



2022 ANNUAL REPORT

HONG PU REAL ESTATE DEVELOPMENT

TSE: 2536

股票代號：2536

宏普建設股份有限公司

一一一年度年報



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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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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.

I. 2022 Business Report	1
II. Company Profile.....	4
A. Date of Incorporation.....	4
B. Company History.....	4
C. Mergers and Acquisitions	4
D. Invested Affiliates	4
E. Restructuring.....	4
F. The Equity Transfers of Directors, Supervisors or the Shareholders with A Stake of 10% or More	4
G. Change of Management.....	4
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.....	4
III. Company Governance Report	5
A. Organization Chart	5
B. Directors, Supervisors and Management Team	6
C. Implementation of Corporate Governance	24
D. Information Regarding Hung-Poo's Independent Auditor	59
E. CPA Replacement Information:	59
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	59
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	60
H. Information on Concerned Relationship of No. 6 in FASB with Top Ten Major Shareholders.....	61
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.....	62
IV. Capital Overview	63
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	63
B. Information on Implementation of the Company's Funds Utilization Plans	70
V. Operational Highlights.....	71
A. Business Activities	71
B. Market and Sales Overview	73
C. Human Resources	77
D. Disbursements for Environmental Protection.....	78
E. Labor Relations.....	78
F. Information Security Management.....	80
G. Important contracts	81



VI. Financial Information	82
A. Abbreviated Balance Sheets and Income Statements for the Past Five Fiscal Years	82
B. Financial Analyses for the Past Five Years	86
C. Supervisors' Report in the Most Recent Year	88
D. Audit Report by the Audit Committee.....	89
E. Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report.....	90
F. Consolidated Financial Statements and Independent Auditor's Report in the recent years 2021	141
G. 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.....	191
VII. Review of Financial Conditions, Operating Results, and Risk Management	192
A. Analysis of Financial Status	192
B. Analysis of Operation Results	193
C. Analysis of Cash Flow.....	194
D. The Effect on Finance and Operation from Important Capital Expenditure in the Latest Year	194
E. Policy, Reason of Profit or Loss, Improvement Plan and Investment in the Next Year of Reinvestment.....	195
F. Necessary Analysis and Evaluation of Risk Events in the Latest Year and Before Date Annual Report Printed	195
G. Other Important Event.....	196
VIII. Special Disclosure	197
A. Affiliate Information	197
B. Private Placement Securities.....	198
C. Status of Hung-Poo Common Shares Acquired, Disposed of and Held by Subsidiaries.....	199
D. Other Necessary Supplement.....	199
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.....	199

2022 Business Report

Dear Shareholders,

Looking back in year 2022, the Russo-Ukraine war at the beginning of the year made international raw material prices rise even further. In the shortage of domestic labor and materials, construction costs continued to increase. Coupled with the United States' explosive interest rate hikes, Taiwan also entered a cycle of interest rate hikes. Construction financing and housing loan pressure increased. And, the Ministry of the Interior introduced the amendment draft of "Equalization of Land Rights Act" and geopolitical tensions, which deepened the wait-and-see atmosphere for buyers. Under the stock market shock and housing market restraint measures, real estate transaction volume decreased and the sales speed of pre-sale houses slow down. In the second half of the year, the company launched the pre-sale projects of "Yang Ming", "Grand Park", "New Era Garden 3" and the signed the pre-sale contract of the entire office building in NeiHu District. In terms of revenue, disposal of a shareholding land in New Taipei City and a major infrastructure land in Taoyuan City, and existing housing units of "Light Year-the Leader" and "Taipei People" handed over and booked revenue. " MGH Mitsui Garden Hotel" and "World Trade Plaza" provide the company with rental income. In 2022, the Company recorded a decrease in revenue and a loss compared with the previous year because the pre-sale projects under construction were not yet completed to book revenue.

A. Operating Performance in 2022

1. Achievement of operating plan

We have achieved 2022 revenue of NT\$684,358K, compared with NT\$322,542K in 2021, a increase of NT\$361,816K. And we have achieved 2022 net income of NT 22,961K, compared with 19,569K in 2021, an increase of NT\$42,530K.

This is mainly due to the disposal of a shareholding land in New Taipei City and a major infrastructure land in Taoyuan City, and existing housing units of "Light Year-the Leader" and "Taipei People".and the rental income of "World Trade Plaza" and "MGH Mitsui Garden Hotel" in this year, resulting in operating income and operating cost are reduced.

2. Budget implementation

Our company is not required to file a financial forecast for fiscal year 2022 and 2021.

3. Financial revenue and expenditure

Financial expenditures include capitalized interest expense NT\$430,829K in 2022 and NT\$189,647K in 2021. It increased NT\$241,182K. Mainly due to the current cycle of construction in progress and Taiwan's interest rate hike Therefore, interest expenses increased in 2022.

4. Profitability analysis

Item		Year 2022	Year 2021
ROA (%)		0.56	0.30
ROE (%)		(0.52)	(0.29)
As a % of paid in capital	Op. income	8.96	1.96
	Pretax profit	0.69	(0.59)
Net margin (%)		(9.13)	(10.75)
EPS (NT\$)	Diluted earnings per share	(0.16)	(0.10)
	Adjusted diluted earnings per share	-	-



Our analysis is derived from the above figures:

The increase in operating profit in 2022 is mainly due to disposal of a shareholding land in New Taipei City and a major infrastructure land in Taoyuan City, and existing housing units of "Light Year-the Leader" and "Taipei People", and the rental income of "World Trade Plaza" and "MGH Mitsui Garden Hotel" operating income and operating costs both increased, so the overall gross margin increased.

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 2023

Looking forward to year 2023, although it is expected that the U.S. interest rate hike will come to an end, the Federal Reserve's monetary policy will still tend to be tightened. As the U.S.-China trade war turns to a technology war, the domestic electronics industry will face inventory pressure. This year's economic growth may slow down. In addition, the Legislative Yuan passed the amendment to the "Average of Land Rights Act" and the fact that the beginning of 2024 coincides with the central election year, the government will maintain the housing market regulation policy, the real estate boom is relatively conservative, so consumers lack confidence in purchasing, and real estate transactions continue to cool down. Landbanks such as, "Dazhi" in Taipei, "Yongkang" in Tainan, "Zhongli 146" in Taoyuan and "Zhongli 137" in Taoyuan, according to market conditions, we will adjust the sales strategy or launch time, and have the opportunity to join the sales for contributing to future revenue and profits.

The recognized revenue in 2023 will mainly book from the completion and delivery projects of "Central Park" and "Palace Forever", and form rental income of "World Trade Plaza" and "MGH Mitsui Garden Hotel". It is expected that year 2023 revenue and profit will increase compared with year 2022.

We have our year 2023 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

Revenue will be recognized from the completion and delivery projects of "Central Park" and "Palace Forever", and form rental income of "World Trade Plaza" and "MGH Mitsui Garden Hotel".

3. Construction and marketing strategies

(1) Construction

- ◆ The development is based on the whole of Taiwan (all counties and cities).
- ◆ 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. Although it has entered a cycle of interest rate hikes, domestic interest rates are still at a low level and our healthy financial structure, we plan to develop long-term income properties and adjust business strategies.
4. As a result of the Ministry of the Interior's introduction of amendments to the "Equalization of Land Rights Act", it makes high sales price projects market is slow. The public still has demand for anti-inflation, especially the large population in the capital living area of Keelung, Taipei, New Taipei and Taoyuan. 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 

General : W.L.You 

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 June 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 September 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 August 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 July 2007, a capital increased to the amount of NT\$2.86268 billion.
- In July 2008, a capital increased to the amount of NT\$2.89931 billion.
- In July 2011, a capital increased to the amount of NT\$3.19135 billion.
- In July 2013, a capital increased to the amount of NT\$3.19467 billion.
- In February 2014, a capital increased to the amount of NT\$3.19951 billion.
- In July 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

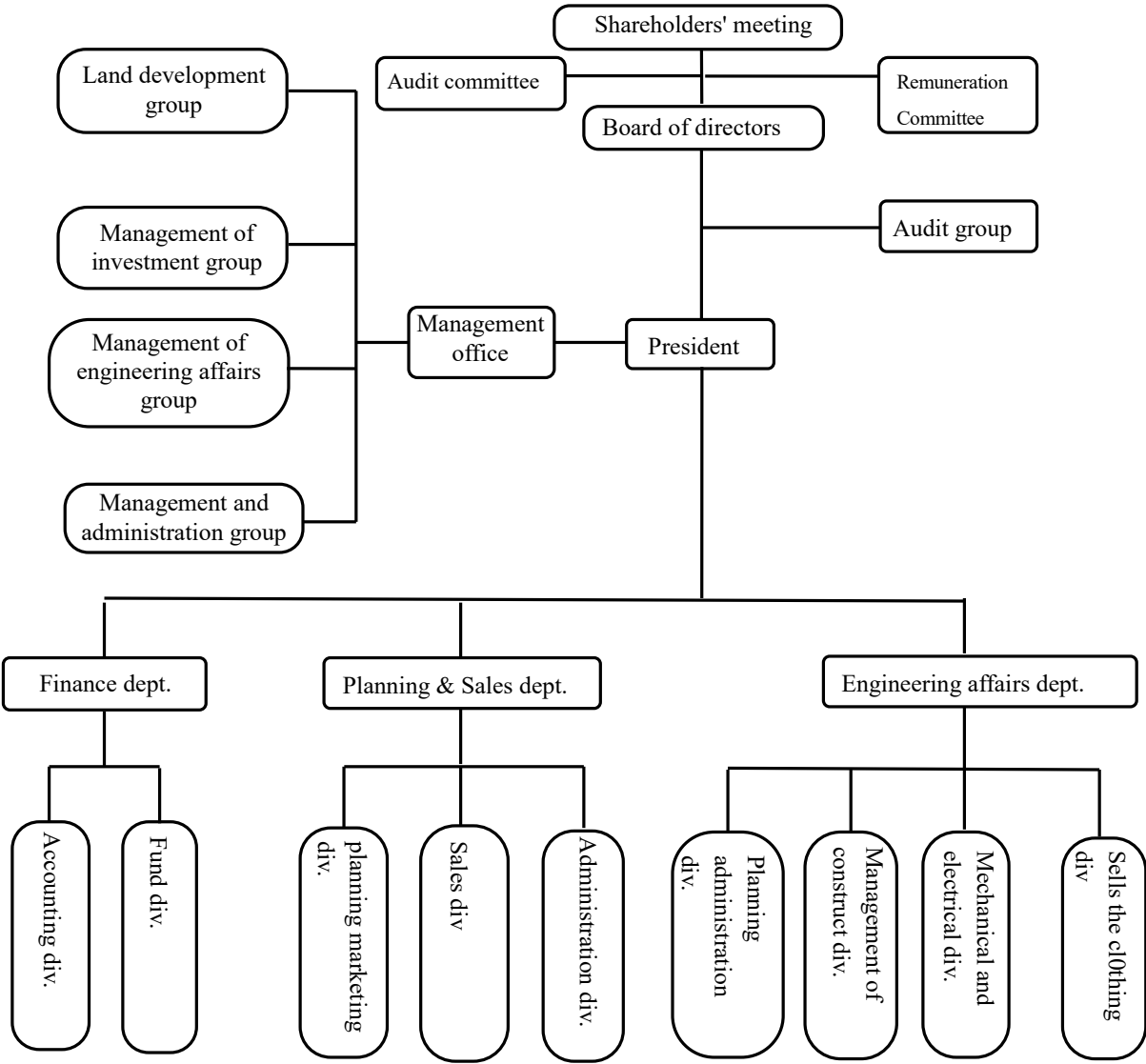
G. Change of management : None

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 22, 2023

Unit : thousands of NT dollars

Title (Note1)	Nationality or place of Incorporation	Name	Gender Age (Note2)	Assumed date	Term	Assumed date at first time (Note3)	Shares held in assumed date		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note4)	Additional occupation or position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director Chairman	Taiwan	Fu-Da Investment Co., Ltd.		20220615	3	1998.4.28	59,182,040	17.78%	59,182,040	17.7826 %	-	-	-	-	None	None	None	None	None	-
The representative of institutional Chairman of Fu-Ta Investment Co., Ltd.	Taiwan	J.H. Tuan	Male 71-80	20220615		1998.4.28	11,119	0.0033%	11,119	0.00%					President, San-Poo Real Estate Development Co., Ltd. Supervisor (institutional representative), Trade-Van Information Services Co. John Kennedy university EMBA, National Chengchi University	Chairman and CEO, Hong Pu Real Estate Development Co., Ltd. Chairman , Hong Pu Social Welfare and Charity Foundation Chairman (institutional representative), Chuan Yue Real Estare Development Co., Ltd. Chairman (institutional representative), Mitsubishi Development Co., Ltd.	The representa tive of institution al Director	W.G. Tuan	Father and Son	Note 5
Director	Taiwan	Hua-Zhan Investment Co., Ltd		20220615	3	1998.4.28	56,791,745	17.9658%	60,041,745	18.04%	-	-	-	-	None	None	None	None	None	-
Director Representative of Hua-Zhan Investment Co., Ltd	Taiwan	W. L. You	Male 51-60	20220615	-	-	-	-	-	-	-	-	-	-	Project Manager, Huang-Hsiang Construction Co., Ltd. EMBA, National Taiwan University of Science and Technology	President, Hong Pu Real Estate Development Co., Ltd. Director, Hong Pu Social Welfare and Charity Foundation Supervisor (institutional representative), Chuan Yue Real Estare Development Co., Ltd. Director (institutional representative), Mitsubishi Development Co., Ltd.	None	None	None	-
Director Representative of Hua-Zhan Investment Co., Ltd	Taiwan	S.L Shen	Female 61-70	20190614	-	-	-	-	-	-	-	-	-	EMBA, National Taipei University of Science and Technology	Manager, Chuan Yue Development Co., Ltd. Director, Hong Pu Social Welfare and Charity Foundation	None	None	None	Note 6	
Director	Taiwan	Fu-Da Investment Co., Ltd.		20190614	3	1998.4.28	49,945,040	14.0071%	59,182,040	17.7826 %	-	-	-	-	None	None	None	None	None	-

