representative of FuYi Investment Co., Ltd., considers his or her own interests, and shall not participate in discussions and voting for the benefit of avoidance in accordance with the law.

Except for the above-mentioned directors who have interests in themselves, who did not participate in the discussion and voting due to avoidance of interests, the chairman appointed independent director B. S. Li as the interim chairman and consulted all the other directors present to pass the proposal without objection.

2. • Proposal content: It is proposed to sign a project management contract with ChuanYue Development Co., Ltd., and the company will charge management fees.
- Interest avoidance directors: Chairman J. H. Tuan, W. L. You-representative of FuTa Investment Co., Ltd., S. L. Shen - representative-HuaZhan Investment Co., Ltd., B. S. Liu- representative of FuYi Investment Co., Ltd.
- Reasons for avoiding interests and participation in voting: Due to Chairman J. H. Tuan, W. L. You-representative of FuTa Investment Co., Ltd, S. L. Shen-representative of HuaZhan Investment Co., Ltd., B. S. Liu-representative of FuYi Investment Co., Ltd., Serving as a director and supervisor of ChuanYue Development Co., Ltd., considering the risk of his or her own interests, and shall not participate in discussions and voting for the avoidance of interests in accordance with the law.

Except for the above-mentioned directors who have interests in themselves, who did not participate in the discussion and voting due to avoidance of interests, the chairman designated independent director G. L. Yan as the interim chairman and consulted all the other directors present to pass the proposal without objection.

3. Listed TSE or OTC companies should disclose information such as the evaluation cycle and period, evaluation scope, methods, and evaluation contents of the board's self (or peer) evaluation, and fill in the following table of the implementation of the board evaluation:

cycle	period	scope	methods	evaluation contents
annual	Jan 01, 2020 – Dec 31, 2020	Board of Directors and Functional Committee	internal self-evaluation of Board, self-evaluation of functional committee	board 's performance evaluation 1. Participation in company operations. 2. Improvement of quality of Board decisions. 3. Composition and structure of Board. 4.Election of directors and continuing training. 5.internal control. The score of comprehensive performance evaluation of board and was 91.67 points Performance evaluation of functional committee. 1. Participation in company operations. 2. Cognition of functional committee responsibilities. 3. Improvement of quality of functional committee's decisions. 4. Composition and structure of functional committee. 5.Internal control. The score of comprehensive performance evaluation of functional committee was 91.35 points.

4. Objectives of strengthening the functions of the board of directors in the current year and the most recent year (such as the establishment of an audit committee, improving information transparency, etc.) and evaluation of implementation:

- (1)In addition to providing relevant regulations for directors at any time, the company reports to the directors on the company's business status in the board of directors meetings, and prepares relevant information on the proposals and assigns personnel for the examination of the directors and supervisors.
- (2)The company provides information on various kinds of training courses initiatively also encourages directors and supervisors to actively participate in various corporate governance courses to strengthen the functions of board members; total directors' training was 42 hours in 2020.
- (3)Maintain the transparency of operations, protect the rights and interests of shareholders, and disclose major information on Market Observation Post System.
- (4)In order to implement corporate governance and enhance the functions of the board of directors in order to establish performance goals and strengthen the efficiency of the board of directors, the company has revised some provisions of the board 's performance evaluation method in 2020 and carried out the evaluation at the beginning of each year. The scores of comprehensive performance evaluation of board and functional committee were 91.67 points and 91.35 points in 2020. The results were reported to the board meeting on Mar 17, 2021.
- (5)The company held the re-election of directors in shareholders' meeting and set up an audit committee to replace supervisors and strengthen the functions of the board of directors on Jun 14, 2019,

Note1: When directors is belong to juridical person shall be showed the company's name and representative.

Note2: (1) If director resigned before end of year, company shall show date in note, and attendance rate (%) is attendant times of meeting in incumbent period.

(2) If there is re-election of director, company shall show former, new, reappointed member and date in note.  
Attendance rate (%) is attendant times of meeting in incumbent period.



#### b.Audit Committee Meeting Status:

6 times meetings of Audit Committee in last year, the situation of meeting attendance of independent directors as follows:

The main issues reviewed by the Audit Committee include:

1. Audit of financial statements and accounting policies and procedures.
2. The internal control system and related policies and procedures.
3. Transactions of material assets or derivatives.
4. Material monetary loan and endorsement or provision of guarantee.
5. The offering or issuance of marketable securities.
6. Derivative financial products and cash investment.
7. Regulatory compliance.
8. Whether the managers and the directors are possible to related party transactions and conflicts of interest.
9. Appeal report.
10. Anti-fraud investigation report.
11. Information security.
12. Company risk management.
13. Qualification, independence and performance evaluation of CPA.
14. The hiring and dismissal of an attesting CPA or compensation.
15. The appointment and discharge of financial, accounting or internal audit officers.
16. The audit committee's performance of duties.
17. Self-assessment questionnaire for performance evaluation of the Audit Committee.

title	name	Attend in person	Attend by proxy	rate of attendance in person note	remarks
Audit committee	P.S.Li	6	0	100%	-
Audit committee	J.R.Wu	6	0	100%	
Audit committee	K.L.Yen	6	0	100%	

other matters:

#### 1. Operating situation of the year

Date, Period	Proposal content and resolution results	Matters listed in Article 14-5 of the Securities and Exchange Act(The relevant handling situation is detailed below 2)	Except for the matters above , other resolutions that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors
MAR 18, 2020 4 <sup>th</sup> of 1 <sup>st</sup> Session	1. The company donated NT \$ 1 million to the "Hong Pu Social Welfare and Charity Foundation".	✓	
	2. The company's year 2020 consolidated and Parent-Only financial statements.	✓	
	3. It is proposed to sign a project management contract with ChuanYue Development Co., Ltd., and the company will charge management fees.	✓	
APR 15, 2020 5 <sup>th</sup> of 1 <sup>st</sup> Session	1. It is proposed amendments to part of the company's "Articles of Incorporation".	✓	
	2. It is proposed amendments to part of the company's "Audit Committee Charter" and "Rules of Procedure for Board of Directors Meetings".	✓	
	3. It is proposed to amend part of the company's "Corporate Governance Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct".	✓	
	4. In accordance with the provisions of Article 14-1 of the Securities and Exchange Act, it is proposal to amend the Company's "Internal Control Systems".	✓	
	5. It is Intended to contract for the construction of the project "Palace Forever".	✓	
MAY 6, 2020 6 <sup>th</sup> of 1 <sup>st</sup> Session	1. Submit the company's consolidated financial statements for the first quarter of year 2020.		
AUG 5, 2020 7 <sup>th</sup> of 1 <sup>st</sup> Session	1. Submit the company's consolidated financial statements for the second quarter of year 2020.	✓	
	2. It is proposed revision of the company's "Remuneration Committee Charter".	✓	
NOV 4, 2020 8 <sup>th</sup> of 1 <sup>st</sup> Session	1. Submit the company's consolidated financial statements for the third quarter of year 2020.		
	2. The proposed donation for the decoration project and design fee of the 1F reading room of library of Pingtung University of Science and Technology totals NT\$50 million.		

Date, Period	Proposal content and resolution results	Matters listed in Article 14-5 of the Securities and Exchange Act (The relevant handling situation is detailed below 2)	Except for the matters above, other resolutions that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors
DEC 23, 2020 9 <sup>th</sup> of 1 <sup>st</sup> Session	1. It is proposed to amend part of the company's "Rules of Procedure for Board of Directors Meetings", "Rules Governing Financial and Business Matters between this Corporation and its Affiliated Enterprises", "Guidelines for the Adoption of Codes of Ethical Conduct", "Procedures for Election of Directors", "Self-Evaluation or Peer Evaluation of the Board of Directors", "Rules Governing the Scope of Powers of Independent Directors" and "Audit Committee Charter".	✓	
	2. It is proposed revision of the company's "Procedures for Verification and Disclosure of Material Information".	✓	

2. The operation of the audit committee in any of the following circumstances shall state the date, period, content of the proposal, the opinions of audit committee and the company's handling of the opinions of audit committee:

(1) Matters listed in Article 14-5 of the Securities and Exchange Act.

Mar 18, 2020 4 <sup>th</sup> of 1 <sup>st</sup> Session	<p>Proposal</p> <ul style="list-style-type: none"> <li>◎The company donated NT \$ 1 million to the "Hong Pu Social Welfare and Charity Foundation".</li> <li>◎The company's year 2020 consolidated and Parent-Only financial statements.</li> <li>◎It is proposed to sign a project management contract with ChuanYue Development Co., Ltd., and the company will charge management fees.</li> </ul> <p>Audit committee's opinions: no objections and reservations. The company's treatment of audit committee's opinions: n.a. Result of the resolution: after the chairman consulted the committees present, there was no objection, and it was passed as the case.</p>
APR 15, 2020 5 <sup>th</sup> of 1 <sup>st</sup> Session	<p>Proposal</p> <ul style="list-style-type: none"> <li>◎It is proposed amendments to part of the company's "Articles of Incorporation".</li> <li>◎It is proposed amendments to part of the company's "Audit Committee Charter" and "Rules of Procedure for Board of Directors Meetings".</li> <li>◎It is proposed to amend part of the company's "Corporate Governance Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct".</li> <li>◎In accordance with the provisions of Article 14-1 of the Securities and Exchange Act, it is proposal to amend the Company's "Internal Control Systems".</li> <li>◎It is Intended to contract for the construction of the project "Palace Forever".</li> </ul> <p>Audit committee's opinions: no objections and reservations. The company's treatment of audit committee's opinions: n.a. Result of the resolution: after the chairman consulted the committees present, there was no objection, and it was passed as the case.</p>
Aug 05, 2020 7 <sup>th</sup> of 1 <sup>st</sup> Session	<p>Proposal</p> <ul style="list-style-type: none"> <li>◎Submit the company's consolidated financial statements for the second quarter of year 2020.</li> <li>◎It is proposed revision of the company's "Remuneration Committee Charter".</li> </ul> <p>Audit committee's opinions: no objections and reservations The company's treatment of audit committee's opinions: n.a. Result of the resolution: after the chairman consulted the committees present, there was no objection, and it was passed as the case.</p>
Dec 23, 2020 9 <sup>th</sup> of 1 <sup>st</sup> Session	<p>Proposal</p> <ul style="list-style-type: none"> <li>◎It is proposed to amend part of the company's "Rules of Procedure for Board of Directors Meetings", "Rules Governing Financial and Business Matters between this Corporation and its Affiliated Enterprises", "Guidelines for the Adoption of Codes of Ethical Conduct", "Procedures for Election of Directors", "Self-Evaluation or Peer Evaluation of the Board of Directors", "Rules Governing the Scope</li> </ul>



	<div>of Powers of Independent Directors” and “Audit Committee Charter”.</div> <div>◎It is proposed revision of the company’s “Procedures for Verification and Disclosure of Material Information”.</div> <div>Audit committee’s opinions: no objections and reservations.</div> <div>The company's treatment of audit committee's opinions: n.a.</div> <div>Result of the resolution: after the chairman consulted the committees present, there was no objection, and it was passed as the case.</div>									
(2)Except for the matters above, other resolutions that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors: none.										
3. Implementation situation of the audit committee and the independent directors for the avoidance of the conflicts of interest proposal. It shall state the names of the audit committee and independent directors, the content of the proposal, the reasons for the avoidance of conflicts of interest, and the voting situation: none.										
4. The communication situation of the audit committee, independent directors, internal audit manager and accountants (It should include major matters, methods and results of communication situation on the company's financial and business conditions):										
(1)The audit committee, independent directors and internal audit manager can usually contact each other by email, telephone or meeting at any time as necessary. If there are major abnormalities, they can also call a conference at any time, and the communication channels with each other are multiple and smooth. The audit report of the previous month was delivered to the audit committee and independent directors for review. The audit committee and independent directors makes responses or comments on the necessity of the report. There were no major abnormalities in the audit results in 2020 and the audit committee and independent directors had no objections. The company's accountants, in addition to auditing or reviewing the financial reports on the audit committee and independent directors, will also hold a reading party every year for the company's relevant personnel to participate. The topics of reading party cover the newly knowledge and impact of the fiscal and tax laws and the corresponding measures. The audit committee,independent directors, internal audit manager and accountants communicated 2 times this year. The summary of the communication situation is as follows:										
	<table><tr><th>Date</th><th>Essence and communication themes</th><th>Independent Director's Recommendation</th></tr><tr><td>Mar 18, 2020</td><td>●Year 2019 financial report review findings and results description, and communicate with the reviewers on the responsibility, scope, other precautions, independence, the company's self-edited financial report and important accounting standards or interpretation letters, securities control laws and tax laws and updates.</td><td>Independent directors have no opinions and no suggestions.</td></tr><tr><td>Nov 04, 2020</td><td>●The third quarter financial report of year 2020 and the explanation of the results, to communicate on the independence, the inspector's responsibility and scope of the financial report, the matters of concern to the competent authority, the annual inspecting plan and important accounting standards or interpretation letters, securities control laws and tax laws and updates.</td><td>Independent directors have no opinions and no suggestions.</td></tr></table>	Date	Essence and communication themes	Independent Director's Recommendation	Mar 18, 2020	●Year 2019 financial report review findings and results description, and communicate with the reviewers on the responsibility, scope, other precautions, independence, the company's self-edited financial report and important accounting standards or interpretation letters, securities control laws and tax laws and updates.	Independent directors have no opinions and no suggestions.	Nov 04, 2020	●The third quarter financial report of year 2020 and the explanation of the results, to communicate on the independence, the inspector's responsibility and scope of the financial report, the matters of concern to the competent authority, the annual inspecting plan and important accounting standards or interpretation letters, securities control laws and tax laws and updates.	Independent directors have no opinions and no suggestions.
Date	Essence and communication themes	Independent Director's Recommendation								
Mar 18, 2020	●Year 2019 financial report review findings and results description, and communicate with the reviewers on the responsibility, scope, other precautions, independence, the company's self-edited financial report and important accounting standards or interpretation letters, securities control laws and tax laws and updates.	Independent directors have no opinions and no suggestions.								
Nov 04, 2020	●The third quarter financial report of year 2020 and the explanation of the results, to communicate on the independence, the inspector's responsibility and scope of the financial report, the matters of concern to the competent authority, the annual inspecting plan and important accounting standards or interpretation letters, securities control laws and tax laws and updates.	Independent directors have no opinions and no suggestions.								

Note:

\* If an independent director leaves the company before the end of the year, the resignation date should be stated in remarks column. The rate of attendance in person (%) is calculated based on the number of audit committee meetings and the number of attendances in person during the tenure.

\* If there are independent director re-elections before the end of the year, both newly and former independent directors should be filled in, and remarks column should show that the independent director is former, newly or re-elected and the date of re-election. The rate of attendance in person (%) is calculated based on the number of audit committee meetings and attendances in person during the tenure.

c. Supervisors participate in Board of Directors Meeting Status:None.

(4)Operations of corporate governance and the deviations from the Corporate Governance best Practice Principles for TWSE/TPEx Listed Companies, and reasons.

Evaluation items	Operating Situation (Note)			Differences from and reasons for the differences between the Corporate Governance Best Practice Principles for listed companies
	Yes	No	Description	
I. Has the company formulated and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	Yes		The company passed the “Corporate Governance Best Practice Principles” at the 22nd meeting of the eighth session of the board of directors on March 23, 2012. The principles were subsequently revised on Nov 21, 2011, Feb 13, 2015, Mar 2, 2017, Dec 26, 2018, Aug 7, 2019, Apr 15, 2020 and operated in accordance with relevant regulations. The principles are disclosed on the public information observatory and the company's website <a href="http://www.hong-pu.com.tw">www.hong-pu.com.tw</a> for reference.	No significant difference with Corporate Governance Best Practice Principles for Listed Companies.
II.Shareholding structure and shareholders' equity				
(I) Did the company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigation?Are such matters handled according to the internal procedure ?	Yes		(I) The company has established a spokesperson system in accordance with regulations to handle shareholder suggestions, doubts, disputes, and litigation, and properly handle and respond to them. The company's website also has a special area for interested parties to provide contact channels for shareholders/investors to raise comments or questions.	(I) No significant difference.
(II)Has the company maintained the list of substantial shareholders and ultimate controllers of the substantial shareholders?	Yes		(II) The company keeps managing directors, managers, and major shareholders holding more than 10% of the shares, and the company regularly discloses the pledge, increase or decrease of company shares held, or other occurrences of shareholders holding more than 10%. Important matters that may cause changes in shares should be supervised by other shareholders. Manage the major shareholders and their ultimate controllers as much as possible.	(II) No significant difference.
(III)Has the company established and implemented risks control and firewall mechanisms among its affiliated companies?	Yes		(III) See Articles 14-17 of the company's “Corporate Governance Best Practice Principles”. The principles are disclosed on the public information observatory and the company's website <a href="http://www.hong-pu.com.tw">www.hong-pu.com.tw</a> for reference.	(II) No significant difference.
(IV)Has the company established an internal regulation which prohibits its employees to engage in any transactions of marketable securities with any information that is not disclosed in the market?	Yes		(IV) The company's employees, managers, and directors must comply with the provisions of the Securities Exchange Act. The company has set up " Regulation of Insider Trading ", "Guidelines for the Adoption of Codes of Ethical Conduct", "Ethical Corporate Management Best Practice Principles”, ”Procedures for Ethical Management and Guideline for Conduct” and other standards, relevant personnel shall not use the undisclosed information they know to engage in insider trading, nor shall they disclose it to others.	(IV) No significant difference.



Evaluation items	Operating Situation (Note)			Differences from and reasons for the differences between the Corporate Governance Best Practice Principles for listed companies
	Yes	No	Description	
III.Organization and responsibility of the Board of Directors				
(I) Has the Board of Directors drafted a diversity policy for its members and practical implementation?	Yes		(I) The diversification policy for the composition of the board members is stipulated in Article 20 of the "Corporate Governance Best Practice Principles". Regarding the scale of the company's business development and the shareholding status of its major shareholders, considering practical operational needs, the company currently has 7 director seats, among all board members Approximately 57% are employees, 57% are female directors, and 43% are independent directors. The policy implementation status is detailed (Annex 1), page 31 of the annual report.	(I) No significant difference.
(II) In addition to establishing Compensation Committee and Audit Committee in accordance with laws, would the company voluntarily set up other functional committees?		No	(II) The company has set up a Remuneration Committee, and set up an Audit Committee after the full re-election of the 2019 shareholders' meeting. In the future, the company will set up other various functional committees based on actual operating conditions and business needs.	(II) Other functional committees will be set up depending on the actual operation of the Company in accordance with regulations.
(III) Does the company establish performance assessment measures and methods of Board of Directors, conduct performance assessment regularly every year, submit the performance assessment result to the Board of Directors and use as reference for individual director pay and nomination of successor?	Yes		(III) The company passed the "Self-evaluation or Peer Evaluation of the Board of Directors" at the 3rd meeting of the 10 <sup>th</sup> session Board of Directors on November 4, 2016, stipulating that the board of directors should perform at least one performance evaluation of the board of directors and directors each year. The internal evaluation period of the board of directors shall be performed at the end of each year and the performance evaluation of the current year shall be carried out in accordance with these Measures. The company completed the evaluation of the board of directors and directors in January 2021, and held the board of directors in March 2021 to report the evaluation results. The measurement items for the performance evaluation of the company's board of directors include the following five aspects: (1) The degree of participation in the company's operations. (2) Improve the decision-making quality of the board of directors. (3) The composition and structure of the board of directors. (4) The selection and continuing education of directors.	(III) No significant difference.

Evaluation items	Operating Situation (Note)			Differences from and reasons for the differences between the Corporate Governance Best Practice Principles for listed companies
	Yes	No	Description	
(IV) Does the company regularly evaluate the independence of CPAs?	Yes		<p>(5) Internal control. The measurement project letter for the performance evaluation of the directors includes the following items:</p> <p>(1) Understanding of the company and responsibilities.</p> <p>(2) The degree of participation in the company's operations</p> <p>(3) Professional and continuous improvement of directors.</p> <p>(4) Internal control. This evaluation was conducted using internal questionnaires. According to the operation of the board of directors and the participation of directors, the evaluation of the operation of the board of directors and the evaluation of their own participation by directors were adopted and the results were reported to the board of directors. The results of at least one (year 2020) board performance evaluation are as follows:</p> <p>1. The performance of the board of directors is self-rated: 91.67 (full score is 100).</p> <p>2. The overall score of the board members' self-evaluation is: 96.47 (full score is 100).</p> <p>According to the results of the performance appraisal of the board of directors in year 2020, the overall operation of the board of directors is still good.</p> <p>(IV) The accounting department of the company self-assess the independence of certified public accountants once a year, and submits the results to the board of directors on Nov 4, 2020 for review and approval. The accounting department of the company has assessed that CPA Chuang and CPA Wang of KPMG are in compliance with the company's independence evaluation standards (detailed in Appendix 2) on page 32 of the annual report, and they are sufficient to serve as certified accountants.</p>	(IV) No significant difference.
IV. Does the TWSE/TPEX Listed Companies assign competent corporate governance personnel of proper numbers and appoint governance head taking charge of corporate governance and other affairs(including but not limited to providing data required by the Director, supervisor for execution of business , assisiting the Director, Supervisors in complying with laws and decrees,	Yes		The company has a full-time staff of corporate governance, assistant manager of accounting department Huang, who is responsible for handling corporate governance-related matters. The main responsibilities of this full-time staff are to handle matters related to the meetings of the board of directors and the shareholders meeting in accordance with the law, prepare the minutes of the board of directors and shareholders' meetings, assist in the appointment of directors, continue to learn and comply with laws and regulations, and provide information for directors and internal personnel to perform business.	No significant difference.



Evaluation items	Operating Situation (Note)			Differences from and reasons for the differences between the Corporate Governance Best Practice Principles for listed companies
	Yes	No	Description	
handling relevant matters of Meetings of the Board of Directors and Shareholders' Meeting, and making minute books of the Meetings of the Board of Directors and Shareholders' Meeting according to law)?			<p>The key points of business execution in 2020 are as follows.</p> <p>(I) It is the business unit of the board of directors and committees, including the assembly of the proposals of the meeting, and the notice of the convening is sent to the directors or members seven days before the meeting, and sufficient meeting materials are provided so that the participants can accurately understand the relevant information of the proposal. When the issues are of interest to the directors themselves or the legal persons they represent, they are also reminded that interest should be avoided. Finally, the minutes of the proceedings will be sent to the directors or members for retention within 20 days after the meeting.</p> <p>(II) Responsible for publishing important information or announcements of important resolutions after the board meeting and shareholders meeting to ensure the legality and correctness of the disclosed information to protect investors' transaction information equivalence.</p> <p>(III) Handle the pre-registration of the date of the shareholders meeting in accordance with the law, compile and report the meeting notice, proceedings manual and proceedings within the time limit.</p> <p>(IV) In order to strengthen the operational efficiency of the board of directors, at the beginning of each year, the internal performance evaluation of the overall operation of the board of directors for the previous year is carried out and the results are reported to the most recent board of directors meeting.</p> <p>(V) Provide directors with relevant training information from time to time, reminding them to study and complete relevant declarations in accordance with the requirements of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of Listed Companies".</p> <p>(VI) Provide operating information such as company business or finance according to directors' needs, and maintain smooth communication and exchanges between directors and managers.</p>	

Evaluation items	Operating Situation (Note)			Differences from and reasons for the differences between the Corporate Governance Best Practice Principles for listed companies
	Yes	No	Description	
V. Has the company established channels for communication with stakeholders(including but not limited to shareholders, employees, customers, suppliers, etc.), maintained the stakeholder section at Hong Pu website, and appropriately responded to the major CSR issues that stakeholders were concerned with?	Yes		The company discloses related matters on the company website, public information observatory and annual report; the communication channel between the company and the interested parties is smooth, and the landlord, third-party manufacturers, correspondent banks and company employees can all be responsible for communication and coordination by the dedicated department; The company also established a spokesperson system in accordance with regulations to assist in handling related matters.	No significant difference.
VI. Has the company delegated a professional shareholder service agency to handle shareholders' meeting?	Yes		The company has appointed Yuanta Securities Co., Ltd. to handle relevant affairs of the shareholders meeting as an agent.	No significant difference.
VII. Information Disclosure (I) Does the company establish a website to disclose information on finance and corporate governance? (II) Has the company adopted other methods of information disclosure (such as establishing an English language website, delegating personnel to collect and disclose company information, executing spokesperson system, and presenting the process of road show at the company's website)? (III) The Company is advised to publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.	Yes  Yes  Yes		(I) The company uses the company's website and public information observatory to regularly disclose the company's financial and important information. (II) The company uses the company's website and public information observatory to regularly disclose the company's financial and important information. (III) The company did not announce and file its annual financial report within two months after the end of the fiscal year, but the company completed the announcement and filed the first, second, third, and quarterly financial reports and monthly operating conditions before the specified deadline.	(I) No significant difference. (II) No significant difference. (III) No significant difference.
VIII. Has the company provided other information that facilitates the understanding of the corporate governance practices (including but not limited to the rights and interests of employees, the rights of employers, investor relations, supplier partnership, stakeholders' rights, Directors' continuing education,	Yes		(I) Employee rights: Please refer to the description of labor relations on pages 70-71. (II) Employee care: The company established an employee welfare committee in accordance with the law and deducted monthly benefits based on revenue, and employees enjoyed good benefits. (III) Investor relations: The company has a spokesperson to answer questions from investors and interact with them to maintain a good relationship. (IV) Supplier relationship: Both the company and the	No significant difference.



Evaluation items	Operating Situation (Note)			Differences from and reasons for the differences between the Corporate Governance Best Practice Principles for listed companies
	Yes	No	Description	
implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase liability insurance for Director)?			<p>supplier have entered into a contract, which is implemented in accordance with the conditions set in the contract to maintain a good relationship.</p> <p>(V) Stakeholders: Provide customers with a full range of information, technology and value-added services. The company strives to reduce costs and achieve the purpose of profit sharing.</p> <p>(VI) Directors' training situation: The company's board of directors revised on July 11, 2019, "Directions for the Implementation of Continuing Education for Directors ". Newly elected directors should study at least 12 hours in the current year, and at least 6 hours a year from the following year, covering corporate governance-related courses.</p> <p>(VII) Implementation of risk management policies and risk measurement standards: For the implementation of risk management policies and risk measurement standards, please refer to pages 189 to190 for details.</p> <p>(VIII) Implementation of customer policies: In addition to maintaining normal operations and maximizing shareholders' interests, the company also pays attention to issues such as consumer rights, community environmental protection, and public welfare, and attaches importance to the company's social responsibility.</p> <p>(IX) Circumstances in which the company purchases liability insurance for directors: The company has purchased liability insurance for directors every year since January 2019.</p>	
IX.Please explain the improvement situation regarding the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year, and propose priority strengthening matters and measures for those who have not yet improved:				
2.2 Has the company formulated a policy for diversification of board members and disclosed the implementation of the diversification policy on the company's website and annual report?	Yes		<p>The diversification policy for the composition of the board members is stipulated in Article 20 of the company's "Corporate Governance Best Practice Principles". Regarding the scale of the company's business development and the shareholding status of its major shareholders, considering practical operational needs, the company currently has 7 director seats, among all board members Approximately 57% are employees, and the company is concerned about gender equality among board members. Approximately 57% are female directors. Out of a total of 3 independent directors, 2 independent directors have a term of more than 3 years, and 1 has a term of more than 1 year. Director seats account for approximately 43% of director seats. Page 31 of the detailed annual report on the implementation of policies and management objectives (Annexed Table 1).</p>	No significant difference.

Evaluation items	Operating Situation (Note)			Differences from and reasons for the differences between the Corporate Governance Best Practice Principles for listed companies
	Yes	No	Description	
2.9 Does the company formulate succession plans for board members and important management levels, and disclose its operational status on the company's website or annual report?	Yes		<p>Succession planning and operation of board members: The selection method of the company's directors (including independent directors) adopts the candidate nomination system, and the board of directors has reviewed and approved the shareholders meeting to submit for re-election. Currently, there are 7 directors (including 3 independent directors), each possessing the management expertise required for business, legal affairs, financial accounting or company operation. In the future, the company will continue to strengthen the board of directors' structure. Regarding the succession planning of the board of directors, there are currently many senior managers in the company with the management and professional capabilities required to serve as directors to prepare for the succession planning of the directors. As for the part of independent directors, they need to have work experience in business, finance, accounting or company business in accordance with the law. The company will require further use of corporate governance functions in accordance with the law.</p> <p>Succession planning and operation of important management levels: Employees above the scope of application of the manager of the company are important management levels, and each management level has a position agent. In order to cultivate important management levels and their position agents, the company participates in external training courses and training organized by the industry from time to time. In addition to the training of professional ability, the content also cultivates judgment, management ability and problem-solving ability to improve the decision-making quality of management and prepare the high-quality manpower required for the company's long-term development.</p>	No significant difference.
2.13 Do the members of the Company's Remuneration Committee attend at least twice a year and disclose information such as the policies, systems, standards, and structures for regularly reviewing directors, supervisors and managers' performance evaluation and salary compensation?	Yes		The Company's Remuneration Committee held three meetings in year 2020. The relevant situation of the meeting and the results of the proposal committee discussions have been disclosed in the Remuneration Committee operation information of annual report. The company expects to publish it on the company website at the same time.	



Evaluation items	Operating Situation (Note)			Differences from and reasons for the differences between the Corporate Governance Best Practice Principles for listed companies									
	Yes	No	Description										
2.15 Does the company disclose the communication between the audit committee, independent directors, internal audit supervisors, and accountants (such as the communication methods, matters and results of the company's financial reports and financial business status) on the company's website?	Yes		<p>The audit committee, independent directors, and the internal audit supervisor can communicate with each other at any time by e-mail, telephone or meeting as needed. If there are major abnormal matters, they can also convene meetings at any time. The communication channels are diversified and smooth; the internal auditors of the company The audit report or follow-up report of the previous month was delivered to the audit committee and independent directors for review. The audit committee and independent directors gave their responses or opinions based on the necessity of the report. There were no major abnormalities in the audit results in year 2020, and the audit committee and independent directors did not opposing view. The audit committee, independent directors, internal audit supervisors, and accountants communicated twice this year in the company's conference room. The content of the communication is as follows::</p> <table><tr><th>Date</th><th>Nature and Content of Communication</th><th>Independent Director's Suggestion</th></tr><tr><td>Mar 18, 2020</td><td>●The findings of the year 2019 financial report review and the explanation of the results, to communicate with the reviewers on the responsibility, scope, other precautions, independence, the company's self-edited financial report and important accounting standards or interpretation letters, securities control laws and tax laws and updates.</td><td>Independent directors have no opinions and no suggestion</td></tr><tr><td>Nov 11, 2020</td><td>●The financial report for the third quarter of year 2020 and the explanation of the results, to communicate on independence, inspectors' responsibility and scope of financial reporting, matters of concern to the competent authority, annual inspection plans and important accounting standards or interpretation letters, securities control laws and tax laws and updates.</td><td>Independent directors have no opinions and no suggestion</td></tr></table>	Date	Nature and Content of Communication	Independent Director's Suggestion	Mar 18, 2020	●The findings of the year 2019 financial report review and the explanation of the results, to communicate with the reviewers on the responsibility, scope, other precautions, independence, the company's self-edited financial report and important accounting standards or interpretation letters, securities control laws and tax laws and updates.	Independent directors have no opinions and no suggestion	Nov 11, 2020	●The financial report for the third quarter of year 2020 and the explanation of the results, to communicate on independence, inspectors' responsibility and scope of financial reporting, matters of concern to the competent authority, annual inspection plans and important accounting standards or interpretation letters, securities control laws and tax laws and updates.	Independent directors have no opinions and no suggestion	No significant difference.
Date	Nature and Content of Communication	Independent Director's Suggestion											
Mar 18, 2020	●The findings of the year 2019 financial report review and the explanation of the results, to communicate with the reviewers on the responsibility, scope, other precautions, independence, the company's self-edited financial report and important accounting standards or interpretation letters, securities control laws and tax laws and updates.	Independent directors have no opinions and no suggestion											
Nov 11, 2020	●The financial report for the third quarter of year 2020 and the explanation of the results, to communicate on independence, inspectors' responsibility and scope of financial reporting, matters of concern to the competent authority, annual inspection plans and important accounting standards or interpretation letters, securities control laws and tax laws and updates.	Independent directors have no opinions and no suggestion											

Evaluation items	Operating Situation (Note)			Differences from and reasons for the differences between the Corporate Governance Best Practice Principles for listed companies
	Yes	No	Description	
4.14 Does the company website or annual report disclose the identity of the identified stakeholders, issues of concern, communication channels, and response methods?	Yes		The company can respond to stakeholders who have relevant contact channels on the company website. The identity of the stakeholders, issues of concern, communication channels and response methods are detailed in Annexed Table 3 on page 33 of the annual report.	No significant difference.
4.17 Does the company website or corporate social responsibility report disclose the established supplier management policies, require suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor human rights, and explain the actual situation?		No	The company is committed to sustainable operation and will discuss and formulate a "supplier management policy" with relevant departments. It is expected that third-party manufacturers can meet relevant regulations and jointly promote them to corporate social responsibility.	No significant difference.