Title (Note1)	Nationality or place of Incorporation	Name	Gender Age (Note2)	Assumed date	Term	Assumed date at first time (Note3)	Shares held in assumed date		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note4)	Additional occupation or position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relatio n	
Director Representative of Fu-Da Investment Co., Ltd.	Taiwan	W. L. You	Male 51-60	20190614	-	-	-	-	-	-	-	-	-	-	Project Manager, Huang-Hsiang Construction Co., Ltd. EMBA, National Taiwan University of Science and Technology	President, Hong Pu Real Estate Development Co., Ltd. Director, Hong Pu Social Welfare and Charity Foundation Supervisor (institutional representative), Chuan Yue Real Estare Development Co., Ltd. Director (institutional representative), Mitsubashi Development Co., Ltd.	None	None	None	Note 6
Director	Taiwan	Fu-Yi Investment Co., Ltd.		20220615	3	2001.05.15	4,356,077	1.3088%	4,581,077	1.38%					None	None	None	None	-	
Director Representative of Fu-Yi Investment Co., Ltd.	Taiwan	W.G. Tuan	Male 21-30	20220615	3										Director (institutional representative), Chuan Yue Real Estare Development Co., Ltd. Director (institutional representative), Mitsubashi Development Co., Ltd.	The representa tive of institution al Director	J.H. Tuan	Father and Son		
Director Representative of Fu-Yi Investment Co., Ltd.	Taiwan	P. S. Liu	Female 51-60	20190614	-	-	-	-	-	-	-	-	-	Manager, BDO Taiwan Union & Co., EMBA, National Taipei University of Science and Technology Accounting, Tunghai University	Deputy general manager Chief of Acouter CEO, Hong Pu Social Welfare and Charity Foundation	None	None	None	Note 6	
Independent Director	Taiwan	P.S. Li	Female 61-70	20220615	3	105.06.03	-	-	-	-	-	-	-	VP, PwC Taiwan AVP, Ernst & Young MBA, National Taiwan University Remuneration committee member, Hsin-Li Chemical Industrial Corp.	Chairman, SHK Consulting Co., Ltd. Remuneration Committee member, Independent Director and Audit Committee Convener, Hong Pu Real Estate Development Co., Ltd. Representative of Institutional Director, TCI Co., Ltd. Supervisor, Yong Jiang Investment Co., Ltd. Supervisor, Taiwan Sunshine Bless Association. Independent Director and Audit Committee Convener, Everspring Industry Co., Ltd. The supervisor of Scientific American (Taiwan)	None	None	None	-	

Title (Note1)	Nationality or place of Incorporation	Name	Gender Age (Note2)	Assumed date	Term	Assumed date at first time (Note3)	Shares held in assumed date		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note4)	Additional occupation or position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Taiwan	J.R.Wu	Female 51-60	20220615	3	105.06.03	-	-	-	-	-	-	-	-	Deputy Manager, Ernst & Young Partner, CKH & W CPA Office Accounting, Tunghai University	Partner, Yu Jin CPA Office Director, Yun Ting Financial Management Consulting Ltd. Independent Director, Gongwin Biopharm Holdings Co., Ltd. Independent Director, Audit Committee member and Remuneration Committee member, Hong Pu Real Estate Development Co., Ltd The independent director, audit and remuneration committee convener of Welltend Technology Corporation	None	None	None	-
Independent Director	Taiwan	K.L. Yen	Male 61-70	2019.06.14	3	108.06.14	-	-	-	-	-	-	-	-	Professional Master's Program in Department of Public Finance, NCCU School Taipei IRS Tax Collector	Partner, Answer-CPAs Firm. Member of the Company's Audit Committee and the Convenor of Remuneration Committee, Hong Pu Real Estate Development Co., Ltd. Independent Director and Member of the Remuneration Committee, Nichidenbo Corporation Independent Directors and Member of the Remuneration Committee, Win Win Precision Technology Co., Ltd.	None	None	None	-
Independent Director	Taiwan	H.K.Li	Male 41-50	20220615	3	111.06.15									Department of Accounting, Fu Jen Catholic University Adjunct Lecturer, China University of Technology	Accountant, Answer-CPAs Firm. Independent Director and Audit Committee member, Hong Pu Real Estate Development Co., Ltd	None	None	None	
Independent Director	Taiwan	M.Y. Ho	Male 41-50	20220615	3	111.06.15									Department of Accounting, Fu Jen Catholic University Master Adjunct Lecturer, China University of Technology	Accountant, Answer-CPAs Firm. Independent Director, Audit Committee member and Remuneration Committee member, Hong Pu Real Estate Development Co., Ltd	None	None	None	

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

Note2: Please list actual age and express it in intervals, such as 41-50 years old or 51-60 years old.

Note3: 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.

Note4: 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.

Note5: 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: none

Note6:111.06.15 step down



Major shareholders of the institutional shareholders

April 22,2023

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 : 16.05%)
	Tong-Chang Investment Co., Ltd.	(Shares held : 16.05%)
	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%)

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.

Note3: When the institutional shareholder is not a corporation, it shall show the name of the shareholder and shareholding ratio i.e. the name and the capital contribution or donation ratio of the funder or donor (refer to the announcement of the Judicial Yuan for inquiries) If the donor has passed away, add the note "Deceased".

Major shareholders of the major shareholders that are juridical persons

April 22,2023

Name of juridical persons (Note 1)	Major shareholders of the juridical persons (Note 2)	
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%)
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%)
PuWei Investment Company Ltd.	W. G. Tuan	(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.

Note3: When the institutional shareholder is not a corporation, it shall show the name of the shareholder and shareholding ratio i.e. the name and the capital contribution or donation ratio of the funder or donor (refer to the announcement of the Judicial Yuan for inquiries) If the donor has passed away, add the note "Deceased".

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

1. Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors :

Criteria Name (Note 1)	Professional qualifications and experience (Note 1)	Independence of independent directors (Note 2) Independence of non-independent directors (Note 3)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		1	2	3	4	5	6	7	8	9	10	11	12	
Director : J.H.Tuan	Leadership: Extensive leadership experience resulting in a practical understanding of organization, process, planning and risk management, demonstrated strengths in developing talent, driving change and long-term growth. Board Service and Governance: Served as a supervisor for the institutional representative of Trade-Van Information Service providing insights on maintaining the responsibilities of the board and management, protecting shareholders' interests, and complying with appropriate governance practices. There is no one of conditions in the Article 30 of the Company Act.	-	-	✓	-	-	-	-	-	✓	-	✓	-	0
Director :Hua-Zhan Investment Co., Ltd. Representative : W. L. You 111.06.15 take office	Sales and Marketing: Experience in developing sales strategies to increase sales and market share, building brand awareness and improving corporate reputation. Professional knowledge: Have the knowledge and experience of relevant land laws and regulations required by the company's business. There is no one of conditions in the Article 30 of the Company Act.	-	-	✓	-	✓	-	-	-	✓	✓	✓	-	0
Director :Hua-Zhan Investment Co., Ltd. Representative : S.L.Shen 111.06.15 step down	Financial Accounting: Experienced in leading corporate financial functions, proficient in and mastering complex financial management and capital allocation. Professional knowledge: Have the knowledge and experience of relevant land laws and regulations required by the company's business. There is no one of conditions in the Article 30 of the Company Act.	-	-	✓	-	✓	-	-	-	✓	✓	✓	-	0
Director : Fu-Ta Investment Co., Ltd. Representative : W. L. You 111.06.15 step down	Sales and Marketing: Experience in developing sales strategies to increase sales and market share, building brand awareness and improving corporate reputation. Professional knowledge: Have the knowledge and experience of relevant land laws and regulations required by the company's business. There is no one of conditions in the Article 30 of the Company Act.	-	-	✓	-	✓	-	-	-	✓	✓	✓	-	0
Director :Fu-Yi Investment Co., Ltd. Representative : W.G. Tuan 111.06.15 take office	Skill: Have a background in architecture-related department, understand technology trends, generate innovation and expand and create new business models	✓	-	-	-	-	-	-	-	✓	-	✓	-	0
Director :Fu-Yi Investment Co., Ltd. Representative : P.S. Liu 111.06.15 step down	Financial Accounting: Experienced in leading corporate financial functions, proficient in and mastering complex financial management and capital allocation.	-	-	✓	-	✓	-	✓	✓	✓	✓	✓	✓	0



Name (Note 1)	Criteria	Professional qualifications and experience (Note 1)	Independence of independent directors (Note 2) Independence of non-independent directors (Note 3)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
			1	2	3	4	5	6	7	8	9	10	11	12	
Independent Director : P.S.Li		<p>Financial Accounting: The Convenor of the Company's Audit Committee and Remuneration Committee member , with experience in leading corporate financial functions, proficient in and mastering complex financial management and capital allocation. Main experience: Vice President of PwC, Senior AVP of Ernst & Young. There is no one of conditions in the Article 30 of the Company Act.</p>	<p>Including but not limited to the person, spouse, relatives within the second degree who have not served as directors, supervisors or employees of the company or its affiliated companies ;</p> <p>The number and proportion of the company's shares are not held by the person, spouse, or relatives within the second degree of kinship (or in the name of others) ;</p> <p>Not serving as a director, supervisor or employee of a company that has a specific relationship with the company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) ;</p> <p>There is no amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.</p>												1
Independent Director : J.R. Wu		<p>Financial Accounting: Member of the Company's Audit Committee and the Convenor of the Remuneration Committee, with experience in leading corporate financial functions, proficient in and mastering complex financial management and capital allocation. Main experience: Passed the examination for accountants, Accounting and Auditing Committee of the Taipei CPA Association, Deputy Manager of the Audit Department of Ernst & Young, Partner accountant of Elite CPA Firm. There is no one of conditions in the Article 30 of the Company Act.</p>	<p>Including but not limited to the person, spouse, relatives within the second degree who have not served as directors, supervisors or employees of the company or its affiliated companies ;</p> <p>The number and proportion of the company's shares are not held by the person, spouse, or relatives within the second degree of kinship (or in the name of others) ;</p> <p>Not serving as a director, supervisor or employee of a company that has a specific relationship with the company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) ;</p> <p>There is no amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.</p>												2

Name (Note 1)	Criteria	Professional qualifications and experience (Note 1)	Independence of independent directors (Note 2) Independence of non-independent directors (Note 3)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
			1	2	3	4	5	6	7	8	9	10	11	12	
Independent Director : K.L. YEN 111.06.15 step down		Financial Accounting: Member of the Company's Audit Committee and the Convenor of the Remuneration Committee, with experience in leading corporate financial functions, proficient in and mastering complex financial management and capital allocation. Main experience: Tax clerk of Taipei Internal Revenue Service, partner accountant of Answer CPAs Firm. There is no one of conditions in the Article 30 of the Company Act.	Including but not limited to the person, spouse, relatives within the second degree who have not served as directors, supervisors or employees of the company or its affiliated companies ; The number and proportion of the company's shares are not held by the person, spouse, or relatives within the second degree of kinship (or in the name of others) ; Not serving as a director, supervisor or employee of a company that has a specific relationship with the company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) ; There is no amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.												2
Independent Director : H.K.Li 111.06.15 take office		Financial Accounting: Member of the Company's Audit Committee and Remuneration Committee member , with experience in leading corporate financial functions, proficient in and mastering complex financial management and capital allocation. Main experience: CPA exams passed 、 accountant of Answer CPAs Firm. There is no one of conditions in the Article 30 of the Company Act.	Including but not limited to the person, spouse, relatives within the second degree who have not served as directors, supervisors or employees of the company or its affiliated companies ; The number and proportion of the company's shares are not held by the person, spouse, or relatives within the second degree of kinship (or in the name of others) ; Not serving as a director, supervisor or employee of a company that has a specific relationship with the company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) ; There is no amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.												0

Name (Note 1)	Criteria	Professional qualifications and experience (Note 1)	Independence of independent directors (Note 2) Independence of non-independent directors (Note 3)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
			1	2	3	4	5	6	7	8	9	10	11	12	
Independent Director : M.Y. Ho 111.06.15 take office		Financial Accounting: Member of the Company's Audit Committee , with experience in leading corporate financial functions, proficient in and mastering complex financial management and capital allocation. Main experience: CPA exams passed 、 accountant of Answer CPAs Firm There is no one of conditions in the Article 30 of the Company Act.	Including but not limited to the person, spouse, relatives within the second degree who have not served as directors, supervisors or employees of the company or its affiliated companies ; The number and proportion of the company's shares are not held by the person, spouse, or relatives within the second degree of kinship (or in the name of others) ; Not serving as a director, supervisor or employee of a company that has a specific relationship with the company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) ; There is no amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.												0

Note 1 : Note 1: Professional qualifications and experience: state the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, their accounting or financial background and work experience should be stated, and whether there is no each condition in Article 30 of Company Act.

Note2 : Independent directors should state their independence, including but not limited to whether they, their spouse, or relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies; The number and proportion of the company's shares held by relatives (or in the name of others); whether they serve as a company that has a specific relationship with the company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) Directors, supervisors or employees; the amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.

Note3 : 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.

2. Board Diversity and Independence:

The company advocates and respects the policy of diversity of directors. In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, it is believed that the policy of diversity will help improve the overall performance of the company. The selection and appointment of board members are based on the principle of meritocracy, including basic composition (such as nationality, gender, age, etc.), and each has industrial experience and professional ability. In order to strengthen the functions of the board of directors and achieve the ideal goals of corporate governance, the following capabilities are specified in Article 20 of the Code of Practice for Corporate Governance:

1. Operational judgment ability 2. Accounting and financial ability 3. Operation and management ability 4. Crisis handling ability 5. Leadership ability 6. Decision-making ability 7. International market outlook.

At present, the company has 7 seats on the board of directors, about 57% of all board members are employees, and about 57% are female directors of the company's attention to gender equality among board members, and 2 of the 3 independent directors have a term of office. The seniority is more than 6 years, and the tenure of one seat is more than 3 years. The seats of independent directors account for about 43% of the seats of directors.

The independent directors of the company do not have the conditions stipulated in paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act, and none of the directors are spouses or relatives within the second degree of kinship.