Note: Regardless of whether the operation status is checked "Yes" or "No", it should be stated in the summary description column.

Annexed Table 1

**Implement the diversity situation of board members**

Diversified core items  Name	Basic Component							Industry Experience		Professional Competence								
	Nationality	Gender	Employees of the Company	Age			Independent Directors' Tenure			Property	Marketing	Operational Judgment	Accounting and Financial Capabilities	Management Ability	Management Capabilities	Leadership	Decision-making Capacity	International Market View
				51-60	61-70	71-80	Below 3year	3-9year	Above9year									
Director: J.H. Tuan	R.O.C.	M	✓		✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
Director: W.L. You, representative of HuaZhan Investment	R.O.C.	M	✓	✓						✓	✓	✓		✓	✓	✓	✓	✓
Director: S. L. Shen, representative of FuTa Investment	R.O.C.	F	✓		✓						✓	✓	✓	✓	✓	✓	✓	✓
Director: B. S. Liu, representative of FuYi Investment	R.O.C.	F	✓	✓							✓	✓	✓	✓	✓	✓	✓	✓
Independent Director: B. S. Li	R.O.C.	F		✓				✓			✓		✓	✓	✓	✓	✓	✓
Independent Director: C. J. Wu	R.O.C.	F		✓				✓			✓		✓	✓	✓	✓	✓	✓
Independent Director: K. L. Yan	R.O.C.	M			✓	✓	✓				✓		✓	✓	✓	✓	✓	✓

The specific management objectives and achievement of the company's diversification policy are as follows:

Management Objectives	Situation
There should be more than half of the seats among the directors, and there should be no relationship within the scope of a spouse or second parent.	achieved



Annexed Table 2

## Year 2020 Accountant Independence and Competency Assessment Form

Assessed date: Nov 4, 2020

## (I) Basic Information:

Name	Chuang	Accounting Firm:	KPMG
Main education and experiences	Education: Graduated Institute of Accounting, Chinese Culture University . Professional qualifications: Accountant of the Republic of China, Associate Vice President of Audit Department of KPMG, Audit Manager of KPMG, Auditor of KPMG, participated in the USMP program from September 2008 to March 2010, and transferred 18 Months to Portland office of KPMG US,		
Name:	Wang	Accounting Firm:	KPMG
Main education and experiences	Education: Department of Accounting, Tamkang University. Professional qualifications: Accountant of the Republic of China, Member of the Taiwan Association of Accountants, Taipei City Accountant Association member, Taichung City Accountants Association member.		

## (II) Evaluation Contents:

With reference to Article 47 of the “Certified Public Accountant Act” and the No. 10 Bulletin of the “Norm of Professional Ethics for Certified Public Accountant”, it is stipulated that:

Item	Result
1.As of the most recent audit process, there have been no cases where the audit has not been changed for seven years.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
2. There is no significant interest related party with the client. °	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
3. Avoid any inappropriate relationship with the client.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4. Accountants should ensure that their assistants are honest, fair and independent.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
5. The financial statements of the service organization within the first two years of practice shall not be audited.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
6. The name and title of the accountant shall not be used by others.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
7. No holding the shares of the company or related companies	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
8. No money borrowing from the company's affiliated company.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
9. No joint investment or benefit-sharing relationship with the company or related companies.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
10. Not concurrently taking up regular jobs in the company or affiliated companies, and receive a regular salary.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
11. Not involving the management function of the company or related companies to make decisions	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
12. Not concurrently operating other businesses that may lose their independence.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
13. There are no spouses, direct blood relatives, direct in-laws, or relatives within the second-class relatives of the company's management staff.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
14. No commissions related to the business have been collected.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
15. Up to now, it has not been punished or harmed the principle of independence.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

## (III) Performance and plans: :

1.Complete signing the year 2019 financial and tax reports of the company as scheduled
2.. Provide the company's financial and tax consulting services when needed.

## (IV) Evaluation results:

CPA Chuang and Wang are independent of the company, and they are timely and fair in providing various financial and tax consultations and audit.
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Evaluator: B.S. Liu

Annexed Table 3

Stakeholders	Key topics	Response channel	Frequency
Employees	Diversity of employees and equal opportunities	Executive management meeting	Weekly
		opinion platform/hot line/e-mail	Website
		Employee Welfare Committee	Not periodic
	Education and training	Internal education and training	Not periodic
Customers	Customer service	Customer hot line	immediate
		Website	immediate
		Face-to-face or telephone communication	Not periodic
		e-mail or written communication	Not periodic
	Privacy	Formal notification and communication	When the contract is signed
Shareholders/investors	Performance	Shareholders Meeting	annual
		Annual report	annual
		Website	immediate
		e-mail	Not periodic
		Telephone communication	Not periodic
		Material information disclosure	Not periodic
Suppliers	Legal compliance	Formal notification and communication	When the contract is signed

Resolutions passed in every board meeting in year 2020.

Date	Period	Content
Mar 18, 2020	6 <sup>th</sup> meeting of 11 <sup>th</sup> session	<p>Motions:</p> <ol style="list-style-type: none"> <li>1. It is reported the passed the resolution in the 2<sup>th</sup> meeting of the 4<sup>th</sup> session Remuneration Committee.</li> <li>2. It is proposed to donate NT\$1 million to the HongPu Social Welfare and Charity Foundation.</li> <li>3. The consolidated and individual financial statements of the company for the year 2019.</li> <li>4. Submit the "Declaration of Internal Control" for year 2019.</li> <li>5. It reported the year 2019 annual business report and the year 2020 annual business outlook of the company.</li> <li>6. It is proposed to apply to China Bills Finance for the financing quota of the extended construction.</li> <li>7. The year 2020 Annual General Meeting of Shareholders will accept matters related to the right of proposal for shareholders holding more than 1% of the shares.</li> <li>8. The time, place, and the content of the resolutions related to the proposed holding of the year 2020 General Meeting of Shareholders.</li> <li>9. It is proposed to sign a project management contract with ChuanYue Development Co., Ltd., and the company will charge management fees.</li> </ol>
Apr 15, 2020	7 <sup>th</sup> meeting of 11 <sup>th</sup> session	<p>Motions:</p> <ol style="list-style-type: none"> <li>1. Discuss the remuneration distribution plan for directors and employees of the company for the year 2019.</li> <li>2. To draft the company's year 2019 earnings distribution proposal.</li> <li>3. Proposed amendments to some provisions of the company's "Articles of Incorporation".</li> <li>4. It is proposed to amend some provisions of the company's "Audit Committee Charter" and "Rules of Procedure for Board of Directors Meetings".</li> <li>5. It is proposed to amend some provisions of the company's "Corporate Governance Best Practice Principles" and "Procedures for Ethical Management and Guidelines of Conduct".</li> <li>6. In accordance with the provisions of Article 14-1 of the Securities Exchange Act, a proposal to amend the company's internal control system.</li> <li>7. Proposed contract for the new construction of project "Palace Forever".</li> <li>8. It submitted the company's annual budget report for the year 2020.</li> </ol>



Date	Period	Content
May 6, 2020	8 <sup>th</sup> meeting of 11 <sup>th</sup> session	Motions: 1. It submitted the consolidated financial statements of the company for the first quarter of year 2020. 2. Manager personnel promotion.
Aug 5, 2020	9 <sup>th</sup> meeting of 11 <sup>th</sup> session	Motions: 1. It reported the consolidated financial statements of the company for the second quarter of year 2020. 2. Matters concerning the determination of the date for cash dividends and ex-dividends for shareholders of earnings distribution of year 2019. 3. According to the resolution passed by the 2th meeting Remuneration Committee held on May 28, 2020. 4. Proposed to amend the company's "Remuneration Committee Charter". 5. Proposed application for turnover and land financing quota from TaChing Bills Finance. 6. Proposal to apply for extension of real estate financing quota from Grand Bills Finance. 7. Proposed application for land financing quota from China Bills Finance.
Nov 4, 2020	10 <sup>th</sup> meeting of 11 <sup>th</sup> session	Motions: 1. It reported the consolidated financial statements of the company for the third quarter of year 2020. 2. Proposed application and extension of land financing quota from TaiShin International Bank. 3. Proposed to apply to KGI Bank for extension of land financing and working capital financing line. 4. Proposed application for working capital financing line with Shanghai Commercial and Savings Bank. 5. It reported the year 2020 public accountant's fees. 6. It submitted a report on the assessment of the independence of accountants. 7. According to the resolution passed by the 3th Remuneration Committee held on August 20, 2020. 8. The proposed donation of the amount of NT\$6,650,000 dollars of construction and design fee for the 1F reading room of library of Pingtung University of Science and Technology.
Dec23, 2020	11 <sup>th</sup> meeting of 11 <sup>th</sup> session	Motions: 1. It reported to the company for the year 2020 audit plan. 2. It proposed to revise the company's "Rules for Procedure Board of Directors Meeting", "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises", "Guidelines for the Adoption of Codes of Ethical Conduct", "Procedures for Election of Directors", "Self-Evaluation or Peer Evaluation of the Board of Directors", and "Rules Governing the Scope of Power of Independent Directors "And "Audit Committee Charter". 3. It proposed to revise the company's "Procedures for Verification and Disclosure of Material Information". 4. It proposed to apply for land financing line of financing from KGI Bank.

(5) The company's establishment of a Remuneration Committee shall disclose its composition, responsibilities and operating conditions:

The company's board of directors approved the establishment of a Remuneration Committee on December 19, 2011, with outsiders (Mr. K. L. Yan , Ms. B. S. Li, and Ms. C. J. Wu) serving as members of the committee and Mr. Yan as the chairman. The responsibility of the Remuneration Committee is to formulate and regularly review the policies, systems, standards and structure of directors and managers' performance evaluation and remuneration, and to regularly evaluate and determine the remuneration of directors and managers.

1. Information of Remuneration Committee Members

Title (Note1) )	Qualification	More than five years of work experience and the following professional qualifications			the independence situation (Note 2)										Number of members of the public company's Remuneration Committee	Remarks
		Have work experience required for business, legal affairs, finance, accounting or corporate business	Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed the national examination required for business with the company and have certificates	Lecturers or above in public and private colleges and universities with relevant materials required for business, legal affairs, finance, accounting or company business	1	2	3	4	5	6	7	8	9	10		
Independent Director	K. L. Yan	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent Director	B. S. Li	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent Director	C. J. Wu	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: Please fill in as director, independent director or others.

Note 2: If each member meets the following conditions two years before the election and during his tenure, please tick " " in the space below each condition code.

- (1) Those who are not employees of the company or its affiliates.
- (2) Directors and supervisors of companies other than the company or its affiliates (but if the company and its parent company, subsidiary, or subsidiary of the same parent company are independent directors set up in accordance with this law or local laws and regulations, this is not the case. ).
- (3) Non-self, their spouse, minor children or other natural person shareholders who hold more than 1% of the total issued shares of the company or hold the top ten shares in the name of others.
- (4) The spouse, relatives within the second class or the direct blood relatives within the third class of the manager not listed in (1) or the personnel listed in (2) and (3).
- (5) Directors of corporate shareholders who do not directly hold more than 5% of the total issued shares of the company, hold the top five shares, or designate representatives as the company's directors or supervisors in accordance with Article 27, Item 1 or Item 2 of the Corporation Act, Supervisors or employees (except for independent directors established by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local laws and regulations).
- (6) More than half of the non-company directors or voting shares are directors, supervisors or employees of other companies controlled by the same person (but if the company or its parent company, subsidiary or child of the same parent company Independent directors established by the company in accordance with this law or local laws and regulations concurrently serve each other, except for this limitation).
- (7) Directors, supervisors or employees of other companies or institutions that are not the same person or spouse as the chairman, general manager or equivalent positions of the company (but if the company and its parent company , Subsidiaries or subsidiaries of the same parent company in accordance with this law or local laws and regulations set up independent directors to concurrently serve each other, not subject to this limitation).
- (8) Directors, supervisors, managers, or shareholders holding more than 5% of shares of a specific company or organization that are not in financial or business dealings with the company (but if the specific company or organization holds the company's issued shares The total number is more than 20%, but not more than 50%, and independent directors established by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local laws and regulations concurrently serve each other, not limited to this).
- (9) Professionals, sole proprietorships, partnerships, companies or institutions who are not professionals, sole proprietors, partnerships, companies or institutions who provide audits for companies or affiliated companies or who have received a cumulative amount of remuneration not exceeding NT\$500,000 in the past two years. Business owners, partners, directors , supervisors , managers and their spouses. However, this does not apply to members of the "Remuneration Committee", "Tender Offer Committee", or "Special Committee on Mergers and Acquisitions" who perform their duties in accordance with the Securities and Exchange Act or the relevant laws and regulations of the Business Mergers And Acquisitions Act.
- (10) There is no one of the items in Article 30 of the Company Act.



## 2. The operation information of the Remuneration Committee

(1) There are 3 members of the Remuneration Committee of the company.

(2) The term of office of the current members: From July 11, 2019 to June 3, 2022, the Remuneration Committee held 3 meetings in the last year (A). The qualifications and attendance of the members are as follows:

Title	Name	Actual attendance (B)	Number of attendance in Proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Chairman	K. L. Yan	3	0	100%	
Committee	P. S. Li	3	0	100%	
Committee	C. J. Wu	3	0	100%	
Other matters to be recorded:					
1. If the board of directors does not adopt or amend the recommendations of the Remuneration Committee, it shall state the date of the board of directors, the date, the content of the proposal, the results of the resolutions of the board of directors, and the company's handling of the opinions of the Remuneration Committee (if the compensation approved by the board of directors is better than the the proposal should state the differences and reasons): No such situation.					
2. If members have objections or reservations and have records or written declarations in the resolutions of the Remuneration Committee, the Remuneration Committee should state the date, period, proposal content, all members' opinions and the handling of members' opinions: None situation.					
Date of Meeting	Period	Proposal content and resolution results			
Jan 20, 2020	2 <sup>th</sup> meeting of 4 <sup>th</sup> session	1. The amount of monthly salary structure payment and performance bonus of the company's managers for the year 2020. 2. The company's directors and supervisors attend the board meeting. 3. The proposal of year 2019 bonus discussion for managers of the company. 4. Set out the compensation for managers and employees of the year 2019 and the compensation for directors and supervisors. After committee's approval, they will be submitted to the board of directors for approval. Members' opinions: no objections and reservations. Resolution result: the chairman consulted all the committee members present and passed the proposal without objection.			
May 28, 2020	3 <sup>th</sup> meeting of 4 <sup>th</sup> session	1. Discussion proposal on employee remuneration and directors' remuneration for the company's managers in year 2019. 2. C. H. Lu in Engineering Department was promoted from Manager to Associate Vice President. 3. Amendments to the Remuneration Committee Charter. Members' opinions: no objections and reservations. Resolution result: the chairman consulted all the committee members present and passed the proposal without objection.			
Aug 20, 2020	4 <sup>th</sup> meeting of 4 <sup>th</sup> session	1. The adjustment of salary structure, payment amount and performance bonus of the company's directors and managers. Members' opinions: no objections and reservations. Resolution result: the chairman consulted all the committee members present and passed the proposal without objection.			

Note 1: If a member of the Remuneration Compensation Committee resigned before the end of the year, the date of resignation should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Salary and Compensation Committee and the actual number of attendances during the period of employment.

Note 2: Before the end of the year, if the Remuneration Committee is re-elected, the new and old Remuneration Committee members should be listed, and the remarks column should indicate whether the member is old, new or re-elected and the date of reelection. The actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during their employment and their actual attendance.

Fulfillment of social responsibilities: The company attaches great importance to the environmental sanitation of the construction site and the safety of construction personnel, etc., and strictly enforces the construction site in accordance with relevant laws and regulations.

1. The performance of social responsibility and the differences from the “Corporate Social Responsibility Best Practice Principles for Listed Companies” and reasons.

Evaluation items	Operations(NOTE1)			Differences from the “Corporate Social Responsibility Best Practice Principles for Listed Companies” and reasons.
	Yes	No	Summary(NOTE2)	
(I) Has the company assessed the environmental, social , and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies?	Yes		<p>1. Environmental protection: Please refer to page 42-44 of the annual report, B. Key points of environmental protection implementation.</p> <p>2. product responsibility: Based on residential safety, the company builds qualified, legal, and conforms to national safety regulations and environmental protection policies.</p> <p>3. labor-employment relationship: Please refer to pages 70-71 of the Annual Report, Labor-Employment Relations.</p> <p>4 anti-corruption: The company has formulated the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Codes of Ethical Conduct", "Methods for Reporting Illegal, Unethical, and Dishonest Behavior Cases", and "Internal Control System" to cooperate internal audit operations. Provide reporting channels and implement anti-corruption enforcement measures.</p>	No material discrepancy.
II.Does the Company establish an exclusively(or part-time)dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	Yes		The company has formulated the “Corporate Social Responsibility Best Practice Principles”, and established the "HongPu Social Welfare Foundation" in 2016. The foundation has 9 directors and 1 chief executive officer. It promotes social welfare business and does its business well. Social responsibility. Detailed evaluation of donated projects. Project 7. Other important information disclosures that help understand the operation of corporate social responsibility. The company is expected to report on the year 2020 meeting of the board of directors on Mar 06, 2021.	No material discrepancy.
III.Environmental Issues (I) Has the company established a suitable environmental management system based on the characteristics of its industry?	Yes		(1) The wastes on the construction sites of the company are fully entrusted to be recycled and processed by professional and legal environmental protection companies. All vehicles and equipment that carry excavation materials or construction pellets should be equipped with airtight car hoppers or tightly covered with dust-proof cloth or other air-tight coverings and preventive facilities to prevent the carried materials from falling to the ground. Dust escape prevention facilities in the work area shall be handled in accordance with the "Management Regulations for Construction Project Air Pollution Control Facilities" promulgated by the Environmental Protection Administration of the Executive Yuan. In accordance with relevant laws and regulations on environmental protection, as well as the content and characteristics of this project, various environmental protection	No material discrepancy.



Evaluation items	Operations(NOTE1)			Differences from the “Corporate Social Responsibility Best Practice Principles for Listed Companies” and reasons.
	Yes	No	Summary(NOTE2)	
(II) Has the company committed to improving the efficiency of various resources and utilizing renewable materials that have reduced environmental impact?	Yes		management and monitoring tasks are drawn up. above tasks also include the formulation of environmental protection execution plans and the control of the execution of the plans. When the noise, vibration, smoke and dust, and the quality of discharged water during construction may exceed the requirements of laws and regulations, the contractor shall still bear the relevant management and monitoring responsibilities, and take samples and measurements in accordance with environmental protection laws and regulations to avoid affecting the environment. (2) The company is committed to the reuse of paper, and retains cabinets, glass, curtains and door leaves when relocating the office.	
(III) Has the company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?	Yes		(3) The company uses energy-saving and power-saving lamps, promotes employees to reduce electricity consumption, turns off vehicles when standby, reduces greenhouse gas emissions, and applies for green building labels according to the situation of each case; the current new store area construction plan will introduce smart buildings, and its related The content includes the use of energy management systems to effectively manage energy usage, so as to save energy and carbon; smart water meters can detect leaks in pipelines, effectively control and maintain water resources, and implement CO2 reduction indicators in accordance with green buildings, and other related measures.	
(IV) Has the company the calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?	Yes		(4) The company promotes employees to turn off lights at will to reduce power consumption, use energy-saving lamps in the office, and turn off vehicles in standby to reduce greenhouse gas emissions. Recycled paper is used for photocopying of meeting materials to reduce environmental impact. Apply for the green building label according to the circumstances of each case; the current Xindian District construction plan will introduce smart buildings, and its related content includes the use of energy management systems to effectively manage energy usage, so as to save energy and carbon; smart water meters, detectable Whether there is water leakage in the pipeline, effective control and maintenance of water resources, implementation of CO2 reduction indicators in accordance with green buildings, and other related measures.	
IV. Social Issues (I) Does the company formulate appropriate management policies and procedures according to relevant	Yes		(1) The company protects the legitimate rights and interests of employees in accordance with labor laws and regulations, and sets aside retirement pensions. There is an employee welfare committee, which	No material

Evaluation items	Operations(NOTE1)			Differences from the “Corporate Social Responsibility Best Practice Principles for Listed Companies” and reasons.
	Yes	No	Summary(NOTE2)	
regulations and the International Bill of Human Rights?			operates through the welfare committee elected by employees to handle various welfare matters.	discrepancy.
(II) Has the company established and offered proper employee benefits(including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	Yes		(II) The company complies with the provisions of the Labor Standards Act and stipulates in Article 25 of the company's “Articles of Incorporation” that if there is a profit in the company's annual final accounts, it shall first allocate employee compensation and director compensation, and employee compensation shall not be less than 1%.	
(III)Has the company provided employees with a safe and healthy working environment and routinely conducted safety and health education for employees?	Yes		(III) The company takes the creation of a friendly workplace environment as one of its primary tasks. 1. Work environment and employee safety protection measures: The office arranges cleaning specialists to maintain the workplace environment, and regularly disinfect and clean the work environment. Employees wear identification cards when entering and leaving the office. Visitors are guided by the counter and are not allowed to enter to maintain office safety. The company has security technicians, operation supervisors or construction safety assessors to provide a safe and healthy working environment and regular return training. 2. The company provides regular employee health checks.	
(IV)Has the company established an effective competency development career training program for employees?	Yes		(4) The company organizes education and training courses when needed, and encourages employees to continue to study, and the tuition fee is subsidized by the company.	
(V)Has the company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	Yes		(5) The company requires suppliers to provide chlorine ions and non-radiation certified raw materials to build products, and maintain good communication channels between the company and customers, and have dedicated after-sales service personnel.	
(VI)Has the company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection , occupational safety and health or labor rights and supervised their compliance?		No	(6) The company requires suppliers to provide chlorine ions and raw materials qualified for non-radiation testing. The procurement department all contract qualified manufacturers and the company will take necessary inspection measures. If any quality defects are found, they will be replaced or terminated in time. The company is committed to sustainable operation and will discuss and formulate a "Supplier Management Policy" with relevant departments. It is expected that third-party vendors can meet relevant regulations and jointly promote them to corporate	



Evaluation items	Operations(NOTE1)			Differences from the "Corporate Social Responsibility Best Practice Principles for Listed Companies" and reasons.
	Yes	No	Summary(NOTE2)	
			social responsibility.	
V. Did the company , following internationally recognized guidelines, prepare reports such as its Corporate Social Responsibility report to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?	Yes		On April 26, 2017, the company formulated the "Corporate Social Responsibility Best Practice Principles". The company will discuss whether to prepare and file the Corporate Social Responsibility Reports.	No material discrepancy.
<p>VI · If the company has its own corporate social responsibility code in accordance with the "Corporate Social Responsibility Best Practice Principles for Listed Companies", please state the difference between its operation and the established code: The company's board of directors held a meeting on March 18, 2020. The attending directors passed a donation of NT\$1 million to the "HongPu Social Welfare Foundation" approved by the Ministry of Health and Welfare. The directors of the company at the board of directors meeting on November 4, 2020 passed donating the renovation project and design fee of the 1F floor reading room of library of Pingtung University of Science and Technology. The company is looking forward to providing a better and more comfortable reading environment for the students. The company is committed to contribute more social responsibility. The results of the implementation of the company's foundation are disclosed in Article (2) of Item 7 below.</p>				
<p>VII · Other important information that helps to understand the operation of corporate social responsibility (such as the company's adoption of environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, safety and health, and other social responsibility activities System and measures and implementation status):</p> <p>(1) Social environmental protection:</p> <ol style="list-style-type: none"> <li>1. The company's site wastes are fully entrusted to be recycled and processed by professional and legal environmental protection companies, and each site was deployed a supervisor who is responsible for sorting and rectifying and environmental maintenance and management.</li> <li>2. The company's projects, "World Trade Plaza", "Light Year-the World", "Light Year-the One", "Economy and Trade" and "AMAX", have all obtained the Green Building Label, and will continue to achieve the goal of environmental sustainability.</li> </ol> <p>(2) Social contributions, social services, and social welfare:</p> <p>The company is committed to fulfilling corporate social responsibility (CSR), promoting and implementing corporate sustainable development strategies. The board of directors approved the donation of the "HongPu Social Welfare Charity Foundation" of NT\$1 million and the board meeting approved the amount NT\$6,650,000 dollars in-kind donation of the renovation project and design fee of the first floor reading room of library of Pingtung University of Science and Technology. The total amount NT\$7,321,550 dollars were donated to various schools, social welfare organizations, etc. The efforts of year 2020 are as follows:</p> <ol style="list-style-type: none"> <li>1. In-kind donation to Pingtung University of Science and Technology's reading room decoration project and design fee-NT\$6,650,000 dollars.</li> <li>2. Social Welfare Charity-Elderly Welfare "MSWF"-NT\$100,000 dollars.</li> <li>3. Social Welfare Charity-Disability Welfare "Aiwei Mercy Foundation"-NT\$100,000 dollars.</li> <li>4. Social Welfare Charity-Elderly Welfare "Taipei Gateball Federation"-NT\$ 60,000 dollars.</li> <li>5. Social Welfare Charity-Child Welfare "Childhood Cancer Foundation of R.O.C."-NT\$100,000 dollars.</li> <li>6. Other social welfare-"Pingtung University of Science and Technology" Wildlife Protection-NT\$100,000 dollars.</li> <li>7. Other social welfare-"Red Cross Society China Zhejiang Branch"-NT\$151,550 dollars.</li> <li>8. Other social welfare-"Life Conservationist Association, R.O.C., Taiwan "-NT\$ 60,000 dollars.</li> </ol> <p>(3) Consumer rights:</p> <p>Build qualified, legal, and comply with national safety regulations and environmental protection policies to make consumers feel at ease.</p>				

Evaluation items	Operations(NOTE1)			Differences from the “Corporate Social Responsibility Best Practice Principles for Listed Companies” and reasons.
	Yes	No	Summary(NOTE2)	
VIII. . If the company's product or corporate social responsibility report has passed the verification standards of the relevant verification agency, it should be stated: Not applicable.				

Note 1: If you check "Yes" in the operation situation, please explain the important policies, strategies, measures and implementation conditions adopted; if you check the "No" in the operation situation, please explain the reasons and explain the relevant policies, strategies and implementations plan of measures in the future.

Note 2: If the company has prepared a corporate social responsibility report, the operation situation may indicate the method of consulting the corporate social responsibility report and the index page to replace it.

Note 3: The principle of materiality refers to those who have a significant impact on the company's investors and other interested parties related to environmental, social and corporate governance issues.

2. The company requires suppliers to comply with relevant regulations on topics such as environmental protection, safety or hygiene. The main points are as follows:

A. Key points of safety and health management:

- (1) During the construction period, Party B shall comply with the Labor Standards Act and its enforcement rules, Labor Inspection Act and its enforcement rules, Occupational Safety and Health Act and its enforcement rules, Occupational Safety and Health Facilities Rules, labor safety and health organization management and automatic inspection methods , Hazardous workplace review and inspection methods, labor safety and health education and training rules, standards for the construction of safety and health facilities, relevant laws, regulations, and project contract requirements, and ensure that safety and health management are actually handled. At the same time, all employees should be made aware of the important features and characteristics of the project. It is regional, and relevant safety and health slogans, posters, etc. should be posted at appropriate places on the construction site, and safety and health management and maintenance should be strengthened to avoid occupational disasters.
- (2) Party B shall employ qualified labor safety and health management personnel to be stationed on the site in accordance with the regulations, and those employing more than 30 laborers shall submit a report to the labor inspection agency before the construction in accordance with the regulations. The copy shall be sent to Party A for reference. The employment of labor If the number is less than 30, it needs to be reported to Party A. And supervise the handling of labor safety and health management and other matters. If the manager asks for leave or cannot be stationed at the construction site or resigns for some reason, he should find a qualified representative in advance and report to the local inspection agency or Party A for approval. And pay attention to site safety and preventive measures at all times. If any accident occurs due to Party B's negligence or negligence, Party B shall bear all responsibilities.
- (3) Party B shall prevent the catastrophe that may occur during the construction of the project with respect to the environment, climate, transportation, geology, and existing facilities of the construction site, as well as the construction objectives and design content of the project, and prepare preventive and corresponding measures in accordance with the regulations.
- (4) When entering the construction site, all personnel should wear safety helmets and other necessary protective tools. Party B should provide protective equipment on the construction site for the personnel entering the construction site (including Party A's personnel) to wear and use.



- (5) During the construction period, Party B shall be responsible for the management, provision, welfare, safety and hygiene of all Party B's employees, as well as the maintenance and storage of all machinery, equipment and materials. And always pay attention to the conduct of all employees to prevent disputes. All employees of Party B shall abide by relevant laws and regulations, and accept Party A's guidance on relevant work. In case of disobedience, order, obstruction of work or other illegal improprieties, Party A may request to replace them at any time, and Party B shall immediately Do as it is.
- (6) Party B shall formulate "Safety and Hygiene Work Code" suitable for its needs in accordance with the Labor Safety and Health Law and relevant regulations after the start of the project, report to the labor inspection agency for reference, announce the implementation, and notify Party A.
- (7) Party B shall formulate an automatic inspection plan in accordance with the labor safety and health organization management and automatic inspection methods and other laws and regulations, implement automatic inspections and keep records. If it is found to be missing or not handled properly during supervision and inspection by Party A or related units, the improvement shall be completed within the specified time after notification. Those who fail to make improvements within the time limit will not be assessed, and the labor inspection agency will be asked to do so in accordance with relevant laws and regulations.
- (8) During the construction period, when Party B violates labor safety and health and other related laws and regulations, and there is a possibility of emergency danger, Party A may request Party B to suspend the relevant part of the construction. Once the improvement is completed, Party A will check and approve it. The resumption of work shall not be used to request the processing period or any compensation.
- (9) After the start of the project, in accordance with the relevant labor safety and health measures in the contract, Party A may send personnel to the site for inspection and make records on a regular or irregular basis. Party B shall make improvements in accordance with the improvement items in the audit records. Refuse to apply for the current payment.

**B. Key points of environmental protection implementation:**

- (1) The construction access road at the entrance and exit of the work area shall be laid on the leveled and compacted road foundation with reinforced concrete, concrete, steel plate, coarse-grade ingredients or other granular materials with equivalent functions in accordance with the design drawings or the location specified in the contract.
- (2) After the completion of this project, if it is necessary to reinstate the site, Party B shall demolish the site construction access road and restore it to its original state upon the instructions of Party A.
- (3) The car wash equipment and sedimentation tank are set up in accordance with the suggested location of the design drawing or the instructions of Party A. They are installed at the gate exit of the work area on the principle that they must pass through the road. If due to site restrictions, their configuration may be adjusted after Party A agrees. But it should be based on the principle of not hindering the progress of the project. In addition to the installation location suggested in the design drawing, Party B may also propose an appropriate location according to the construction needs, and add it after Party A's approval.
- (4) For vehicles and mobile machinery leaving the construction site, the dirt attached to their tires should be washed before they can be driven out. If the ground is contaminated, they should be cleaned up at any time.