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
				21-30	41-50	51-60	61-70	71-80	Below 3year	3-9year	Above 9year									
Director: J.H. Tuan	R.O.C.	M	✓				✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director: W.L. You, representative of HuaZhan Investment 111.06.15 take office	R.O.C.	M	✓		✓						✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director: S. L. Shen, representative of HuaZhan Investment 111.06.15 step down	R.O.C.	F	✓			✓					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director: W.G. Tuan, representative of Fu Yi Investment 111.06.15 take office	R.O.C.	M		✓							✓									✓
Director: B. S. Liu, representative of Fu Yi Investment 111.06.15 step down	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				✓		✓			✓		✓	✓	✓	✓	✓	✓	✓	✓
Independent Director: H.K.Li	R.O.C.	M		✓				✓			✓		✓	✓	✓	✓	✓	✓	✓	✓
Independent Director: M.Y. Ho	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

b. Management Team

April 22, 2023(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
CEO	Taiwan	J. H. Tuan	M	1993.02.02	11,119	0.0033%	0	0%	0	0%	President, San-Poo Real Estate Development Co., Ltd. Supervisor(institutional representative), Trade-Van Information Services Co. John Kennedy university National Chengchi University	Chairman and CEO, Hong Pu Real Estate Development Co., Ltd. Chairman , Hong Pu Social Welfare and Charity Foundation Chairman (institutional representative), Chuan Yue Real Estate Development Co., Ltd. Chairman (institutional representative), Mitsubishi Development Co., Ltd.	None	None	None
President	Taiwan	W. L. You	M	2008.10.28	0	0%	0	0%	0	0%	Project Manager, Huang-Hsiang Construction Co., Ltd. EMBA, National Taiwan University of Science and Technology	Partner, Yu Jin CPA Office Director, Yun Ting Financial Management Consulting Ltd. Independent Director, Gongwin Biopharm Holdings Co., Ltd. Independent Director, Audit Committee member and Remuneration Committee member, Hong Pu Real Estate Development Co., Ltd	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%	Manager, BDO Taiwan Union & Co., EMBA, National Taipei University of Science and Technology Accounting, Tunghai University	Deputy general manager Chief of Acouter CEO, Hong Pu Social Welfare and Charity Foundation	None	None	None

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
Associate Vice President of the Engineering Department	Taiwan	C. H. Lu	M	2020.06.01	0	0%	0	0%	0	0%	Assistant manager of Engineering Department, GuoYuan Construction Site supervisor, Reiju Construction Civil Engineering Section, MingHsin Engineering College Study at Civil Engineering and Disaster Prevention Institute, 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

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): In response to the company's operational needs, Chairman is responsible for coordinating the company's operation and management business, so Chairman also serves as the CEO. And, less than half of the company's directors also serve as employees and managers, and an additional seat for independent director is added.

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	-	-	-	-	-	-	48	48	48	48	0.0889	0.0768	3,049	3,049	-	-	-	-	-	-	3,097	3,097	5.7354	4.9546	None
Director	Hua-Zhan Investment Co., Ltd Representative: W.L.YOU 111.06.15 take office	-	-	-	-	-	-	48	48	48	48	0.0889	0.0768	2,623	2,623	-	-	-	-	-	-	2,671	2,671	4.9465	4.2731	
Director	Hua-Zhan Investment Co., Ltd Representative: S.L.Shen 111.06.15 step down	-	-	-	-	-	-	24	24	24	24	0.0444	0.0384	108	1,471	-	-	-	-	-	-	132	1,495	0.2445	2.3917	
Director	FU-TA Investment Co., Ltd Representative: W.L.YOU 111.06.15 step down	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Director	Fu-Yi Investment Co., Ltd. Representative: W.G. Tuan	-	-	-	-	-	-	24	24	24	24	0.0444	0.0384	-	-	-	-	-	-	-	-	24	24	0.0444	0.0384	
Director	Fu-Yi Investment Co., Ltd. Representative: P. S. Liu 111.06.15 step down	-	-	-	-	-	-	24	24	24	24	0.0444	0.0384	1,292	1,292	-	-	-	-	-	-	1,316	1,316	2.4371	2.1054	
Independent Director	P.S.Lee	-	-	-	-	-	-	141	141	141	141	0.2611	0.2256	-	-	-	-	-	-	-	-	141	141	0.2611	0.2256	

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)			
Independent Director	J.R.WU	-	-	-	-	-	-	132	132	132 0.2445	132 0.2111	-	-	-	-	-	-	-	-	132 0.2445	132 0.2111	
Independent Director	K.L. YEN	-	--	-	-	-	-	62	62	62 0.1148	62 0.0992	-	-	-	-	-	-	-	-	62 0.1148	62 0.0992	
Independent Director	H.K.Li	-	-	-	-	-	-	54	54	54 0.1000	54 0.0864	-	-	--	-	-	-	-	-	54 0.1000	54 0.0864	
Independent Director	M.Y. Ho	-	-	-	-	-	-	74	74	74 0.1370	74 0.1184									74 0.1370	74 0.1184	

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.

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)	
								Cash Bonus	Stock Bonus Market Price Amount	Cash Bonus	Stock Bonus Market Price Amount			
CEO (Note1)	J. H. Tuan	2,849	2,849	-	-	200	200	-	-	-	-	3,049 5.6465	3,049 4.8779	None
President (Note2)	W. L. You	2,480	2,480	-	-	143	143	-	-	-	-	2,623 4.8576	2,623 4.1963	

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

J. H. Tuan takes office as the CEO on January 1, 2022.

W. L. You takes office as the General Manager on January 1, 2022.

* 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.

(4-1) The remuneration of the top five top executives of listed OTC companies (individual disclosure of names and remuneration)

(Unit: NT\$ thousands)

Title	Name	Salary (A) (Note2)		Severance Pay (B)		Bonuses, and Allowances (C) (Note3)		Employees' compensation (D) (Note4)				Ratio of total remuneration (A+B+C+D) to net income(%) (Note6)		Compensation paid to directors from an invested company other than the company's subsidiary (Note7)
		The Company	Financial Report (Note5)	The Company	Financial Report (Note5)	The Company	Financial Report (Note5)	The Company		Financial Report (Note5)		The Company	Financial Report (Note5)	
								Amount of cash	Amount of stock	Amount of cash	Amount of stock			
CEO	J. H. Tuan	2,849	2,849	-	-	200	200	-	-	-	-	3,049 5.6465	3,049 4.8779	None
President	W. L. You	2,480	2,480	-	-	143	143	-	-	-	-	2,623 4.8576	2,623 4.1963	None
Manager of finance dept.	P. S. Liu	1,079	1,079	-	-	213	213	-	-	-	-	1,292 2.3927	1,292 2.0670	None
Audit Manager	C.H.Chan	973	973	-	-	649	649	-	-	-	-	1,622 3.004	1,622 2.5949	None
Associate Vice President of the Engineering Department	C. H. Lu	1,170	1,170	-	-	91	91	-	-	-	-	1,261 2.3353	1,261 2.0174	None

Note1 : The term "top five top executives with remuneration" refers to the company's manager, up to the standards for the identification of relevant managers, according to the letter No. 0920001301 of the former Securities and Futures Management Commission, Ministry of Finance on March 27, 2003 stipulates the scope of application of the "manager". As for the calculation and determination principle of "the top five with the highest remuneration", it is based on the company's managers receiving salaries, retirement pensions, bonuses and special allowances from all companies in the consolidated financial report, as well as the total amount of employee remuneration (that is, A +B+C+D (the total of four items), and the top five with the highest remuneration will be determined after sorting. If the director concurrently serves as the former supervisor, this table and the table (1-1) above should be filled out.

Note2 : Fill in the salary, duty allowance, and severance pay of the top five top executives in the most recent year.

Note3 : Fill in the various bonuses, incentives, transportation allowance, special expenses, various allowances, dormitories, cars and other in-kind provision and other remuneration amounts for the top five remuneration executives in the most recent year. When providing houses, cars and other means of transportation or exclusive personal expenses, the nature and cost of the provided assets, actual or fair market value rents, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it is not included in the remuneration. Salary expenses recognized in accordance with IFRS 2 "Share-based Payments", including obtaining employee stock option certificates, restricting employees' rights to new shares and participating in cash capital increase subscription shares, etc., should also be included in the remuneration.

Note4 : Fill in the amount of employee remuneration (including stock and cash) approved by the board of directors to distribute to the top five executives in the most recent year. If it is impossible to estimate, the proposed distribution amount for this year shall be calculated according to the proportion of the actual distribution amount of the previous year, and shall be additionally filled in. Table 1-3.

Note5 : The total amount of remuneration paid by all companies (including the company) to the company's top five remuneration executives in the consolidated report should be disclosed.

Note6 : Net profit after tax refers to the net profit after tax for the most recent year on a parent company only or individual financial statements.

Note7 : a. This column should clearly fill in the amount of the top five top executives of the company who received the related remuneration from the subsidiary's reinvestment business or the parent company (if there is none, please fill in "none").

b. Remuneration refers to the reward, remuneration (including remuneration of employees, directors and supervisors) and business execution received by the top five top executives of the company as directors, supervisors or managers of subsidiaries or parent companies. Fees and other related remuneration.

*The content of remuneration disclosed in this table is different from the concept of income under the Income Tax Act. Therefore, this table is intended for information disclosure and not for taxation purposes.



(4) Employees' compensation Granted to Management Team

Since the year 2022 is net loss after tax, it is not intended to be distributed after the approval of the board of directors, so it is not applicable.

April 22, 2023
(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	-	-	-	-
	Vice-president	W. L. You				
	Chief of Acounter	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,President and Vice presidents

(Unit: NT\$ thousands)

Title	Year 2022		Year 2021	
	The company	All consolidated Entities	The company	All consolidated Entities
Director	1,400	2,763	1,304	2,363
President、CEO	5,672	5,672	4,502	4,502
Total	7,072	8,135	5,806	6,865
As a percentage of net income after tax	13.0968%	13.0145%	17.4124%	19.8061%

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, 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 13.0968% in 2021 and 17.4124% in 2022.

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 CEO:

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 CEO 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 2022 calendar year, 9 regular meetings were convened. Director attendance status is as follows:

Title	Name (Note1)	Attendance in Person	By Proxy	Attendance Rate(%) (Note2)	Remark
Chairman	Fu-Ta Investment Co., Ltd. Representative : J. H. Tuan	6	0	100%	111.06.15 newly elected
Chairman	J. H. Tuan	3	0	100%	111.06.15 step down
Director	Fu-Ta Investment Co., Ltd. Representative : W.L.You	3	0	100%	111.06.15 step down
Director	Hua-Zhan Investment Co., Ltd Representative: W.L.You	6	0	100%	111.06.15 newly elected
Director	Hua-Zhan Investment Co., Ltd Representative:S.L.Shen	3	0	100%	111.06.15 step down
Director	Fu-Yi Investment Co., Ltd Representative:W.G. Tuan	5	0	83.33%	111.06.15 newly elected
Director	Fu-Yi Investment Co., Ltd Representative: P. S. Liu	3	0	100%	111.06.15 step down
Independent Director	P.S.Lee	9	0	100%	111.06.15 Re-elected
Independent Director	J.R.Wu	7	0	77.78%	111.06.15 Re-elected
Independent Director	K.L. YEN	3	0	100%	111.06.15 step down
Independent Director	H.K.Li	6	0	100%	111.06.15 newly elected
Independent Director	M.Y. Ho	6	0	100%	111.06.15 newly elected

Independent Directors Attendance at 9 Board Meetings in 2022:

Independent Director	2022								
	1st	2nd	3nd	4nd	5nd	6nd	7nd	8nd	9nd
P.S.Lee	Attend in person	Attend in person	Attend in person	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	-	Attend in person
K.L.YEN	Attend in person	Attend in person	Attend in person	-	-	-	-	-	-
H.K.Li	-	-	-	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person
M.Y.Ho	-	-	-	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
JAN 26, 2022 19 th of 11 th Session	<p>Proposal</p> <p>◎The company intends to participate in the common equity offering of Mitsubishi Development Co., Ltd.</p> <p>◎It is proposed to apply to the Shanghai Commercial and Savings Bank for a revolving financing credit line.</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>

Date, Period	Proposal content and resolution results
MAR 16, 2022 20 th of 11 th Session	<p>Proposal</p> <ul style="list-style-type: none"> ◎The company's 2021 consolidated and parent company only financial statements. ◎It is submitted Statement of Internal Control System for 2021. ◎The surplus earning distribution or loss off-setting proposals. ◎The company's re-election of directors. <p>Independent director's opinions: no objections and reservations. The company's handling of independent directors' opinions: n/a. Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.</p>
APR 28, 2022 21 th of 11 th Session	<p>Proposal</p> <ul style="list-style-type: none"> ◎Submit the company's consolidated financial statements for the first quarter of year 2022. ◎It is propose to contract out of Hong-Pu Juizong office Building, on No.54-11,54-22, Jiuzong Sec., Neihu Dist., Taipei City. <p>Independent director's opinions: no objections and reservations. The company's handling of independent directors' opinions: n/a. Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.</p>
JUN 15, 2022 1 st of 12 th Session	<p>Proposal</p> <ul style="list-style-type: none"> ◎It is proposed to election of Chairman of the 12th Board of Directors of the Company. <p>Independent director's opinions: no objections and reservations.. The company's handling of independent directors' opinions: n/a Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.</p>
JUN 28, 2022 2 nd of 12 th Session	<p>Proposal</p> <ul style="list-style-type: none"> ◎Qualification examination of the 5th Remuneration Committee Members of the Company. ◎The company's greenhouse gas verification schedule plan. <p>Independent director's opinions: no objections and reservations. The company's handling of independent directors' opinions: n/a Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.</p>
AUG 4, 2022 3 th of 12 th Session	<p>Proposal</p> <ul style="list-style-type: none"> ◎Submit the company's consolidated financial statements for the second quarter of year 2022. ◎It is proposed to revise Procedures for the Acquisition and Disposal of Assets. ◎It proposed to revise the company's "Procedures for Verification and Disclosure of Material Information". ◎It is proposal to extend building financing, land financing and application for construction financing to China Bills Finance Corporation. <p>Independent director's opinions: no objections and reservations. The company's handling of independent directors' opinions: n/a Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.</p>
SEP 7, 2022 4 th of 12 th Session	<p>Proposal</p> <ul style="list-style-type: none"> ◎ It is proposed to issue unsecured corporate bond, aggregate amount not exceeding NTD 1 billion. ◎ It is proposed to revise the company's "Rules of Procedure for Board of Directors Meetings". ◎ It is proposed extend land financing credit line to KGI Commercial Bank. ◎Proposal to apply for working capital financing quota to Chang Hwa Commercial Bank. <p>Independent director's opinions: no objections and reservations. The company's handling of independent directors' opinions: n/a Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.</p>
OCT 31, 2022 5 th of 12 th Session	<p>Proposal</p> <ul style="list-style-type: none"> ◎ Submit the company's consolidated financial statements for the third quarter of year 2022. ◎ Submit the independent assessment of accountants. ◎To be pre-sold all of the units and parking space of Hong-Pu Juizong office building on No.54-11,54-22, Jiuzong Sec., Neihu Dist., Taipei City.



Date, Period	Proposal content and resolution results
	Independent director's opinions: no objections and reservations. The company's handling of independent directors' opinions: n/a Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.
DEC 28, 2022 6 th of 12 th Session	Proposal © It proposed to revise the company's "Procedures for Verification and Disclosure of Material Information". © It is proposed extend land financing credit line to Mega Bills Finance. © It proposed to apply for land financing credit line of financing from KGI Bank. © Contracting out of the furnish project, door and window project, landscape project of "New Era Garden-Great Mansion". Independent director's opinions: no objections and reservations. The company's handling of independent directors' opinions: n/a Result of the resolution: After the chairman consulted the directors present, there was no objection, and it was passed as the case.

(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 2th Meeting of the 12th Session of the Board of Directors on 2022/06/28.

- Contents of the motion: Qualification examination of the 5th Remuneration Committee Members of the Company
- Directors who avoid conflict of interest: Independent Director B.S.Li and Independent Director M.Y. Ho
- Reasons for the avoidance of conflict of interest and participation in voting: In this case, the interested parties Independent Director B.S.Li and Independent Director M.Y. Ho were nominated as members of the Remuneration Committee, so after withdrawing from the meeting, Except for the avoidance of interested parties, there was no objection after consultation with the attending directors, and it was passed as proposed.

Except for the above-mentioned directors and CEO who have interests in themselves, who did not participate in the discussion and voting due to their avoidance of conflict of interest, the chairman appointed independent director G. L. Yan as the acting chairman and consulted all the remaining directors who attended without objection and passed the proposal.

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, 2022 – Dec 31, 2022	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 93.89 points Performance evaluation of functional committee. performance evaluation of Board members 1. Mastery of company goals and tasks 2. Awareness of Directors' responsibilities 3. Involvement in company operations 4. Internal relationship management and communication 5. Professional and continuing education for Directors 6. internal control. 93.62 points in the comprehensive evaluation of the performance of the members of the board of directors

cycle	period	scope	methods	evaluation contents
				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.
<p>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:</p> <p>(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.</p> <p>(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 67 hours in 2022.</p> <p>(3) Maintain the transparency of operations, protect the rights and interests of shareholders, and disclose major information on Market Observation Post System.</p> <p>(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 93.89 points and 91.35 points in 2022. The results were reported to the board meeting on MAR 8, 2023.</p> <p>(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.</p>				

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:

The audit committee of the company was changed from 3 to 4 independent directors since Jun.15,2022. 7 times meetings of Audit Committee(A) 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 (B)	Attend by proxy	rate of attendance in person(note1、2)	remarks
Audit committee	P.S.Li	7	0	100%	111.06.15 Re-elected
Audit committee	J.R.Wu	6	0	85.71%	111.06.15 Re-elected
Audit committee	H.K.Li	4	0	100%	111.06.15 take office
Audit committee	M.Y.Ho	4	0	100%	111.06.15 take office
Audit committee	K.L.Yen	3	0	100%	111.06.15 step down

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
JAN 26, 2022 16 th of 1 st Session	1. The company intends to participate in the common equity offering of Mitsubishi Development Co., Ltd.	-	
MAR 16, 2022 17 th of 1 st Session	1. The company's year 2021 consolidated and Parent-Only financial statements.	✓	
	2. It is submitted Statement of Internal Control System for 2021.	-	
APR 28, 2022 18 th of 1 st Session	1. Submit the company's consolidated financial statements for the first quarter of year 2022.	-	
AUG 4, 2022 1 st of 2 nd Session	1.Submit the company's consolidated financial statements for the second quarter of year 2022.	✓	
	2. It is proposed to revise Procedures for the Acquisition and Disposal of Assets.	✓	
	3. It proposed to revise the company's "Procedures for Verification and Disclosure of Material Information".	✓	
SEP 7, 2022 2 th of 2 nd Session	1. It is proposed to issue unsecured corporate bond, aggregate amount not exceeding NTD 1 billion.	✓	
	2. It is proposed to revise the company's "Rules of Procedure for Board of Directors Meetings".	-	
OCT 31, 2022 3 th of 2 nd Session	1. Submit the independent assessment of accountants.	✓	
	2. To be pre-sold all of the units and parking space of Hong-Pu Juizong office building on No.54-11,54-22, Juizong Sec., Neihu Dist., Taipei City.	✓	
DEC 31, 2022 4 th of 2 nd Session	1. It is proposed to the company the annual audit plan for 2023.	-	
	2. It proposed to revise 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, contents of independent directors' objections, reservations or major proposals, 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 16, 2022 17 th of 1 st Session	<p>Proposal</p> <p>◎The company's 2021 consolidated and parent company only financial statements.</p> <p>◎It is submitted Statement of Internal Control System for 2021.</p> <p>Audit committee's opinions: no objections and reservations.</p> <p>The company's treatment of audit committee's opinions: n.a.</p> <p>Result of the resolution: after the chairman consulted the committees present, there was no objection, and it was passed as the case.</p>
AUG 4, 2022 1 st of 2 nd Session	<p>Proposal</p> <p>◎Submit the company's consolidated financial statements for the second quarter of year 2022.</p> <p>◎It is proposed to revise Procedures for the Acquisition and Disposal of Assets.</p> <p>◎It proposed to revise the company's "Procedures for Verification and Disclosure of Material Information".</p> <p>Audit committee's opinions: no objections and reservations.</p> <p>The company's treatment of audit committee's opinions: n.a.</p> <p>Result of the resolution: after the chairman consulted the committees present, there was no objection, and it was passed as the case.</p>
SEP 7, 2022 2 th of 2 nd Session	<p>Proposal</p> <p>◎It is proposed to issue unsecured corporate bond, aggregate amount not exceeding NTD 1 billion.</p> <p>Audit committee's opinions: no objections and reservations.</p> <p>The company's treatment of audit committee's opinions: n.a.</p> <p>Result of the resolution: after the chairman consulted the committees present, there was no objection, and it was passed as the case.</p>
OCT 31, 2022 3 th of 2 nd Session	<p>Proposal</p> <p>◎Submit the independent assessment of accountants.</p> <p>◎To be pre-sold all of the units and parking space of Hong-Pu Juizong office building on No.54-11,54-22, Jiuzong Sec., Neihu Dist., Taipei City.</p> <p>Audit committee's opinions: no objections and reservations</p> <p>The company's treatment of audit committee's opinions: n.a.</p> <p>Result of the resolution: after the chairman consulted the committees present, there was no objection, and it was passed as the case.</p>
DEC 28, 2022 4 th of 2 nd Session	<p>Proposal</p> <p>◎It proposed to revise the company's "Procedures for Verification and Disclosure of Material Information".</p> <p>Audit committee's opinions: no objections and reservations.</p> <p>The company's treatment of audit committee's opinions: n.a.</p> <p>Result of the resolution: after the chairman consulted the committees present, there was no objection, and it was passed as the case.</p>

(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. The audit manager also reports on the important business of the company and its subsidiaries to independent directors in semi-annual discussions. There were no major abnormalities in the audit results in 2022 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:

Date	Essence and communication themes	Independent Director's Recommendation
Mar 17, 2022	●Independence, responsibilities of reviewers to review interim financial reports, types of review conclusions issued, review scope, review findings, main impact of Auditing Standards Bulletin No. 75 on the company, annual review plan, important regulatory updates, etc. important regulatory updates.	Independent directors have no opinions and no suggestions.
OCT 31, 2022	●Independence, responsibilities of reviewers to review interim financial reports, types of review conclusions issued, review scope, review findings, main impact of Auditing Standards Bulletin No. 75 on the company, annual review plan, important regulatory updates, etc. important regulatory 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: On June 14, 2019, the company set up an audit committee to replace the supervisory authority after the general re-election of directors at the general meeting of shareholders, and strengthened the functions of the board of directors.

(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 24, 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, Mar 31, 2023 and operated in accordance with relevant regulations. The principles are disclosed on the public information observatory and the company's website www.hong-pu.com.tw 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 www.hong-pu.com.tw 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	
<p>III. Organization and responsibility of the Board of Directors</p> <p>(I) the Board of Directors drafted a diversity policy for its members, specific management goals and practical implementation?</p> <p>(II) In addition to establishing Compensation Committee and Audit Committee in accordance with laws, would the company voluntarily set up other functional committees?</p> <p>(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?</p>	<p>Yes</p> <p>No</p> <p>Yes</p>	<p>No</p> <p>No</p> <p>Yes</p>	<p>(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 29% are employees, 29% are female directors, and 57% are independent directors. The policy implementation status is detailed (Annex 1), page 15 of the annual report.</p> <p>(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.</p> <p>(III) The company passed the "Self-evaluation or Peer Evaluation of the Board of Directors" at the 3rd meeting of the 10th 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.</p> <p>The company completed the evaluation of the board of directors and directors in March 2023, and held the board of directors to report the evaluation results. The measurement items for the performance evaluation of the company's board of directors include the following five aspects:</p> <ol style="list-style-type: none"> (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. (5) Internal control. 	<p>(I) No significant difference.</p> <p>(II) Other functional committees will be set up depending on the actual operation of the Company in accordance with regulations.</p> <p>(III) No significant difference.</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	
(IV) Does the company regularly evaluate the independence of CPAs?	Yes		<p>The measurement project letter for the performance evaluation of the directors includes the following items:</p> <ol style="list-style-type: none"> (1) Understanding of the company and responsibilities. (2) The degree of participation in the company's operations. (3) Professional and continuous improvement of directors. (4) Internal control. <p>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 2022) board performance evaluation are as follows:</p> <ol style="list-style-type: none"> 1. The performance of the board of directors is self-rated: 93.89 (full score is 100). 2. The overall score of the board members' self-evaluation is: 93.62 (full score is 100). <p>According to the results of the performance appraisal of the board of directors in year 2022, 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 Oct 31, 2022 for review and approval. The accounting department of the company has assessed that CPA Chuang and CPA M. F. Hsu of KPMG are in compliance with the company's independence evaluation standards (detailed in Appendix 1) on page 36-37 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 , assisting the Director, Supervisors in complying with laws and decrees, handling relevant matters of Meetings of the Board of Directors and	Yes		<p>The company has deployed a Corporate Governance Officer, deputy manager of accounting department Y. F. Huang, for handling corporate governance related matters.</p> <p>The main responsibilities of this part-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.</p> <p>The key points of business execution in 2022 are as follows.</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	
Shareholders' Meeting, and making minute books of the Meetings of the Board of Directors and Shareholders' Meeting according to law)?			<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>	
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. (detailed in Appendix 2)	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	
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, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase liability insurance for Director)?	Yes		(I) Employee rights: Please refer to the description of labor relations on pages 78-80. (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 supplier have entered into a contract, which is implemented in accordance with the conditions set in the contract to maintain a good relationship. (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. (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	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	
			<p>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 195 to 196 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 sustainable development.</p> <p>(IX) Circumstances in which the company purchases liability insurance for directors and manager: The company has purchased liability insurance for directors and manager 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:				
X. Does the company's website or annual report disclose the identities of the stakeholders involved, issues to be concerned about, communication channels and response methods?	Yes		The company will report to the board of directors once a year on communication with stakeholders.	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

Year 2022 Accountant Independence and Competency Assessment Form

Assessed date: Sep 30, 2022

(I) Basic Information:

Name	C.W.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:	M. F. Hsu	Accounting Firm:	KPMG
Main education and experiences	Education: Bachelor of Accounting, Soochow University. Professional qualifications: Certified Public Accountants, member of CPA Associations, R.O.C. (Taiwan)		

(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.	■YES □NO
2. There is no significant interest related party with the client.	■YES □NO
3. Avoid any inappropriate relationship with the client.	■YES □NO
4. Accountants should ensure that their assistants are honest, fair and independent.	■YES □NO
5. The financial statements of the service organization within the first two years of practice shall not be audited.	■YES □NO
6. The name and title of the accountant shall not be used by others.	■YES □NO
7. No holding the shares of the company or related companies.	■YES □NO
8. No money borrowing from the company's affiliated company.	■YES □NO
9. No joint investment or benefit-sharing relationship with the company or related companies.	■YES □NO
10. Not concurrently taking up regular jobs in the company or affiliated companies, and receive a regular salary.	■YES □NO
11. Not involving the management function of the company or related companies to make decisions.	■YES □NO
12. Not concurrently operating other businesses that may lose their independence.	■YES □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.	■YES □NO
14. No commissions related to the business have been collected.	■YES □NO
15. Up to now, it has not been punished or harmed the principle of independence.	■YES □NO

(III) Performance and plans: :

1. Complete signing the year 2021 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 Hsu are independent of the company, and they are timely and fair in providing various financial and tax consultations and audit.

Evaluator: B.S. Liu



Annexed Table 2

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 2022.

Date	Period	Content
Jan 26, 2022	19 th meeting of 11 th session	Motions: 1. The company will report to the board of directors once a year on communication with stakeholders. 2. It is proposed to extend the Shanghai Commercial and Savings Bank for a revolving financing credit line.
Mar 16, 2022	20 th meeting of 11 th session	Motions: 1. The consolidated and individual financial statements of the company for the year 2021. 2. Submit the "Declaration of Internal Control" for year 2021. 3. It reported the year 2021 annual business report and the year 2022 annual business outlook of the company. 4. It submitted the company's annual budget report for the year 2022. 5. Discuss the remuneration distribution plan for directors and employees of the company for the year 2021. 6. The surplus earning distribution or loss off-setting proposals. 7. The company accepts the proposal of whether the nomination of shareholders is included in the list of candidates. 8. The company's re-election of directors. 9. It is proposed to lift restrictions on non-competition for newly elected directors and their representatives. 10. It is proposed for matters related to the date, place and content of the proposed 2022 annual general meeting of shareholders. 11. 2022 Annual General Meeting of Shareholders accepts matters related to proposal rights of shareholders holding more than 1% of shares.
Apr 28, 2022	21 th meeting of 11 th session	Motions: 1. It submitted the consolidated financial statements of the company for the first quarter of year 2022. 2. Nomination of candidates of Directors, Independent Directors and nominees review related operation matters. 3. It is proposed to contract out of Hong-Pu Jiuzong office building, on No.54-11,54-22, Jiuzong Sec., Neihu Dist., Taipei City.
Jun 15, 2022	1 th meeting of 12 th session	Motions: 1. It is proposed to election of Chairman of the 12th Board of Directors of the company.
Jun 28, 2022	2 th meeting of 12 th session	Motions: 1. Qualification examination of the 5th Remuneration Committee Members of the company. 2. The company's greenhouse gas verification schedule plan.