- (5) After the car wash wastewater is precipitated by physical (natural precipitation) or chemical (medicinal treatment) methods in the sedimentation tank, the upper clarified water should be recycled for use, or be treated to meet environmental protection discharge standards before being discharged to the work area for drainage. In the system, the sedimentation tank should be able to maintain unobstructed and often need to clean up the mud.
- (6) The sedimentation tank attached to the car wash equipment is only for the sedimentation of car wash wastewater, and shall not be used as a temporary sand trap for sedimentation. This equipment should be dismantled after the construction of each section is completed, and the original location should be restored or other engineering construction should be carried out according to the engineering design drawing.
- (7) Steel plates should be laid on the vehicle path from the car wash equipment and sedimentation tank to the main road.
- (8) During the construction period of the project, the roads adjacent to the work area should be kept in good condition and clean. If there are scattered leftovers, they must be removed at any time to maintain the clean road environment around the work area.
- (9) All vehicles and equipment that carry excavation materials or construction pellets should be equipped with airtight hoppers or use dust-proof cloth or other air-tight coverings to tightly cover them and prevent the carried materials from falling to the ground. Use dust-proof cloth or other air-tight coverings, which should be tied firmly, and the edges should extend to cover at least 15 cm below the upper edge of the vehicle body.
- (10) During the construction period, construction site signs should be set up, indicating the air pollution prevention and control fee collection control number of the construction project, the name and telephone number of the person in charge of the construction site, and the telephone number of the local environmental protection agency for public hazard reporting.
- (11) The construction of fences shall be handled in accordance with the "Management Measures for Air Pollution Prevention and Control Facilities of Construction Projects" and the "Construction Fence Projects".
- (12) In order to maintain the unblocked flow of the existing drainage and irrigation ditches in the work area, Party B shall follow Party A's instructions during the construction period and implement temporary drainage and water diversion facilities in accordance with the current conditions of the work site and the needs of the construction operation to avoid interrupting the waterway.
- (13) In order to coordinate with site preparation, excavation operations, soil filling operations, material stacking, etc., it must be installed at a suitable location within the scope of the work area, such as the confluence of ditches, the exit of each drainage zone, or the low-lying land of the base, etc. Temporary sand blocking and drainage facilities to slow down the flow of water and intercept soil and rock lost due to erosion. Unless otherwise specified, this work includes all temporary water and soil conservation facilities built in the work area, such as disaster prevention embankments, slope protection, temporary grit chambers, and drainage roads.
- (14) In accordance with the relevant provisions of the Soil and Water Conservation Law and the current conditions of the construction site, in conjunction with construction activities, temporary temporary installations should be placed at appropriate locations within the construction area, such as the



confluence of ditches, the exits of various drainage districts, or the low-lying sites of the base. Sand blocking and drainage facilities, grit tanks, etc., to slow down the flow of water and intercept soil and rock lost due to erosion.

- (15) The dust escape prevention and control facilities in the work area shall be handled in accordance with the "Management Measures for Air Pollution Prevention and Control Facilities for Construction Projects" promulgated by the Environmental Protection Department of the Executive Yuan.
- (16) The control of runoff wastewater during the construction period is formulated in accordance with the regulations of "Construction sites and earth-rock pile (abandonment) sites are necessary measures to reduce the amount of effluent and sediment erosion in runoff wastewater" promulgated by the Environmental Protection Department of the Executive Yuan. The Runoff Wastewater Pollution Reduction Plan" is submitted to the competent authority to complete the verification and implement it accordingly.
- (17) A closed trash bin is set up in the work area to collect the garbage generated by the construction personnel, and Party B will clean it up by itself or entrust a government cleanup unit or a qualified public and private waste cleanup and disposal agency.
- (18) Other industrial wastes generated by construction operations shall be handled in accordance with the "Waste Disposal Law" and "Industrial Waste Storage and Disposal Methods and Facility Standards" and other relevant regulations. Party B shall be responsible for cleaning up by itself or by a government agency or qualified company. 、 Removal and treatment by private waste removal and treatment institutions.
- (19) If the waste generated by the construction operation is recognized as hazardous industrial waste according to the "Hazardous Industrial Waste Identification Standard", it must be disposed of in accordance with relevant laws and regulations, and shall not be combined with general waste or general industrial waste for disposal.
- (20) The construction waste water and domestic sewage treatment facilities shall be set up separately in and outside the work area as required. The domestic sewage of the construction workers shall be equipped with sewage collection and treatment equipment, and the sewage shall be properly treated and recycled or discharged after meeting the discharge standards, or shall apply to be discharged into the nearby sewage sewer system.
- (21) Party B shall formulate various environmental protection management and monitoring tasks in accordance with relevant environmental protection laws and regulations, as well as the content and characteristics of this project. The above tasks include the formulation of environmental protection execution plans and the control of the execution of the plans. When the noise, vibration, smoke and dust, and the quality of discharged water during construction may exceed the requirements of laws and regulations, Party B shall still assume the relevant management and monitoring responsibilities, and perform sampling and measurement in accordance with environmental protection laws and regulations to avoid affecting the environment.

## (7) Implementation of ethical management

Evaluation Items	Operating situation (Note 1)			Differences and reasons for Ethical Corporate Management Best Practice Principles for listed companies
	Yes	No	Description	
1・Formulate ethical management policies and plans				
(1) Does the company formulate an ethical operation policy approved by the board of directors, and clearly indicate the ethical operation policy and practice in regulations and external documents, as well as the board of directors and senior management's commitment to actively implement the operating policy?	Yes		(1) On March 23, 2012, the 22nd meeting of the eighth session of the board of directors of the company passed the "Ethical Corporate Management Best Practice Principles" and submitted it to the shareholders meeting on June 21, 2012, respectively on December 18, 2014. April 26, 2019. In response to the amendment of the law and passed by the board of directors, it was disclosed on the public information observatory and the company website. The senior management and board members of the company uphold the responsibilities of supervision based on integrity in the execution of business in order to create a sustainable business environment.	No difference.
(2) Whether the company has established a risk assessment mechanism for un-ethical conduct, regularly analyzes and evaluates business activities with a higher risk of un-ethical conduct in the business scope, and formulates a plan to prevent un-ethical conduct, and at least covers the "Ethical Corporate Management Best Practice Principles for listed companies what are the precautionary measures for each section of Article 7?	Yes		(2) The company's "Procedures for Ethical Management and Guidelines for Conduct" clearly prohibits bribery and acceptance of bribes, offering or accepting improper benefits, offering or promising facilitation payments, providing illegal political contributions, engaging in unfair competition behavior, improper charitable donations, or sponsorship, disclosure of business secrets, and damage to the rights and interests of stakeholders, and other dishonest acts, have all adopted preventive measures to implement the integrity management policy. The company is operating in good condition, and no major incidents have occurred yet.	No difference.
(3) Does the company clearly define operating procedures, behavior guidelines, punishment and appeal systems for violations in the plan for preventing dishonest behaviors, implement them, and regularly review the pre-revision plan?	Yes		(3) The company engages in business activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement the integrity management policy, in accordance with the "Code for Integrity Management of Listed Companies", the board of directors passed a resolution to formulate the "Integrity Management Operating Procedure and Behavior Guide" to specifically regulate this The matters that company personnel should pay attention to when performing their business, including clearly stipulating the operating procedures and behavior guidelines of each plan, and the punishment and appeal system for violations. It will strengthen publicity to the company's employees and implement it in operational operations.	No difference.



Evaluation Items	Operating situation (Note 1)			Differences and reasons for Ethical Corporate Management Best Practice Principles for listed companies
	Yes	No	Description	
<p>2. Implement ethical management</p> <p>(1) Does the company assess the ethical records of its counterparties and specify the integrity behavior clauses in the contracts it signs with its counterparties?</p> <p>(2) Does the company set up a dedicated (part-time) unit under the board of directors to promote corporate ethical management, and report its implementation to the board of directors on a regular basis?</p> <p>(3) Does the company formulate policies to prevent conflicts of interest, provide appropriate channels for presentation, and implement them?</p> <p>(4) Has the company established an effective accounting system and internal control system for the implementation of ethical operation, and has it regularly checked by an internal audit unit, or has it entrusted an accountant to perform the check?</p> <p>(5) Does the company regularly organize internal and external education and training on ethical management?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>		<p>(1) The company's pre-sale agreement and engineering contract have stipulated relevant ethical behavior clauses to avoid dishonest behavior.</p> <p>(2) The company promotes the full-time (part-time) unit of corporate integrity management as the general manager's office and reports to the chairman of the board. There is a contact channel in the stakeholder section of the company's website. In 2020, a total of 0 valid cases reported by external parties and 0 cases reported directly by employees were accepted, and no major dishonest acts occurred.</p> <p>(3) The "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" formulated by the company have clearly defined policies to prevent conflicts of interest and require all units to implement them; the company's internal and company websites provide smooth channels<sup>7</sup> for employees to express their opinions. The relationship with its own interests has been handled by the board of directors (Apr 15, 2020, Jan 30, 2019, Jul 11, 2019) in accordance with the company's relevant provisions on avoidance of interests.</p> <p>(4) The company establishes an effective accounting system and internal control system, and implements it effectively to ensure the implementation of integrity management. The audit unit regularly inspects various internal operations of the company, and reports the audit results to the board of directors for a report.</p> <p>(5) The company places a "Guidelines for the Adoption of Codes of Ethical Conduct" on the company's internal website to remind employees of their own behavioral ethics at any time.</p>	No difference.
<p>3. The operation of the company whistleblowing system</p> <p>(1) Does the company formulate a specific reporting and reward system, and establish a convenient reporting channel,</p>	<p>Yes</p>		<p>(1) Article 23 of the Company's "Ethical Corporate Management Best Practice Principles" and Article 21 of the "Procedures for Ethical Management and Guidelines for Conduct" are related to the</p>	No Difference.

Evaluation Items	Operating situation (Note 1)			Differences and reasons for Ethical Corporate Management Best Practice Principles for listed companies
	Yes	No	Description	
and designate appropriate personnel responsible for the reporting object?			whistleblowing system. If the company's personnel suspect or discover violations, they should take the initiative to report to the audit committee and independent directors. , The audit supervisor or other suitable personnel to report. The company's stakeholder area has liaison channels for relevant personnel to report illegal acts; no major internal and external reports occurred in 2020.	
(2) Does the company formulate standard operating procedures and related confidentiality mechanisms for the investigation and	Yes		(2) According to Article 23 of the Company's "Ethical Corporate Management Best Practice Principles" and Article 21 of the "Procedures for Ethical Management and Guidelines for Conduct", the acceptance, investigation process and results of the report case shall be recorded and kept, and the identity and content of the informant shall be kept confidential. If a major violation of regulations is found after investigation or the group is in danger of major damage, a report should be made immediately, and the audit committee and independent directors should be notified in writing; no such incident occurred in 2020.	No Difference.
(3) Does the company take measures to protect whistleblowers from being improperly handled due to whistleblowing?	Yes		(3) In accordance with Article 23 of the Company's "Ethical Corporate Management Best Practice Principles" and Article 21 of the "Procedures for Ethical Management and Guidelines for Conduct", the identity and content of the informant is truly confidential, and measures not to be improperly handled due to the report.	No Difference.
4. Strengthen information disclosure (1) Does the company disclose on its website and public information observatory the content and promotion effect of its principles of ethical management?	Yes		(1) The company discloses the ethical corporate management in its annual report, company website and public information observatory.	No Difference.
5. If the company has its own code of integrity management based on the "Ethical Corporate Management Best Practice Principles for Listed Companies", please state the difference between its operation and the established code: The company has established the "Ethical Corporate Management Best Practice Principles" to establish integrity management. The corporate culture has been soundly developed, and there is no difference between the actual operating conditions and the company's code.				



Evaluation Items	Operating situation (Note 1)			Differences and reasons for Ethical Corporate Management Best Practice Principles for listed companies
	Yes	No	Description	
6. Other important information that helps to understand the company’s integrity management operations (such as the company’s promotion of the company’s integrity management determination, policies and invitations to participate in education and training, review and revision of the company’s integrity management codes, etc.)				
(1) The company abides by the Company Act, Securities Exchange Act, Business Entity Accounting Act, relevant regulations related to listing on the OTC, or other business conduct related laws and regulations, as the basis for the implementation of integrity management.				
(2) The company’s "Regulations of the Board of Directors" has a system for avoiding the interests of directors. If the proposals listed by the board of directors have an interest in the company or the legal person that it represents, and may be harmful to the company’s interests, they may state their opinions and answer inquiries, and they are not allowed to join discuss and vote, and should be avoided during discussion and voting, and may not act for other directors to exercise their voting rights.				
(3) The company has a "Procedures for Handling Material Inside Information", which clearly stipulates that directors, managers and employees shall not disclose important internal information that they know to others, and shall not inquire or collect personal duties from persons who know the important internal information of the company Irrelevant companies have not disclosed major internal information, and the company shall not disclose major internal information that has not been disclosed by the company for reasons other than the execution of business.				
(4) In order to ensure the implementation of honest operation, the company has established an effective accounting system and internal control system, and internal auditors regularly check the compliance with the previous system.				

Note1: Regardless of whether the operation status is checked "Yes" or "No", it should be stated in the summary description field.

- (8) If the company has formulated corporate governance codes and related regulations, it should disclose its inquiry method: please refer to the public information customs station and company website for details. Open Information Observation Station: Go online and enter the public observation information station, enter the company code 2536, click "Corporate Governance", select "Establish rules and regulations for corporate governance" and then click "Listed company" to query the company's Corporate Governance Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Guidelines for the Adoption of Codes of Ethical Conduct. Company website: Go to the company website <http://www.hong-pu.com.tw/> on the Internet, and you can inquire about corporate social responsibility under the HongPu display item.

- (9) Other important information that is sufficient to enhance the understanding of corporate governance operations :

Title	Name	Institute	Course	Hour
Chairman	J.H .Taun	Taiwan Stock Exchange, Taipei Exchange	2020 Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference.	3
Chairman	J.H .Taun	Securities and Futures Institute	2020 Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar.	3
Independent Director	K. L. Yan	Securities and Futures Institute	Directors and Supervisors (Independent Directors) and Corporate Governance Executives Advanced Seminar -Corporate Governance and Securities Regulations.	3
Independent Director	K. L. Yan	Securities and Futures Institute	Directors and Supervisors (Independent Directors) and Corporate Governance Executives Advanced Seminar-Strategy and Management of Enterprise Upgrade and Transformation-M&A and Alliance Selection.	3

Title	Name	Institute	Course	Hour
Independent Director	P. S. Li	Accounting Research and Development Foundation	The Competent Authority requires the establishment of "Corporate Governance Supervisors/Personnel" Practice Analysis.	3
Independent Director	P. S. Li	Securities and Futures Institute	2020 Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar.	3
Independent Director	C. J. Wu	Securities and Futures Institute	2020 Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar.	3
Independent Director	C. J. Wu	Taiwan Corporate Governance Association	Audit Committee Series Courses-Advanced Practice Sharing of Audit Committee-Towards 3.0	3
Director	S. L. Shen	Securities and Futures Institute	2020 Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar.	3
Director	S. L. Shen	Taiwan Corporate Governance Association	Corporate Governance and Legal Compliance.	3
Director	P. S. Liu	Securities and Futures Institute	2020 Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar.	3
Director	P. S. Liu	Taiwan Corporate Governance Association	Corporate Governance and Legal Compliance.	3
Director	W. L. You	Taiwan Stock Exchange, Taipei Exchange 臺灣證券交易所	2020 Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference.	3
Director	W. L. You	Securities and Futures Institute	2020 Annual Prevention of Insider Trading and Insider Equity Trading Publicity Seminar.	3
Chief Accounting Officer	P. S. Liu	Accounting Research and Development Foundation	Continuing Training Course for Accounting Supervisors of Issuer, Securities and Stock Exchange Corporation.	12
Accounting Assistant Manager	Y. F. Huang	Accounting Research and Development Foundation	Continuing Training Course for Accounting Supervisors of Issuer, Securities and Stock Exchange Corporation.	12
Internal Auditing Junior Manager	Y. F. Wu	The Institute of Internal Auditors, Chinese Taiwan	Policy analysis and key discussion on internal audit and internal control practices for enterprises to improve their ability to self-prepare financial reports.	6
Internal Auditing Junior Manager	Y. F. Wu	The Institute of Internal Auditors, Chinese Taiwan	Annual operating plan and budgeting audit practice seminar.	6
Internal Auditing Manager	C. H. Chan	The Institute of Internal Auditors, Chinese Taiwan	Policy analysis and key discussion on internal audit and internal control practices for enterprises to improve their ability to self-prepare financial reports.	6
Internal Auditing Manager	C. H. Chan	The Institute of Internal Auditors, Chinese Taiwan	How to prevent major financial malpractices (short selling, insider trading, profit transfer, stock price manipulation, unconventional transactions, false financial reports, etc.).	6



## h. control system overview

## (a) Statement of Internal Control System

Date: March 17, 2021

Based on the findings of a self-assessment, Hong-Pu Real Estate Development Co, Ltd. states the following with regard to its internal control system during the period from January 1, 2020 to December 31, 2020:

1. Hong-Pu is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. Hong-Pu has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of Hong-Pu contains self-monitoring mechanisms, and Hong-Pu takes corrective actions whenever a deficiency is identified.
3. Hong-Pu evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (here in below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. Hong-Pu has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Hong-Pu believes that, on December 31st, 2018, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This statement will be an integral part of Hong-Pu's Annual Report for the year 2018 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors, 7 director members(3 independent directors included), in their meeting held on March 17, 2021, with 0 absent director and 0 of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Hong-Pu Real Estate Development Co., Ltd.

Chairman: J. H. Tuan

CEO: J. H. Tuan



(b) The Securities and Futures Bureau May Request Companies to Commission Independent Auditor to Audit the Said Internal Control System. Disclosure of the Audit Report(s) is mandatory: None

k. Regulatory Authorities' Legal Penalties to the Company, and the Company's resulting Punishment on Its Employees: None

l. During the 2020 alendar year, through the period from April 23, 2021 to report published date, Shareholder Meetings' and Board Meetings' major resolutions passed at these meetings are summarized below:

Board Resolution	Item
2020/03/18	The board of directors of the company approved the donation to the HongPu Social Welfare and Charity Foundation.
2020/03/27	The company acquired land in Zhongli District, Taoyuan City.
2020/04/15	The board of directors resolves dividend distribution.
2020/04/15	Contract for the construction of "Palace Forever".
2020/05/06	The personnel changes of company's manager.
2020/06/09	Important resolutions of the 2020 annual shareholders meeting.
2020/07/06	The company acquired land in Zhongli District, Taoyuan City.
2020/08/05	The company's board of directors resolves the ex-dividend date and related matters.
2020/08/22	The company acquired land in Xindian District, New Taipei City.
2020/09/23	The company acquired land in Yongkang District, Tainan City.
2020/09/24	The company acquired land in Xindian District, New Taipei City.
2021/03/17	The Board of Directors resolved to convene the year 2021 shareholders' meeting.
2021/03/17	The company changed CPA due to internal rotation of the accounting firm.
2021/04/06	The Board of Directors resolved to authorize chairman for land development and joint venture.

Note 1: Resolution of shareholders' meeting

Date	Abstracts of proposal	Resolutions	Implementations	Remarks
2020/06/09	(1)Adoption of the proposal for distribution of profits fiscal year 2019.	(1)Approvd	(1) In accordance with the resolution of the shareholders' meeting, the earnings distribution of cash dividend of NT\$1.2 per share, a total amount of NT\$ 399,370,382 has been implemented. Set Aug 29, 2020 as the distribution base date, and fully distributed on Sep 16, 2020.	None
	(2)Amendment to the Articles of Incorporation.	(2) Approvd	(2) Registration was approval by the Ministry of Economic Affairs on Jun 19, 2020.	None
	(3) Adoption of business report and financial statements of fiscal year 2019.	(3) Approvd	(3) Business report and financial statements of fiscal year 2019 was ratified .	None

m.Directors and supervisors have different opinion in the major resolutions passed by the Board of Directors and record as paper in recently year and up to the annual report published date: None.

n. Resigned or expired situation summary of the company chairman, the general manager, the accountant officer, the financial officer, the internal auditing officer and the R&D officer and so on in recently year and up to the annual report published date:

Summary of relevant person's resignation or dismissal

2021/04/23

Title	Name	To assume a post Date	Expiration	The resignation or expiration the reason
-	-	-	-	-

Note: Said that is refers to chairman, general manager, the accountant officer, the financial officer, the internal auditing manager the R&D officer with the company person concerned and so on.



### D.Information Regarding Hong-Pu's Independent Auditor

CPA	Name		Term	Remark
KPMG	CHUN-WEI,CHUANG	CHING-SUNG,WANG	2020/1/01-2021/12/31	-

Note1: In this fiscal year, if company replaces certified public accountant or accounting firm, it shall show audit period separately in note.

#### a. Range of Audit fees and Non-Audit Fees

(Unit: NT\$ thousands)

Range of Audit Fees		Item	Audit Fees	Non-Audit Fees	Total
1	Below 2,000		-	-	-
2	2,000 ( included ) ~ 4,000		✓	-	2,090,000
3	4,000 ( included ) ~ 6,000		-	-	-
4	6,000 ( included ) ~ 8,000		-	-	-
5	8,000 ( included ) ~ 10,000		-	-	-
6	More than 10,000 ( included )		-	-	-

#### b. Change CPA firm and the audit fees in changing year is less than previous year, it should disclose the amounts and reason: None.

#### c. The audit fees is less than previous year up to 15%, it should disclose the amount and reason: None.

CPA	Name	Audit fee	Non-audit fees					Term	Remark
			System design	Business registration	Human resource	Others (note2)	subtotal		
KPMG	CHUN-WEI,CHUANG	2,090	-	-	-	-	-	2020Q1 to 2020Q4	-
	CHING-SUNG,WANG								

Note2: Non-audit fees are listed separately according to the service items. If the “others” of the non-audit public fees reach 25% of the non-audit public funds, the service contents should be listed in the remarks column.

**E. CPA Replacement Information: None****a. About former accountants**

Date of chang	-		
Reason and description of change	The internal rotation of KPMG compliance with the laws and regulations.		
Description of appointer’s termination or accountants’ refusal	Situation	Accountants	Appointer
	Termination		
	Refusal		
Opinion and reson of non-qualified opinion of auditing report in the last tow years	None		
Disagree with the company	yes		Accounting principles or practice
			Disclosure of financial reports
			Auditing scope or procedures
			others
	no		
	description		
Other disclosures	None		

**b. about succeed accountants**

Name of accountants firm	None
Name of accounts	None
Date of appointment	None
Advisory and results of accounting treatments or principles of the specific transaction and possible opinion of financial report before appointing	None
Written comments of different opinion with former accountants	None

**F. Information on the company chairman, president or a manager in charge of financial or accounting matters serving as a CPA at the accounting firm or an affiliated company within the past year: None**



## G. Equity transfers and equity pledges (or changes thereto) during the preceding fiscal year or in the current fiscal year up to the date of printing of the annual report.

### a. Changes in share holding of the director, supervisor, manager, and major shareholder

Title ( Note1 )	Name	2020		2021/1/1~2021/04/23	
		Increase (Decrease) of shares held	Increase (Decrease) of equity pledges	Increase (Decrease) of shares held	Increase (Decrease) of equity pledges
Chairman	J. H. Tuan	-	-	-	-
Director(major shareholder)	Hua-Zhan Investment Co., Ltd.	1,556,000	-	-	-
Representative of Director(major shareholder)	S.L.Shen	-	-	-	-
Director(major shareholder)	Fu-Da Investment Co.,Ltd.	4,796,000	-	1,011,000	-
Representative of Director(major shareholder)	W. L. You	-	-	-	-
Independent Director	B.S.Li	-	-	-	-
Independent Director	J.R.Wu	-	-	-	-
Independent Director	K.L.Yen	-	-	-	-
Director(major shareholder)	Fu-Yi Investment Co.,Ltd.	-	-	-	-
Representative of Director(major shareholder)	P. S. Liu	-	-	-	-
President	J. H. Tuan	-	-	-	-
Vice President	W. L. You	-	-	-	-
Deputy general manager	P. S. Liu	-	-	-	-
Chief of Acounter		-	-	-	-
Audit Manager	C.H. Chan	-	-	-	-

Note1 : shareholders with a stake of 10 percent or more, the recipient's name shall be disclosed along with a note explaining.

Note2 : Where the recipient of the equity transfer or equity pledge has ties to the company, it have to fill in the following tabulation .

b. Stock Trade with Related Party: None.

c. Stock Pledge with Related Party: None.

## H. Information on concerned relationship of No. 6 in FASB with top ten major shareholders:

Name (Note 1)	Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding in Name of Others		Name and relationship of among in the company's 10 largest shareholders and any one is a related party or a relative within the second degree of kinship of another. (Note 3)		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hua-Zhan Investment Co., Ltd. Representative : J.H.Tuan	59,078,745 11,119	17.75% 0%	-	-	-	-	Fu-Da Investment Co., Ltd Fu-Yi Investment Co., Ltd	The same chairman Fu-Yi is a direct at Hua-Zhan	None
Fu-Da Investment Co., Ltd. Representative : J.H.Tuan	55,712,040 11,119	16.74% 0%	-	-	-	-	Hua-Zhan Investment Co., Ltd.	The same chairman	None
Teacher Retirement System of Texas - Dimensional Fund Advisors LP as external fund manager	14,890,491	4.47%	-	-	-	-	-	-	None
Fubon Life Insurance Company Representative : Richard M. Tsai	14,214,925	4.27%	-	-	-	-	-	-	None
Sunfon Construction Co., Ltd. Representative : M.F. Hong	8,100,000	2.43%	-	-	-	-	-	-	None
Tai-Ban Investment Co., Ltd. Representative : P. S. Liu	7,166,738	2.15%	-	-	-	-	-	-	None
DaHong Investment Co., Ltd. Representative: M. Lai	7,103,000	2.13%	-	-	-	-	-	-	None
C.P. Liu	5,300,000	1.59%	-	-	-	-	-	-	None
Fu-Yi Investment Co., Ltd. Representative: S. C. Huang	4,356,077 4,032	1.31%	-	-	-	-	-	-	None
Tong-Chang Investment Co., Ltd Representative: L. Huang	4,330,028 3,000	1.30%	-	-	-	-	Hua-Zhan Investment Co., Ltd.	Fu-Yi is a direct at Hua-Zhan	None

Note 1: List all of top ten shareholders and if the shareholders are belonging to juridical person shall be showed the company's name and representative.

Note 2: The shareholding percentage is calculated in his own name, spouse, minor children or use other's name.

Note 3: The top ten shareholders including institutional shareholder and natural person should required by regulations governing the preparation of financial reports by issues to disclose the relationship between each other.

## I. The number of shares held by the company, directors, supervisors, managers, and the number of shares of the same re-invested business which are held by the entities directly or indirectly controlled by the company, and calculating the consolidated shareholding percentage of the above categories: None



## IV. Capital Overview

### A. Disclosure of the company's capital and shares, corporate bonds, preferred Shares, global depository receipts, employee stock option certificates, and any merger & acquisition activities :

#### a. Capital and shares

##### 1. Source of capital

Year/ Month	Issuing price	Authorized capital		Capital collected		Remark		
		Stock share (Thousan d shares)	Amount (Thousand dollars)	Stock share (Thousan d shares)	Amount (Thousand dollars)	Source of capital	Capital is paid with something other than cash	Other
1988.10	10	3,500	35,000	3,500	35,000	Capital \$35,000,000	None	Note1
1990.06	10	19,388	193,880	19,388	193,880	Property to offset the equity shareholders \$158,880,000	Yes	Note2
1991.12	10	60,000	600,000	60,000	600,000	cash capital increase \$406,120,000	None	Note3
1992.06	10	80,000	800,000	80,000	800,000	cash capital increase \$200,000,000	None	Note4
1995.02	10	96,000	960,000	96,000	960,000	Unappropriated retained earnings\$160,000,000	None	Note5
1995.12	10	110,400	1,104,000	110,400	1,104,000	unappropriated retained earnings \$144,000,000	None	Note6
1996.12	10	176,640	1,766,400	156,960	1,569,600	cash capital increase \$300,000,000 unappropriated retained earnings \$165,600,000	None	Note7
1997.09	10	320,000	3,200,000	230,500	2,305,000	cash capital increase \$418,500,000 unappropriated retained earnings \$159,940,000 capital reserve \$156,960,000	None	Note8
1998.07	10	360,000	3,600,000	288,500	2,885,000	unappropriated retained earnings \$115,250,000 capital reserve \$461,000,000 employee bonuses\$3,750,000	None	Note9
1999.06	10	360,000	3,600,000	297,155	2,971,550	unappropriated retained earnings \$86,550,000	None	Note10
2000.08	10	430,000	4,300,000	317,956	3,179,559	unappropriated retained earnings \$208,008,500	None	Note11
2003.02	10	430,000	4,300,000	313,662	3,136,619	Treasury stock capital decrease \$42,940,000	None	Note12
2004.07	10	430,000	4,300,000	282,741	2,827,406	Merge Hong-Yuan Investment Co., Ltd Capital decrease\$309,212,940	None	Note13
2007.08	10	430,000	4,300,000	286,268	2,862,680	unappropriated retained earnings \$28,274,050 employee bonuses\$7,000,000	None	Note14
2008.08	10	430,000	4,300,000	289,931	2,899,306	unappropriated retained earnings \$28,626,790 employee bonuses\$8,000,000	None	Note15
2011.08	10	430,000	4,300,000	319,135	3,191,348	unappropriated retained earnings \$289,930,640	None	Note16
	36					Convertible Bond \$76,000,000 was converted to common stock \$2,111,070 accumulatively.		
2013.06	10 29.	430,000	4,300,000	319,467	3,194,670	Convertible Bond \$9,900,000 was converted to common stock \$3,322,140 accumulatively	None	Note17
2014.01	10 28.1	430,000	4,300,000	319,951	3,199,510	Convertible Bond \$13,600,000 was converted to common stock \$4,839,800accumulatively	None	Note18
2014.05	10 28.1	430,000	4,300,000	319,954	3,199,954	Convertible Bond \$100,000 was converted to common stock \$35,580 accumulatively	None	Note19
2014.06	10 28.1	430,000	4,300,000	332,809	3,328,087	Convertible Bond \$361,200,000 was converted to common stock \$128,540,890accumulatively	None	Note20

- Note 1: Apply for approval by MOEA in 1988/10/5, see:經(077)商 30388 號函。  
 Note 2: Apply for approval by MOEA in 1990/6/23, see:經(079)商 111788 號函。  
 Note 3: Apply for approval by MOEA in 1991/12/30, see:經(080)商 129062 號函。  
 Note 4: Apply for approval by MOEA in 1992/6/1, see:經(081)商 126109 號函。  
 Note 5: Apply for approval by MOEA in 1995/2/13, see:經(084)商 101097 號函。  
     Apply for approval by SFC in 1994/12/19, see:(83)台財證(一)第 44036 號函。  
 Note 6: Apply for approval by MOEA in 1995/12/29, see:經(084)商 120526 號函。  
     Apply for approval by SFC in 1995/12/5, see:(84)台財證(一)第 62982 號函。  
 Note 7: Apply for approval by MOEA in 1996/12/23, see:經(085)商 122200 號函。  
     Apply for approval by SFC in 1996/10/17, see:(85)台財證(一)第 59596 號函。  
 Note 8: Apply for approval by MOEA in 1997/9/5, see:經(086)商 115644 號函。  
     Apply for approval by SFC in 1997/5/19, see:(86)台財證(一)第 33867 號函。  
 Note 9: Apply for approval by MOEA in 1998/7/3, see:經(087)商 116246 號函。  
     Apply for approval by SFC in 1998/5/18, see:(87)台財證(一)第 43779 號函。  
 Note10: Apply for approval by MOEA in 1999/6/7, see:經(088)商 128149 號函。  
     Apply for approval by SFC in 1999/6/11, see:(88)台財證(一)第 54911 號函。  
 Note11: Apply for approval by MOEA in 2000/8/31, see:經(089)商 132051 號函。  
     Apply for approval by SFC in 2000/7/26, see:(89)台財證(一)第 64952 號函。  
 Note12: Apply for approval by MOEA in 2003/2/27, see:經(092)商 01059210 號函。  
     Apply for approval by SFC in 2002/11/19, see:(91)台財證(三)第 0162211 號函。  
 Note13: Apply for approval by MOEA in 2004/8/13, see:經(093)商 01152070 號函。  
     Apply for approval by SFC in 2004/7/2, see:(91)台財上字第 0930101704 號函。  
 Note14: Apply for approval by MOEA in 2007/07/26, see: 經授商字第 0960039463 號函。  
 Note15: Apply for approval by MOEA in 2008/07/17, see: 經授商字第 0970036086 號函。  
 Note16: Apply for approval by MOEA in 2011/07/22, see: 經授商字第 1000034201 號函。  
 Note17: Apply for approval by MOEA in 2013/07/15, see: 經授商字第 10201139040 號函。  
 Note18: Apply for approval by MOEA in 2014/07/14, see: 經授商字第 10301020900 號函。  
 Note19: Apply for approval by MOEA in 2014/07/14, see: 經授商字第 10301085220 號函。  
 Note20: Apply for approval by MOEA in 2014/07/14, see: 經授商字第 10301140350 號函。

## 2.Types of shares

Types of Shares	Authorized capital			Remark
	Outstanding stock	Non-issued stock	Total	
Common stock	332,808,652	97,191,348	430,000,000	Listed stock

Aggregated declaration information : NA

## 3.Structure of shareholders

April 23,2021

Structure of Shareholders Amount	Government agency	Financial Institutions	Other juristic person	Personal	Foreign Institutional and foreign national	Total
Number	2	2	65	10,266	91	10,426
Shares held	3,159,454	16,014,925	167,363,768	110,793,454	35,477,051	332,808,652
%	0.95%	4.81%	50.29%	33.30%	10.65%	100%

Note: The first listing (OTC) and emerging companies should disclose their financial stake in China; China refers to China fund to invest in Taiwan permit regulations under section 3 of the people of the China Area, legal entities, organizations, other institutions or investment companies in the third region.



#### 4. Status of dispersal of shareholding

##### (1) Common stock

April 23, 2021

Range of shareholder	Number of shareholders	Shares held	%
1 ~ 999	3,543	641,324	0.19%
1,000 ~ 5,000	4,617	9,776,157	2.94%
5,001 ~ 10,000	942	7,414,105	2.23%
10,001 ~ 15,000	359	4,500,927	1.35%
15,001 ~ 20,000	216	3,990,095	1.20%
20,001 ~ 30,000	179	4,603,109	1.38%
30,001 ~ 40,000	89	3,228,415	0.97%
40,001 ~ 50,000	87	4,066,313	1.22%
50,001 ~ 100,000	164	12,307,517	3.70%
100,001 ~ 200,000	101	13,937,032	4.19%
200,001 ~ 400,000	60	17,437,866	5.24%
400,001 ~ 600,000	18	8,892,147	2.67%
600,001 ~ 800,000	7	4,791,185	1.44%
800,001 ~ 1,000,000	5	4,478,991	1.35%
1,000,001 above	39	232,743,469	69.93%
Total	3,543	641,324	0.19%

##### (2) Preferred stock : None

#### 5. List of major shareholders

Major Shareholders	Shares held	%
Hua-Zhan Investment Co., Ltd.	59,078,745	17.75%
Fu-Da Investment Co., Ltd.	55,712,040	16.74%
Teacher Retirement System of Texas - Dimensional Fund Advisors LP as external fund manager	14,890,491	4.47%
Fubon Life Insurance Company	14,214,925	4.27%
Sunfon Construction Co., Ltd.	8,100,000	2.43%
Tai-Ban Investment Co., Ltd.	7,166,738	2.15%
DaHong Investment Co., Ltd.	7,103,000	2.13%
C.P. Liu	5,300,000	1.59%
Fu-Yi Investment Co., Ltd.	4,356,077	1.31%
Tong-Chang Investment Co., Ltd	4,330,028	1.30%

6.Share prices for the past two fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information.

Item			Year	2019	2020	2021.01.01~ 2021.03.31
Market price per share (Note1)	Max.			24.95	25.45	23.00
	Min.			19.15	17.50	21.25
	Average			20.86	23.19	22.29
Net worth per share (Note2)	Unappropriated			35.95	36.59	36.80
	Appropriated			34.75	(Note 8)	(Note 9)
Earnings per share	Weighted average stock shares			322,809,000	322,809,000	332,809,000
	Earnings per share (Note3)	Unretroacted		1.83	1.84	0.21
		Retroacted		1.83	(Note 8)	(Note 9)
Dividends per share	Cash dividend			1.20	(Note 8)	-
	Stock dividend	Dividends from retained earnings		-	-	-
		Dividend from capital surplus-		-	-	-
	Accumulated unappropriated dividends (Note4)			-	-	-
Return on investment	Ratio of profit (Note5)			11.46	12.60	106.14
	Ratio of dividend (Note6)			20.86	19.33	-
	Ratio of cash dividend (Note7)			0.048	0.052	-

Note 1 : List the highest and lowest market price of each year. And calculating each year's average market price based upon each year's actual transaction prices and volume.

Note 2 : To base on the decision of distribution reached in next Shareholder's Meeting.

Note 3 : The situation have to retroactively adjust because of stock dividend, it shall disclose the information of earnings per share before and after adjusted.

Note 4 : If unpaid dividends would distribute till the year that have earnings, it should disclose the accumulated amount of unpaid dividends.

Note 5 : Ratio of profit = closing price per share of the year / earnings per share.

Note 6 : Ratio of dividend = closing price per share of the year / cash dividend per share.

Note 7 : Ratio of cash dividend = cash dividend per share / closing price per share of the year.

Note 8 : The distribution of 2020 retained earnings has not determined by shareholders' meeting.

Note 9 : No distribution of the settlement in the first quarter in 2021.



### 7. Company's dividend policy and implementation status :

- (a) Dividend policy : consider need of and the perfect financial plan the future fund and the perfect financial plan, if there have the dividend distribution, the total of the cash dividend not be lower than 20% of the amount of cash dividend and stock dividend, other will distribute by stock from retained earnings and capital reserve.
- (b) Implementation status : the effect of business performance, earnings per stock, and return on investment by stock dividend.

( Unit: NT\$ thousands)

(Unit: NT\$ thousands)

Item		Year	2019	2020
Paid-in capital in beginning			3,328,087	3,328,087
Distribution	Cash dividend per share(unit : NT dollars)		1.2	1.2
	Stock dividend per share-retained earnings		-	-
	Stock dividend per share-capital reserve		-	-
Business performance	Operating income		566,066	814,395
	Operating income (compare with last year)		30.84%	43.87%
	Net income		606,414	612,668
	Net income (compare with last year)		36.36%	1.03%
	Earnings per share(unit : NT dollars)	Unretroacted	1.83	1.84
		Retroacted	1.83	-
	Earnings per share (compare with last year)	Unretroacted	36.57%	1.1%
		Retroacted	-	-
Average of return on investment		8.73%	9.52%	
	Capital increase paid out of earnings→cash dividends	Fictitious earnings per share	1.83	1.84
		Fictitious average of return on investment	8.73%	9.52%
	No capitalization of capital reserve	Fictitious earnings per share	1.83	1.84
		Fictitious average of return on investment	8.73%	9.52%
	No capitalization of capital reserve and capital increase paid out of earnings→cash dividends	Fictitious earnings per share	1.83	1.84
		Fictitious average of return on investment	8.73%	9.52%

Note1 : Earnings per share(if capital increase paid out of earnings → cash dividends) = [ net income-interest expense\*(1-interest rate) ] / [weighted average outstanding stock-stock dividend per share by retained earnings]

Interest expense = amount of capital increase through capitalization of retained Earnings \* average loan rate

Note2 : Average market price per share in 2019=NT\$20.86 ; average market price per share in 2020=NT\$23.19.

Note3 : Interest rate is calculated by weighted average interest rate on short-term margin loan, 1.44% in 2019 and 1.30% in 2020.

Note4 : Valid interest rate is 20% in 2020.

Note5 : Cost-profit average ratio = average market price per share/earnings per share.

Note6 : No make a budget and announce the financial forecast in 2021, therefore no need to disclose the affect of issuance of bonus shares.

Chairman: J.H.Tuan



Manager: J.H.Tuan



Manager of accounting dept.: P.S.Liu



(c) Proposed dividend distribution to Shareholder's meeting:

1. Resolution of Board Meeting in May 05, 2021 Dividend of 2020 distribute cash dividend \$1.2 per share.
2. The above distribution proposal, yet to submit to Shareholders' meeting by June 22, 2021.

(d) Dividend policy is expected there will be major changes explanation: None.

8. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting : The Company doesn't make public financial forecast of 2021 so this item is not applicable.

9. Employee remuneration and compensation of directors

(1) The multiples or ranges with respect to employee dividends and director/auditor compensation, as set forth in the company's articles of incorporation :

Net income at closing, except allocate for tax in advance, redeem loss in business in past year, and allocate 10% for legal reserve, remanent are distributed by the Board of Directors, and than recognize by Shareholder's Meeting:

- a. Remuneration to directors can't over 3%
- b. Employee remuneration can't lower than 1% , and can distribute in stock if have the situation that remuneration transferred to common stock.
- c. Shareholder's Meeting could resolved the distribution of retained earnings .

(2) The accounting treatment of estimate base of employee remuneration and compensation of directors, (include independent directors ) and calculated base of number of shares in stock remuneration distribution, are different to actual distributed amount: None .

(3) The information of proposed dividend distribution of Board Meeting:

a. Distribution amount of employee remuneration, stock dividend, and compensation of directors (include independent directors ):  
(Unit: NT\$)

Distribution	Estimate Amount	Distribution Amount Approved by the Board	Difference	Reason & Treatment
Employee remuneration	12,000,000	12,000,000	0	None
Employee remuneration	0	0	0	None
Remuneration of Directors (include independent directors )	2,200,000	2,200,000	0	None

b. Propose to distribute employee stock remuneration and the percentage of net income and total employee remuneration: 0%.

c. Earnings per share of considered in distribute employee remuneration and compensation of directors (include independent directors ): NT\$1.84.



- (4) Use of earnings in the preceding fiscal year for distribution of employee dividends and directors compensation:

(Unit: NT\$)

Year 2018	Employee remuneration	Compensation for Directors (include independent directors )
Distribution Proposal of Retained Earnings adopted at the Board of Directors.	12,000,000	2,200,000
Actual Distribution of Retained Earnings in Shareholders' Meeting.	12,000,000	2,200,000
Difference	0	0

The information related to the appropriation of employees' bonuses and remuneration to directors and supervisors can be found on web sites such as the Market Observation Post System after the Shareholders' meeting.

10. Share Repurchases: None.

b. Corporate Bonds:

1. Bond (handle situation): Please reference to Chinese version.
2. The information of Convertible bonds: Please reference to Chinese version.

c. Preferred Shares

1. Issuance of Preferred Shares: None.
2. Preferred Share with Warrants: None.

d. Global depository receipts: None.

e. Employee stock option certificates: None.

f. Merger & acquisition: None.

## B. Information on Implementation of the Company's Funds Utilization Plans

- a. Description of the plans: None.
- b. Status of implementation: None.

## V. Operational Highlights

### A. Business Activities

#### (A)Cope of business

##### 1. Major business content

- (1) Contract contractor to construct public housing and commercial building for rental and sale
- (2) Proxy, business, import and export of building material and engineering material
- (3) Upholstery
- (4) Conduct of convenience market & supermarket
- (5) E201010l andscape engineering
- (6) F501010 dinihg hall
- (7) H701020 develop, rental, and sale of industry building
- (8) H701040 development of specific professional area
- (9) H701060 development of new town and new community
- (10) H703010 rental of factory building
- (11) H703020 rental of storage
- (12) H703030 rental of office
- (13) H701050 invest in construction of public structure

##### 2. Business operation

Contracting contractor to construct public housing and commercial building for rental and sale in domestic market (100%)

##### 3. Current product line and future service

- (1)Apartment : residence 、store 、parking lot
- (2)Building : residence 、store 、market 、suite 、parking lot

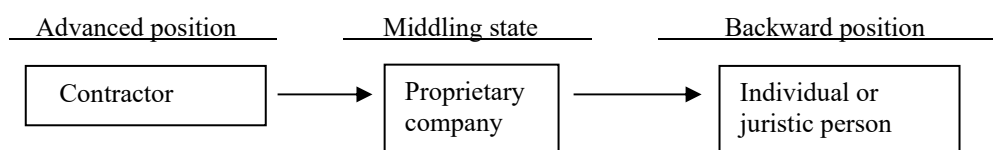
#### (B)Industry summary

##### 1.Current and development of industry :

Looking back to 2020, The COVID-19 pneumonia has spread globally, and the number of confirmed cases and deaths in many countries has risen. Measures such as isolation and lockdown have brought economic activities to a halt. Fortunately, Taiwan's epidemic prevention has been effective. The economy and daily life are operating as usual. Demand in the real estate market has emerged, and buying momentum has rebounded. Projects, “Economy and Trade”, “World Trade Plaza” , “AMAX”, “Leisurely Days”, “Hong Pu Park”, “WenDe”, “Paris Mansion” and “Hong Pu New Star” were booked in revenues, in addition, projects, “MGH Mutsui Garden Hotel” and “World Trade Plaza” , provides the company's rental income. We have a stable performance of revenues and profits in 2020.

##### 2.Relation between advanced position, middling state, and backward position :

Hong-Pu is in the business of contracting contractor to construct public housing and commercial building for rental and sale in domestic market. The relation show in follow chart :





### 3. Evolutional trend :

Growth rate of major product in this ten years :

(Unit: NT\$ thousands)

Year	Item	Sales	Growth rate
2012	Sales Revenue	4,378,490	49.21%
	Rental	20,466	22.42%
2012 (IFRS)	Sales Revenue	3,939,002	34.23%
	Rental	20,466	22.42%
2013	Sales Revenue	3,972,960	0.86%
	Rental	32,998	61.23%
2014	Sales Revenue	4,460,492	12.27%
	Rental	39,488	19.67%
2015	Sales Revenue	5,021,702	12.58%
	Rental	29,053	-26.43%
2016	Sales Revenue	4,766,599	-5.08%
	Rental	22,195	-23.61%
2017	Sales Revenue	2,664,960	-44.09%
	Rental	20,368	-0.08%
2018	Sales Revenue	3,897,830	46.26%
	Rental	20,175	-0.95%
2019	Sales Revenue	2,853,323	-26.80%
	Rental	32,573	61.45%
2020	Sales Revenue	3,814,519	33.69%
	Rental	162,931	400.20%

It can be seen from the above table that the company's main operating income in year 2020 increased by 33.69%, which was due to the sale of the small land piece in Beitou and the completed units sales of projects, "HongPu PARK", "Leisure Days", "Economy and Trade", "WenDe", "AMAX", "Paris Mansion", "HongPu New Star" and "World Trade Plaza" were delivered and revenues booked. Operating revenue is an increase from year 2019. Another 400.20% increase in rental income was due to the leases of "World Trade Plaza" and "MGH Mitsui Garden Hotel", resulting in an increase in rental income.

#### (C) An overview of the company's technologies and its research and development work :

1. Increase building's ability to resist earthquake.
2. Improve quality of curtain wall.
3. Invest in the detailed research of healthy green buildings and intelligent buildings and implement various indicators.
4. Create specialty and uniqueness of house.

#### (D) The long- and short-term business development plans

Projection in short-term, medium-term, and long-term :

Development	Short-term (2021)	Medium-term and long-term
Customer	1.Full service for customers. 2.Strengthen communication between advanced position, middling state, and backward position.	1. Cut cost and share the profit. 2. Much accounted of customer's require.
Product	1.Predominant and convenient house 2.Slowdown from acquisitive land to complete work.	1. Invest in the detailed research of healthy green buildings Development of new residence. 2.Raise the abilities of employees in planning dept. 3.With solid financial structure, the company plans to develop long-term rental income assets.
Market	1.Looking for the worth land in Taiwan.	1. Looking for the worth land in Taiwan.

## B. Market and Sales Overview

### (A)Market analysis

#### 1. Sales and market for key product and services

Hong-Pu is in the business to construct residential building and office building, and all in Taipei area and the land development prefer to choose convenient transportation, perfect life function, and full of potential lot in future.

#### 2. Market demand and supply

##### (1)Supply :

- a. Investigate housing supply situation currently and surplus housing pressure in market from variety of expedite number in construct license and use license. We observe that to know, construct license is increase in 2005, generality, use license must wait to expedite till building finish construction, and use license would be lag behind construct license in 1.5 years to 2 years. Therefore expedite number of use license large increase in 2006 and 2007, and expect surplus supply pressure in market would be continuing increase. But it's getting slowly in 2008, the supply in market decrease slightly. Under impact of government tightening policies such as Luxury Tax on property in year 2011 and political and economical uncertainties in the first half year 2012, the number of issued construct licenses in year 2011 and 2012 was reduced. But, from the second half of 2012, market sentiment became better. And after the implementation of Registering the Actual Selling Price of Real Estate, uncertain factor was eliminated. Market became optimistic in 2013 and 2014. Developers launched new projects increasingly. The implement of "Integrated Housing and Land Tax", the increase of property tax due to raised "Standard Values of Houses" and "Assessed and Announced Value of Land" affect investors' confidence, therefore transaction of real estate became slow ; Due to the Amendment of construction regulations, number of application of construction permits increased in 2017.
- b. Economy had begun recovery since 2003, except a little decrease international financial crisis in 2008. But market recovered again in 2009. Under circumstance of the implementation of the luxury-housing tax in 2011, The implement of "Integrated Housing and Land Tax" and the conservative market sentiment caused the application numbers of building permit decreased significantly ; Looking back to 2020, The COVID-19 pneumonia has spread globally, and the number of confirmed cases and deaths in many countries has risen. Measures such as isolation and lockdown have brought economic activities to a halt. Fortunately, Taiwan's epidemic prevention has been effective. The economy and daily life are operating as usual. Demand in the real estate market has emerged, and buying momentum has rebounded.



List of number of housing that issuing building permit and occupation permits.

Unit : ten thousand housing

Year	Number of housing that issuing building permit	Number of housing that issuing occupation permit
1997	13.0	11.3
1998	8.5	9.8
1999	5.7	8.5
2000	4.5	6.2
2001	2.4	4.9
2002	3.9	4.5
2003	6.3	5.8
2004	11.0	6.9
2005	18.30	11.49
2006	11.64	12.41
2007	10.61	13.04
2008	7.04	11.12
2009	5.12	7.59
2010	8.45	7.19
2011	9.32	6.87
2012	9.43	7.72
2013	11.68	8.30
2014	12.14	8.89
2015	10.38	9.66
2016	7.84	9.53
2017	9.13	8.70
2018	12.09	9.78
2019	14.78	9.15
2020	15.93	9.75

Note : data origin: Construction and Planning Agency, Ministry of the Interior.

## (2)Demand:

The central government introduced “Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings”, local government announced lower “assessed land value”, central bank’s monetary policy continued to maintain dynamic stability, so rigid demand is the mainstream in the real estate market.

## 3. Development strength and weakness

### (1) Strength:

#### a. Economy:

1. Due to FATCA China version, Taiwanese merchants in Mainland continue to wired funds back.
2. The supply of land is limited and demand of owner-occupied or set assets is strong.
3. The novel pneumonia epidemic in mainland China in early 2020 has accelerated the return of Taiwanese companies to set up factories in Taiwan.

#### b. Fund:

1. Interest rate keeps stady low, and financial cost of builders and consumers are low.
2. Internationally, U.S.-China temporarily reached a trade agreement and major central banks around the world

released liquidity. The real estate market is still dominated by first time purchasers and rigid demand.

c. Policy and regulation:

1. Circle line is going to complete and open, therefore residential demand is increasing along the route.
2. Local governments lowered the “Assessed Land Value” and central government introduced the “Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings”.

(2) Weakness:

a. Economy:

1. Land of prime locations acquired not easily and cost of land and construction get higher.
2. The COVID-19 pneumonia is a global pandemic, and the reduced global movement may cause economic stagnation.

b. Fund:

1. Novel coronavirus pneumonia "black swan" impacts global stock market.
2. In response to the impact of Novel Coronavirus Pneumonia, the market may occasionally suffer from insufficient liquidity or excessive adjustment of fundamentals.

c. Policy and regulation:

1. The implement of “Integrated Housing and Land Tax2.0”.
2. The rule of volume incentives is added the upper limit and the volume transference of road changes to cash equivalent.
- 3 Uncertainty on cross-strait policies.

(3) Response strategies:

Maintain finance stable, plan potential area and project within market, Develop long-term rental income assets.

elect excellent construct team carefully, create brand superiority and competitiveness.

(B) Usage and manufacturing processes for the company's main products

Hong-Pu's major product are developing housing, villa, store, market, office and parking lot by contracting contractor.

(C) Supply situation for the company's major raw materials

1. Land : acquire through purchase or joint venture. Though it is difficult for land acquiring in Taipei City, it is still possible to purchase or joint venture.
2. Construction: there are more than 600 grade A contractors in greater Taipei area. No shortage or cartel concerns.

(D) In any year that account for purchase (sales) total value more than 10% for the two most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each

#### 1. Major Suppliers

##### Major Suppliers Information for the Last Two Calendar Years

(Unit: NT\$ thousands)

Item	2019				2020				2021(As of March 31) (Note2)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	New Taipei City Government	3,068,853	63.35%	None	Miss Lin and 29 others	2,106,820	32.98%	None	Kimzoa Construction Co., Ltd	34,114	46.94%	None
2	Mr. Lin and 9 others	790,816	16.33%	None	Mr. Chiang and 14 others	1,096,631	17.16%	None	Joyear Construction CO., Ltd.	21,016	28.92%	None
3	-	-	-	-	Mr. Lu and 15 others	930,878	14.57%	-	-	-	-	-
4	-	-	-	-	Miss Kuo and 3 others	895,000	14.01%	-	-	-	-	-
Others		984,418	20.32%	-	Others		1,359,785	21.28%	Others		17,546	24.14%
Net Purchases		4,844,087	100.00%	-	Net Purchases		6,389,114	100.00%	Net Purchases		72,676	100.00%

Note 1: Major suppliers mean each commanding 10%-plus share of annual order volume.

Note2: As of publication of annual report, recent certified or reviewed financial data of supplier whose stock listed on TSE or GreTai Securities Market should be disclosed. °

The reason of change: The change of purchase amount from suppliers is due to projects completed and projects started in last two years.

#### 2. Major Clients

##### Major Clients Information for the Last Two Calendar Years

(Unit: NT\$ thousands)

Item	2019				2020				2021(As of March 31) (Note 2)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	-	-	-	-	HongKai Investment Company Ltd.	486,426	12.23%	-	Euro-Asia Co., Ltd.	59,371	34.33%	None
2	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-
Others		2,885,896	100.00%	-	Others		3,491,024	87.77%	Others		113,581	65.67%
Net Operating Revenues		2,885,896	100.00%	-	Net Operating Revenues		3,977,450	100.00%	Net Operating Revenues		172,952	100.00%

Note 1: Major Clients mean each commanding 10%-plus share of annual sales volume.

Note2: As of publication of annual report, recent certified or reviewed financial data of client whose stock listed on TSE or GreTai Securities Market should be disclosed.

The reason of change: Due to the nature of development industry, there are no specific customers.

(E) An indication of the production volume for the two most recent fiscal years

(Unit: NT\$ thousands)

Output Major Products (or by departments)	Year	2019		2020	
		Volume (Housing)	Amount	Volume (Housing)	Amount
House		5	1,328,390	6	689,447
Parking lot		58	(Included Parking lot cost)	28	(Included Parking lot cost)
Rental		-	-	-	-
Total		63	1,328,390	34	689,447

(F) An indication of the volume of units sold for the two most recent fiscal years

(Unit: NT\$ thousands)

Volume Product	Year	2019				2020			
		Domestic		Foreign		Domestic		Foreign	
		Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Sales Revenue (House, Parking lot)		685	2,853,323	-	-	452	3,658,026	-	-
Rental		54	32,573	-	-	75	162,931	-	-
Land		-	-	-	-	1	156,493	-	-
Total		462	2,885,896	-	-	528	3,977,450	-	-

### C. Human Resources :

April 23, 2021

Year		2019	2020	As of Apr. 23, 2021
Number of staff	Employee	17	17	17
	Engineering employee	9	9	10
	Total	26	26	27
Average age		48	47	47
Average length of service		11.34	11.30	10.8
Education background	Doctor	-	-	-
	Master	18.0%	23.0%	22.2%
	Bachelor	70.0%	73.0%	74.0%
	High school	12.0%	4.0%	3.8%
	Other	-	-	-



## D. Disbursements for environmental protection

a. Pursuant to laws, facilities should apply for the permit or the pollution of pollution discharge permit or pollution control costs should be paid or environmental protection should be set up dedicated units who were ,Its claim, the case of payment instructions or established.

Investment in our by the construction company to build the case for labor and materials or way of contracting not-included contract, Construction process of environmental protection, by the contractor company responsible. However, the concept based on Environmental Protection, Our for the engineering construction process, Contract manufacturers are strictly required to do environmental protection,

So the last two years has not suffered losses due to pollution of the environment,

no significant environmental expenditures anticipated future.

b. Companies on the prevention of environmental pollution on the investment of major equipment and use and could be beneficial : None

c. Last three year the company to improve the environment through pollution, the event has pollution dispute, And should explain the deal through :

Our contracts with construction companies in the construction period stipulated in the environmental responsibility of a construction plant, responsible for overseeing the company. In the prevention of pollution Our on the following measures :

1. Geological and Adjacent Building status as the selection of appropriate construction methods to reduce noise and vibration.
2. Erection of fence around the building to prevent dust or debris falling.
3. Set the closed conduit from garbage strewn garbage transfer process.
4. Designated waste placement, periodic deliveries of disposable workers.
5. Regular employee base of gutter cleaning, maintenance of the surrounding environment in order to maintain smooth Health.

d. The last three years the company suffered losses due to pollution of the environment (including compensation) : None

e. Pollution and improve current earnings, competitive position and capital expenditures over the next three years and its significant environmental capital expenditures are expected: None

## E. Labor relations

a. Various staff welfare measures, education, training, retirement system and its implementation of the agreement between the case and the labor and the situation of the protection of workers

1. Our provided the welfare system as follows:

- (1) Housing benefits: All regular employees Our to purchase the company invest in the construction of the Product, are entitled to a discount.
- (2) Car borrowing: The Company provides a staff car borrowing approach.
- (3) Emergency borrowing: Where the company the official staff of probation emergency occurs, it may Borrow less than 6 months in advance of salary, and to provide a staff of emergency borrowing Measures.

2. Employee Welfare Committee Our to provide the following benefits:

- (1) Domestic and foreign tourist activities: To encourage employees to engage in the leisure, where the Employees of the Company may from time to time to participate in the employee benefits committee organized by domestic and foreign tourism. Tourism activities and is home to the subsidy approach.

(2) Gifts and education grants: all regular employees who have enjoyed the company birth, wedding Gifts, bereavement of themselves and their families are offered each semester Dianyi and education grants for their employees. And to provide a staff of gifts, grants approach.

(3) Achievements of Employees' Welfare Committee in 2020:

Welfare	Item	Amount(NT dollars)
Benefits	Weddings and funerals	15,000
	Emergency Allowances	30,000
Educational subsidy	Child education subsidy	37,000
Recreational subsidy	Leisure and sports activity	1,041,503
	Club activity	819,447
	Recreation and facility	922,000
	Others	12,088

3. The case with the implementation of the retirement system:

(1) Employees Retirement System has set the year 1992, the implementation of, and has been seen by The Ministry of Finance, Taipei National Tax Administration, filing approval set down only as of 12/31/2020, the cumulative deposited in the Central Trust of the retirement reserve account has Reached NT\$19,846 thou sand Dollars.

(2) Our in accordance with the provisions of the labor pension contribution of 6%.

4. Collective agreement: The company has always been harmonious labor relations, no labor disputes, the Situation is therefore not labor agreement.

b. The Company is to enhance the quality of human resources and development advantages, there education and training to implement sustainable management practices to maintain the company foundation and development, education and training system is divided into Our internal training and external training camp.

c. The last three years the company suffered due to loss of labor disputes and to expose current and future estimated amount of possible response measures: None.

d. Protection measures for working environment and employees' safety:

1. The company's construction site is equipped with protective nets, safety helmets, safety railings, safety ropes and other safety measures.
2. The company's workplace is equipped with medical emergency kits, fire extinguishers and other equipments.
3. The company holds employee safety and health education and training announcements quarterly.
4. The company purchases employee group insurance. The insurable benefits include accident insurance, accident medical treatment and hospitalization medical protection.

e. The key points of the company's employees' ethical code of conduct are as follows:

Article 2 The contents of code are as follows:

1. Prevention of conflicts of interest:

- (1) The directors and managers of the company shall perform their duties in an objective and efficient manner, and shall not make themselves, spouse, parents, children or relatives within the second degree, obtained improper benefits in the execution of business or based on their positions in the company.
- (2) When the company has a monetary loan, provisions of guarantee, material asset transactions or purchases (sales) of goods, etc., it should be handled in accordance with the company's internal processing procedures and other relevant laws and regulations.
- (3) The management department should make policies to prevent conflicts of interest and provide appropriate methods for the directors or managers of the company to proactively state whether they



have potential conflicts of interest with the company.

2. Avoidance of opportunity to self-interest:

When the company has a profit opportunity, the director or manager is responsible for increasing the legitimate benefits that the company can obtain, and the following matters should be prohibited:

- (1) Opportunities for obtaining personal benefits through the use of company property, information or through the convenience of duties.
- (2) Obtaining private benefits through the use of company property, information or through the convenience of duties.
- (3) Competition with the company.

3. Duty of confidentiality:

The directors or managers of the company shall be obliged to keep confidential the information of the company itself or its purchase (sales) customers, unless authorized or disclosed by law.

The information that should be kept confidential in the preceding paragraph includes all undisclosed information that may be used by competitors and may damage the company or customers due to leak.

4. Fair trade:

The company's directors or managers should treat the company's purchase (sales) customers, competitors and employees fairly, and must not manipulate, hide or misuse the information learned based on their duties, make misrepresentations of important matters or other unfair transaction ways to gain improper benefits.

5. Protect and properly use company assets:

The directors or managers of the company are responsible for protecting the company's assets and ensuring that they can be effectively and legally used in official business, so as not to affect the company's profitability.

6. Comply with laws and regulations:

The company shall strengthen the promotion and compliance of the Securities and Exchange Act and other laws and regulations with regard to directors and managers.

7. Encourage reporting any illegal or ethical violations:

The company should strengthen the promotion of ethical concepts and encourage employees to report to the audit committee, managers, internal audit officers or other appropriate personnel when they suspect or discover violations of laws, regulations or ethical conduct codes.

The management department should make any relevant process or mechanism for reporting any illegal or violation of the codes in the preceding paragraph, and let employees know that the company will do its best to protect the safety of the reporters from revenge.

8. Disciplinary measures

When a director or manager of the company violates the codes, the company may punish the violator in accordance with the relevant regulations according to the severity of the circumstances, and immediately disclose the information such as violation date, cause of violation, violation of guidelines and handling situation.

The company should also make a related complaint system to provide remedies for the violator of the codes of ethics.

**F.Important contracts**

Contract	Party	Date	Engineering	Restriction
Construction	Guo Yao Construction Co., Ltd.	2017.08~2020.03	041060434 hotel project	NA
Construction	Acter Co.,Ltd.	2017.12~2020.03	041060434 Electrical and Mechanical	NA
Construction	Joyear Construction CO., Ltd.	2020.02~2023.03	012310247 Structure	NA
Construction	Hann Jenn Mechanical and Electrical Engineering Co., Ltd.	2020.08~2023.03	012310247 Electrical and Mechanical	NA
Construction	Kimzoa Construction Co., Ltd,	2020.04~2023.06	011046961 Structure	NA
Construction	LiBen Engineering Company Ltd.	202.06~2023.06	011046961 Electrical and Mechanical	NA



## VI. Financial Information

### A. Abbreviated condensed balance sheets and comprehensive income statements for the past five fiscal years

#### a. Condensed balance sheet & comprehensive income statement

##### 1. condensed balance sheet- IFRS

Unit: Thousands of NT dollars

Year Item		Financial information for the last five years (Note 1)				Financial information up to March 31, 2021 (Note 2)
				2018 (Note 1)	2019	2020
Current assests				15,751,740	19,580,090	20,286,240
Property, Plant and Equipment				86,238	83,174	83,138
Intangible assets				-	-	-
Other assets				261,508	142,570	3,216,588
Total assets				16,099,486	19,805,834	23,583,966
Current liabilities	Before distribution			4,443,37	7,831,533	11,399,624
	After distribution			-	-	(Note 2 )
Non-current liabilities				7,252	10,815	9,588
Total liabilities	Before distribution			4,450,622	11,409,212	11,409,212
	After distribution			-	-	(Note 2 )
Attributable to parent's equity				-	-	-
Cpaital stock				3,328,087	3,328,087	3,328,087
Capital surplus				2,041,583	2,042,348	2,042,348
Retained earnings	Before distribution			6,288,723	6,778,260	6,563,641
	After distribution			-	-	(Note 2 )
Other equity				(9,529)	-	-
Treasury stock				-	-	-
Non-controlling interests				-	29,380	28,059
Total equity	Before distribution			11,648,864	11,963,456	12,176,754
	After distribution			-	-	(Note 2 )

Note 1: The company applies the consolidated financial statements for the first time in the year of 2018. Please refer to the instructions of individual statement instructions.