Date	Period	Content
Aug 4, 2022	3 th meeting of 12 th session	Motions: 1. It reported the consolidated financial statements of the company for the second quarter of year 2022. 2. It is proposed to revise Procedures for the Acquisition and Disposal of Assets. 3. It proposed to revise the company's "Procedures for Verification and Disclosure of Material Information". 4. It is proposal to extend building financing, land financing and application for construction financing to China Bills Finance Corporation. 5. It is submitted the proposal to the Remuneration Committee.
Sep 7, 2022	4 th meeting of 12 th session	Motions: 1. It is proposed to issue unsecured corporate bond, aggregate amount not exceeding NTD 1 billion. 2. It is planned to sign a project management contract with Mitsubishi Development Co., Ltd., and the company will charge management fees. 3. It is proposed to revise the company's Rules of Procedure for Board of Directors Meetings. 4. It is proposed to apply for working capital financing quota from Dah Chung Bills Finance Corp. 5. It is proposed to extend to KGI Commercial Bank for a land financing credit line. 6. It is proposed to apply to Chang Hwa Bank for a revolving capital financing credit line.
Oct 31, 2022	5 th meeting of 12 th session	Motions: 1. It reported the consolidated financial statements of the company for the third quarter of year 2022. 2. It submitted a report on the assessment of the independence of accountants. 3. It is planned to pre-sell all of the Hong-Pu Jiuzong office building on lands 54-11 and 54-22 in the Jiuzong Section, Neihu District, Taipei City. 4. It is proposed to apply to the Shanghai Commercial and Savings Bank for a revolving financing credit line. 5. It is proposed to extend land financing quota to Taishin Bank. 6. It is proposed to extend to Ta Ching Bills Finance for extension and land financing credit line. 7. It is proposed extend land financing credit line to KGI Commercial Bank. 8. It is proposed extend land financing credit line to Cathay United Bank.
Dec 28, 2022	6 th meeting of 12 th session	Motions: 1. It reported to the company for the year 2023 audit plan. 2. It proposed to revise the company's "Procedures for Verification and Disclosure of Material Information". 3. It is proposed to extend land financing credit line to Mega Bills Finance. 4. It is proposed extend land financing credit line to KGI Commercial Bank. 5. It is proposed to contract building decoration project, door and window project, landscape project for New Ear Garden - Great Mansion.



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

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

Status (note1)	Qualification	Professional qualifications and experience (Note 2)	Independence situation (Note3)	Number of currently serving as Remuneration Committee member in other public companies
	Name			
Independent Director Convener	J.R.Wu (Note 4)/ Re-elected	Please refer to pages 6-8 of the annual report for information on directors and independent directors (2)		2
Member (Independent Director)	P.S.Li (Note 4)/ Re-elected			0
Member (Independent Director)	M.Y.Ho (Note 4)/ Newly elected			0
Independent Director Convener	K.L. YEN (Note 5)/ Step down			2

Note 1 : Please specify in the form the relevant working years, professional qualifications and experience and independence of the members of the Compensation Committee. If they are independent directors, please refer to Appendix 1 on page 00 for information on directors and supervisors (1). related information. Please fill in the series as independent directors or others respectively (if it is the convener, please add a note).

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

Note 3 : Independence: State the independence of the members of the Remuneration Committee, including but not limited to whether the person, spouse, or relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies; the number and proportion of the company's shares held by the person, spouse, relatives within the second degree (or in the name of others); whether they are a company that has a specific relationship with the company (refer to Article 6 ,Paragraph 1, Subparagraphs 5 to 8 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange). The amount of remuneration received by the company or its affiliated companies for providing business, legal, financial, accounting and other services in the last two years.

Note 4: The 5th term is from June 28, 2022 to June 14, 2025.

Note 5: The 4th Remuneration Committee expires and resigns.

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 June 28, 2022 to June 14, 2025, the Remuneration Committee held 2 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	C. J. Wu	2	0	100%	Re-elected /111.06.28 reelection
Committee	P. S. Li	2	0	100%	Re-elected /111.06.28 reelection
Committee	M.Y. Ho	1	0	100%	Take office /111.06.28 reelection
Chairman	K. L. Yan	1	0	100%	Step down /111.06.28 reelection

Other matters to be recorded:

- 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 proposal should state the differences and reasons): No such situation.
- 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 26, 2022	7 th meeting of 4 th session	1. The Company's Year 2022 adjusted salary structure for manager.
		Members' opinions: no objections and reservations. Resolution result: the chairman consulted all the committee members present and passed the proposal without objection.
Jul 1, 2022	1 th meeting of 5 th session	1. The Company's June 2022 adjusted salary structure, pay amount and incentive bonus for manager.
		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.

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

Evaluation items	Implementation situation (NOTE1)			Differences from the “Sustainable Development Best Practice Principles for Listed Companies” and reasons.
	Yes	No	Summary	
I 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 established related units on March 8, 2023. 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.	It plans to publish the sustainability report of year 2022 in accordance with the regulations of the Financial Supervisory Commission, and plans to company with the establishment of sustainability-related units.
II. 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		1. Environmental protection: Please refer to page 49-51 of the annual report, B. Key points of environmental protection implementation. 2. product responsibility: Based on residential safety, the company builds qualified, legal, and conforms to national safety regulations and environmental protection policies. 3. labor-employment relationship: Please refer to pages 78-80 of the Annual Report, Labor-Employment Relations. 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.	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 management and monitoring tasks are drawn up.	No material discrepancy.

Evaluation items	Implementation situation (NOTE1)		Differences from the “Sustainable Development Best Practice Principles for Listed Companies” and reasons.
	Yes	No	
(II) Has the company committed to improving the efficiency of various resources and utilizing renewable materials that have reduced environmental impact?	Yes		<p>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.</p> <p>(2) The company is committed to the reuse of paper, and retains cabinets, glass, curtains and door leaves when relocating the office.</p>
(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		<p>(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; projects in Xindian and Beitou District will be introduced into intelligent buildings at present, 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.</p>
(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		<p>(4) According to the company's office statistics, the electricity consumption in 2022 was calculated based on Taipower's CO2 emission of 16,795.76 kg, and the building's electricity consumption allocated to the company's office was 13,645 kg. The total CO2 emission of electricity consumption in 2022 was about 30,440.76 kg. According to the calculation of the Taipei Water Department, the CO2 emission allocated to the company is about 21.15 kg.</p> <p>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; projects in Xindian and Beitou District will be introduced into intelligent buildings at present, 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</p>



Evaluation items	Implementation situation (NOTE1)			Differences from the “Sustainable Development Best Practice Principles for Listed Companies” and reasons.
	Yes	No	Summary	
			resources, implementation of CO2 reduction indicators in accordance with green buildings, and other related measures.	
<p>IV. Social Issues</p> <p>(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(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?</p> <p>(III) Has the company provided employees with a safe and healthy working environment and routinely conducted safety and health education for employees?</p> <p>(IV) Has the company established an effective competency development career training program for employees?</p> <p>(V) Has the company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, marketing and labeling of its products and services and established related consumer and client protection policies and grievance procedures?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>		<p>(I) The company protects the legitimate rights and interests of employees in accordance with labor laws and regulations, and sets aside retirement pensions. The company committed to safeguarding the basic human rights of employees, supporting the “Universal Declaration of Human Rights” and “United Nations Global Covenant”.</p> <p>There is an employee welfare committee, which operates through the welfare committee elected by employees to handle various welfare matters.</p> <p>(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%.</p> <p>(III) The company takes the creation of a friendly workplace environment as one of its primary tasks.</p> <p>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.</p> <p>2. The company provides regular employee health checks.</p> <p>3. There were no occupational accidents among the employees of the company in 2022.</p> <p>(IV) 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.</p> <p>(V) 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.</p>	No material discrepancy.

Evaluation items	Implementation situation (NOTE1)		Differences from the "Sustainable Development Best Practice Principles for Listed Companies" and reasons.
	Yes	No	
(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	(VI) The company requires suppliers to provide chlorinations 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 social responsibility.
V. Did the company, following internationally recognized guidelines, prepare reports such as its Corporate Sustainability Reports 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?		No	The company will complete the 2022 annual sustainability report in 2023, and its content will be compiled in accordance with the guidelines of TCFD and SASB. No material discrepancy.
VI. If the company has its own corporate sustainability code in accordance with the "Sustainable Development Best Practice Principles for Listed Companies", please state the difference between its operation and the established code: The company has formulated the corporate social responsibility code and established the "Hongpu Social Welfare Charity Foundation" in 2016.			
VII. Other important information that helps to understand the operation of corporate sustainable development (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): (1) Social environmental protection: 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. 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. (2) Social contributions, social services, and social welfare: The company is committed to fulfilling corporate social responsibility (CSR), promoting and implementing corporate sustainable development strategies. (3) Consumer rights: Build qualified, legal, and comply with national safety regulations and environmental protection policies to make consumers feel at ease.			
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. However, regarding promotion projects 1 and 2, TWSE/TPEX listed companies should describe the governance and supervision structure of sustainable development, including but not limited to management guidelines, strategy and goal formulation, review measures, etc. It also describes the company's risk management policies and strategies for environmental, social and corporate governance issues related to operations, and its assessment status.

Note 2: 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.



Climate-related information of TWSE/TPEX listed companies

1 Implementation of climate-related information

Information	Implementation
1. Describe board and management oversight and governance of climate-related risks and opportunities.	Not applicable
2. Describe how the identified climate risks and opportunities will affect the company's business, strategy and finances (short, medium and long term)	
3. Describe the financial impact of extreme climate events and transformational actions.	
4. If scenario analysis is used to assess resilience to climate change risks, how to integrate the assessment and management process into the overall risk management system.	
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be explained.	
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and goals used to identify and manage physical risks and transition risks.	
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	
8. If there are climate-related goals set, the covered activities, scope of greenhouse gas emissions, planning schedule, annual progress and other information should be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, they should be Indicate the source and quantity of carbon reduction credits or the quantity of renewable energy certificates (RECs) to be exchanged.	
9. Greenhouse gas verification and assurance situation (fill in 1-1 separately)	

<p>Basic information</p> <p><input type="checkbox"/> Companies with a capital of more than NTD 10 billion, the steel industry, and the cement industry</p> <p><input type="checkbox"/> Companies with a capital of more than NTD 5 billion but less than NTD 10 billion</p> <p><input checked="" type="checkbox"/> Companies with a capital of less than NTD 5 billion.</p>	<p>According to the regulations of the sustainable development roadmap of TWSE/TPEX listed companies should at least disclose</p> <p><input type="checkbox"/> Parent company only verification</p> <p><input type="checkbox"/> Verification of consolidated financial reporting subsidiaries</p> <p><input type="checkbox"/> Parent company only assurance</p> <p><input type="checkbox"/> Assurance of consolidated financial reporting subsidiaries</p> <p>(Note 4)</p>
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Scope 1	Total emission Tonne CO2e	Density (Tonne CO2e/NTD million) (Note 2)	Assurance institution	Assurance statement(Note 3)
Parent company	7.7	0.01	Not applicable	
Subsidiary	Not applicable			
Total	7.7	0.01		
Scope 2	Total emission Tonne CO2e	Density (Tonne CO2e/NTD million) (Note 2)	Assurance institution	Assurance statement (Note 3)
Parent company	30.41	0.04	Not applicable	
Subsidiary	Not applicable			
Total	30.41	0.04		

1-1 Greenhouse Gas Verification and Assurance Situation

Instructions for filling out the form:

1. The scope 1 and scope 2 information in this form shall be processed in accordance with the schedule stipulated in Article 32, Item 3 of this Code, and the scope 3 information enterprises may voluntarily disclose.
2. The company can conduct greenhouse gas verification according to the following standards:
 - (1) Greenhouse Gas Protocol, GHG Protocol
 - (2) ISO 14064-14 published by International Organization for Standardization
3. Assurance institutions shall comply with the relevant requirements for sustainability report stipulated by the TWSE and the TPEX.
4. Subsidiaries can be reported individually, collectively (such as by country and region), or combined (Note 1).
5. The intensity of greenhouse gas emissions can be calculated per unit of product/service or sales, but at least the data calculated in terms of sales (NT\$ million) should be disclosed (Note 2)
6. The proportion of operating bases or subsidiaries not included in the verification calculation shall not be higher than 5% The total emissions disclosed refer to the emissions calculated in accordance with the scope of mandatory verification specified in Note 1 of the form.
7. The assurance statement should summarize the content of the report of the assurance institution and attach the complete assurance statement to the annual report (Note 3)

Note 4: The company's paid-in capital has not reached NTD 5 billion, so the verification information disclosure will be completed in 2026, and the assurance information disclosure will be completed in 2028.

On June 28, 2022, the board of directors of the company approved the expected verification and assurance plan schedule.



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 disclosed on the company's website, the company's ethical behavior standards have been established. 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's full-time (part-time) unit to carry forward corporate integrity management is the Accounting Section of the Finance Department, which is affiliated to the Board of Directors and reports to the Board of Directors once a year. There is a contact channel in the stakeholder section of the company's website. In 2022, 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 channels⁷ for employees to express their opinions. The relationship with its own interests has been handled by the board of directors 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>	Yes		<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 2022.	
(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 2022.	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.				
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				

Evaluation Items	Operating situation (Note 1)			Differences and reasons for Ethical Corporate Management Best Practice Principles for listed companies
	Yes	No	Description	
			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 Corporate Governance Association	Personal Response to CFC Part One: Know Yourself and the Government	3.0
Chairman	J.H .Taun	Taiwan Stock Exchange	2022 insider equity transaction legal compliance publicity briefing	3.0
Director	W. L. You	Taiwan Corporate Governance Association	Personal Response to CFC Part One: Know Yourself and the Government	3.0
Director	W. L. You	Taiwan Stock Exchange	2022 insider equity transaction legal compliance publicity briefing	3.0
Director	W.G. Tuan	TWSE/TPEX	2022 release of "Reference Guidelines for Independent Directors and Audit Committees to Exercising their Powers" and Directors and Supervisors Publicity Meeting	3.0
Director	W.G. Tuan	The Institute of Internal Auditors	Audit Practice Discussion on Enterprise Cost and Value Creation	6.0
Director	W.G. Tuan	Taiwan Stock Exchange	2022 insider equity transaction legal compliance publicity briefing	3.0
Independent Director	P. S. Li	TWSE/TPEX	2022 release of "Reference Guidelines for Independent Directors and Audit Committees to Exercising their Powers" and Directors and Supervisors Publicity Meeting	3.0
Independent Director	P. S. Li	Securities and Futures Institute	2022 Prevention Insider Trading Promotion Conference	3.0
Independent Director	P. S. Li	Accounting Research and Development Foundation	Tax Regulations and Practices of Controlled Foreign Company (CFCs)	3.0