Note 2: The financial information of the first quarter in 2021 is being reviewed by CPA, and there is no distribution.

## 1-1.condensed balance sheet- IFRS

Year Item		Financial information for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Current assests		16,593,983	17,007,856	15,697,656	19,530,592	20,239,411
Property, Plant and Equipment (Note7)		79,116	77,203	86,238	83,174	83,138
Intangible assets		-	-	-	-	-
Other assets		582,135	694,174	314,268	162,275	3,234,918
Total assets		17,255,234	17,779,233	16,098,162	19,776,041	23,557,467
Current liabilities	Before distribution	5,660,968	6,109,885	4,442,046	7,831,150	11,399,184
	After distribution	6,359,866 (Note2)	6,609,098 (Note 3)	4,109,237 (Note4)	7,431,780 (Note 5)	(Note 6)
Non-current liabilities		2,513	2,085	7,252	10,815	9,588
Total liabilities	Before distribution	5,663,481	6,111,970	4,449,298	7,841,965	11,408,772
	After distribution	6,362,379	6,611,183	4,782,107	7,442,595	(Note 6)
Attributable to parent's equity		-	-	-	-	-
Cpaital stock		3,328,087	3,328,087	3,328,087	3,328,087	3,328,087
Capital surplus		2,041,583	2,041,583	2,041,583	2,042,348	2,042,348
Retained earnings	Before distribution	6,203,493	6,287,130	6,288,723	6,563,641	6,778,260
	After distribution	5,504,595	5,787,917	5,955,914	6,164,271	(Not67)
Other equity		18,590	10,463	(9,529)	-	-
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	11,591,753	11,667,263	11,648,864	11,934,076	12,148,695
	After distribution	10,892,855	11,168,050	11,168,050	11,534,706	(Note 6)

Note 1: 2016-2020 the above financial data has audited or review by CPA.

Note2: Retained earnings after distribution in 2016= retained earnings before distribution in 2017-cash dividend NT\$698,898,000.

Nore3: Retained earnings after distribution in 2017= retained earnings before distribution in 2018-cash dividend NT\$499,213,000.

Note4: Retained earnings after distribution in 2018= retained earnings before distribution in 2020-cash dividend NT\$332,809,000.

Note5: Retained earnings after distribution in 2019= retained earnings before distribution in 2020-cash dividend NT\$399,370,000.

Note6: The distribution of 2020 retained earnings has not determined by shareholders' meeting.

Note7: Property, Plant and Equipment never revalued assets.



## 2. Condensed comprehensive income statement-IFRS

Unit: Thousands of NT dollars

Item \ Year	Financial information for the last five years (Note 1)					Financial information up to March 31, 2021 (Note 2)
			2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	
Operating revenue			3,918,005	2,885,896	3,977,450	172,952
Operating profit			650,889	760,149	978,304	61,194
Operating income			432,625	566,066	814,395	43,010
Non-operating income and expense			88,217	114,627	(67,005)	33,559
Income before tax			520,842	680,693	747,390	76,569
Continuing operating net income			444,704	606,414	612,668	69,968
Discontinuing operating loss			-	-	-	-
Net income (loss)			444,704	606,414	612,668	69,968
Other comprehensive income (After-tax amount)			2,351	9,529	-	69,968
Total comprehensive income			447,055	615,943	612,668	69,968
Income attributable to parent			447,055	607,727	613,989	70,241
Income attributable to non-controlling interests			-	(1,313)	(1,321)	(273)
Total comprehensive income attributable to parent			447,055	617,256	613,989	70,241
Total comprehensive income attributable to non-controlling interests			-	(1,313)	(1,321)	(273)
Earning per share(NT\$)			1.34	1.83	1.84	0.21

Note 1: The company applies the consolidated financial statements for the first time in the year of 2018. Please refer to the instructions of individual statement instructions.

Note 2: The financial information of the first quarter in 2021 is being reviewed by CPA, and there is no distribution.

## 2-1. Condensed comprehensive income statement-IFRS(個體報表)

Unit: Thousands of NT dollars

Item \ Year	Financial information for the last five years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	4,788,794	2,685,328	3,918,034	2,886,010	3,977,564
Operating profit	1,165,198	843,058	650,918	760,263	978,418
Operating income	1,016,523	710,304	433,195	568,363	816,748
Non-operating income and expense	118,170	181,419	87,647	113,643	(68,037)
Income before tax	1,134,693	891,723	520,842	682,006	748,711
Continuing operating net income	1,068,361	782,535	444,704	607,727	613,989
Discontinuing operating loss	-	-	-	-	-
Net income (loss)	1,068,361	782,535	444,704	607,727	613,989
Other comprehensive income (After-tax amount)	(32,433)	(8,127)	2,351	9,529	-
Total comprehensive income	1,035,928	774,408	447,055	617,256	613,989
Income attributable to parent	1,035,928	774,408	447,055	617,256	613,989
Income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to parent	1,035,928	774,408	447,055	617,256	613,989
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earning per share(NT\$)	3.21	2.35	1.34	1.83	1.84

Note 1: 2016-2020 the above financial data has audited or review by CPA.

## b. Name of CPA within five years and auditing opinion given

Year	Name of accounting firm	CPA	Auditing opinion
2016	KPMG	C.S.Wang & H.S. Lin	Unqualified Opinion
2017	KPMG	C.S.Wang & H.S. Lin	Unqualified Opinion
2018	KPMG	C.W. CHUANG & C.S.Wang	Unqualified Opinion
2019	KPMG	C.W. CHUANG & C.S.Wang	Unqualified Opinion
2020	KPMG	C.W. CHUANG & C.S.Wang	Unqualified Opinion



## B. Financial analysis for the past five years

Financial analysis of the applicable of IFRS

Unit: Thousands of NT dollars

Year (Note 1)		Financial information for the last five years					Financial information up to March 31, 2021 (Note 2)
				2018 (Note 1)	2019	2020	
Financial analysis (Note 3)							
Financial structure (%)	Debt of long fund to bank (%)			27.64	39.59 (Note 3)	48.37 (Note 3)	47.89
	Ratio of property, plant and equipment to assets (%)			13,516.21	14,396.65	14,657.96	14,864.54
Solvency	Current ratio(%)			354.49	250.01 (Note 4)	177.95 (Note 4)	180.34
	Quick ratio(%)			26.21	23.73 (Note 4)	15.19 (Note 4)	14.99
	Times interest earned ratio(times)			16.05	13.01 (Note 4)	7.93 (Note 4)	3.26
Operating ability	Account receivable turnover(times)			51.61	30.41 (Note 5)	45.02 (Note 5)	12.85
	Days sales in account receivable			7	12 (Note 5)	8 (Note 5)	28
	Inventory turnover(times)			0.21	0.13 (Note 5)	0.16 (Note 5)	0.02
	Account payable turnover(times)			7.76	8.19 (Note5)	16.50 (Note 5)	3.34
	Average days in sales			1,738	2,808	2,281	18,250
	Property, plant and equipment turnover(times)			47.94	34.06 (Note 5)	47.83 (Note 5)	8.35
	Total assets turnover(times)			0.23	0.16	0.18	0.02
Profitability	Ratio of return on total assets (%)			2.78	3.63	3.22	0.41
	Ratio of return on equity (%)			3.81	5.13	5.07.	0.57
	Income before tax Ratio to issued capital stock(%)			15.64	20.45	22.45	2.30
	Profit ratio (%)			11.35	21.01 (Note 6)	15.40 (Note 6)	40.45
	Earning per share(NT\$)			1.34	1.83	1.84	0.21
Cash flow	Cash flow ratio(%)			24.53	(35.13)	(31.13)	(0.14)
	Cash flow adequacy ratio(%)			306.29	47.27 (Note 7)	(51.81) (Note 7)	(24.34)
	Cash re-investment ratio(%)			5.04	(25.64) (Note 7)	(42.80) (Note 7)	(0.13)
Balance	Operation balance			1.21	1.13	1.03	1.65
	Financial balance			1.08	1.11	1.15	4.70
Analysis of financial ratio change in the last two years (if the difference does not exceed 20%, the analysis is not required.)							

Note 1: The company applies the consolidated financial statements for the first time in the year of 2018. Please refer to the instructions of individual statement instructions.

## Financial analysis of the applicable of IFRS

Financial analysis (Note 3) \ Year (Note 1)		Financial information for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt of long fund to bank (%)	32.82	34.37	27.63	39.65	48.42 (Note 3)
	Ratio of property, plant and equipment to assets (%)	14651.59	15115.15	13516.21	14,361.32	14,624.21
Solvency	Current ratio(%)	293.12	278.36	353.38	249.39	177.55 (Note 4)
	Quick ratio(%)	12.27	17.54	25307	23.14	14.84 (Note 4)
	Times interest earned ratio(times)	72.99	30.97	16.05	13.03	7.94 (Note 4)
Operating ability	Account receivable turnover(times)	67.53	32.78	51.61	30.41	45.03 (Note 5)
	Days sales in account receivable	5	11	7	12	8 (Note 5)
	Inventory turnover(times)	0.21	0.11	0.21	0.13	0.16 (Note 5)
	Account payable turnover(times)	5.88	3.68	7.76	8.19	16.50 (Note 5)
	Average days in sales	1738	3318	1738	2,808	2,281
	Property, plant and equipment turnover(times)	60.88	34.35	47.94	34.07	47.83 (Note 5)
	Total assets turnover(times)	0.25	0.15	0.23	0.16	0.18
Profitability	Ratio of return on total assets (%)	5.76	4.6	2.78	3.64	3.23
	Ratio of return on equity (%)	9.28	6.72	3.81	5.15	5.09
	Income before tax Ratio to issued capital stock(%)	34.09	26.79	13.01	20.49	22.49
	Profit ratio (%)	22.30	29.14	11.35	21.05	15.43 (Note 6)
	Earning per share(NT\$)	3.21	2.35	1.34	1.83	1.84
Cash flow	Cash flow ratio(%)	(7.28)	12.19	24.63	(35.09)	(31.07)
	Cash flow adequacy ratio(%)	101.07	103.62	306.44	47.40	(51.68) (Note 7)
	Cash re-investment ratio(%)	(10.97)	0.39	5.11	(25.74)	(42.99) (Note 7)
Balance	Operation balance	1.09	1.04	1.21	1.12	1.03
	Financial balance	1.01	1.04	1.08	1.11	1.15
Analysis of financial ratio change in the last two years (if the difference does not exceed 20%, the analysis is not required.)						

Note 1: 2016-2020the above financial data has audited or review by CPA.

Note 2: Formulas of financial ratio are as follow:

1. Financial structure:

(1)Debt of long fund to bank property and equipment=total liabilities/total assets.

(2)Ratio of property, plant and quipment to assets =(total equity+non-current liabilities)/net property, plant and quipment.

2. Solvency

(1)Current ratio=current assets/current liabilities.

(2)Quick ratio=(current assets-inventory-prepaid expense)/current liabilities.

(3)Times interest earned ratio=net income before tax and interest expense/interest expense.

3. Operating ability

(1)Account receivable turnover (including accounts receivable and notes receivable resulted from business operation)=net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).



- (2) Days sales in account receivable =  $365 / \text{account receivable turnover}$ .
- (3) Inventory turnover =  $\text{cost of goods sold} / \text{average inventory}$ .
- (4) Account payable turnover (including accounts payable and notes payable resulted from business operation) =  $\text{operating costs} / \text{average balance of account payable (including accounts payable and notes payable resulted from business operation)}$ .
- (5) Average days in sales =  $365 / \text{inventory turnover}$ .
- (6) Fixed property, plant and equipment turnover =  $\text{net sales} / \text{net property, plant and equipment}$ .
- (7) Total assets turnover =  $\text{net sales} / \text{average total assets}$ .
- 4. Profitability
  - (1) Ratio or return on total assets =  $[\text{net income} + \text{interest expense} * (1 - \text{tax rate})] / \text{average total assets}$
  - (2) Ratio of return on equity =  $\text{net income} / \text{average total equity}$ .
  - (3) Profit ratio =  $\text{net income} / \text{net sales}$ .
  - (4) Earnings per share =  $(\text{attributable to parent's equity} - \text{preferred stock dividend}) / \text{weighted average stock shares issued}$ .
- 5. Cash flow
  - (1) Cash flow ratio =  $\text{net cash flow from operating activity} / \text{current liabilities}$ .
  - (2) Cash flow adequacy ratio =  $(\text{net cash flow from operating activities within five year} / (\text{capital expenditure} + \text{inventory increase} + \text{cash dividend}) \text{ within five year})$ .
  - (3) Cash re-investment ratio =  $(\text{net cash flow from operating activity} - \text{cash dividend}) / (\text{total property, plant and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$ .
  - (6) Balance
    - Operation balance =  $(\text{net operating income} - \text{operating variable cost and expense}) / \text{operating income}$
    - Financial balance =  $\text{operating income} / (\text{operating income} - \text{interest expense})$ .

Note 3 : The purchase of land resulted in a substantial increase in short-term borrowings, which increased current liabilities and total liabilities.

Note 4 : Purchase of land inventory increases borrowings, which increases current assets and total assets.

Note 5 : "Economic and Trade", "World Trade Plaza", "AMAX", "Leisure Days", "HongPu PARK", "Wende", "Paris Mansion", "Hong Pu New Star", etc. completed houses were delivered and revenues booked into the account. "MGH Mitsui Garden Hotel" and "World Trade Plaza" provided the company's rental income, which increased sales income and costs, and the outstanding accounts receivable decreased compared with the year 2019.

Note 6 : Although the sales revenue of year 2020 increased compared with that of year 2019, the related sales costs and income tax expenses also increased, and the financial cost of purchasing land inventory during the current period increased significantly compared with that of year 2019, which caused the overall gross profit to decrease.

Note 7 : Year 2020 purchase of land inventory resulted in an increase in financial costs and an increase in the tax paid for completed houses, which resulted in a decrease in net cash flow from operating activities.

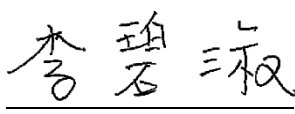
### C. Supervisors' Report in the Most Recent Year

Supervisors's Review Report: Not applicable as the Company set up the Committee to replace the Supervisors.

**D.Audit Report by the Audit Committee****Audit Report by the Audit Committee**

The Board of Directors has submitted the Company's 2020 annual business report, financial statements and profit distribution proposal, among which the finance report has been entrusted to the certified public accountants, Chuang Chun Wei and Wang Chin Sun of KPMG Taiwan for auditing to generate an audit report. The audit Committee has verified the above-mentioned business report, financial statements and profit distribution proposal. No discrepancy is found and the committee hereby presents the report in accordance with Article 14-5 of the "Securities and Exchange Act" and Article 219 of the "Company Act" for your approval.

Hong Pu Real Estate Development Co., Ltd.

Convener:   
P.S. LI

May 5, 2021

## E. Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report



安侯建業聯合會計師事務所

KPMG

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### Independent Auditors' Report

To the Board of Directors of Hong Pu Real Estate Development Co., Ltd.:

#### Opinion

We have audited the financial statements of Hong Pu Real Estate Development Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

##### 1. Revenue recognition

Refer to note 4 (n) for the relevant accounting policy regarding recognition of revenue, and refer to note 6 (o) for relevant disclosures.

Description of key audit matter:

The main operation income of the Company is derived from the sales of premises. Sales customers are numerous and scattered, and the income-related control mostly relies on manual execution. Therefore, the recognition of revenue has been identified as one of the key audit matters in conducting the examination of the financial statement.



How the matter was addressed in our audit:

Our principal audit procedures included:

- Compare the policy concerning the revenue recognition with the accounting standards, in order to assess the appropriateness of the policy adopted by the Company.
- Inspect the main compositions of the revenue through review the sales contract to verify the authenticity of transaction and confirm whether the timing of recognition matches with accounting policies and standards.

We also examine the appropriateness of disclosure of the revenue recognition policy of the Company and so does other information. So as to ensure if any significant abnormality exists, we review the sales contract with the timing of transfer completion of the property and property rights as well as assess the revenue recognition policy of the Company applied in accordance with the relevant Accounting Bulletins.

## 2. Inventory valuation

Refer to note 4 (g) for accounting policy regarding the inventories valuation; refer to note 5 for accounting estimation and assumption of the inventories valuation; please refer to note 6 (d) for relevant inventory disclosures.

Description of key audit matter:

In the financial statements, inventory is measured at the lower of the cost and net realizable value. Due to legal regulations and the economic cycle, which affect the transaction volume and sales in the real estate market, the gross profit of related products may be affected, resulting in the risk that the inventory cost may be higher than the net realizable value.

How the matter was addressed in our audit:

Our principal audit procedures included:

- Evaluate whether the accounting policy adjustments are in accordance with business cycle and other economic decrees.
- Evaluate whether the market data provided has been updated on regular or irregular basis to reflect the real economic situation.
- Our audit procedures included discussing the current market tendencies and business strategies with management, and obtaining the sufficient audit evidence to assure the accurateness of the inventory assessment.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 the Audit Committee) are responsible for overseeing the Company's financial reporting process.



## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 Chuang Chun Wei and Wang Chin Sun.

KPMG

Taipei, Taiwan (Republic of China)  
March 17, 2021

#### **Notes to Readers**

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

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)  
**HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

**Balance Sheets**

**December 31, 2020 and 2019**

(expressed in thousands of New Taiwan dollar)

	December 31, 2020		December 31, 2019			December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and Stockholders' Equity</b>				
<b>Current assets:</b>					<b>Current liabilities:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 867,114	4	1,137,864	6	2100 Short-term loans (note 6(i) and 8)	\$ 6,090,000	26	5,097,000	26
1110 Financial assets at fair value through profit and loss (note 6(b))	-	-	4,268	-	2110 Short-term notes and bills payable (note 6(i) and 8)	4,541,688	19	1,805,417	9
1150 Notes receivable, net (note 6(c)(o))	12,456	-	51,719	-	2130 Current contract liabilities (note 6(o) and 9)	532,085	2	465,106	3
1170 Accounts receivable, net (note 6(c)(o))	44,863	-	67,624	-	Notes payable	24,128	-	29,924	-
1210 Other receivable—related parties (notes 7)	2,067	-	1,392	-	Accounts payable	128,961	1	180,447	1
1320 Inventories (notes 6(d) 8 and 9)	18,136,781	77	17,678,639	90	Other payable	56,139	-	210,727	1
1410 Prepayments(note 9)	520,403	2	164,193	1	Current tax liabilities	7,220	-	2,744	-
1476 Other financial assets—current (note 6(o))	381,442	2	180,463	1	Other current liabilities	18,963	-	39,785	-
1479 Other current assets (note 9)	124,795	-	126,070	1	<b>Total current liabilities</b>	<b>11,399,184</b>	<b>48</b>	<b>7,831,150</b>	<b>40</b>
1480 Incremental costs of obtaining a contract	149,490	1	118,360	-	<b>Non-current liabilities:</b>				
<b>Total current assets</b>	<b>20,239,411</b>	<b>86</b>	<b>19,530,592</b>	<b>99</b>	Other non-current liabilities	9,588	-	10,815	-
<b>Non-current assets:</b>					<b>Total liabilities</b>	<b>11,408,772</b>	<b>48</b>	<b>7,841,965</b>	<b>40</b>
1550 Investments accounted for using equity method (note 6(h))	29,204	-	30,579	-	<b>Equity (note 6(m)):</b>				
1600 Property, plant and equipment (note 6(g) and 8)	83,138	-	83,174	-	Common stock	3,328,087	14	3,328,087	17
1760 Investment property, net (notes 6(h) and 8)	3,014,410	13	-	-	Capital surplus	2,042,348	9	2,042,348	10
1920 Refundable deposits (note 9)	186,495	1	113,585	1	Retained earnings:				
Other assets	4,809	-	18,111	-	Appropriated as legal capital reserve	1,917,660	8	1,856,887	9
<b>Total non-current assets</b>	<b>3,318,056</b>	<b>14</b>	<b>245,449</b>	<b>1</b>	Special reserve	-	-	9,529	-
					Unappropriated earnings	4,860,600	21	4,697,225	24
						6,778,260	29	6,563,641	33
						12,148,695	52	11,934,076	60
<b>Total assets</b>	<b>\$ 23,557,467</b>	<b>100</b>	<b>19,776,041</b>	<b>100</b>	<b>Total equity</b>	<b>\$ 23,557,467</b>	<b>100</b>	<b>19,776,041</b>	<b>100</b>
					<b>Total liabilities and equity</b>				

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(expressed in thousands of New Taiwan dollar except earnings per Share)

		2020		2019	
		Amount	%	Amount	%
<b>Operating revenue:</b>					
4300	Rental revenue (notes 6(j) (o) and 7)	\$ 163,045	4	32,687	1
4511	Construction contract revenue (notes 6(o))	<u>3,814,519</u>	<u>96</u>	<u>2,853,323</u>	<u>99</u>
<b>Net operating revenue</b>		<u>3,977,564</u>	<u>100</u>	<u>2,886,010</u>	<u>100</u>
<b>Operating cost:</b>					
5300	Rental Cost	71,885	2	3,765	-
5510	Construction contract cost	<u>2,927,261</u>	<u>73</u>	<u>2,121,982</u>	<u>74</u>
<b>Net operating cost</b>		<u>2,999,146</u>	<u>75</u>	<u>2,125,747</u>	<u>74</u>
<b>Gross profit</b>		<u>978,418</u>	<u>25</u>	<u>760,263</u>	<u>26</u>
<b>Operating expenses(note6(k)and7):</b>					
6100	Selling expenses	114,130	3	150,550	5
6200	Administrative expenses	<u>47,540</u>	<u>1</u>	<u>41,350</u>	<u>1</u>
<b>Total operating expenses</b>		<u>161,670</u>	<u>4</u>	<u>191,900</u>	<u>6</u>
<b>Operating income</b>		<u>816,748</u>	<u>21</u>	<u>568,363</u>	<u>20</u>
<b>Non-operating income and expenses (note6(f)(q)and7):</b>					
7100	Interest income	7,191	-	2,310	-
7010	Other income	68,561	2	49,266	2
7020	Other gains and losses	(34,631)	(1)	121,091	4
7050	Finance costs	(107,783)	(3)	(56,662)	(2)
7060	Share of profit of investment in associates and subsidiaries accounted for using equity method	<u>(1,375)</u>	<u>-</u>	<u>(2,362)</u>	<u>-</u>
<b>Total non-operating income and expenses</b>		<u>(68,037)</u>	<u>(2)</u>	<u>113,643</u>	<u>4</u>
7900	<b>Profit before tax</b>	748,711	19	682,006	24
7951	<b>Less: income tax expenses (note 6(l))</b>	<u>134,722</u>	<u>4</u>	<u>74,279</u>	<u>3</u>
8200	<b>Profit</b>	<u>613,989</u>	<u>15</u>	<u>607,727</u>	<u>21</u>
<b>Other comprehensive income (loss) (note 6(m)):</b>					
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8365	Equity related to non-current asset classified as held for sale	-	-	9,529	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	<b>Other comprehensive income (after tax)</b>	<u>-</u>	<u>-</u>	<u>9,529</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 613,989</u>	<u>15</u>	<u>617,256</u>	<u>21</u>
<b>Earnings per share (note 6(n)):</b>					
9750	<b>Basic earnings per share</b>	<u>\$ 1.84</u>		<u>1.83</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 1.84</u>		<u>1.82</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

**Statements of Changes in Equity**

**For the years ended December 31, 2020 and 2019**

(Expressed in thousands of New Taiwan dollar)

	Retained earnings					Other equity		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Equity related to non-current asset classified as held for sale	Total equity
<b>Balance at January 1, 2019</b>	\$ 3,328,087	2,041,583	1,812,417	-	4,476,306	6,288,723	(9,529)	11,648,864
Net income	-	-	-	-	607,727	607,727	-	607,727
Other comprehensive income (loss)	-	-	-	-	-	-	9,529	9,529
Total comprehensive income (loss)	-	-	-	-	607,727	607,727	9,529	617,256
Appropriations and distributions:								
Legal reserve	-	-	44,470	-	(44,470)	-	-	-
Special reserve	-	-	-	9,529	(9,529)	-	-	-
Cash dividends	-	-	-	-	(332,809)	(332,809)	-	(332,809)
Disposal of investments using equity method	-	765	-	-	-	-	-	765
<b>Balance at December 31, 2019</b>	3,328,087	2,042,348	1,856,887	9,529	4,697,225	6,563,641	-	11,934,076
Net income	-	-	-	-	613,989	613,989	-	613,989
Other comprehensive income (loss)	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	613,989	613,989	-	613,989
Appropriations and distributions:								
Legal reserve	-	-	60,773	-	(60,773)	-	-	-
Reversal of special reserve	-	-	-	(9,529)	9,529	-	-	-
Cash dividends	-	-	-	-	(399,370)	(399,370)	-	(399,370)
<b>Balance at December 31, 2020</b>	\$ 3,328,087	2,042,348	1,917,660	-	4,860,600	6,778,260	-	12,148,695

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(expressed in thousands of New Taiwan dollar)

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
Profit before income tax	\$ 748,711	682,006
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation expense	25,872	2,779
Amortization expense	150	131
Net profit on financial assets at fair value through profit or loss	(507)	(3,295)
Interest expenses	107,783	56,662
Interest income	(7,191)	(2,310)
Dividend income	-	(423)
Recognized shares of profit of investment in associates accounted for using equity method	1,375	2,362
Gain on disposal of property, plant and equipment	(125)	-
Gain on disposal of investments	(2,002)	-
Gains on disposal of non-current asset	-	(138,618)
Total adjustments to reconcile profit and loss	125,355	(82,712)
Net changes in operating assets and liabilities:		
Financial asset at fair value through profit or loss	4,775	17,878
Notes receivable	39,263	(19,539)
Accounts receivable	22,761	(29,363)
Other receivable—related parties	(675)	(1,392)
Inventories	(3,483,811)	(3,112,821)
Prepayments	(356,210)	17,472
Other current assets	1,275	4,532
Incremental costs of obtaining a contract	(31,130)	(106,856)
Other financial assets	(200,979)	(178,233)
Notes payable	(5,796)	(55,869)
Accounts payable	(51,486)	(41,612)
Other payable	(154,084)	70,311
Current contract liabilities	66,979	264,137
Other current liabilities	(20,822)	(1,327)
Total changes in operating assets / liabilities, net	(4,169,940)	(3,172,682)
Total adjustments	(4,044,585)	(3,255,394)
<b>Cash used in from operations</b>	(3,295,874)	(2,573,388)
Interest received	7,191	2,310
Interest paid	(122,932)	(85,148)
Income tax paid	(130,246)	(91,968)
<b>Net cash flows used in operating activities</b>	(3,541,861)	(2,748,194)
<b>Cash flows from (used in) investing activities:</b>		
Return of capital of investments accounted for using equity method due to capital reduction	-	230,871
Disposal of subsidiaries	-	31,458
Disposal of non-current asset classified as held for sale	-	170,532
Acquisition of property, plant and equipment	(2,828)	-
Proceeds from disposal of property, plant and equipment	285	-
Increase in refundable deposits	(96,335)	(1,178,626)
Decrease in refundable deposits	23,425	1,166,983
Proceeds from disposal of investment property	4,738	-
Decrease (increase) in other non-current assets	13,152	10,267
Dividends received	-	423
<b>Net cash flows from (used in) investing activities</b>	(57,563)	431,908
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	10,993,000	5,500,000
Decrease in short-term borrowings	(10,000,000)	(2,290,000)
Increase in short-term notes and bills payable	11,767,177	7,860,691
Decrease in short-term notes and bills payable	(9,030,906)	(7,898,362)
Decrease in other non-current liabilities	(1,227)	3,563
Cash dividends paid	(399,370)	(332,809)
<b>Net cash flows from financing activities</b>	3,328,674	2,843,083
Net increase (decrease) in cash and cash equivalents	(270,750)	526,797
Cash and cash equivalents, at beginning of period	1,137,864	611,067
Cash and cash equivalents, at end of period	<u>\$ 867,114</u>	<u>1,137,864</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31 2020 and 2019**

(expressed in thousands of New Taiwan dollar unless otherwise specified)

**1. Company history**

Company was incorporated in October 5, 1988, and changed into Hong Pu Real Estate Development Co., Ltd. (“the Company”) in 1990. The Company was approved to be a public company by the Securities and Futures Commission (“SFC”) of the Republic of China (“ROC”) on March 23, 1991, and was listed on the Taiwan Stock Exchange on December 21, 1995. Registered address is 21F., No.71, Sec. 2, Dunhua S. Rd., Da’an Dist., Taipei City, Taiwan. The Company primarily engages in the business of construction, sales, and leasing of residential and commercial buildings.

Based on the resolution of the Board of Directors on July 15, 2004, the Company, which is the surviving company, completed its merger with Hung Yuan. The merger was a simple merger. After the merger, the name of the Company remained as Hong Pu Real Estate Development Co., Ltd.

**2. Approval date and procedures of the financial statements**

The financial statements were approved and authorized for issue by the Board of Directors on March 17, 2021.

**3. New standards, amendments and interpretations adopted**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

#### 4. Summary of significant accounting policies

The accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards,

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value.

- (ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

### **Notes to the Financial Statements**

#### **(c) Foreign currencies**

##### **(i) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

##### **(ii) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

### **Notes to the Financial Statements**

#### **(d) Classification of current and non-current assets and liabilities**

As the Company's operating cycle is longer than a year, assets and liabilities related to the operation are classified as current or non-current by their operating cycle. An asset not related to the operation is classified as current under one of the following criteria, and all other assets are classified as non-current:

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability not related to the operation as current when:

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

#### **(e) Cash and cash equivalents**

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash and cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Company statement of cash flows.

(Continued)

## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

### **Notes to the Financial Statements**

#### **(f) Financial instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### **(i) Financial assets**

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### **1) Financial assets measured at amortized cost**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

##### **2) Fair value through other comprehensive income (FVOCI )**

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(Continued)

## HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

### Notes to the Financial Statements

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item.

On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

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## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

### **Notes to the Financial Statements**

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 2 years past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(Continued)

## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

### **Notes to the Financial Statements**

#### **6) Derecognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### **(ii) Financial liabilities and equity instruments**

##### **1) Classification of debt or equity**

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### **2) Equity instrument**

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

##### **3) Financial liabilities**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

##### **4) Derecognition of financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(Continued)

## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

### **Notes to the Financial Statements**

#### **5) Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **(g) Inventories**

The Company capitalizes the acquisition costs and interest expenses paid for land as prepayments for the land before the ownership of the land is transferred, and records them as “Prepayment for land purchases”. After the ownership of the land is transferred, it is recorded as “Land held for development”, and as “Construction-in-progress— land” when the construction has begun. Construction costs and expenses which can be allocated by construction site are recorded as “Construction-in-progress— project”. After the completion of the construction, the costs are transferred to “Properties and land held for sale”. The inventories, which include “Land held for development”, “Construction-in-progress— land”, “Construction-in-progress— project”, and “Properties and land held for sale” are measured at the lower of cost and net realizable value. An allowance for loss on decline in market value will be recorded if the net realizable value is lower than the cost at the reporting date.

Interest expense from borrowing used in construction-in-progress (projects and land) is capitalized before the construction is completed, and is stated as inventory costs.

#### **(h) Non-current assets held for sale**

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company’s accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Company’s accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss than has been recognized.

Once classified as held for sale intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(Continued)

# **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

## **Notes to the Financial Statements**

### **(i) Investment in subsidiaries**

The Company uses the equity method to evaluate an investee that it controls in preparing the financial statements. Under the equity method, the net income, other comprehensive income, and shareholders' equity in the financial reports of the Company and the net income, other comprehensive income, and shareholders' equity that belongs to the Company in the consolidated financial reports should be the same.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over a subsidiary are accounted for as equity transactions with owners.

### **(j) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost. Depreciation expense is calculated based on the depreciation method, useful life and residual value which are the same as those adopted for property, plant and equipment.