Title	Name	Institute	Course	Hour
Independent Director	C. J. Wu	Taiwan Corporate Governance Association	Board function and effectiveness evaluation	3.0
Independent Director	C. J. Wu	Taiwan Corporate Governance Association	Restriction and verdict analysis of directors' and supervisors' equities	3.0
Independent Director	H.K.Li	Taiwan Corporate Governance Association	Personal Response to CFC Part One: Know Yourself and the Government	3.0
Independent Director	H.K.Li	Taiwan Stock Exchange	Sustainable development roadmap publicity conference for different industries	2.0
Independent Director	H.K.Li	Securities and Futures Institute	Competition for the right to management and introduction to the trial law of Commercial Courts	3.0
Independent Director	H.K.Li	Taiwan Corporate Governance Association	On the evaluation and execution of mergers and acquisitions from a Legal Viewpoint	3.0
Independent Director	H.K.Li	Taiwan Corporate Governance Association	The only way to sustainable management of enterprises-external innovation	3.0
Independent Director	M.Y. Ho	Taiwan Corporate Governance Association	Personal Response to CFC Part One: Know Yourself and the Government	3.0
Independent Director	M.Y. Ho	Taiwan Stock Exchange	Sustainable development roadmap publicity conference for different industries	2.0
Independent Director	M.Y. Ho	Securities and Futures Institute	Competition for the right to management and introduction to the trial law of Commercial Courts	3.0
Independent Director	M.Y. Ho	Taiwan Corporate Governance Association	On the evaluation and execution of mergers and acquisitions from a Legal Viewpoint	3.0
Independent Director	M.Y. Ho	Taiwan Corporate Governance Association	The only way to sustainable management of enterprises-external innovation	3.0
Chief Accounting Officer	P. S. Liu	Accounting Research and Development Foundation	Continuing training courses for accounting executives of issuers, securities firms and stock exchanges	12.0
Internal Auditing Manager	C. H. Chan	The Institute of Internal Auditors	「Enterprise prepares its own financial report」 Policy analysis and key discussions on internal audit and internal control practice (newly added sustainable report preparation system)	6.0
Internal Auditing Manager	C. H. Chan	The Institute of Internal Auditors	In the face of climate change and the wave of sustainable development, explore the impact on corporate internal control and countermeasures from the perspective of ESG risk	6.0
Corporate Governance Officer	Y. F. Huang	Accounting Research and Development Foundation	Auditing and control practice of “information security” by internal auditors	6.0
Corporate Governance Officer	Y. F. Huang	Accounting Research and Development Foundation	The latest “ESG sustainability” and “self-filing financial report” related policy development and management practices of internal control	6.0
Corporate Governance Officer	Y. F. Huang	Taiwan Stock Exchange	2022 insider equity transaction legal compliance publicity briefing	3.0
Corporate Governance Officer	Y. F. Huang	Taiwan Stock Exchange	2022 Prevention Insider Trading Promotion Conference	3.0
Accounting Assistant Manager	Y. F. Huang	Accounting Research and Development Foundation	Continuing training courses for accounting executives of issuers, securities firms and stock exchanges	12.0
Audit Assistant	Y.F. Wu	The Institute of Internal Auditors	How to adjust the internal control system to cope with the new rules of ESG	6.0
Audit Assistant	Y.F. Wu	The Institute of Internal Auditors	In the face of climate change and the wave of sustainable development, explore the impact on corporate internal control and countermeasures from the perspective of ESG risk	6.0

h. control system overview


(a) Statement of Internal Control System


Date: March 8, 2023

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, 2022 to December 31, 2022:

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, 2022, 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 8, 2023, 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: W. L. You 

(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 2022 alendar year, through the period from April 22, 2023 to report published date, Shareholder Meetings' and Board Meetings' major resolutions passed at these meetings are summarized below:

Board Resolution	Item
2022/04/28	The company's board of directors approved the signing of the contract for the new construction of the office building in the Jiuzong Section, Neihu District, Taipei City.
2022/06/15	Important resolutions of the 2022 Annual General Meeting of Shareholders.
2022/06/15	It is announced that the company will re-elect the chairman and directors (including independent directors).
2022/06/15	The Company's 4th Remuneration Committee was dismissed upon expiry.
2022/06/15	Announcement of the 2nd Audit Committee members of the company.
2022/06/28	Appointment of the company's 5th Remuneration Committee members.
2022/07/21	The volume transfer of the company's three land parcels including land numbers 137, 138 and 139, Fengxing Section, Zhongli District, Taoyuan City.
2022/09/07	The company's Board of Directors resolved to issue unsecured corporate bond.
2022/10/19	Supplementary note for the company's announcement on 2022/09/07 that the Board of Directors resolved to issue the 2022-1 unsecured corporate bond.
2022/10/31	The pre-sale of the new office building in Jiuzong Sec., Neihu Dist., Taipei City.
2023/01/05	Supplementary note for the company's announcement on 2022/09/07 that the Board of Directors resolved to issue the 2022-2 unsecured corporate bond.
2023/03/08	The Board of Directors resolved to convene the year 2023 shareholders' meeting.

Note 1: Resolution of shareholders' meeting

Date	Abstracts of proposal	Resolutions	Implementations	Remarks
2022/06/15	(I) Adoption of business report and financial statements of fiscal year 2021.	(1) Approvd	(a) This proposal was voted and passed according to the motion proposed by the Board of Directors.	None
	(II) The surplus earning distribution or loss off-setting proposals.	(2) Approvd	(b) The company's net loss after tax in 2021 was NTD 33,343,754, and the loss was off-set according to the Articles of Incorporation. No dividends were distributed to shareholders for year 2021.	None
	(III) The company's re-election of directors.	(3) Approvd	(c) The list of elected Directors is as follows: Director: Fu-Da Investment Co., Ltd. Representative : J.H. Tuan Director: Hua-Zhan Investment Co., Ltd Director: Fu-Yi Investment Co., Ltd Independent Director: P.S. Li Independent Director: J.R. Wu Independent Director: H.K. Li Independent Director: M.Y. Ho	None
	(IV) It is proposed of lifting the non-compete restriction on newly elected directors and their representatives of the company	(4) Approvd	(d) Implemented in accordance with the resolution.	None

m. 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

April 22,2023

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	Audit fee	Non-audit fees	Total	Remark
KPMG	CHUN-WEI,CHUANG	2022Q1 to 2022Q4	1,500	620	2,120	Non-audit accountant's fees are tax compliance audit and corporate bond issuance expenses
	M. F. Hsu	2022Q1 to 2022Q4				

Please specify the content of non-audit public services: (such as tax audit, assurance or other financial advisory services)

Note : If the company has changed accountants or accounting firms this year, please list the audit period respectively, and explain the reason for the change in the remarks column and disclose the information on audit and non-audit fees paid in sequence. Non-audit fees and should be annotated to explain the service content.

E. CPA Replacement Information: 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	2022		2023/1/1~2023/04/22	
		Increase (Decrease) of shares held	Increase (Decrease) of equity pledges	Increase (Decrease) of shares held	Increase (Decrease) of equity pledges
Chairman(major shareholder)	Fu-Da Investment Co.,Ltd.	1,244,000	-	-	-
Representative of Director(major shareholder) and CEO	J. H. Tuan	-	-	-	-
Director(major shareholder)	Hua-Zhan Investment Co., Ltd.	850,000	-	32,000	-
Representative of Director(major shareholder)	W. L. You	-	-	-	-
Director	Fu-Yi Investment Co.,Ltd.	255,000	-	-	-
Representative of Director(major shareholder)	W.G. Tuan	-	-	-	-
Independent Director	B.S.Li	-	-	-	-
Independent Director	J.R. Wu	-	-	-	-
Independent Director	H.K.Li	-	-	-	-
Independent Director	M.J. Ho	-	-	-	-
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. Directors, managers and major shareholders whose equity pledge counterparty is a related person: 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	60,041,745 11,119	18.04% 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	59,182,040 11,119	17.78% 0%	-	-	-	-	Hua-Zhan Investment Co., Ltd.	The same chairman	None
Teacher Retirement System of Texas - Dimensional Fund Advisors LP as external fund manager	15,421,491	4.63%	-	-	-	-	-	-	None
Fubon Life Insurance Company Representative : Richard M. Tsai	13,155,925	3.95%	-	-	-	-	-	-	None
N.B. Qiu	9,357,000	2.81%	-	-	-	-	-	-	-
DaHong Investment Co., Ltd. Representative: M. Lai	8,800,000	2.64%	-	-	-	-	-	-	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
C.P. Liu	5,300,000	1.59%	-	-	-	-	-	-	None
Fu-Yi Investment Co., Ltd. Representative: S. C. Huang	4,581,077	1.38%	-	-	-	-	-	-	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, 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:

Unit: share ; %

Investment entity	Invested by the company (Note)		Directly or indirectly controlled entity invested by directors, supervisors, managers		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Chuan Yue Real Estate Development Co. Ltd.	3,060,000	51%	0	0%	3,060,000	51%
Mitsubishi Development Co., Ltd.	61,200,000	51%	0	0%	61,200,000	51%

Note: Long-term investment by the company using the equity method

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
1992.12	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
1999.08	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
2007.07	10	430,000	4,300,000	286,268	2,862,680	unappropriated retained earnings \$28,274,050 employee bonuses\$7,000,000	None	Note14
2008.07	10	430,000	4,300,000	289,931	2,899,306	unappropriated retained earnings \$28,626,790 employee bonuses\$8,000,000	None	Note15
2011.07	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.		
2013.07	10	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
	29.							
2014.01	10	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
	28.1							
2014.05	10	430,000	4,300,000	319,954	3,199,954	Convertible Bond \$100,000 was converted to common stock \$35,580 accumulatively	None	Note19
	28.1							
2014.07	10	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
	28.1							



- 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 1992/12/22, 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 1999/8/3, 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 22,2023

Structure of Shareholders Amount	Government agency	Financial Institutions	Other juristic person	Personal	Foreign Institutional and foreign national	Total
	Number	1	2	64	8,363	79
Shares held	6	15,035,925	173,948,774	111,334,227	32,489,720	332,808,652
%	0.00%	4.52%	52.27%	33.45%	9.76%	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 22, 2023

Range of shareholder	Number of shareholders	Shares held	%
1 ~ 999	3,378	595,854	0.18%
1,000 ~ 5,000	3,444	7,152,735	2.15%
5,001 ~ 10,000	667	5,165,327	1.55%
10,001 ~ 15,000	238	2,933,611	0.88%
15,001 ~ 20,000	135	2,483,627	0.75%
20,001 ~ 30,000	154	3,898,321	1.17%
30,001 ~ 40,000	78	2,741,698	0.82%
40,001 ~ 50,000	78	3,630,568	1.09%
50,001 ~ 100,000	136	10,244,735	3.08%
100,001 ~ 200,000	77	10,877,128	3.27%
200,001 ~ 400,000	58	16,311,275	4.90%
400,001 ~ 600,000	15	7,267,224	2.18%
600,001 ~ 800,000	7	4,876,355	1.47%
800,001 ~ 1,000,000	3	2,648,389	0.80%
1,000,001 above	41	251,981,805	75.71%
Total	8,509	332,808,652	100.00%

(2) Preferred stock : None

5. List of major shareholders

Major Shareholders	Shares held	%
Hua-Zhan Investment Co., Ltd.	60,041,745	18.04%
Fu-Da Investment Co., Ltd.	59,182,040	17.78%
Teacher Retirement System of Texas - Dimensional Fund Advisors LP as external fund manager	15,421,491	4.63%
Fubon Life Insurance Company	13,155,925	3.95%
N.B. Qiu	9,357,000	2.81%
DaHong Investment Co., Ltd.	8,800,000	2.64%
Sunfon Construction Co., Ltd.	8,100,000	2.43%
Tai-Ban Investment Co., Ltd.	7,166,738	2.15%
C.P. Liu	5,300,000	1.59%
Fu-Yi Investment Co., Ltd.	4,581,077	1.38%



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		2023.01.01~ 2023.03.31	
		2021	2022		
Market price per share (Note1)	Max.	25.45	24.00	24.85	
	Min.	20.00	20.35	22.20	
	Average	22.04	22.04	22.85	
Net worth per share (Note2)	Unappropriated	35.28	36.86	36.53	
	Appropriated	35.28	(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	(0.10)	(0.16)	(0.32)
		Retroacted	(0.10)	(Note 8)	(Note 9)
Dividends per share	Cash dividend		-	(Note 8)	-
	Stock dividend	Dividends from retained earnings	-	-	-
		Dividend from capital surplus-	-	-	-
	Accumulated unappropriated dividends (Note4)		-	-	-
Return on investment	Ratio of profit (Note5)		(-220.40)	(-137.75)	(71.41)
	Ratio of dividend (Note6)		18.37	-	-
	Ratio of cash dividend (Note7)		0.054	-	-

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 : Fill in based on the number of issued shares at the end of the year and the distribution according to the resolution of the board of directors or the Shareholders' Meeting of the following year.

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 proposals of 2022 earning distribution or loss off-setting is to be resolved by the Shareholders' Meeting.

Note 9 : No distribution of the settlement in the first quarter in 2023.

7. Company's dividend policy and implementation status : (Code 25 of Articles of Incorporation)

(a) Dividend policy : consider need of and the perfect financial plan the future fund and the perfect financial plan, shareholders' Meeting may decide not to distribute all or part of the earning to actual needs, 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)

Item		Year	2021	2022	
Paid-in capital in beginning			3,328,087	3,328,087	
Distribution	Cash dividend per share(unit : NT dollars)		1.2	-	
	Stock dividend per share-retained earnings		-	-	
	Stock dividend per share-capital reserve		-	-	
Business performance	Operating income		65,104	298,201	
	Operating income (compare with last year)		(92.01)%	358.04%	
	Net income		(34,661)	(65,507)	
	Net income (compare with last year)		(105.65)%	(80.34)%	
	Earnings per share(unit : NT dollars)	Unretroacted		(0.10)	(0.16)
		Retroacted		-	-
	Earnings per share (compare with last year)	Unretroacted		(105.43)%	(60.00)%
		Retroacted		-	-
Average of return on investment			(0.54)%	-	
Capital increase paid out of earnings→cash dividends	Fictitious earnings per share		(0.10)	(0.16)	
		Fictitious average of return on investment	(0.54)%	-	
	No capitalization of capital reserve	Fictitious earnings per share		(0.10)	(0.16)
		Fictitious average of return on investment		(0.54)%	-
	No capitalization of capital reserve and capital increase paid out of earnings→cash dividends	Fictitious earnings per share		(0.10)	(0.16)
		Fictitious average of return on investment		(0.54)%	-

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 2021 = NT\$22.04 ; average market price per share in 2022 = NT\$22.04.

Note3 : Interest rate is calculated by weighted average interest rate on short-term margin loan, 1.13% in 2021 and 1.67% in 2022.

Note4 : Valid interest rate is 20% in 2022.

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

Note6 : The company did not prepare and announce financial forecasts in 2023, so there is no need to disclose the estimated operating performance, earnings per share and shareholders' return on investment.

Chairman: J.H.Tuan



Manager: W.L.You



Manager of accounting dept.: P.S.Liu





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

1. Resolution of Board Meeting in May 03, 2023 Dividend of 2022 distribute cash dividend \$0.5 per share.
2. The above distribution proposal, yet to submit to Shareholders' meeting by June 21, 2023.