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.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

### **(k) Property, plant and equipment**

#### **(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

#### **(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

#### **(iii) Depreciation**

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

(Continued)

## HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

### Notes to the Financial Statements

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings 3~55 years
- 2) Other equipment 4~8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(l) Leases

(i) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(m) Impairment — non-financial assets

Non-financial assets other than inventories and non-current assets held for sale are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

(Continued)

## HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

### Notes to the Financial Statements

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (n) Revenue

##### (i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

##### 1) Land development and sales of real estate

The Company develops and sells residential properties, and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Company due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects

(Continued)

## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

### **Notes to the Financial Statements**

of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

#### **2) Financing components**

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer to be significant financial components. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

#### **(ii) Contract costs**

##### **1) Incremental costs of obtaining a contract**

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

#### **(o) Employee benefits**

##### **(i) Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

##### **(ii) Other long-term employee benefits**

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

##### **(iii) Termination benefits**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(Continued)

# **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

## **Notes to the Financial Statements**

### **(iv) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **(p) Income tax**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current-tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or

(Continued)

## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

### **Notes to the Financial Statements**

- 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share (EPS)

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(r) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

#### **5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the parent company only financial statements, in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

1. Valuation of Inventory

Inventories are stated at lower of cost and net realizable value, and the assessment of net realizable value is determined based on the current sales market. Any change in the real sales market may have significant effect on the result of estimation. Please refer to note 6(d) for the estimation of inventory valuation.

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: 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).
- Level 3: inputs for the assets or liability that are not based on observable market data.

### 6. Explanation of significant accounts

#### (a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 181	353
Demand deposits	866,933	1,137,511
Cash and cash equivalents in the statement of cash flows	<b>\$ 867,114</b>	<b>1,137,864</b>

Please refer to note 6(r) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

#### (b) Financial assets and liabilities at fair value through profit or loss

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks listed on domestic markets	\$ -	4,268

Please refer to note 6(r) for the credit, currency, interest and market price risk of the financial instruments of the Company. As of December 31, 2020 and 2019, the financial assets were not pledged.

#### (c) Note and trade receivables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable	\$ 12,456	51,719
Account receivables—measured as amortized cost	44,863	67,624
Total	<b>\$ 57,319</b>	<b>119,343</b>

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions in Taiwan were determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ <u>57,319</u>	-	<u>-</u>

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ <u>119,343</u>	-	<u>-</u>

### (d) Inventories

Please refer to note 8 for inventories pledged as collateral as of December 31, 2020 and 2019.

	December 31, 2020	December 31, 2019
Properties and land held for sale	\$ 318,078	4,166,584
Construction-in-progress — land	4,030,920	4,256,082
Construction-in-progress — projects	1,640,473	1,845,082
Land held for development	11,240,278	7,461,603
Prepayments for land purchase	910,742	39,668
Less: allowance for loss on decline in market value and obsolescence	<u>(3,710)</u>	<u>(90,380)</u>
	<u>\$ 18,136,781</u>	<u>17,678,639</u>

- (i) For the years ended December 31, 2020 and 2019, the amount of capitalized interests of land held for development and construction in progress of the Company were \$14,645 thousand and \$27,595 thousand, respectively.
- (ii) For the years ended December 31, 2020 and 2019, the reversal of write-downs amounted to \$86,670 thousand and \$164,700 thousand, respectively. The write-downs and reversals are included in cost of sales.

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### (e) Non-current assets held for sale

On December 26, 2018, a resolution was passed by the Board of Directors to dispose the remaining investment of the Group in its associates at the price of USD \$6,224 thousand after capital reduction of USD \$7,576 thousand. As of December 31, 2020, the transaction had been completed. The payment has been received and the details are as follow:

	<b>December 31, 2019</b>
Investments accounted for using equity method	\$ <u>-</u>
Amount of cumulative income or expense recognized in other comprehensive income relating to the non-current assets classified as held for sale	
Equity related to non-current assets classified as held for sale	\$ <u>-</u>

### (f) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using equity method at the reporting date is as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiary	\$ <u>29,204</u>	<u>30,579</u>

#### (i) Subsidiaries

Please refer to the consolidated financial statement for the year ended 2020.

#### (ii) Collateral

As of December 31, 2020 and 2019, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

#### (iii) The Company disposed 49% of Chuan Yue Real Estate Development Co., Ltd.'s equity ownership on June 28, 2019 at an amount of \$31,458 thousand but did not result in losing its control over Chuan Yue Real Estate Development Co..

The following summarizes the effect of change in equity of the parent due to changes in the ownership interest of subsidiaries:

	<b>December 31, 2019</b>
Book value of the non-controlling interest	\$ 30,693
Consideration transferred from non-cuntrolling interest	<u>31,458</u>
Capital surplus-difference between the consideration and the carrying amount of subsidiaries acquired or disposed	\$ <u>(765)</u>

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

(g) Property, plant and equipment

- (i) The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 were as follows:

	<b>Land</b>	<b>Buildings and construction</b>	<b>Other Facilities</b>	<b>Total</b>
<b>Cost or deemed cost:</b>				
Balance at January 1, 2020	\$ 54,131	65,703	16,717	136,551
Addition	-	-	2,828	2,828
Disposal and scrapped	-	-	(3,554)	(3,554)
Balance at December 31, 2020	<u>\$ 54,131</u>	<u>65,703</u>	<u>15,991</u>	<u>135,825</u>
Balance at January 1, 2019	\$ 54,131	65,988	16,717	136,836
Other	-	(285)	-	(285)
Balance at December 31, 2019	<u>\$ 54,131</u>	<u>65,703</u>	<u>16,717</u>	<u>136,551</u>
<b>Depreciation and impairment loss:</b>				
Balance at January 1, 2020	\$ 7,869	32,810	12,698	53,377
Depreciation for the year	-	1,246	1,458	2,704
Disposal and scrapped	-	-	(3,394)	(3,394)
Balance at December 31, 2020	<u>\$ 7,869</u>	<u>34,056</u>	<u>10,762</u>	<u>52,687</u>
Balance at January 1, 2019	\$ 7,869	31,564	11,165	50,598
Depreciation for the year	-	1,246	1,533	2,779
Balance at December 31, 2019	<u>\$ 7,869</u>	<u>32,810</u>	<u>12,698</u>	<u>53,377</u>
<b>Carrying value:</b>				
Balance at December 31, 2020	<u>\$ 46,262</u>	<u>31,647</u>	<u>5,229</u>	<u>83,138</u>
Balance at December 31, 2019	<u>\$ 46,262</u>	<u>32,893</u>	<u>4,019</u>	<u>83,174</u>
Balance at January 1, 2019	<u>\$ 46,262</u>	<u>34,424</u>	<u>5,552</u>	<u>86,238</u>

(ii) Collateral

As of December 31, 2020 and 2019, the property, plant and equipment of the Company had been pledged as collateral, please refer to note 8.

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### (h) Investment Properties

	<b>Land and improvements</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost or deemed cost:</b>			
Balance at January 1, 2020	\$ -	-	-
Reclassification from inventories	1,611,364	1,428,950	3,040,314
Disposal	(1,461)	(1,292)	(2,753)
Balance at December 31, 2020	<u><u>\$ 1,609,903</u></u>	<u><u>1,427,658</u></u>	<u><u>3,037,561</u></u>
<b>Accumulated depreciation and impairment losses:</b>			
Balance at January 1, 2020	\$ -	-	-
Disposal	-	(17)	(17)
Depreciation for the year	-	23,168	23,168
Balance at December 31, 2020	<u><u>\$ -</u></u>	<u><u>23,151</u></u>	<u><u>23,151</u></u>
<b>Carrying amount :</b>			
Balance at December 31, 2020	<u><u>\$ 1,609,903</u></u>	<u><u>1,404,507</u></u>	<u><u>3,014,410</u></u>
Balance at December 31, 2019	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Balance at January 1, 2019	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>Fair value :</b>			
Balance at December 31, 2020			<u><u>\$ 7,758,917</u></u>
Balance at December 31, 2019			<u><u>\$ -</u></u>

The fair value of the investment property were determined by referring to the average market price of close deal in similar district after deducting relevant expense.

### (i) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

	<b>December 31, 2020</b>			
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank loans	TWD	1.35%~1.69%	2021	\$ 5,590,000
Unsecured bank loans	TWD	1.35%~1.36%	2021	500,000
Commercial paper payables	TWD	0.35%~1.29%	2021	4,541,688
Total				<u><u>\$ 10,631,688</u></u>
Current				\$ 10,631,688
Non-current				-
Total				<u><u>\$ 10,631,688</u></u>

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

	December 31, 2019			
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	TWD	1.50%~1.86%	2021	\$ 4,787,000
Unsecured bank loans	TWD	1.66%	2020	310,000
Commercial paper payables	TWD	0.5%~1.50%	2020	1,805,417
Total				<u>\$ 6,902,417</u>
Current				\$ 6,902,417
Non-current				-
Total				<u>\$ 6,902,417</u>

For the collateral for short-term notes and bills payable, please refer to note 8.

### (j) Operating lease

The Company leases out its office and carpark space. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follow:

	December 31, 2020	December 31, 2019
Less than one year	\$ 174,429	60,050
One to two year	193,429	62,520
Two to three year	182,208	48,713
Three to four year	173,283	40,283
Four to five year	155,021	17,833
More than five year	1,995,097	61,853
Total undiscounted lease payments	<u>\$ 2,873,467</u>	<u>291,252</u>

### (k) Employee benefits

#### (i) Defined benefit plans

The pension cost incurred from the defined contribution plans amounted to \$32 thousand for both year ended December 31, 2020 and 2019

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# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### (ii) Defined contribution plans

The Company allocates 6% of the contribution rate of the employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligation.

The pension cost incurred from the contributions to the Bureau of the Labor Insurance amounted to \$1,077 thousand and \$1,074 thousand for the years ended December 31, 2020 and 2019, respectively.

### (l) Income tax

#### (i) Income tax expense

The components of income tax in the years of 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Current tax expense	\$ 134,722	74,279
Deferred tax expense	-	-
Income tax expenses from continuing operations	<b>\$ 134,722</b>	<b>74,279</b>

Reconciliation of income tax expense and profit before tax for the years ended December 31, 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Income before tax	<b>\$ 748,711</b>	<b>682,006</b>
Income tax using the Company's domestic tax rate	\$ 149,742	136,401
Tax-exempt income	(183,038)	(118,711)
Land value increment Tax	129,173	64,453
Additional tax on undistributed earnings	5,549	9,826
Others	33,296	(17,690)
Total	<b>\$ 134,722</b>	<b>74,279</b>

#### (ii) Deferred tax assets and liabilities

##### 1) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Tax effect of deductible Temporary Differences	\$ 73,792	79,744
The carryforward of unused tax losses	172,933	143,603
	<b>\$ 246,725</b>	<b>223,347</b>

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2020, the information of the Company's unused losses for which no deferred tax assets were recognized was as follows:

<u>Year of loss</u>	<u>Unused amount</u>	<u>Expiration year</u>
2015	\$ 34,844	2025
2017	14,183	2027
2018	386,349	2028
2019	102,463	2029
2020	326,826	2030

- (3) The ROC income tax authorities have examined the Company's income tax returns for all years through 2018.

### (m) Capital and Other Equities

As of December 31, 2020 and 2019, the total value of authorized ordinary shares were \$4,300,000 thousand with par value of \$10 per share. As of the date, 332,809 thousand of ordinary shares amounted 3,328,087 thousand were issued.

#### (i) Capital surplus

Balances of capital surplus at the reporting date were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Share capital	\$ 1,769,869	1,769,869
Treasury share transactions	26,353	26,353
Difference arising from subsidiary's share price and its carrying value	765	765
Capital surplus—premium from merger	217,538	217,538
Conversion right of convertible bonds	16,588	16,588
Interest payable refund from bond conversion	11,235	11,235
Total	<u>\$ 2,042,348</u>	<u>2,042,348</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### (ii) Unappropriated earnings

The Company's Articles of Incorporation stipulate that once the Company has annual profit, it shall first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. The Company will appropriate the special capital reserve in accordance with the relevant laws and regulations or its operating needs. The distribution of any balance left over and unappropriated earnings at the beginning of the year is determined by the Board of Directors and approved by the stockholders at their annual meeting. Except for the distribution of surplus in accordance with the law, when the Company has no earnings, no dividends and bonuses will be distributed.

Considering future capital demand and sound financial plan for sustainable development of the Company, the meeting of shareholders may resolve accordingly that part or all of the earnings will not be distributed, and that when there is distribution of earnings, cash dividends shall account for at least 20% of total cash and stock dividends. The remains will be paid in the form of shares to transfer retained earnings and capital surplus to capital.

#### 1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

#### 2) Special reserve

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

#### 3) Earnings Distribution

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 9, 2020 and June 14, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	2019		2018	
	Amount per share	Total amount	Amount per share	Total Amount
Cash Dividend	\$ 1.20	<u>399,370</u>	1.00	<u>332,809</u>

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

Information on the earnings appropriation proposed by the Company's Board of Directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

### (iii) Other equity

	<b>Equity related to non-current assets classified as held for sale</b>
<b>Balance at January 1, 2019</b>	\$ (9,529)
Equity related to non-current asset classified as held for sale	9,529
<b>Balance at December 31, 2019</b>	<b>\$ -</b>

### (n) Earnings per share

#### (i) Basic Earnings per share

The details on the calculation of basic earnings per share at December 31, 2020 and 2019 was based on the profit attributable to ordinary shareholders of the Company amounting to \$613,989 thousand and \$607,727 thousand and the weighted average number of ordinary shares outstanding were both 332,809 thousand as follows:

#### 1) Profit attributable to ordinary shareholders of the Company

	<b>2020</b>	<b>2019</b>
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>613,989</u>	<u>607,727</u>
Weighted-average number of ordinary shares	\$ <u>332,809</u>	<u>332,809</u>
Basic earning per share	\$ <u>1.84</u>	<u>1.83</u>

#### (ii) Diluted earnings per share

The details on the calculation of diluted earnings per share at December 31, 2020 and 2019 that was based on profit attributable to ordinary shareholders of the Company amounting to \$613,989 thousand and \$607,727 thousand and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 333,492 thousand and 333,447 thousand, respectively, as follows:

#### 1) Profit attributable to ordinary shareholders of the Company (diluted)

	<b>2020</b>	<b>2019</b>
Profit (loss) attributable to ordinary shareholders of the Company (basic)	\$ 613,989	607,727
Profit (loss) attributable to ordinary shareholders of the Company (diluted)	\$ <u>613,989</u>	<u>607,727</u>

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### 2) Weighted-average number of ordinary shares (diluted)

	<b>2020</b>	<b>2019</b>
Weighted-average number of ordinary shares (basic)	332,809	332,809
Effect of employee stock bonus	\$ 683	638
Weighted-average number of ordinary shares (diluted) at 31 December	<u><b>333,492</b></u>	<u><b>333,447</b></u>
Diluted earning per share	<u><b>\$ 1.84</b></u>	<u><b>1.82</b></u>

### (o) Revenue from contracts with customers

#### (i) Details of revenue

	<b>2020</b>	<b>2019</b>
Primary geographical markets		
Taiwan	<u><b>\$ 3,977,564</b></u>	<u><b>2,886,010</b></u>
Major products/services lines		
Sale of land and buildings	\$ 3,814,519	2,853,323
Lease of real estate	<u>163,045</u>	<u>32,687</u>
	<u><b>\$ 3,977,564</b></u>	<u><b>2,886,010</b></u>

#### (ii) Contract balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Accounts receivable	\$ 44,863	67,624	38,261
Notes receivable	<u>12,456</u>	<u>51,719</u>	<u>32,180</u>
Total	<u><b>\$ 57,319</b></u>	<u><b>119,343</b></u>	<u><b>70,441</b></u>
Contract liabilities — sale of real estate	<u><b>\$ 532,085</b></u>	<u><b>465,106</b></u>	<u><b>200,969</b></u>

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2020 and 2019.

#### (iii) For the unearned revenue received from pre-sale of construction properties the Company registered the trust of the construction in progress to which the contract liabilities belongs. This trust amount is recorded as “other financial assets-current”.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other financial assets-current	<u><b>\$ 381,442</b></u>	<u><b>180,463</b></u>

## HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

### Notes to the Financial Statements

As of December 31, 2020, the Company consigned the trustees to manage the capital received from its pre-sale of properties in accordance with the Trust agreements, wherein the trust will be terminated when the project is completed, when the permit to use the building is issued, and when the ownership of the building is first registered.

- (iv) Unearned revenue received were from sale and pre-sale of properties and land held-for-sale.
- (v) As of December 31, 2020, the advance payments of pre-sale projects named Palace Forever and Central Park have been entrusted as follows:
  - 1) The reports are in accordance with the sold contracts.
  - 2) Accrued trust amount on the base date is equal to the amount deposited into the trust account.
  - 3) The Company deposits the payment received from buyers into the specific trust account at the same period.
  - 4) There should be no delay in paying the deposit.
- (p) Directors' remuneration

In accordance with the Articles of Incorporation, the Company should contribute no less than 1% of the profit as employee compensation and less than 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration both amounting to \$12,000 thousands, and directors' remuneration both amounting to \$2,200 thousands, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees, directors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2020 and 2019.

(q) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>2020</b>	<b>2019</b>
Interest income from bank deposits	\$ 6,947	1,594
Other interest income	244	716
Total	<u>\$ 7,191</u>	<u>2,310</u>

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### (ii) Other income

The details of other income were as follows:

	<b>2020</b>	<b>2019</b>
Dividend income	\$ -	423
Breach income	52,971	37,798
Others	15,590	11,045
Total	<u><u>\$ 68,561</u></u>	<u><u>49,266</u></u>

### (iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>2020</b>	<b>2019</b>
Gains on financial assets at fair value through profit or loss	\$ 507	3,295
Gains on disposals of property, plant and equipment	125	-
Gains on disposals of investment property	2,002	-
Gain on disposal of non-current asset held for sale through profit loss	-	138,618
Foreign exchange losses	(32,584)	(14,121)
Others	(4,681)	(6,701)
Total	<u><u>\$ (34,631)</u></u>	<u><u>121,091</u></u>

### (iv) Finance costs

The details of finance costs were as follows:

	<b>2020</b>	<b>2019</b>
Interest expenses	\$ 122,428	84,257
Less: Capitalized Interest	(14,645)	(27,595)
Total	<u><u>\$ 107,783</u></u>	<u><u>56,662</u></u>
Capitalized Interest Rate	<u><u>1.04%~1.92%</u></u>	<u><u>1.42%~1.53%</u></u>

### (r) Financial Instrument

#### (i) Credit risk

##### 1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

##### 2) The concentration of credit risk

The Company's revenue is attributable to the sales transactions with a wide range of customer. So, there is no concentration of credit risk.

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### (ii) Liquidity risk

The followings table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2 years	2-5 years	Over 5 years
<b>As of December 31, 2020</b>							
Non-derivative financial liabilities							
Secured bank loans	\$ 5,590,000	5,630,715	3,642,427	2,006,288	-	-	-
Unsecured Secured bank loans	500,000	501,481	501,481	-	-	-	-
Short-term notes and bills	4,541,688	4,546,000	4,546,000	-	-	-	-
payables							
Notes and accounts payables	153,089	153,089	153,089	-	-	-	-
	<b>\$ 10,784,777</b>	<b>10,831,285</b>	<b>8,842,997</b>	<b>2,006,288</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As of December 31, 2019</b>							
Non-derivative financial liabilities							
Secured bank loans	\$ 4,787,000	4,851,102	936,906	2,025,109	1,889,087	-	-
Unsecured bank loan	310,000	313,186	2,566	310,620	-	-	-
Short-term notes and bills	1,805,417	1,810,000	1,810,000	-	-	-	-
payables							
Notes and accounts payables	210,371	210,371	210,371	-	-	-	-
	<b>\$ 7,112,788</b>	<b>7,184,659</b>	<b>2,959,843</b>	<b>2,335,729</b>	<b>1,889,087</b>	<b>-</b>	<b>-</b>

The Company does not expecting the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

### (iii) Currency risk

#### 1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

(in thousands)

	December 31, 2020			December 31, 2019			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial assets							
<u>Monetary item</u>							
USD	\$	21.767	28.48	619,918	21,578	29.980	646,909

#### 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents and investment accounted using equity method that are denominated in foreign currency. As of December 31, 2020 and 2019, a strengthening (weakening) of 10% of the NTD against the USD, would have increased (decreased) the net profit after tax by \$61,992 and \$64,691 thousand respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date.

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### (iv) Interest risk

Please refer to the attached note for the liquidity risk management and the Company's interest rate exposure to its financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases / decreases by 50 basis points, the Company's net profit after tax would have increased (decreased) by \$43,858 thousand and \$26,618 thousand for the years ended December 31, 2020 and 2019 with all other variable factors that remain constant. This is mainly due to the Company's borrowings in floating variable rate.

### (v) Other market price risk

If the price of the equity securities changes, and if it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

Equity price at reporting date	2020		2019	
	After-tax other Comprehensive income	After-tax profit (loss)	After-tax other Comprehensive income	After-tax profit (loss)
Increase 3%	\$ -	-	-	128
Decrease 3%	\$ -	-	-	(128)

### (vi) Fair value

#### 1) Categories of financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ -	-	-	-	-
Cash and cash equivalents	867,114	-	-	-	-
Notes receivable and account receivable	57,319	-	-	-	-
Other financial assets - current	381,442	-	-	-	-
Subtotal	1,305,875	-	-	-	-
<b>Total</b>	<b>\$ 1,305,875</b>				

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

December 31, 2020					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at amortized cost</b>					
Bank Loans	\$ 6,090,000	-	-	-	-
Short-term notes and bills payable	4,541,688	-	-	-	-
Notes payable and account payable	153,089	-	-	-	-
Other payable	56,139	-	-	-	-
Subtotal	10,840,916	-	-	-	-
<b>Total</b>	<b>\$ 10,840,916</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

December 31, 2019					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 4,268	4,268	-	-	4,268
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	1,137,264	-	-	-	-
Notes receivable and account receivable	119,343	-	-	-	-
Other financial assets - current	180,463	-	-	-	-
Subtotal	1,437,070	-	-	-	-
<b>Total</b>	<b>\$ 1,441,338</b>	<b>4,268</b>	<b>-</b>	<b>-</b>	<b>4,268</b>
<b>Financial liabilities at amortized cost</b>					
Bank Loans	\$ 5,097,000	-	-	-	-
Short-term notes and bills payable	1,805,417	-	-	-	-
Notes payable and account payable	210,371	-	-	-	-
Other payable	210,727	-	-	-	-
Subtotal	\$ 7,323,515	-	-	-	-
<b>Total</b>	<b>\$ 7,323,515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 2) Fair value valuation techniques of financial instruments not measured at fair value

#### Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument in an active market.

(Continued)

## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

### **Notes to the Financial Statements**

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, the fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

#### **(s) Management of financial risk**

##### **Overview**

##### **(i) By using financial instruments, the Company is exposed to risks as below:**

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of above risks, the objectives, policies and processes for measuring and managing risk. Please see other related notes for quantitative information.

##### **(ii) Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors the risks which should be in compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by the Internal Audit. The internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

##### **(iii) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment securities.

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## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD.**

### **Notes to the Financial Statements**

#### **1) Investment**

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transactions are with the counterparties, and the contractually obligated counterparties are the banks, financial institutions, corporate organizations and government agencies with good credits, there are no compliance issues, and therefore, there is no significant credit risk.

#### **2) Guarantees**

As of December 31, 2020 and 2019, there is no guarantee outstanding.

#### **(iv) Liquidity risk**

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures that they are in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Company. The Company has unused short-term bank facilities of \$3,900,800 thousand and \$5,311,000 thousand as at 31 December 31, 2020 and 2019.

#### **(v) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### **1) Currency risk**

The Company is not exposed to currency risk on sales, purchases and borrowings that are denominated in a New Taiwan Dollars (TWD).

##### **2) Interest rate risk**

The Company's borrowings bear floating interest rate. The Company reduces the interest risks by negotiating the loan interest rates frequently with banks.

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### (t) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 11,408,772	7,841,965
Less: cash and cash equivalents	(867,114)	(1,137,864)
Net debt	<b>\$ 10,541,658</b>	<b>6,704,101</b>
Total equity	<b>\$ 12,148,695</b>	<b>11,934,076</b>
Debt to equity ratio	<b>86.77%</b>	<b>56.17%</b>

There were no changes in the Company's approach to capital management during the year.

## 7. Related-party transactions

### (a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

<b>Name related party</b>	<b>Relationship with the Company</b>
J.H. Tuan	The chairman of the Company
IG Construction Co., Ltd.	An associate
Chuan Yue Real Estate Development Co., Ltd.	Subsidiary
Hsin Pei Real Estate Development Co., Ltd.	An associate
Hong Pu Welfare and Charity Foundation	Other related parties

### (b) Related party transactions

#### (i) Endorsements and guarantees

The chairman of the company was the guarantor for the Company's loans from financial institutions.

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### (ii) Leases

The related party rented an office building from the Company to be used as its headquarter. A five-year lease contract was signed with the contract price of \$331 thousand, in which the rental fee is determined based on the nearby office rental rates. For the years 2020 and 2019, the Company's rent revenues with related parties were \$61 and \$114 thousand respectively. As of December 31, 2020 and 2019, the accounts receivables generated by the aforementioned rent revenue have been received.

### (iii) Others

The Company has signed a contract concerning a joint-construction investment in project "012310247" with Hsin Pei Real Estate Development Co., Ltd. during June 2017. According to the agreement, the Company accounts for 33.9% of the project and charges 6% management fee based on cost allocated to Hsin Pei Real Estate Development Co., Ltd. For the year ended December 31, 2020, the Company recognized management income amounted \$8,777 thousands. As at December 31, 2020, the accounts receivable of \$1,721 thousands, recorded as "other accounts receivables-related parties".

The Company offers management services to its subsidiaries. For the year ended December 31, 2020 and 2019, the Company recognized management income amounted \$346 and \$1,392 thousands respectively. As of December 31, 2020 and 2019 the accounts receivables of \$346 and \$1,392 thousands, respectively, recorded as "accounts-receivables — related parties ."has not been received.

The Company donated to the Hong Pu Welfare and Charity Foundation the amount of \$1,000 thousands and \$1,200 thousands in 2020 and 2019, respectively.

### (c) Key management personnel compensation

	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 11,620	8,651
Retirement benefits	309	234
Other long-term benefits	-	-
Resignation benefits	-	-
Share-based payment	-	-
Total	<b>\$ 11,929</b>	<b>8,885</b>

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### 8. Pledged assets

As of December 31, 2020 and 2019, the carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Construction-in-progress –land	Short-term bills payable, short-term loans	\$ 3,992,014	4,256,082
Land held for development	Short-term bills payable, short-term loans	9,210,369	5,021,910
Properties and land held for sale	Short-term bills payable, short-term loans	-	1,746,764
Property, Plant and Equipment	Short-term bills payable	77,909	79,155
Investment properties	Short-term bills payable	3,014,410	-
		<b>\$ 16,294,702</b>	<b>11,103,911</b>

### 9. Commitments and contingencies

As of December 31, 2020, the Company had issued promissory notes of \$12,515,800 thousand to financial institutions for their provision of repayment guarantees.

As of December 31, 2020, the total contract amount of the Company's construction projects was \$1,297,602 thousand, of which \$179,432 thousand had been paid and recorded as "inventory."

As of December 31, 2020, the total contract amount of the Company's advanced-sell projects was \$3,586,183 thousand of which \$532,085 thousand had been received and recorded as "current contract liabilities."

As of December 31, 2020, the total contract amount of the Company's prepayments for land purchase were \$1,790,000 thousand, of which \$895,000 thousand had been paid and recorded as "inventories".

As of December 31, 2020, the total contract amount of the Company's prepayments for building bulk were \$721,561 thousand, of which \$395,359 thousand had been paid and recorded as "prepayment".

The Company has signed project "061120014" joint construction agreement with ten non-related parties, Mrs. Yang and five others, on June 2010; and Mr. Pan and three others on September 2011. As of December 31, 2020, in accordance with the joint construction agreement, the Company has paid a promissory amount of \$11,390 thousand to the land owners and recorded it as "refundable deposits".

The Company has signed project "012310247" joint construction agreement with nine non-related parties, Mrs. Lin and eight others, on May 2014 and on July 2015. As of December 31, 2020, in accordance with the joint construction agreement, the Company has paid a promissory amount of \$121,234 thousand to the land owners and recorded it as "other current assets"

The Company has signed project "032310150" joint construction agreement with non-related parties, Mr. Chen and eight others, in October, November and December 2019. As of December 31, 2020, the Company has paid a promissory of \$49,052 thousand to the land owners and recorded it as "refundable deposit". in accordance with the joint construction agreement.

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

The Company engaged with IBFC as the guarantor for its issuance of commercial checks. The Tunhwa South office was pledged as collateral, and IBFC was appointed as the beneficiary of the fire insurance on this office.

### 10. Losses Due to Major Disasters : None.

### 11. Subsequent Events : None.

### 12. Other

- (a) Total personnel, depreciation and amortization expenses categorized by function for the years ended December 31, 2020 and 2019, were as follows:

	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	8,711	25,775	34,486	11,134	26,441	37,575
Labor and health insurance	586	1,870	2,456	701	1,658	2,359
Pension	368	741	1,109	446	660	1,106
Remuneration of directors	-	2,839	2,839	-	2,714	2,714
Others	205	539	744	240	498	738
Depreciation	23,168	2,704	25,872	-	2,779	2,779
Amortization	-	150	150	-	131	131

The information on the Company's employee and employee for the years ended December 31, 2020 and 2019 were as follow:

	2020	2019
Number of employees	<u>29</u>	<u>29</u>
Number of directors (not employees)	<u>3</u>	<u>3</u>
Average employee benefit expense	\$ <u>1,492</u>	\$ <u>1,607</u>
Average salary expense	\$ <u>1,326</u>	\$ <u>1,445</u>
Perecentage of average employee salary expense	<u>(8.24)%</u>	<u>10.05 %</u>
Remuneration of supervisor	\$ <u>-</u>	\$ <u>-</u>

The company's salary and remuneration policy (including directors, managers and employees) are as follows:

When the company incurs no loss, it should first allocate employee remuneration not less than 1%, and directors' remuneration must not be higher than 3%. The company must consider the rights and interests of shareholders and employees, and set remuneration for directors and managers. The Remuneration Committee formulates and regularly reviews the policies, systems, standards and structure of directors and managers' performance evaluation and remuneration; for employees, it attracts and retains outstanding talents by providing the company's colleagues with a market-competitive overall remuneration.

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

### 13. Other disclosures

#### (a) Information on significant transactions

The followings is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

- (1) Fund financing to other parties : None.
- (2) Guarantees and endorsements for other parties : None.
- (3) Securities held as December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures) :

Name of holder	Category and name of security	Relationship with company	Account title	Ending Balance				Note
				Shares/Units (thousands)	carrying value	Percentage of ownership	Fair value	
The Company	CPT	-	Current financial assets at fair value through profit or loss	23,599	-	-	-	
The Company	NEOMAGIC(NMGC)	-	Current financial assets at fair value through profit or loss	10,659	-	-	-	
The Company	HORIZON VENTURE FUND I.L.P.	-	Current financial assets at fair value through profit or loss	-	-	1.21 %	-	

- (4) Cumulative buying or selling of one specific security exceeding the lower of TWD300 million or 20% capital stock : None.
- (5) Acquisition of real estate with an amount exceeding the lower of TWD300 million or 20% of the capital stock :

(Expressed in thousands of TWD)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Construction-in-progress-land	2020.03.27	1,096,631	1,096,631	14 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none
The Company	Construction-in-progress-land	2020.07.06	664,032	664,032	12 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none
The Company	Construction-in-progress-land	2020.08.21	1,430,420	1,430,420	5 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none
The Company	Prepayment for land purchase	2020.09.23	1,790,000	895,000	3 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none
The Company	Construction-in-progress-land	2020.09.24	676,401	676,401	25 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

## Notes to the Financial Statements

- (6) Disposal of real estate with an amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (7) Related party transactions for purchase and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock: None.
- (8) Receivable from related parties exceeding the lower of TWD100 million or 20% of the capital stock: None.
- (9) Trading in Derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the year 2020 (excluding information on investees in Mainland China):

(Expressed in thousands of TWD)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of the investee	Share of profit / losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (in thousands)	Percentage of ownership	Carrying value			
The Company	Chuan Yue Real Estate Development Co., Ltd.	Taipei	Real estate development service	32,742	32,742	3,060,000	51.00 %	29,204	(2,696)	(1,375)	

(c) Information on investment in Mainland China: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Hua-Zhan Investment Co., Ltd.		59,078,745	17.75 %
Fu-Ta Investment Co., Ltd.		54,701,040	16.43 %

14. Segment information : None.

**Hong Pu Real Estate Development Co., Ltd.**

**Statement of cash and cash equivalents**

**December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash and petty cash		\$ <u>181</u>
Demand deposit		235,894
Checking deposit		11,125
Foreign currency deposit	USD21,450,000 with exchange rate 28.48	610,896
Foreign currency deposit	USD316,475 with exchange rate 28.48 and HK 1,312 with exchange rate 3.673	<u>9,018</u>
Total		<u><u>\$ 867,114</u></u>

**Other financial assets current**

<u>Item</u>	<u>Amount</u>
Trust	
Cathy United Bank #05985	\$ 100
Cathy United Bank #21890	97,943
Cathy United Bank #22799	<u>283,399</u>
Total	<u><u>\$ 381,442</u></u>

**Hong Pu Real Estate Development Co., Ltd.**

**Statement of changes in financial assets at fair value through profit or loss**

**December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Name of the company</u>	<u>Shares</u>	<u>Cost</u>	<u>Fair value</u>	
			<u>Unit price</u>	<u>Total amount</u>
Domestic listed company :				
CPT	23,599	\$ <u>-</u>	-	<u>-</u>
Total		\$ <u><u>-</u></u>		<u><u>-</u></u>

**Statement of inventories**

Refer to note 6(d).

**Hong Pu Real Estate Development Co., Ltd.**

**Statement of change in construction-in-progress-Land and projects**

**For the year ended December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Beginning balance</b>	<b>Addition</b>		<b>Reduce</b>		<b>Details of collateral</b>
		<b>Cost</b>	<b>Capital interest</b>	<b>Conversion of construction-in-progress-land</b>	<b>Other</b>	
041060434	\$ 1,942,988	153,150	5,373	-	2,101,511	Note8
011040249	4,097,876	810	-	-	-	Note8
012310247	28,522	68,658	68	38,905	-	None
011046961	28,291	99,094	5,994	849,676	-	Note8
Other	3,487	450,012	-	-	-	Note8
<b>Total</b>	<b>\$ 6,101,164</b>	<b>771,724</b>	<b>11,435</b>	<b>888,581</b>	<b>2,101,511</b>	<b>5,671,393</b>

**Hong Pu Real Estate Development Co., Ltd.**

**Statement of changes in investments accounted for using the equity method**

**For the year ended December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

Entity	Balance on January 1, 2019		Increase in current period		Decrease in current period		Share of profit/losses of investee		Balance on December 31, 2020		Price per share	Total amount	Details of collateral
	Share	Amount	Share	Amount	Share	Amount	Amount	Share	Percentage on voting interest	Amount			
Chuan Yue Real Estate Development Co., Ltd..	3,060,000	\$ 30,579	-	-	-	-	1,375	30,579	51.00 %	29,204	-	29,204	None

**Hong Pu Real Estate Development Co., Ltd.**

**Statement of investment property**

**December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

Refer to note 6(h).

**Statement of short-term borrowings**

<b>Type of borrowings</b>	<b>Ending balance</b>	<b>Contract period</b>	<b>Range of interest rate</b>	<b>Borrowing quota</b>	<b>Mortgages</b>
Secured loan	\$ 5,590,000	2020.09.25~2021.06.20	1.35%~1.69%	\$ 8,211,000	Investment property, land in construction and land held for development
Unsecured loan	500,000	2020.09.25~2021.03.24	1.35%~1.36%	500,000	None
Total	<u>\$ 6,090,000</u>				

**Hong Pu Real Estate Development Co., Ltd.**

**Statement of short-term bills payable**

**December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Trustee</b>	<b>Name of bonds</b>	<b>Amount</b>	<b>Period</b>	<b>Range of interest rate</b>	<b>Quota</b>	<b>Details of collateral</b>
Ta Ching bills Finance Co.	Commerical paper	\$ 750,000	2020.11.09~ 2021.05.07	1.19%~1.29%	\$ 750,000	Land in construction
China bills Finance Co.	Commerical parer	2,246,000	2020.10.07~ 2021.01.29	0.40%	2,875,800	Land held for development and investment property
Shanghai Commerical and Savings Bank	Commerical paper	650,000	2020.09.11~ 2020.03.11	0.37%~0.39%	650,000	Land in construction
KGI Bank	Commerical paper	900,000	2020.12.17~ 2021.03.11	0.35%	1,100,000	Land in construction
International bills Finance Co.	Commerical paper	-	-	-	-	Property, Plant and equipment
Less: Discount		(4,312)				
Total		<u>\$ 4,541,688</u>				

**Statement of notes payable**

<b>Item</b>	<b>Amount</b>
JLL Taiwan	\$ 7,250
Kimzoa Constructioin	10,448
Acter Group Co. Ltd.	2,126
Other	4,304
Total	<u>\$ 24,128</u>

**Hong Pu Real Estate Development Co., Ltd.**

**Statement of trade payables**

**For the year ended December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Kimoza Construction	\$ 13,384
Mr. Shi	32,384
Mr. Guo and other 12 people	21,449
Joyear Group	13,596
Gaoyao construction	9,632
Other	38,516
Total	<u>\$ 128,961</u>

**Statement of operating revenue**

Refer to note 6(o).

**Hong Pu Real Estate Development Co., Ltd.**

**Statement of operating costs**

**For the year ended December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Beginning balance of construction-in-progress-project	\$ 6,101,164
Beginning balance of land held for development	7,461,603
Beginning balance of prepayment for land purchase	39,668
Add: cost	6,400,549
Less: Construction cost recognized upon sales	(79,060)
Ending balance of construction -in-progress-project	(5,671,393)
Ending balance of land held for development	(11,240,278)
Ending balance of prepayment for land purchase	<u>(910,742)</u>
Cost of period of the year	2,101,511
Add: Beginning balance of properties and land held for sale	4,166,584
Other	24,240
Sale of construction land transferred in	79,060
Less: Transfer to investment property	(3,039,386)
Ending balance of properties and land held for sale	<u>(318,078)</u>
Construction cost	3,013,931
Lease cost	71,885
Less : Reverse benefits	<u>(86,670)</u>
Operating cost	<u><u>\$ 2,999,146</u></u>

**Hong Pu Real Estate Development Co., Ltd.**

**Statement of operating expense**

**December 31, 2020**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Selling expense</b>	<b>Administration expesne</b>	<b>Total</b>
Salaries	\$ 7,511	21,222	28,733
Advertising	74,882	8	74,890
Tax	20,430	616	21,046
Entertainment	108	1,123	1,231
Insurance	39	2,128	2,167
Other	11,160	22,443	33,603
	<b>\$ 114,130</b>	<b>47,540</b>	<b>161,670</b>

## **F. Consolidated Financial Statements and Independent Auditor's Report in the recent years 2020 :**



**安侯建業聯合會計師事務所**

**KPMG**

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### **Independent Auditors' Report**

To the Board of Directors of Hong Pu Real Estate Development Co., Ltd.:

#### **Opinion**

We have audited the consolidated financial statements of Hong Pu Real Estate Development Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### **Other Matter**

Hong Pu Real Estate Development Co., Ltd. has prepared its parent-company only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key matters to be communicated in our report.

##### **1. Revenue Recognition**

Please refer to note 4 (n) for the relevant accounting policy regarding recognition of revenue, and refer to note 6 (n) for relevant disclosures.



Description of key audit matter:

The main operation income of the Group is derived from the sales of premises. Sales customers are numerous and scattered, and the income-related control mostly relies on manual execution. Therefore, the recognition of revenue has been identified as one of the key audit matters in conducting the examination of the financial statement.

How the matter was addressed in our audit:

Our principal audit procedures included:

- Compare the policy concerning the revenue recognition with the accounting standards, in order to assess the appropriateness of the policy adopted by the Group.
- Inspect the main compositions of the revenue through review the sales contract to verify the authenticity of transaction and confirm whether the timing of recognition matches with accounting policies and standards.

We also examine the appropriateness of disclosure of the revenue recognition policy of the Group and so does other information. So as to ensure if any significant abnormality exists, we review the sales contract with the timing of transfer completion of the property and property rights as well as assess the revenue recognition policy of the Group applied in accordance with the relevant Accounting Bulletins.

## 2. Inventory valuation

Please refer to note 4 (h) for accounting policy regarding the inventories valuation; refer to note 5 for accounting estimation and assumption of the inventories valuation; please refer to note 6 (d) for relevant inventory disclosures.

Description of key audit matter:

In the consolidated financial statements, inventory is measured at the lower of the cost and net realizable value. Due to legal regulations and the economic cycle, which affect the transaction volume and sales in the real estate market, the gross profit of related products may be affected, resulting in the risk that the inventory cost may be higher than the net realizable value.

How the matter was addressed in our audit:

Our principal audit procedures included:

- Evaluate whether the accounting policy adjustments are in accordance with business cycle and other economic decrees.
- Evaluate whether the market data provided has been updated on regular or irregular basis to reflect the real economic situation.
- Our audit procedures included discussing the current market tendencies and business strategies with management, and obtaining the sufficient audit evidence to assure the accurateness of the inventory assessment.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 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 concern 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 the Audit Committee) are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 Chuang Chun Wei and Wang Chin Sun.

KPMG

Taipei, Taiwan (Republic of China)  
March 17, 2021

#### **Notes to Readers**

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

The independent auditors' report and the accompanying Consolidated Financial Statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and Consolidated Financial Statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2020 and 2019**

(expressed in thousands of New Taiwan dollar)

	December 31, 2020		December 31, 2019			December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and Equity</b>				
<b>Current assets:</b>					<b>Current liabilities:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 904,677	4	1,183,231	6	2100 Short-term loans (note 6(h) and 8)	\$ 6,090,000	26	5,097,000	26
1110 Financial assets at fair value through profit and loss (note 6(b))	-	-	4,268	-	2110 Short-term notes and bills payable (note 6(h) and 8)	4,541,688	19	1,805,417	9
1150 Notes receivable, net (notes 6(c)(n))	12,456	-	51,719	-	2130 Current contract liabilities (note 6(n) and 9)	532,085	2	465,106	3
1170 Accounts receivable, net (note 6(c)(n))	44,863	-	67,624	-	2150 Notes payable	24,128	-	29,924	-
1210 Other receivable-related parties (notes 7)	1,721	-	-	-	Accounts payable	128,961	1	180,447	1
1320 Inventories (notes 6(d) 8 and 9)	18,144,071	77	17,681,938	89	Other payable	56,610	-	211,173	1
1410 Prepayments (note 9)	522,725	2	166,415	1	Current tax liabilities	7,220	-	2,744	-
1476 Other financial assets – current (notes 6(n) and 9)	381,442	2	180,463	1	Other current liabilities	18,932	-	39,752	-
1479 Other current assets (note 9)	124,795	-	126,072	1	<b>Total current liabilities</b>	<u>11,399,624</u>	<u>48</u>	<u>7,831,563</u>	<u>40</u>
1480 Incremental costs of obtaining a contract	149,490	1	118,360	1	<b>Non-current liabilities:</b>				
<b>Total current assets</b>	<u>20,286,240</u>	<u>86</u>	<u>19,580,090</u>	<u>99</u>	Other non-current liabilities	9,588	-	10,815	-
<b>Non-current assets:</b>					<b>Total liabilities</b>	<u>11,409,212</u>	<u>48</u>	<u>7,842,378</u>	<u>40</u>
1600 Property, plant and equipment (notes 6(f) and 8)	83,138	-	83,174	-	<b>Equity(note 6(i)):</b>				
1760 Investment property, net (notes 6(g) and 8)	3,014,410	13	-	-	Common stock	3,328,087	14	3,328,087	17
1920 Refundable deposits (note 9)	196,495	1	123,585	1	Capital surplus	2,042,348	9	2,042,348	10
Other assets	5,683	-	18,985	-	Retained earnings:				
<b>Total non-current assets</b>	<u>3,299,726</u>	<u>14</u>	<u>225,744</u>	<u>1</u>	Appropriated as legal capital reserve	1,917,660	8	1,856,887	9
					Special reserve	-	-	9,529	-
					Unappropriated earnings	4,860,600	21	4,697,225	24
						6,778,260	29	6,563,641	33
						12,148,695	52	11,934,076	60
						28,059	-	29,380	-
						12,176,754	52	11,963,456	60
<b>Total assets</b>	<u>\$ 23,585,966</u>	<u>100</u>	<u>\$ 19,805,834</u>	<u>100</u>	<b>Total equity</b>	<u>\$ 23,585,966</u>	<u>100</u>	<u>\$ 19,805,834</u>	<u>100</u>
					<b>Total liabilities and equity</b>	<u>\$ 23,585,966</u>	<u>100</u>	<u>\$ 19,805,834</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(expressed in thousands of New Taiwan dollar except earnings per share)

		2020		2019	
		Amount	%	Amount	%
<b>Operating revenue:</b>					
4300	Rental revenue (notes 6(i)(n) and 7)	\$ 162,931	4	32,573	1
4511	Construction contract revenue (note 6(n))	<u>3,814,519</u>	<u>96</u>	<u>2,853,323</u>	<u>99</u>
<b>Net operating revenue</b>		<u>3,977,450</u>	<u>100</u>	<u>2,885,896</u>	<u>100</u>
<b>Operating cost:</b>					
5300	Rental Cost	71,885	2	3,765	-
5510	Construction contract cost	<u>2,927,261</u>	<u>74</u>	<u>2,121,982</u>	<u>74</u>
<b>Net operating cost</b>		<u>2,999,146</u>	<u>76</u>	<u>2,125,747</u>	<u>74</u>
<b>Gross profit</b>		<u>978,304</u>	<u>24</u>	<u>760,149</u>	<u>26</u>
<b>Operating expenses (notes 6(i) and 7):</b>					
6100	Selling expenses	114,130	3	150,550	5
6200	Administrative expenses	<u>49,779</u>	<u>1</u>	<u>43,533</u>	<u>1</u>
<b>Total operating expenses</b>		<u>163,909</u>	<u>4</u>	<u>194,083</u>	<u>6</u>
<b>Operating income</b>		<u>814,395</u>	<u>20</u>	<u>566,066</u>	<u>20</u>
<b>Non-operating income and expense(note6(p) and 7):</b>					
7100	Interest income	7,195	-	2,324	-
7010	Other income	68,214	2	47,874	2
7020	Other gains and losses	(34,631)	(1)	121,091	4
7050	Finance costs	<u>(107,783)</u>	<u>(3)</u>	<u>(56,662)</u>	<u>(2)</u>
<b>Total non-operating income and expenses</b>		<u>(67,005)</u>	<u>(2)</u>	<u>114,627</u>	<u>4</u>
7900	<b>Profit before tax</b>	747,390	18	680,693	24
7951	<b>Less: income tax expenses (note 6(k))</b>	<u>134,722</u>	<u>3</u>	<u>74,279</u>	<u>3</u>
8200	<b>Profit</b>	<u>612,668</u>	<u>15</u>	<u>606,414</u>	<u>21</u>
<b>Other comprehensive income (loss) (note 6(l)):</b>					
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8365	Equity related to non-current asset classified as held for sale	-	-	9,529	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	<b>Other comprehensive income (after tax)</b>	<u>-</u>	<u>-</u>	<u>9,529</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 612,668</u>	<u>15</u>	<u>615,943</u>	<u>21</u>
<b>Net income attributable to:</b>					
8610	Shareholders of the parent	\$ 613,989	15	607,727	21
8620	Non-controlling interests	<u>(1,321)</u>	<u>-</u>	<u>(1,313)</u>	<u>-</u>
<b>Profit</b>		<u>\$ 612,668</u>	<u>15</u>	<u>606,414</u>	<u>21</u>
<b>Total comprehensive income attributable to:</b>					
8710	Shareholders of the parent	\$ 613,989	15	617,256	21
8720	Non-controlling interests	<u>(1,321)</u>	<u>-</u>	<u>(1,313)</u>	<u>-</u>
<b>Other comprehensive income</b>		<u>\$ 612,668</u>	<u>15</u>	<u>615,943</u>	<u>21</u>
<b>Earnings per share (note 6(m)):</b>					
<b>Basic earnings per share</b>		<u>\$ 1.84</u>		<u>1.83</u>	
<b>Diluted earnings per share</b>		<u>\$ 1.84</u>		<u>1.82</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollar)

	Equity attributable to owners of parent							Other equity to non-current asset classified as held for sale	Total equity attributable to owner of the parent	Non- controlling interests	Total equity
	Share capital	Retained earnings									
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total					
<b>Balance at January 1, 2019</b>	\$ 3,328,087	2,041,583	1,812,417	-	4,476,306	6,288,723		(9,529)	11,648,864	-	11,648,864
Net income	-	-	-	-	607,727	607,727		-	607,727	(1,313)	606,414
Other comprehensive income (loss)	-	-	-	-	-	-		9,529	9,529	-	9,529
Total comprehensive income (loss)	-	-	-	-	607,727	607,727		9,529	617,256	(1,313)	615,943
Appropriations and distributions:											
Legal reserve	-	-	44,470	-	(44,470)	-		-	-	-	-
Special reserve	-	-	-	9,529	(9,529)	-		-	-	-	-
Cash dividends	-	-	-	-	(332,809)	(332,809)		-	(332,809)	-	(332,809)
Change in non-controlling interests	-	765	-	-	-	-		-	765	30,693	31,458
<b>Balance at December 31, 2019</b>	3,328,087	2,042,348	1,856,887	9,529	4,697,225	6,563,641		-	11,934,076	29,380	11,963,456
Net income	-	-	-	-	613,989	613,989		-	613,989	(1,321)	612,668
Other comprehensive income (loss)	-	-	-	-	-	-		-	-	-	-
Total comprehensive income (loss)	-	-	-	-	613,989	613,989		-	613,989	(1,321)	612,668
Appropriations and distributions:											
Legal reserve	-	-	60,773	-	(60,773)	-		-	-	-	-
Special reserve	-	-	-	(9,529)	9,529	-		-	-	-	-
Cash dividends	-	-	-	-	(399,370)	(399,370)		-	(399,370)	-	(399,370)
<b>Balance at December 31, 2020</b>	\$ 3,328,087	2,042,348	1,917,660	-	4,860,600	6,778,260		-	12,148,695	28,059	12,176,754

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(expressed in thousands of New Taiwan dollar)

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
Profit before income tax	\$ 747,390	680,693
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation expense	25,872	2,779
Amortization expense	150	131
Net profit on financial assets at fair value through profit or loss	(507)	(3,295)
Interest expenses	107,783	56,662
Interest income	(7,195)	(2,324)
Dividend income	-	(423)
Gain on disposal of property, plant and equipment, net	(125)	-
Gain on disposal of investment property	(2,002)	-
Gains on disposal of non-current asset	-	(138,618)
Total adjustments to reconcile profit and loss	123,976	(85,088)
Net changes in operating assets and liabilities:		
Financial asset at fair value through profit or loss	4,775	17,878
Notes receivable	39,263	(19,539)
Accounts receivable	22,761	(29,363)
Other receivable — related parties	(1,721)	-
Inventories	(3,487,802)	(3,113,114)
Prepayments	(356,310)	17,455
Other current assets	1,277	4,535
Other financial assets	(200,979)	(178,233)
Incremental costs of obtaining a contract	(31,130)	(106,856)
Notes payable	(5,796)	(55,869)
Accounts payable	(51,486)	(41,612)
Other payable	(154,059)	69,359
Current contract liabilities	66,979	264,137
Other current liabilities	(20,820)	(1,286)
Total changes in operating assets / liabilities, net	(4,175,048)	(3,172,508)
Total adjustments	(4,051,072)	(3,257,596)
Cash flow used in operations	(3,303,682)	(2,576,903)
Interest received	7,195	2,324
Interest paid	(122,932)	(85,148)
Income tax paid	(130,246)	(91,968)
<b>Net cash flows used in operating activities</b>	(3,549,665)	(2,751,695)
<b>Cash flows from (used in) investing activities:</b>		
Return of capital of investments accounted for using equity method due to capital reduction	-	230,871
Disposal of subsidiaries	-	31,458
Price of disposal of non-current asset	-	170,532
Acquisition of property, plant and equipment	(2,828)	-
Proceeds from sale of property, plant and equipment	285	-
Increase in refundable deposits	(96,335)	(1,178,626)
Decrease in refundable deposits	23,425	1,166,983
Disposal of investment property	4,738	-
Decrease (increase) in other assets	13,152	10,267
Dividends received	-	423
<b>Net cash flows from (used in) investing activities</b>	(57,563)	431,908
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	10,993,000	5,500,000
Decrease in short-term borrowings	(10,000,000)	(2,290,000)
Increase in short-term notes and bills payable	11,767,177	7,860,691
Decrease in short-term notes and bills payable	(9,030,906)	(7,898,362)
Decrease in other non-current liabilities	(1,227)	3,563
Cash dividends paid	(399,370)	(332,809)
<b>Net cash flows (used in) financing activities</b>	3,328,674	2,843,083
Net increase (decrease) in cash and cash equivalents	(278,554)	523,296
Cash and cash equivalents, at beginning of period	1,183,231	659,935
Cash and cash equivalents, at end of period	<u>\$ 904,677</u>	<u>1,183,231</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31 2020 and 2019**

(expressed in thousands of New Taiwan dollar unless otherwise specified)

**1. Company history**

Company was established on October 5, 1988, and changed into Hong Pu Real Estate Development Co., Ltd. (“the Company”) in 1990. The Company was approved to be a public company by the Securities and Futures Commission (“SFC”) of the Republic of China (“ROC”) on March 23, 1991, and was listed on the Taiwan Stock Exchange on December 21, 1995. Registered address 21F., No.71, Sec. 2, Dunhua S. Rd., Da’an Dist., Taipei City, Taiwan. The consolidated financial statements comprise of the Company and subsidiaries (together referred to as the “Group”). The Group primarily engages in the business of construction, sales, and leasing of residential and commercial buildings.

Based on the resolution of the Board of Directors on July 15, 2004, the Company, which is the surviving company, completed its merger with Hung Yuan. The merger was a simple merger. After the merger, the name of the Company remained as Hong Pu Real Estate Development Co., Ltd.

**2. Approval date and procedures of the consolidated financial statements**

The consolidated financial statements were authorized for issue by the Board of Directors on March 17, 2021.

**3. New standards, amendments and interpretations adopted**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

#### 4. Summary of significant accounting policies

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

- (b) Basis of preparation

- (1) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- (i) Financial instruments at fair value through profit or loss are measured at fair value;
- (ii) Financial assets at fair value through other comprehensive income are measured at fair value;

- (2) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to non-controlling interests, even if this results in the non-controlling interests having to deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2020	December 31, 2019	
The Company	Chuan Yue Real Estate Development Co., Ltd.	Real estate Development	51 %	51 %	The Company sold 49% ownership in June 2019.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

## HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

As the Group's operating cycle is longer than a year, assets and liabilities related to the operation are classified as current or non-current by their operating cycle. An asset not related to the operation is classified as current under one of the following criteria, and all other assets are classified as non-current:

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting date; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) **Cash and cash equivalents**

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash and cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) **Financial instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) **Financial assets**

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

## HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item.

On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(Continued)

## HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

## HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

#### 6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Inventories

The Group capitalizes the acquisition costs and interest expenses paid for land as prepayments for the land before the ownership of the land is transferred, and records them as “Prepayment for land purchases”. After the ownership of the land is transferred, it is recorded as “Land held for development”, and as “Construction-in-progress—land” when the construction has begun. Construction costs and expenses which can be allocated by construction site are recorded as “Construction-in-progress—project”. After the completion of the construction, the costs are transferred to “Properties and land held for sale”. The inventories, which include “Land held for development”, “Construction-in-progress—land”, “Construction-in-progress—project”, and “Properties and land held for sale” are stated at the lower of cost and net realizable value at the reporting date. An allowance for loss on decline in market value will be recorded if the net realizable value is lower than the cost at the reporting date.

Interest expense from borrowing used in construction-in-progress (projects and land) is capitalized before the construction is completed, and is stated as inventory costs.

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group’s accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to assets not within the scope of IAS 36 – *Impairment of Assets*. Such assets will continue to be measured in accordance with the Group’s accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss than has been recognized.

Once classified as held for sale intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost. Depreciation expense is calculated based on the depreciation method, useful life and residual value which are the same as those adopted for property, plant and equipment.

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.

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- |                    |            |
|--------------------|------------|
| 1) Buildings       | 3~55 years |
| 2) Other equipment | 4~8 years  |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(l) Leases

(i) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(m) Impairment – non-financial assets

The Group should assess non-financial assets other than inventories and non-current assets held for sale are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. When there exists an indication of impairment for an asset, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset has been allocated.

The recoverable amount for individual asset or a CGU is the higher of its fair value less costs to sell and its value-in-use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount, and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss

(Continued)

## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet available in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units. If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(n) Revenue

(i) Revenue from contracts with customers

1) Land development and sales of real estate

The Group develops and sells residential properties, and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer to be significant financial components. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

## **HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) **Earnings per share (EPS)**

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(r) **Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

#### **5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the consolidated financial statements, in conformity with the Regulations and the IFRSs endorsed by the FSC, requires management to make judgments estimates and assumptions that affect the application of the accounting policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

**1. Valuation of Inventory**

Inventories are stated at lower of cost and net realizable value, and the assessment of net realizable value is determined based on the current sales market. Any change in the real sales market may have significant effect on the result of estimation. Please refer to note 6(d) for the estimation of inventory valuation.

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

The Group's accounting policies and disclosures include measuring financial and non-financial assets and liabilities by fair value. Related internal control policies have been established, which include forming the valuation group to conduct independent verification on all significant fair value measurement (including level 3 inputs). The valuation group periodically reviews significant unobservable inputs and adjustments. If the input data for valuation models is provided by external third parties (such as agency and pricing service institution), the valuation group would evaluate the evidence supporting such input data in order to ensure that the fair value measurement and hierarchy meet the IFRSs.

The Group strives to use market observable inputs when measuring assets and liabilities. Fair value hierarchy is based on the input used when valuating, and the definition is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: 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).
- Level 3: input for the asset or liability is not based on the observable market information. (i.e. non-observable parameter.)

### 6. Explanation of significant accounts

#### (a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 181	353
Demand deposits	904,496	1,182,878
Cash and cash equivalents in the statement of cash flows	<b>\$ 904,677</b>	<b>1,183,231</b>

Please refer to note 6(q) for the exchange rate risk, interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

#### (b) Financial assets and liabilities at fair value through profit or loss

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks listed on domestic markets	\$ -	4,268

Please refer to note 6(q) for the credit, currency, interest and market price risk of the financial instruments of the Group. As of December 31, 2020 and 2019, the financial assets were not pledged.

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Note and trade receivables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivable	\$ 12,456	51,719
Account receivables—measured as amortized cost	44,863	67,624
Total	<u><u>\$ 57,319</u></u>	<u><u>119,343</u></u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision in Taiwan were determined as follows:

<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>
Current	<u><u>\$ 57,319</u></u>	-
		<b>Loss allowance provision</b>
		<u><u>-</u></u>
<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>
Current	<u><u>\$ 119,343</u></u>	-
		<b>Loss allowance provision</b>
		<u><u>-</u></u>

(d) Inventories

Please refer to note 8 for inventories pledged as collateral as of December 31, 2020 and 2019.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Properties and land held for sale	\$ 318,078	4,166,584
Construction-in-progress — land	4,030,920	4,256,082
Construction-in-progress — projects	1,647,763	1,848,381
Land held for development	11,240,278	7,461,603
Prepayments for land purchase	910,742	39,668
Less: allowance for loss on decline in market value and obsolescence	<u>(3,710)</u>	<u>(90,380)</u>
	<u><u>\$ 18,144,071</u></u>	<u><u>17,681,938</u></u>

- (i) The capitalized interests of land held for development and construction in progress were \$14,645 thousand and \$27,595 thousand in the year of 2020, and 2019, respectively.
- (ii) In 2020, and 2019 the reversal of write-downs amounted to \$86,670 thousand and \$164,700 thousand, respectively, due to the increase in market demand.

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Non-current assets held for sale

On December 26, 2018, a resolution was passed by the Board of Directors to dispose the remaining investment of the Group in its associates at the price of USD \$6,224 thousand after its capital reduction of USD \$7,576 thousand. As of December 31, 2020, the transaction had been completed. The payment has been received and the details are as follow:

	December 31, 2019
Investments accounted for using equity method	\$ <u>-</u>
Amount of cumulative income or expense recognized in other comprehensive income relating to the non-current assets classified as held for sale	
Equity related to non-current asset classified as held for sale	\$ <u>-</u>

(f) Property, plant and equipment

- (i) The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2020 and 2019 are as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Other Facilities</u>	<u>Total</u>
<b>Cost or deemed cost:</b>				
Balance at January 1, 2020	\$ 54,131	65,703	16,717	136,551
Addition		-	2,828	2,828
Disposal and scrapped	-	-	(3,554)	(3,554)
Balance at December 31, 2020	\$ <u>54,131</u>	<u>65,703</u>	<u>15,991</u>	<u>135,825</u>
Balance at January 1, 2019	\$ 54,131	65,988	16,717	136,836
Other	-	(285)	-	(285)
Balance at December 31, 2019	\$ <u>54,131</u>	<u>65,703</u>	<u>16,717</u>	<u>136,551</u>
<b>Depreciation and impairment loss:</b>				
Balance at January 1, 2020	\$ 7,869	32,810	12,698	53,377
Depreciation for the year	-	1,246	1,458	2,704
Disposal and scrapped	-	-	(3,394)	(3,394)
Balance at December 31, 2020	\$ <u>7,869</u>	<u>34,056</u>	<u>10,762</u>	<u>52,687</u>
Balance at January 1, 2019	\$ 7,869	31,564	11,165	50,598
Depreciation for the year	-	1,246	1,533	2,779
Balance at December 31, 2019	\$ <u>7,869</u>	<u>32,810</u>	<u>12,698</u>	<u>53,377</u>
<b>Carrying value:</b>				
Balance at December 31, 2020	\$ <u>46,262</u>	<u>31,647</u>	<u>5,229</u>	<u>83,138</u>
Balance at December 31, 2019	\$ <u>46,262</u>	<u>32,893</u>	<u>4,019</u>	<u>83,174</u>
Balance at January 1, 2019	\$ <u>46,262</u>	<u>34,424</u>	<u>5,552</u>	<u>86,238</u>

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Collateral

As of December 31, 2020 and 2019, the property, plant and equipment of the Group had been pledged as collateral, please refer to note 8.

(g) Investment Properties

	<b>Land and improvements</b>	<b>Buildings and construction</b>	<b>Total</b>
<b>Cost or deemed costs:</b>			
Balance as at January 1, 2020	\$ -	-	-
Reclassification from inventories	1,611,364	1,428,950	3,040,314
Disposal	<u>(1,461)</u>	<u>(1,292)</u>	<u>(2,753)</u>
Balance at December 31, 2020	<b><u>\$ 1,609,903</u></b>	<b><u>1,427,658</u></b>	<b><u>3,037,561</u></b>
<b>Depreciation and impairment losses:</b>			
Balance at January 1, 2020	\$ -	-	-
Disposal	-	(17)	(17)
Depreciation for the year	<u>-</u>	<u>23,168</u>	<u>23,168</u>
Balance at December 31, 2020	<b><u>\$ -</u></b>	<b><u>23,151</u></b>	<b><u>23,151</u></b>
<b>Carrying amount :</b>			
Balance at January 1, 2020	<b><u>\$ 1,609,903</u></b>	<b><u>1,404,507</u></b>	<b><u>3,014,410</u></b>
Balance at December 31, 2020	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fair value :</b>			
Balance at December 31, 2020			<b><u>\$ 7,758,917</u></b>
Balance at January 1, 2020			<b><u>\$ -</u></b>

The fair value of the investment property were determined by referring to the average market price of close deal in similar district after deducting relevant expense.

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Short-term notes and bills payable

Details of short-term notes and bills payable as of December 31, 2020 and 2019 are summarized as follows:

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank loans	TWD	1.35%~1.69%	2021	\$ 5,590,000
Unsecured bank loans	TWD	1.35%~1.36%	2021	500,000
Short-term notes and bill payables	TWD	0.35%~1.29%	2021	<u>4,541,688</u>
Total				<b><u>\$ 10,631,688</u></b>
Current				\$ 10,631,688
Non-current				<u>-</u>
Total				<b><u>\$ 10,631,688</u></b>

<b>December 31, 2019</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank loans	TWD	1.50%~1.86%	2021	\$ 4,787,000
Unsecured bank loans	TWD	1.66%	2020	310,000
Commercial paper payables	TWD	0.50~1.50%	2020	<u>1,805,417</u>
Total				<b><u>\$ 6,902,417</u></b>
Current				\$ 6,902,417
Non-current				<u>-</u>
Total				<b><u>\$ 6,902,417</u></b>

Please refer to note 8 for the pledge for borrowings.