(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 2023 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 :

If the company makes profits in the annual financial report, it shall first allocate employees' remuneration and directors' remuneration, and the employees' remuneration shall not be less than 1%. If the company converts employees' remuneration as capital increase, it can issue shares to employees. The directors' remuneration shall not be more than 3%. After the distribution resolution of the Board of Directors, taxes and dues shall be paid in accordance with the law, and another 10% shall be set aside as the legal reserve. When the legal reserve amounts the total paid-in capital of the company, it may no longer be set aside. After the special reserve is set aside or reversed in accordance with laws and regulations, together with the accumulated undistributed earnings, the board of directors shall prepare the earning distribution proposal and submit it to the Shareholders' Meeting for a resolution on the distribution of shareholder dividends. If the company has accumulated losses in previous years, it should make up for the loss before making profits to distribute employees' remuneration in the current year. And the distribution amount in accordance with the proportion of the preceding clause mentioned. If the employees' remuneration is paid in stocks or cash, the employees of the distribution include those who meet certain requirements in the subordinate companies.

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	0	0	0	None
Employee remuneration	0	0	0	None
Remuneration of Directors (include independent directors)	0	0	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): None
- (4) Use of earnings in the preceding fiscal year for distribution of employee dividends and directors compensation:

(Unit: NT\$)

Year 2021	Employee remuneration	Compensation for Directors (include independent directors)
Distribution Proposal of Retained Earnings adopted at the Board of Directors.	0	0
Actual Distribution of Retained Earnings in Shareholders' Meeting.	0	0
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. Bond

1. Bond (handle situation):

On September 7, 2022, the Board of Directors resolved the issuance of unsecured corporate bonds with a total amount not exceeding NTD 1 billion. On October 19, 2022 and on January 5, 2023 the declaration took effect after being approved by the competent authority.

Type of corporate bond	2022-1 unsecured corporate bond	2022-2 unsecured corporate bond
Date of issuance	111/10/27	112/01/16
Face value	1,000,000	1,000,000
Place of issuance and trading	Domestic	Domestic
Issue price	Issued at 100% face value	Issued at 100% face value
Aggregate amount	500,000,000	500,000,000
Interest rate	2.6%	2.85%
Maturity date	5-year maturity date: Oct 27, 2027	5-year maturity date: Jan 16, 2028
Guarantor	None	None
Fiduciary	Taishin Bank	Taishin Bank
underwriter	Masterlink Securities	Masterlink Securities
Attesting lawyer	Yicheng Law office: H.C. Kuo	Yicheng Law office: H.C. Kuo
Attesting CPA	KPMG: C.W. Chuang and M. F. Hsu	KPMG: C.W. Chuang and M. F. Hsu
Repayment	Lump sum repayment on due	Lump sum repayment on due
Outstanding principal	500,000,000	500,000,000
Terms of redemption or early redemption	The company may early redeem all or part of the company's bonds on each interest payment date one year after the issuance of the company's bonds, and the bondholders of the company's bonds may not object. The company will make an announcement 30 days before the scheduled redemption date, and redeem the company's bonds based on the face value of the bonds plus the interest payable during the actual holding period.	The company may early redeem all or part of the company's bonds on each interest payment date one year after the issuance of the company's bonds, and the bondholders of the company's bonds may not object. The company will make an announcement 30 days before the scheduled redemption date, and redeem the company's bonds based on the face value of the bonds plus the interest payable during the actual holding period.



Restrictive terms		None	None
The name of the credit rating agency, the date of the rating, the results of the company's bond rating		Not applicable	Not applicable
Other rights attached	The amount of common shares, overseas depository receipts or other marketable securities converted (exchanged or subscribed) as at the date of publication of the Annual Report	None	None
	Issuance and conversion (exchange or warrant subscription) terms	None	None
Issuance and conversion, exchangeable or subscription terms, issuance conditions may dilute the shares, and impact on existing shareholders' equity		Please refer to the prospectus of the Company's 2022-1 unsecured corporate bond	Please refer to the prospectus of the Company's 2022-1 unsecured corporate bond
The name of the entrusted custodian of the exchangeable objects		None	None

2.The information of Convertible bonds: Please refer 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. Plan content :

As of the quarter before the date of publication of the annual report, the previous issuance or private placement of securities has not been completed or has been completed within the last three years and the planned benefits have not yet manifested: None.

b. Execution situation :

With regard to the purpose of each plan mentioned in the preceding paragraph, analyze its implementation situation and the comparison with the original estimated benefits one by one as of the quarter before the date of publication of the annual report:

1. In order to repay bank loans, the company issued the first 2022-1 unsecured corporate bonds on October 19, 2022, with a face value of NTD 500 million. The bank loan was repaid in full in the 4th quarter, and the effectiveness has also shown.

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) E2010101 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

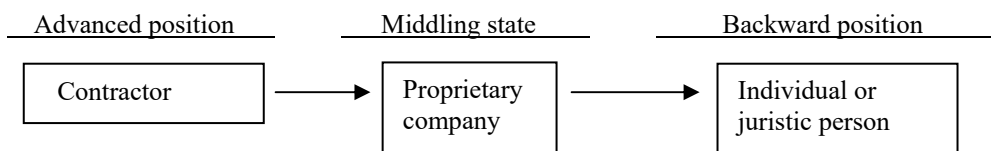
1.Current and development of industry :

Looking back in year 2022, the Russo-Ukraine war at the beginning of the year made international raw material prices rise even further. In the shortage of domestic labor and materials, construction costs continued to increase. Coupled with the United States' explosive interest rate hikes, Taiwan also entered a cycle of interest rate hikes. Construction financing and housing loan pressure increased. And, the Ministry of the Interior introduced the amendment draft of "Equalization of Land Rights Act" and geopolitical tensions, which deepened the wait-and-see atmosphere for buyers. Under the stock market shock and housing market restraint measures, real estate transaction volume decreased and the sales speed of pre-sale houses slow down. In the second half of the year, the company launched the pre-sale projects of "Yang Ming", "Grand Park", "New Era Garden 3" and the signed the pre-sale contract of the entire office building in NeiHu District. In terms of revenue, disposal of a shareholding land in New Taipei City and a major infrastructure land in Taoyuan City, and existing housing units of "Light Year-the Leader" and "Taipei People" handed over and booked revenue. " MGH Mitsui Garden Hotel" and "World Trade Plaza" provide the company with rental income. In 2022, the Company recorded a decrease in revenue and a loss compared with the previous year because the pre-sale projects under construction were not yet completed to book revenue.



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
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	-8.23%
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%
2021	Sales Revenue	152,229	-96.01%
	Rental	170,313	4.53%
2022	Sales Revenue	524,708	244.68%
	Rental	159,650	-6.26%

From the above table, it can be seen that the main operating income of the company in year 2021 increased by 244.68%, due to the co-owned land in New Taipei City and the major infrastructure land in Taoyuan City were sold in year 2022, the revenue has increased significantly compared to year 2021.

(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 curtail wall.
3. Invest in the detailed research of healthy green buildings and intelligent buildings and implement various indicators.
4. Create speciality 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 (2023)	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, The company has focused on the greater Taipei and Taoyuan areas in recent years 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) Market share:

The company adheres to the business philosophy of honesty, steadiness and sustainable development, deeply understands the needs of home buyers, and builds high-quality construction products. Due to the strong regional nature of real estate, many projects compete with each other in the same area. In recent years, the company has been actively developing land. From 2021 to 2022, there were pre-sale projects successively launched in Xindian, New Taipei and in Zhongli, Taoyuan and achieved good sales performance with brand advantages.

(2) supply :

Analyze the current housing supply situation and the pressure of surplus housing in the market from the changes in the number of building permits and user licenses issued, reflecting the future development trend of the domestic construction industry. According to the number of residential building permits issued and user licenses issued in Taiwan over the years, the number of building permits increased by 6.01% and 6.92% in user licenses in 2022 compared to 2021, which shows that the market supply remains stable and there is little difference. According to the statistics of the central bank, the balance of construction loans in December 2022 increased to NTD 3.0978 trillion, with an annual growth rate of 10.31%. It shows that developers are still continuing to purchase lands for new projects, and it is expected to be launched after 2023, resulting in an increase in the potential supply of the housing market.



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
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
2021	16.97	10.41
2022	17.99	11.13

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

(2)Demand:

The Ministry of the Interior has introduced an amendment to the “Equalization of Land Rights Act, which has slowed down the purchase of high-priced products. The market has changed to self-occupied rigid demand, and low-to-medium-priced products have increased. However, due to recent price inflation and soaring construction costs, the public believes that real estate is the best way to resist inflation, and there is still a demand for real estate to preserve its value, especially in the cities around the capital with a large population. In summary, the demand for real estate should grow slightly or remain flat.

3. Development strength and weakness

(1) competitive:

- a. Superior forward-looking land development capabilities.
- b. Master the market demand, rigorous design and planning to maintain the accurate product positioning.
- c. Excellent management team, sound financial management, good credit.
- d. Ensure construction quality, schedule and accurate cost control.

(2) Strength:

- a. Due to inflationary concerns, real estate still has value preservation needs for the public.
- b. Land transaction prices hit a new high, and housing prices are strongly supported.
- c. The government promotes various major infrastructures, and the real estate market in this area has great potential in the future.
- d. Mortgage interest rates remain low, which is beneficial to homebuyers.

(3) Weakness:

- a. It is difficult to obtain land in the prime location, and the cost of land and construction has soared.
- b. “House and Land Transactions Income Tax” of real estate causes a substantial increase in “Profit-seeking Enterprise Income Tax” will decrease net profit after tax.
- c. The adoption of the amendment to the “Equalization of Land Rights Act” has led to buyers

expecting a decline in house price, and the market has turned to wait and see and tend to be conservative.

(4) 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	2021				2022				2023(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	Taoyuan City Government	2,631,169	28.20%	None	Joyear Construction Co., Ltd.	433,952	13.78%	None	Guo Yao Construction Co., Ltd.	153,571	29.91%	None
2	Taoyuan City Government	2,160,000	23.15%	None	Guo Yao Construction Co., Ltd.	391,491	12.43%	None	Joyear Construction Co., Ltd.	123,971	24.15%	-
3	Taoyuan City Government	959,017	10.28%	None					Kimzoa Construction Co., Ltd.	120,259	23.42%	-
Others		3,579,108	38.37%	-	Others	2,324,223	73.79%	-	Others	115,604	22.52%	-
Net Purchases		9,329,294	100.00%	-	Net Purchases	3,149,666	100.00%	-	Net Purchases	513,405	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	2021				2022				2022(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	A Co., Ltd.	109,714	34.02%	None	Long-Yun Co., Ltd.	461,380	67.42%	None	Long-Yun Co., Ltd.	34,285	77.56%	None
2	Euro-Asia Co., Ltd.	59,371	18.41%	None	A Co., Ltd.	110,230	16.11%	None	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-
Others		153,457	47.57%	-	Others	112,748	16.47%	-	Others	9,919	22.44%	-
Net Operating Revenues		322,542	100.00%	-	Net Operating Revenues	684,358	100.00%	-	Net Operating Revenues	44,204	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	2021		2022	
		Volume (Housing)	Amount	Volume (Housing)	Amount
House		68	1,234,404	135	2,174,595
Parking lot		68	(Included Parking lot cost)	147	(Included Parking lot cost)
Rental		-	-	-	-
Total		136	1,234,404	282	2,174,595

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

(Unit: NT\$ thousands)

Volume Product	Year	2021				2022			
		Domestic		Foreign		Domestic		Foreign	
		Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Sales Revenue (House, Parking lot)		28	152,229	-	-	4	4,908	-	-
Rental		52	170,313	-	-	41	159,650	-	-
Land		-	-	-	-	2	519,800	-	-
Total		80	322,542	-	-	80	684,358	-	-

C. Human Resources :

April 22 2023

Year		2021	2022	As of Apr. 22 2023
Number of staff	Employee	17	17	17
	Engineering employee	10	12	12
	Total	27	29	29
Average age		48	48	48.6
Average length of service		11.73	11.76	12.1
Education background	Doctor	-	-	-
	Master	22.2%	20.7%	20.7%
	Bachelor	74.1%	75.9%	75.9%
	High school	3.7%	3.4%	3.4%
	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 2022:

Welfare	Item	Amount(NT dollars)
Benefits	Weddings and funerals	47,000
	Emergency Allowances	39,600
Educational subsidy	Child education subsidy	75,000
Recreational subsidy	Leisure and sports activity	467,650
	Club activity	527,571
	Recreation and facility	320,000
	Others	4,052

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 12/31/2022, the cumulative deposited in the Central Trust of the retirement reserve account has Reached NT\$21,976 thousand 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 formulate the relevant procedures or mechanisms for reporting any illegality or violation of this code in the preceding paragraph, and let employees know that the company will do its best to protect the safety of the reporter and prevent them from retaliation.

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. Information Security Management

(I)A. Information Security Risk Management Framework

- (a) The management of engineering affairs group of the company is affiliated to the management office,

and personnel from other departments are also responsible for planning, implementing and promoting information security management matters.

- (b) The audit group of the company is the auditing unit of information security supervision. If any deficiencies are found in the audit, the inspected unit is immediately required to propose relevant improvement plans and report to the board of directors, and regularly track the improvement results to reduce internal information security risks.

B. Information Security Policy

- (a) Build a remote backup system and maintains the continuous operation of each information system
- (b) Prevent hackers, various viruses from invading and destroying
- (c) Prevent leakage of confidential and sensitive information
- (d) Maintain physical environment security

C. Specific information security management scheme

- (a) The company's host computer, application servers and other equipment are all set up in an exclusive server room.
- (b) The server room is equipped with an independent air conditioner to maintain the operation of computer equipment at an appropriate temperature environment.
- (c) The host machine in the server room is equipped with uninterruptible power supply equipment to ensure that temporary power outages will not interrupt the operation of the computer application system.
- (d) Reminder and publicity: require colleagues to change the system password regularly to maintain account security.

(II) In the most recent year and up to the publication date of the annual report, the Company has not experienced any major security incidents.