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Operating lease

(i) Leases as lessor

The Group lease out Its properties. The Group has classified these leases as operating because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follow:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Less than one year	\$ 174,315	59,936
One to two year	193,315	62,406
Two to three year	182,170	48,599
Three to four year	173,283	40,244
Four to five year	155,021	17,833
More than five year	1,995,097	61,853
	<b><u>\$ 2,873,201</u></b>	<b><u>290,871</u></b>

(j) Employee benefits

(i) Defined benefit plans

The pension cost incurred from the defined contribution plans amounted to \$32 thousand for both years ended December 31, 2020 and 2019.

(ii) Defined contribution plans

The Group allocates 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The pension cost incurred from the contributions to the Bureau of Labor Insurance amounted to \$1,176 thousand and \$1,172 thousand for the years ended December 31, 2020 and 2019, respectively.

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Income tax

(i) Income tax expense

The components of income tax in the years of 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Current tax expense	\$ 134,722	74,279
Deferred tax expense	-	-
Income tax expenses from continuing operations	<u><u>\$ 134,722</u></u>	<u><u>74,279</u></u>

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Income before tax	<u><u>\$ 747,390</u></u>	<u><u>680,693</u></u>
Estimated income tax calculated based on financial income before tax at domestic tax rate	\$ 149,478	136,138
Tax-exempt income	(183,038)	(118,711)
Land Value Increment Tax	129,173	64,453
Additional tax on Undistributed earnings	5,549	9,826
Others	<u>33,560</u>	<u>(17,427)</u>
Total	<u><u>\$ 134,722</u></u>	<u><u>74,279</u></u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Tax effect of deductible Temporary Differences	\$ 73,792	79,744
The carryforward of unused tax losses	<u>174,042</u>	<u>144,604</u>
	<u><u>\$ 247,834</u></u>	<u><u>224,348</u></u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
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As of December 31, 2020, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused amount</u>	<u>Expiration year</u>
2015	\$ 34,844	2025
2016	555	2026
2017	14,354	2027
2018	386,954	2028
2019	106,138	2029
2020	327,365	2030

- (3) The ROC income tax authorities have examined the Company's income tax returns for all years through 2018.

(l) Capital and Other Equities

As of December 31, 2020 and 2019, the total value of authorized ordinary shares were \$4,300,000 thousand with par value of \$10 per share. As of the date, 332,809 thousand ordinary shares amounted 3,328,087 thousand were issued.

As of December 31, 2020 and 2019, the number of shares outstanding were both 332,809 thousand.

(i) Capital surplus

Balances of capital surplus at the reporting date were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Share capital	\$ 1,769,869	1,769,869
Treasury share transactions	26,353	26,353
Difference arising from subsidiary's share price and its carrying value	765	765
Capital surplus—premium from merger	217,538	217,538
Conversion right of convertible bonds	16,588	16,588
Interest payable refund from bond conversion	11,235	11,235
Total	<u>\$ 2,042,348</u>	<u>2,042,348</u>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (ii) Retained earnings

The Company's Articles of Incorporation stipulate that once the Company has annual profit, it shall first be used to offset the prior's deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. The Company will appropriate the special capital reserve in accordance with the relevant laws and regulations or its operating needs. The distribution of any balance left over and unappropriated earnings at the beginning of the year is determined by the Board of Directors and approved by the stockholders at their annual meeting. Except for the distribution of surplus in accordance with the law, when the Company has no earnings, no dividends and bonuses will be distributed.

Considering future capital demand and sound financial plan for sustainable development of the Company, the meeting of shareholders may resolve accordingly that part or all of the earnings will not be distributed, and that when there is distribution of earnings, cash dividends shall account for at least 20% of total cash and stock dividends. The remains will be paid in the form of shares to transfer retained earnings and capital surplus to capital.

#### 1) Legal reserve

When a company incurs no loss, it may, in pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of the legal reserve which exceeds 25% of the capital may be distribute.

#### 2) Special reserve

In accordance with Rule No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution. When the relevant assets were used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately.

#### 3) Earnings Distribution

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 9, 2020 and June 14, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	2019		2018	
	Amount per share	Total Amount	Amount per share	Total Amount
Dividends distributed to ordinary shareholders	\$ 1.20	<u>399,370</u>	1.00	<u>332,809</u>

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Information on the earnings appropriation proposed by the Company's Board of Directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(iii) Other equity

	<b>Unrealized gains (losses) on available-for-sale financial assets</b>
<b>Balance at January 1, 2019</b>	\$ (9,529)
Unrealized gains (losses) on available-for-sale financial assets	9,529
<b>Balance at December 31, 2019</b>	<b>\$ -</b>

(m) Earnings per share

(i) Basic Earnings per share

The details on the calculation of basic earnings per share at December 31, 2020 and 2019 was based on the profit attributable to ordinary shareholders of the Group amounting to \$613,989 thousand and \$607,727 thousand and the weighted average number of ordinary shares outstanding were both amounting to 332,809 thousand was calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	<b>2020</b>	<b>2019</b>
Profit (loss) attributable to ordinary shareholders of the Company	\$ <b>613,989</b>	\$ <b>607,727</b>
Weighted average number of ordinary shares	<b>332,809</b>	<b>332,809</b>
Basic Earnings per share	<b>\$ 1.84</b>	<b>1.83</b>

(ii) Diluted earnings per share

The details on the calculation of diluted earnings per share at December 31, 2020 and 2019 was based on profit attributable to ordinary shareholders of the Group amounting to \$613,989 thousand and \$607,727 thousand and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 333,492 thousand and 333,447 thousand respectively, as follows :

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Profit attributable to ordinary shareholders of the Company (diluted)

	<b>2020</b>	<b>2019</b>
Profit attributable to ordinary shareholders of the Company (basic)	\$ <u>613,989</u>	<u>607,727</u>
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u><b>613,989</b></u>	<u><b>607,727</b></u>

2) Weighted-average number of ordinary shares (diluted)

	<b>2020</b>	<b>2019</b>
Weighted-average number of ordinary shares (basic)	<u>332,809</u>	<u>332,809</u>
Effect of employee stock bonus	<u>683</u>	<u>638</u>
Weighted-average number of ordinary shares (diluted) at 31 December	<u><b>333,492</b></u>	<u><b>333,447</b></u>
Earning per share (diluted)	\$ <u><b>1.84</b></u>	<u><b>1.82</b></u>

(n) Revenue from contracts with customers

(i) Details revenue

	<b>2020</b>	<b>2019</b>
Primary geographical markets		
Taiwan	\$ <u><b>3,977,450</b></u>	<u><b>2,885,896</b></u>
Major products/services lines		
Sale of land and buildings	\$ 3,814,519	2,853,323
Lease of real estate	<u>162,931</u>	<u>32,573</u>
	\$ <u><b>3,977,450</b></u>	<u><b>2,885,896</b></u>

(ii) Contract balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Accounts receivable	\$ 44,863	67,624	38,261
Notes receivable	<u>12,456</u>	<u>51,719</u>	<u>32,180</u>
Total	\$ <u><b>57,319</b></u>	<u><b>119,343</b></u>	<u><b>70,441</b></u>
Contract liabilities — sale of real estate	\$ <u><b>532,085</b></u>	<u><b>465,106</b></u>	<u><b>200,969</b></u>

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- (iii) For the unearned revenue received from pre-sale of construction properties, the Group registered the trust of the construction in progress to which the contract liabilities belongs. This trust amount is recorded as “other financial assets-current”.

	December 31, 2020	December 31, 2019
Other financial assets-current	<u>\$ 381,442</u>	<u>180,463</u>

As of December 31, 2020, the Group consigned the trustees to manage the capital received from its pre-sale of properties in accordance with the Trust agreements, wherein the trust will be terminated when the project is completed, when the permit to use the building is issued, and when the ownership of the building is first registered.

- (iv) Unearned revenue received were from sale and pre-sale of properties and land held-for-sale.
- (v) As of December 31, 2020, the advance payments of presale projects named of Palace Forever and Central Park have been entrusted as follows:
- 1) The reports are in accordance with the sold contracts.
  - 2) Accrued trust amount on the base date is equal to the amount deposited into the trust account.
  - 3) The Group deposits the payment received from buyers into the specific trust account at the same period.
  - 4) There should be no delay in paying depositing.
- (o) Directors' remuneration

The Company's Articles of Incorporation provide that, bonus to directors and profit sharing to employees of the Company were not more than 1% and not less than 3% of the remainder, respectively. When allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years. The Company's Articles of Incorporation also provide that profits of the Company may be distributed by way of cash dividend and/or stock dividend.

The employee bonuses and directors' remuneration were recognized as cost of sales or operating expenses on specific percentage of net income. These amounts are calculated using the Company's profit before tax without the employee bonuses and directors' remuneration for each period. The Company recognized its employee bonuses of \$12,000 thousand in both 2020 and 2019, as well as directors' remuneration of \$2,200 thousand in both 2020 and 2019. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 6,951	1,598
Other interest income	<u>244</u>	<u>726</u>
Total	<u><u>\$ 7,195</u></u>	<u><u>2,324</u></u>

(ii) Other income

The details of other income were as follows:

	<u>2020</u>	<u>2019</u>
Dividend income	\$ -	423
Breach Revenue	52,971	37,798
Others	<u>15,243</u>	<u>9,653</u>
Total	<u><u>\$ 68,214</u></u>	<u><u>47,874</u></u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2020</u>	<u>2019</u>
Gains on financial assets at fair value through profit or loss	\$ 507	3,295
Gain on disposals of PP & E	125	-
Gain on disposals of investment property	2,002	-
Gain on disposal of non-current assets held for sale through profit or loss	-	138,618
Foreign exchange losses	(32,584)	(14,121)
Others	<u>(4,681)</u>	<u>(6,701)</u>
Total	<u><u>\$ (34,631)</u></u>	<u><u>121,091</u></u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2020</u>	<u>2019</u>
Interest expenses	\$ 122,428	84,257
Less: Capitalized Interest	<u>(14,645)</u>	<u>(27,595)</u>
Total	<u><u>\$ 107,783</u></u>	<u><u>56,662</u></u>
Capitalized Interest Rate	<u><u>1.04%~1.92%</u></u>	<u><u>1.42%~1.53%</u></u>

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(q) Financial Instrument

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The Group's revenue is attributable to the sales transactions with a wide range of customer. So, there is no concentration of credit risk.

(ii) Liquidity risk

The followings table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6-12months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>As of December 31, 2020</b>							
Non-derivative financial liabilities							
Secured bank loans	\$ 5,590,000	5,630,715	3,624,427	2,006,288	-	-	-
Unsecured Secured bank loans	500,000	501,481	501,481	-	-	-	-
Short-term notes and bills payable	4,541,688	4,546,000	4,546,000	-	-	-	-
Notes and accounts payables	<u>153,089</u>	<u>153,089</u>	<u>153,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 10,784,777</u></b>	<b><u>10,831,285</u></b>	<b><u>8,824,997</u></b>	<b><u>2,006,288</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>As of December 31, 2019</b>							
Non-derivative financial liabilities							
Secured bank loans	\$ 4,787,000	4,851,102	936,906	2,025,109	1,889,087	-	-
Unsecured bank loan	310,000	313,186	2,566	310,620	-	-	-
Short-term notes and bills payable	1,805,417	1,810,000	1,810,000	-	-	-	-
Notes and accounts payables	<u>210,371</u>	<u>210,371</u>	<u>210,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 7,112,788</u></b>	<b><u>7,184,659</u></b>	<b><u>2,959,843</u></b>	<b><u>2,335,729</u></b>	<b><u>1,889,087</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

The Group does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (iii) Currency risk

#### 1) Exposure to currency risk

The Group significant exposure to foreign currency risk were as follows:

	December 31, 2020			December 31, 2019			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	
Financial assets							
<u>Monitory items</u>							
USD	\$	21.767	28.48	619.918	21.578	29.980	646.909

#### 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from cash and cash equivalents that are determined in foreign currency and the investment accounted for using equity method, resulting in exchange differences on translation of financial statements. A Strengthening (weakening) 10 % of the TWD against the USD as of December 31, 2020 and 2019, would have increased (decreased) profit of 2020 by \$61,992 thousand and other equity of 2019 by \$64,691 thousand. The analysis assumes that all other variables remain constant.

### (iv) Interest risk

Please refer to the attached note for the liquidity risk management and the Group's interest rate exposure to its financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases / decreases by 50 basis points, the Group's net profit after tax would have increased (decreased) by \$43,858 thousand and \$26,618 thousand for the years ended December 31, 2020 and 2019 with all other variable factors that remain constant. This is mainly due to the Group's borrowings in floating variable rate.

### (v) Other market price risk

If the price of the equity securities changes, and if it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

Equity price at reporting date	2020		2019	
	After-tax other Comprehensive income	After-tax profit (loss)	After-tax other Comprehensive income	After-tax profit (loss)
Increase 3%	\$ -	-	-	128
Decrease 3%	\$ -	-	-	(128)

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vi) Fair value

1) Categories of financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

December 31, 2020					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ -	-	-	-	-
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	904,677	-	-	-	-
Notes receivable and account receivable	57,319	-	-	-	-
Other financial assets - current	381,442	-	-	-	-
Subtotal	1,343,438	-	-	-	-
<b>Total</b>	<b>\$ 1,343,438</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortized cost</b>					
Bank Loans	\$ 6,090,000	-	-	-	-
Short-term notes and bills payable	4,541,688	-	-	-	-
Notes payable and account payable	153,089	-	-	-	-
Other payable	56,610	-	-	-	-
Subtotal	10,841,387	-	-	-	-
<b>Total</b>	<b>\$ 10,841,387</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
December 31, 2019					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 4,268	4,268	-	-	4,268
<b>Loans and account receivable</b>					
Cash and cash equivalents	1,183,231	-	-	-	-
Notes receivable and account receivable	119,343	-	-	-	-
Other financial assets - current	180,463	-	-	-	-
Subtotal	1,483,037	-	-	-	-
<b>Total</b>	<b>\$ 1,487,305</b>	<b>4,268</b>	<b>-</b>	<b>-</b>	<b>4,268</b>

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2019				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at amortized cost</b>					
Bank Loans	\$ 5,097,000	-	-	-	-
Short-term notes and bills payable	1,805,417	-	-	-	-
Notes payable and account payable	210,371	-	-	-	-
Other payable	211,173	-	-	-	-
Subtotal	7,323,961	-	-	-	-
<b>Total</b>	<b>\$ 7,323,961</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2) Fair value valuation techniques of financial instruments not measured at fair value

Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument in an active market.

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, the fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

(r) Financial risk management

Overview

(i) The Group have exposures to the following risks from its financial instruments:

- credit risk
- liquidity risk
- market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

(Continued)

## HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### (iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's investments in debt securities.

##### 1) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transactions are with the counterparties, and the contractually obligated counterparties are the banks, financial institutions, corporate organizations and government agencies with good credits, there are no compliance issues, and therefore, there is no significant credit risk.

##### 2) Guarantees

As of December 31, 2020 and 2019, no other guarantees were outstanding.

#### (iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures that they are in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. The Group has unused short-term bank facilities of \$3,900,800 thousand and \$5,311,000 thousand as at December 31, 2020 and 2019.

#### (v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

1) Currency risk

The Group is not exposed to currency risk on sales, purchases and borrowings that are denominated in a New Taiwan Dollars (TWD).

2) Interest rate risk

The Group's borrowings bear floating interest rate. The Group reduces the interest risks by negotiating the loan interest rates frequently with banks.

(s) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 11,409,212	7,842,378
Less: cash and cash equivalents	(904,677)	(1,183,231)
Net debt	<u><u>\$ 10,504,535</u></u>	<u><u>6,659,147</u></u>
Total equity	<u><u>\$ 12,176,754</u></u>	<u><u>11,963,456</u></u>
Debt to equity ratio	<u><u>86.27%</u></u>	<u><u>55.56%</u></u>

There were no changes in the Group's approach to capital management during the year.

### 7. Related-party transactions

(a) Parent Company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name related party</u>	<u>Relationship with the Company</u>
J.H. Tuan	The chairman of the Company
IG Construction Co., Ltd.	An associate
Hsin Pei Real Estate Development Co., Ltd.	An associate
Hong Pu Welfare and Charity Foundation	Other related parties

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(c) Related party transactions

(i) Endorsements and guarantees

The chairman of the company was the guarantor for the Group's loans from financial institutions.

(ii) Leases

The related party rented an office building from the Group to be used as its headquarter. A five-year lease contract was signed with the contract price of \$331 thousand, in which the rental fee is determined based on the nearby office rental rates. For the years 2020 and 2019, the Company's rent revenues with related parties were amounted \$61 and \$114 thousands. As of December 31, 2020 and 2019, the accounts receivables generated by the aforementioned rent revenue have been received.

(iii) Others

The Group has signed a contract concerning a joint-construction investment in project "012310247" with Hsin Pei Real Estate Development Co., Ltd. during June 2017. According to the agreement, the Group accounts for 33.9% of the project and charges 6% management fee based on cost allocated to Hsin Pei Real Estate Development Co., Ltd. For the year ended December 31, 2020, the Company recognized management income amounted \$8,777 thousands. As at December 31, 2020, the accounts receivable of \$1,721 thousands, recorded as "other accounts receivables-related parties".

The Group donated to the Hong Pu Welfare and Charity Foundation the amounts of \$1,000 thousands and \$1,200 thousands in 2020, and 2019, respectively.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 11,620	8,651
Retirement benefits	309	234
Other long-term benefits	-	-
Resignation benefits	-	-
Share-based payment	-	-
Total	<b>\$ 11,929</b>	<b>8,885</b>

(Continued)

**HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**8. Pledged assets**

As of December 31, 2020 and 2019, the carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Construction-in-progress – land	Short-term bills payable and short-term loans	\$ 3,992,014	4,256,082
Land held for development	Short-term bills payable and short-term loans	9,210,369	5,021,910
Properties and land held for sale	Short-term bills payable and short-term loans	-	1,746,764
Property, Plant and Equipment	Short-term bills payable	77,909	79,135
Investment properties	Short-term bills payable	3,014,410	-
		<b><u>\$ 16,294,702</u></b>	<b><u>11,103,891</u></b>

**9. Commitments and contingencies**

As of December 31, 2020, the Group had issued promissory notes of \$12,515,800 thousand to financial institutions for their provision of repayment guarantees.

As of December 31, 2020, the total contract amount of the Group's construction projects was \$1,297,602 thousand, of which \$179,432 thousand had been paid and recorded as "inventories".

As of December 31, 2020, the total contract amount of the Group's advanced-sell projects was \$3,586,183 thousand of which \$532,085 thousand had been received and recorded as "current contract liabilities."

As of December 31, 2020, the total contract amount of the Group's prepayments for land purchase were \$1,790,000 thousand of which \$895,000 thousand had been paid and recorded as "inventories".

As of December 31, 2020, the total contract amount of the Company's prepayments for building bulk were \$721,561 thousand, of which \$395,359 thousand had been paid and recorded as "prepayment".

The Group has signed project "061120014" joint construction agreement with ten non-related parties, Mrs. Yang and five others, on June 2010; and Mr. Pan and three others on September 2011. As of December 31, 2020, in accordance with the joint construction agreement, the Group has paid a promissory amount of \$11,390 thousand to the land owners and recorded it as refundable deposits.

The Group has signed project "012310247" joint construction agreement with nine non-related parties, Mrs. Lin and eight others, on May 2014 and on July 2015. As of December 31, 2020, in accordance with the joint construction agreement, the Group has paid a promissory amount of \$121,234 thousand to the land owners and recorded it as "other current assets".

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

The Group has sign project “032310150” joint construction agreement with non-related parties, Mr. Chen and eight others in October, November and December 2019. As of December 31, 2019, the Group has paid a promissory of \$49,052 thousand to the land owners and record it as “refundable deposit” in accordance with the joint construction agreement,

The Company engaged with IBFC as the guarantor for its issuance of commercial checks. The Tunhwa South office was pledged as collateral, and IBFC was appointed as the beneficiary of the fire insurance on this office.

**10. Losses Due to Major Disasters : None.**

**11. Subsequent Events : None.**

**12. Other**

- (a) Total personnel, depreciation and amortization expenses categorized by function for the years ended December 31, 2020 and 2019, were as follows:

	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	8,711	27,590	36,301	11,134	28,162	39,296
Labor and health insurance	586	2,032	2,618	701	1,820	2,521
Pension	368	840	1,208	446	758	1,204
Remuneration of directors	-	2,839	2,839	-	2,714	2,714
Others	205	597	802	240	555	795
Depreciation	23,168	2,704	25,872	-	2,779	2,779
Amortization	-	150	150	-	131	131

**13. Other disclosures**

- (a) Information on significant transactions

The followings are the information on significant transactions required by the “ Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (1) Fund financing to other parties: None.
- (2) Guarantees and endorsements for other parties: None.

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- (3) Securities held as of December 31, 2020 (excluding investment in subsidiaries associate and joint ventures):

Name of holder	Category of security	Category and name of security	Account	Ending balance				Highest percentage of owner ship	Note
				Shares/Unit (thousand)	Carrying value	Percentage of ownership	Fair value		
The Company	CPT	-	Mandatorily measured at fair value through profit – current	23,599	-	-	-	23,559	
The Company	NEOMAGIC(NMGC)	-	"	10,659	-	-	-	10,659	
The Company	HORIZON VENTURE FUND I.L.P.	-	"	-	-	1.21 %	-	-	

- (4) Cumulative buying or selling of one specific security exceeding the lower of \$300 million or 20% of the Company's paid-in capital: None.
- (5) Acquisition of real estate with an amount exceeding the lower of TWD300 million or 20% of capital stock:

(In Thousands of New Taiwan Dollar)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Construction-in-progress-land	2020.03.27	1,096,631	1,096,631	14 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none
The Company	Construction-in-progress-land	2020.07.06	664,032	664,032	12 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none
The Company	Construction-in-progress-land	2020.08.21	1,430,420	1,430,420	5 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none
The Company	Prepayment for land purchase	2020.09.23	1,790,000	895,000	3 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none
The Company	Construction-in-progress-land	2020.09.24	676,401	676,401	25 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none

- (6) Disposal of real estate with an amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (7) Purchases from and sales to related parties exceeding the lower of TWD100 million or 20% of the capital stock: None.
- (8) Receivable from related parties exceeding the lower of TWD100 million or 20% of the capital stock: None.

(Continued)

# HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(9) Derivative financial instruments: None.

(10) Business relationship and significant intercompany:

(In Thousands of New Taiwan Dollar)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	THE Company	Chuan Yue Real Estate Development C., Ltd.	1	Other Income	346	Based on the agreement	- %
0	THE Company	Chuan Yue Real Estate Development C., Ltd.	1	Other receivable-related parties	346	Based on the agreement	- %
1	Chuan Yue Real Estate Development C., Ltd.	THE Company	2	Operating expense	346	Based on the agreement	- %
1	Chuan Yue Real Estate Development C., Ltd.	THE Company	2	Other payable	346	Based on the agreement	- %

Note 1: The numbering is as follows:

1. "0" represents the parent company
2. Subsidiaries are sequentially numbered from 1 by company

Note 2: Relation between related parties are as follows:

1. Parent company and its subsidiaries
2. Subsidiaries and its parent company
3. Subsidiaries and its subsidiaries

(b) Information on investees:

The followings is the information on investees for the year 2020 (excluding information on investees in mainland China):

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest balance during the year	Net income (losses) of the investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (in thousands)	Percentage of ownership	Carrying value				
The Company	Chuan Yue Real Estate Development Co., Ltd.	Taipei	Real estate development service	32,742	32,742	3,060,000	51.00 %	29,204	32,742	(2,696)	(1,375)	

Note: The amount was eliminated in the consolidated financial statement.

(c) Information on investment in Mainland China: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Hua-Zhan Investment Co., Ltd.		59,078,745	17.75 %
Fu-Ta Investment Co., Ltd.		54,701,040	16.43 %

14. Segment information: None.



**B. The Company Should Disclose The Financial Impact To The Company If The Company And Its Affiliated Companies Have Incurred Any Financial Or Cash Flow Difficulties in recent years until the Annual Report Published Data:None**

## VII・Review of Financial Conditions, Operating Results, and Risk Management

### A. Analysis of Financial Status

(Unit: NT\$ thousands)

Item \ year	2020	2019	Difference	
			Amount	%
Current Assets	\$20,286,240	\$19,580,090	706,150	3.61
Fixed Assets	83,138	83,174	(36)	(4.00)
Instangible assets	-	-	-	-
Other Assets	3,216,588	142,570	3,074,018	2,156 (Note 1)
Total Assets	23,585,966	19,805,834	3,780,132	19.08
Current liabilities	11,399,624	7,831,563	3,568,061	45.56 (Note 2)
Non-current liabilities	9,588	10,815	(1,227)	(11.35)
Total Liabilities	11,409,212	7,842,378	3,566,834	45.48 (Note 2)
Capital Stock	3,328,087	3,328,087	-	-
Capital Surplus	2,042,348	2,042,348	-	-
Retained Earnings	6,778,260	6,563,641	214,619	3.27
Other equity	28,059	29,380	(1,321)	(4.50)
Total Stockholder's Equity	12,176,754	11,963,456	213,298	1.78
Explanation : When change ratio and amount on assets, liabilities and shareholder equities is more than 20% and NT10 million of dollars, it shall state the reason, effect and treatment in the future: Note 1: "MGH Mitsui Garden Hotel" and "World Trade Plaza" were completed and converted to leased assets, and the account titles were classified as investment real estate, which greatly increased other assets. Note 2: Due to the increase in short-term borrowings and short-term notes payable due to the purchase of land inventory.				



## B. Analysis of Operation Results :

### a. Analysis of Operation Results :

(Unit: NT\$ thousands)

Item \ Year	2020	2019	Difference	Percent Change
Operating Revenues	3,977,450	2,885,896	1,091,554	37.82 (Note 1)
Operating Costs	(2,999,146)	(2,125,747)	873,399	41.09 (Note 1)
Gross Profit	978,304	760,149	218,155	28.70 (Note 1)
Operating Expenses	(163,909)	(194,083)	(30,174)	15.55
Total Operating Income	814,395	566,066	248,329	43.87 (Note 1)
Non-Operating Income	(67,005)	114,627	(181,632)	(158.45) (Note 2)
Income Before Income Tax	747,390	680,693	66,697	9.80
Income Tax expense	(134,722)	(74,279)	60,443	81.37 (Note3)
Cumulative Effect of Changes in Accounting Policies	-	-	-	-
Loss (Profit) for Continuing Operations	\$612,668	\$606,414	6,254	1.03

(Note 1) : The revenues and costs of 2020 decreased compared with 2019, but the gross margin increased, resulting in an increase in net operating profit and net profit before tax.

(Note 2) : Mainly due to the increase in short-term loans for the purchase of land inventories in 2020, resulting in an increase in interest expenses and financial expenses.

(Note 3): Sales of house inventories and completed houses increased income tax.

### b. Analysis of Gross Profit:

#### 1. Analysis of Change of Gross Profit:

(NT\$ thousands)

Item \ Year	Net Operating Revenues	Operating Costs	Gross Profit	Percent Gross profit
2019	2,885,896	2,125,747	760,149	26.34 (Note 1)
2020	3,977,450	2,999,146	978,304	24.60 (Note 1)
Explanation :				
Note 1: Although operating income in year 2020 increased compared with that in year 2019, operating costs also increased relatively, resulting in a decline in overall gross profit margin.				

2. Due to character of industry, the size of launched projects are different; thus there is no quantity analysis of difference. And, due to market discrimination, location of projects, price of sales, thus there is no basis of price analysis of difference.

### C. Analysis of Cash Flow :

#### a. Analysis of Cash Flow

Item \ Year	2019 (%)	2018 (%)	Percent Change
Cash Flow Ratio(%)	(31.13)	(35.13)	(11.39)
Cash Flow Adequacy Ratio (%)	(51.81)	47.27	(99.08) (Note 1)
Cash Re-Investment Ratio (%)	(42.80)	(25.64)	66.93 (Note 1)
Analysis of deviation : Note 1: Year 2020 purchase of land inventory resulted in an increase in financial costs and an increase in the tax paid for existing homes, which resulted in a decrease in net cash flow from operating activities.			

#### b. Cash Flow Projection for Next Year

NT\$ thousands)					
Cash Balance 12/31/2019 ①	Net Cash Provided by Operating Activities In 2020 ②	Net Cash Outflows from Investing & Financing Activities in 2020 ③	Cash Balance 12/31/2020 ①+②-③	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
904,677	525,341	(562,758)	867,260	-	-

### D. The effect on finance and operation from important capital expenditure for the latest year: None

### E. Policy, reason of profit or loss, improvement plan and investment in the next year of reinvestment: None

### F. Necessary analysis and evaluation of risk events in the latest year and before date annual report printed are as follows:

#### a. Effect and treatment on net income due to change of interest rate, exchange rate and inflation rate:

##### i. Interest risk

The company's borrowings bear floating interest rate. The company reduces the interest risks through market mechanism and negotiating the loan rates frequently with banks.

The risk exposure to interest rates is based on derivative and non-derivative financial instruments on the reporting date. For the floating rate debts, the analysis assumes that the amounts of floating rate liabilities are outstanding for the whole year. The range of interest report to the management is increases / decreases by 50 basis points, and the range is reasonable evaluation of interest risk.

If the interest rate increases / decreases by 50 basis points, the Company's netprofit after tax would have increased (decreased) by \$43,858 and \$26,618 for the years ended December 31, 2020 and 2019 with all other variable factors that remain constant. This is mainly due to the Company's borrowins in floating variable rate.



ii. currency volatility :

(i) exposure of currency risk

financial assets and liabilities exposed to currency risk are showed as follows:

Financial assets USD	2020.12.31			2019.12.31		
	USD	Exchange rate	NTD	USD	Exchange rate	NTD
	\$21,767	28.48	619,918	\$21,578	29.98	646,909

(ii) sensitivity analysis

The company's exchange rate risk mainly comes from foreign currency-denominated cash and cash equivalents and bank deposits, resulting in foreign currency exchange gains and losses on currency translation. A Strengthening (weakening) 10 % of appreciation (depreciation) of the TWD against the USD as of December 31, 2020 and 2019, would have increased (decreased) "Earning before Tax" by 61,992 thousand and \$ 64,691 thousand. The analysis assumes that all other variables remain constant.

iii. Inflation: There is no effect from inflation.

- b. Policy, reason of profit or loss and improvement in the future of high risk, high investment, lending, endorsement, and derivatives transaction: None.
- c. Plan and expense of R&D in the future: The company and subsidiary invest in development of residential projects, therefore no R&D division is set up and no R&D expense occurs.
- d. Looking back to 2020, The COVID-19 pneumonia has spread globally, and the number of confirmed cases and deaths in many countries has risen. Measures such as isolation and lockdown have brought economic activities to a halt. Fortunately, Taiwan's epidemic prevention has been effective. The economy and daily life are operating as usual. Demand in the real estate market has emerged, and buying momentum has rebounded.
- e. Effect and treatment from change of technology and industry on company's finance and operation: None.
- f. Effect and treatment from change image of company on risk management: None.
- g. Expectative effect, potential risk and treatment of merge: None.
- h. Expectative effect, potential risk and treatment of factory expansion: None.
- i. Risk and treatment of centralization of purchase or sale: None.
- j. Effect, risk and treatment on mass transfer or change of director and major shareholder who has more than 10% ownership: None.
- k. Effect, risk and treatment on change of management: None.
- l. Lawsuit event:
  - i. Major events of lawsuit: None.
  - ii. Lawsuit event which director and major shareholder who has more than 10% ownership involved: None.
- m. Other risk and treatment: None.

**G. Other important event: None**

## VIII. ▾ Special Disclosure

**A. Affiliate Information:** ChuanYue Development Co., Ltd. is a 51% subsidiary held by the Company.

**B. Private Placement Securities: None**

a.Information of private offered securities: None.

b.State of execution of private offered securities in the latest year and before date annual report printed: None.

**C. Status of Hong-Pu Common Shares Acquired, Disposed of and Held by Subsidiaries:  
None**

**D. Other Necessary Supplement: None**

**E. Any event which has a material impact on shareholders' equity or securities prices in the “Securities and Exchange Act” 36.3.2 in the latest year and before date annual report printed: None**



# **HONG PU REAL ESTATE DEVELOPMENT**

**Chairman: J.H. Tuan**