G.Important contracts

Contract	Party	Date	Engineering	Restriction
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.	2020.06~2023.06	011046961 Electrical and Mechanical	NA
Construction	GuoYao Construction Co.	2021.11~2022.06	033340412 Structure	NA
Construction	GuoYao Construction Co.	2021.11~2023.12	033340412 Structure	NA
Construction	GuoYao Construction Co.	2021.11~2024.09	033340412 Structure	NA
Construction	Joyear Construction CO., Ltd.	2021.07~2025.04	042310028 Structure	NA
Construction	Hann Jenn Mechanical and Electrical Engineering Co., Ltd.	2021.10~2025.4	042310028 Electrical and Mechanical	NA
Construction	GuoYao Construction Co.	2021.12~2023.09	023340378 Structure	NA
Construction	GuoYao Construction Co.	2021.12~2024.08	023340378 Structure	NA
Construction	My Vision Co., Ltd.	2022.03~2024.10	021145411 building curtain wall	NA
Construction	Kimzoa Construction Co., Ltd,	2022.04~2025.03	021145411 Structure	NA
Construction	LiBen Engineering Company Ltd.	2022.11~2025.04	021145411 Electrical and Mechanical	NA
Construction	Chiao Jen Electric Co., Ltd.	2022.05~2024.09	033340412 Electrical and Mechanical	NA
Construction	Chiao Jen Electric Co., Ltd.	2022.05~2024.08	023340378 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

Item	Year	Financial information for the last five years (Note 1)					Financial information up to March 31, 2023 (Note 2)
		2018 (Note 1)	2019	2020	2021	2022	
Current assets		15,751,740	19,580,090	20,286,240	30,655,827	36,336,710	37,050,182
Property, Plant and Equipment		86,238	83,174	83,138	80,310	78,269	77,719
Intangible assets		-	-	-	-	-	-
Other assets		261,508	142,570	3,216,588	3,174,300	3,119,824	3,113,392
Total assets		16,099,486	19,805,834	23,583,966	33,910,437	39,534,803	40,241,293
Current liabilities	Before distribution	4,443,370	7,831,563	11,399,624	19,097,973	23,698,755	24,014,819
	After distribution	-	-	-	-	-	(Note 2)
Non-current liabilities		7,252	10,815	9,588	3,069,742	3,567,833	4,067,929
Total liabilities	Before distribution	4,450,622	7,842,378	11,409,212	22,167,715	27,266,588	28,082,748
	After distribution	-	-	-	-	-	(Note 2)
Attributable to parent's equity		-	-	-	-	-	-
Capital stock		3,328,087	3,328,087	3,328,087	3,328,087	3,328,087	3,328,087
Capital surplus		2,041,583	2,042,348	2,042,348	2,042,348	2,042,348	2,042,348
Retained earnings	Before distribution	6,288,723	6,563,641	6,778,260	6,345,545	6,291,547	6,184,615
	After distribution	-	-	-	-	-	(Note 2)
Other equity		(9,529)	-	-	-	-	-
Treasury stock		-	-	-	-	-	-
Non-controlling interests		-	29,380	28,059	26,742	606,233	603,495
Total equity	Before distribution	11,648,864	11,963,456	12,176,754	11,742,722	12,268,215	12,158,545
	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 2023 is being reviewed by CPA, and there is no distribution.

Note 3: The above figures after distribution shall be filled in according to the resolutions of the board of directors or the shareholders meeting of the following year.

1-1.condensed balance sheet- IFRS

Item		Year	Financial information for the last five years (Note 1)				
			2018	2019	2020	2021	2022
Current assests			15,697,656	19,530,592	20,239,411	30,611,683	34,307,743
Property, Plant and Equipment (Note7)			86,238	83,174	83,138	80,310	78,269
Intangible assets			-	-	-	-	-
Other assets			314,268	162,275	3,234,918	3,191,258	3,739,926
Total assets			16,098,162	19,776,041	23,557,467	33,883,251	38,125,938
Current liabilities	Before distribution		4,442,046	7,831,150	11,399,184	19,097,529	22,896,123
	After distribution		4,774,855 (Note 2)	8,230,520 (Note 3)	11,798,555 (Note 4)	19,097,529 (Note 5)	(Note 6)
Non-current liabilities			7,252	10,815	9,588	3,069,742	3,567,833
Total liabilities	Before distribution		4,449,298	7,841,965	11,408,772	22,167,271	26,463,956
	After distribution		4,782,107	8,241,335	11,808,143	22,167,271	(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	2,042,348	2,042,348	2,042,348	2,042,348
Retained earnings	Before distribution		6,288,723	6,563,641	6,778,260	6,345,545	6,291,547
	After distribution		5,955,914	6,164,271	6,378,889	6,345,545	(Note 6)
Other equity			(9,529)	-	-	-	-
Treasury stock			-	-	-	-	-
Non-controlling interests			-	-	-	-	-
Total equity	Before distribution		11,648,864	11,934,076	12,148,695	11,715,980	11,661,982
	After distribution		11,316,055	11,534,706	11,749,324	11,715,980	(Note 6)

Note 1: 2018-2022 the above financial data has audited or review by CPA.

Note2: Retained earnings after distribution in 2018= retained earnings before distribution in 2019-cash dividend NT\$332,809,000.

Note3: Retained earnings ater distribution in 2019= retained earnings before distribution in 2020-cash dividend NT\$399,370,000.

Note4: Retained earnings after distribution in 2020= retained earnings before distribution in 2021-cash dividend NT\$399,371,000.

Note5: No cash dividend distribution in 2022.

Note6: The distribution of 2022 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, 2023 (Note 2)
		2018 (Note 1)	2019	2020	2021	2022	
Operating revenue		3,918,005	2,885,896	3,977,450	322,542	684,358	44,204
Operating profit		650,889	760,149	978,304	122,700	381,053	25,646
Operating income		432,625	566,066	814,395	65,104	298,201	2,922
Non-operating income and expense		88,217	114,627	(67,005)	(84,673)	(275,240)	(112,592)
Income before tax		520,842	680,693	747,390	(19,569)	22,961	(109,670)
Continuing operating net income		444,704	606,414	612,668	(34,661)	(62,507)	(109,670)
Discontinuing operating loss		-	-	-	-	-	-
Net income (loss)		444,704	606,414	612,668	(34,661)	(62,507)	(109,670)
Other comprehensive income (After-tax amount)		2,351	9,529	-	-	-	-
Total comprehensive income		447,055	615,943	612,668	(34,661)	(62,507)	(109,670)
Income attributable to parent		444,704	607,727	613,989	(33,344)	(53,998)	(106,932)
Income attributable to non-controlling interests		-	(1,313)	(1,321)	(1,317)	(8,509)	(2,738)
Total comprehensive income attributable to parent		447,055	617,256	613,989	(33,344)	(53,998)	(106,932)
Total comprehensive income attributable to non-controlling interests		-	(1,313)	(1,321)	(1,317)	(8,509)	(2,738)
Earning per share(NT\$)		1.34	1.83	1.84	(0.10)	(0.16)	(0.32)

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 2023 is being reviewed by CPA, and there is no distribution.

2-1. Condensed comprehensive income statement-IFRS(parent company only financial statements)

Unit: Thousands of NT dollars

Item \ Year	Financial information for the last five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	3,918,034	2,886,010	3,977,564	322,657	684,568
Operating profit	650,918	760,263	978,418	122,815	381,263
Operating income	433,195	568,363	816,748	67,540	302,131
Non-operating income and expense	87,647	113,643	(68,037)	(85,792)	(270,661)
Income before tax	520,842	682,006	748,711	(18,252)	31,470
Continuing operating net income	444,704	607,727	613,989	(33,344)	(53,998)
Discontinuing operating loss	-	-	-	-	-
Net income (loss)	444,704	607,727	613,989	(33,344)	(53,998)
Other comprehensive income (After-tax amount)	2,351	9,529	-	-	-
Total comprehensive income	447,055	617,256	613,989	(33,344)	(53,998)
Income attributable to parent	447,055	617,256	613,989	(33,344)	(53,998)
Income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to parent	447,055	617,256	613,989	(33,344)	(53,998)
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earning per share(NT\$)	1.34	1.83	1.84	(0.10)	(0.16)

Note 1: 2018-2022 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
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
2021	KPMG	C.W. CHUANG & M. F. Hsu	Unqualified Opinion
2022	KPMG	C.W. CHUANG & M. F. Hsu	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 (Note 1)					Financial information up to March 31, 2023 (Note 2)
		2018 (Note 1)	2019	2020	2021	2022	
Financial analysis (Note 3)							
Financial structure (%)	Debt of long fund to bank (%)	27.64	39.59	48.37	65.37	68.97 (Note 3)	69.78
	Ratio of property, plant and equipment to assets (%)	13,516.21	14,396.65	14,657.96	18,444.11	20,232.85 (Note 3)	20,878.38
Solvency	Current ratio(%)	354.49	250.01	177.95	160.52	153.33 (Note 4)	154.28
	Quick ratio(%)	26.21	23.73	15.19	13.80	16.91	17.54
	Times interest earned ratio(times)	16.05	13.01	7.93	0.87	1.07	0.02
Operating ability	Account receivable turnover(times)	51.61	30.41	45.02	4.30	11.39 (Note 5)	7.15
	Days sales in account receivable	7	12	8	85	32 (Note 5)	51
	Inventory turnover(times)	0.21	0.13	0.16	0.01	0.01 (Note 5)	0.00
	Account payable turnover(times)	7.76	8.19	16.50	1.31	1.64 (Note 5)	0.33
	Average days in sales	1,738	2,808	2,281	36,500	36,500 (Note 5)	0.00
	Property, plant and equipment turnover(times)	47.94	34.06	47.83	3.95	8.63 (Note 5)	2.27
	Total assets turnover(times)	0.23	0.16	0.18	0.01	0.02 (Note 5)	0.00
Profitability	Ratio of return on total assets (%)	2.78	3.63	3.22	0.30	0.56 (Note 6)	(0.05)
	Ratio of return on equity (%)	3.81	5.13	5.07	(0.29)	(0.52) (Note 6)	(0.90)
	Income before tax Ratio to issued capital stock(%)	15.64	20.45	22.45	(0.59)	0.69 (Note 6)	(3.30)
	Profit ratio (%)	11.35	21.01	15.40	(10.75)	(9.13) (Note 6)	(248.10)
	Earning per share(NT\$)	1.34	1.83	1.84	(0.10) (Note 6)	(0.16) (Note 6)	(0.32)
Cash flow	Cash flow ratio(%)	24.53	(35.13)	(31.13)	(49.49)	(14.30) (Note 7)	(1.29)
	Cash flow adequacy ratio(%)	306.29	47.27	(51.81)	(76.59)	(82.43) (Note 7)	(88.96)
	Cash re-investment ratio(%)	5.04	(25.64)	(32.26)	(82.44)	(21.33) (Note 7)	(1.91)
Balance	Operation balance	1.21	1.13	1.03	3.05	1.27 (Note 8)	15.12
	Financial balance	1.08	1.11	1.15	(0.75)	(8.13) (Note 8)	(0.02)

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.

Note 2: The financial information of the first quarter in 2023 is being reviewed by CPA.

Financial analysis of the applicable of IFRS

Financial analysis (Note 3)		Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt of long fund to bank (%)	27.63	39.65	48.42	65.42	69.41
	Ratio of property, plant and equipment to assets (%)	13,516.21	14,361.32	14,624.21	18,410.81	19,458.30
Solvency	Current ratio(%)	353.38	249.39	177.55	160.29	149.84
	Quick ratio(%)	25.07	23.14	14.84	13.69	17.40 (Note 3)
	Times interest earned ratio(times)	16.05	13.03	7.94	0.88	1.10 (Note 4)
Operating ability	Account receivable turnover(times)	51.61	30.41	45.03	4.30	11.40 (Note 5)
	Days sales in account receivable	7	12	8	85	32 (Note 5)
	Inventory turnover(times)	0.21	0.13	0.16	0.01	0.01
	Account payable turnover(times)	7.76	8.19	16.50	1.31	1.64 (Note 5)
	Average days in sales	1,738	2,808	2,281	36,500	36,500
	Property, plant and equipment turnover(times)	47.94	34.07	47.83	3.95	8.63 (Note 5)
	Total assets turnover(times)	0.23	0.16	0.18	0.01	0.02 (Note 5)
Profitability	Ratio of return on total assets (%)	2.78	3.64	3.23	0.31	0.56 (Note 5)
	Ratio of return on equity (%)	3.81	5.15	5.09	(0.28)	(0.46) (Note 5)
	Income before tax Ratio to issued capital stock(%)	13.01	20.49	22.49	(0.55)	0.95 (Note 5)
	Profit ratio (%)	11.35	21.05	15.43	(10.33)	(7.89) (Note 6)
	Earning per share(NT\$)	1.34	1.83	1.84	(0.10)	(0.16) (Note 6)
Cash flow	Cash flow ratio(%)	24.63	(35.09)	(31.07)	(49.40)	(7.76) (Note 7)
	Cash flow adequacy ratio(%)	306.44	47.40	(51.68)	(76.49)	(80.86)
	Cash re-investment ratio(%)	5.11	(25.74)	(42.99)	(66.38)	(12.13) (Note 7)
Balance	Operation balance	1.21	1.12	1.03	2.94	1.25 (Note 8)
	Financial balance	1.08	1.11	1.15	(0.80)	(15.68) (Note 8)

Analysis of financial ratio change in the last two years (if the difference does not exceed 20%, the analysis is not required.)

Note 1: 2018-2022the 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/account receivable turnover.
- (3)Inventory turnover=cost of goods sold/average inventory.
- (4)Account payable turnover (including accounts payable and notes payable resulted from business operation)=operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation).
- (5)Average days in sales=365/inventory turnover.
- (6)Fixed property, plant and quipment turnover=net sales/net property, plant and quipment.
- (7)Total assets turnover=net sales/average total assets.
4. Profitability
- (1)Ratio or return on total assets=[net income+interest expense*(1-tax rate)]/average total assets
- (2)Ratio of return on equity=net income/average total equity.
- (3)Profit ratio=net income/net sales.
- (4)Earnings per share=(attributable to parent's equity -preferred stock dividend)/weighted average stock shares issued.
- 5.Cash flow
- (1)Cash flow ratio=net cash flow from operating activity/current liabilities.
- (2)Cash flow adequacy ratio= (net cash flow from operating activities within five year/(capital expenditure+inventory increase +cash dividend) within five year.
- (3)Cash re-investment ratio=(net cash flow from operating activity -cash dividend)/(total property, plant and quipment +long-term investment+other non-current assets+working capital).
- (6) Balance
- Operation balance=(net operating income-operating variable cost and expense)/operating income
- Financial balance= operating income/(operating income-interest expense).

Note 3 : Due to the substantial increase in short-term borrowings for investment in construction in progress resulted in the increase in total liabilities.

Note 4 : Due to the investment in construction in progress and Taiwan's interest rate hike, the substantial increase in borrowings resulted in a substantial increase in interest payments.

Note 5 : In terms of revenue in year 2022, there are sales of the co-owned land and houses delivery in New Taipei City and the sale of land for major infrastructure in Taoyuan City. Revenue and cost amount has increased. The amount of inventory at the end of the period has increased significantly due to investment in land purchased by the invested company and investment in construction in progress.

Note 6 : Due to the sale of the co-owned land in New Taipei City and the land for major infrastructure in Tao Yuan City compared with year 2021, the overall gross profit increased in year 2022.

Note 7 : Investment in construction in progress in 2022 resulted in a substantial increase in financial costs, borrowings, and net cash flow from operating activities.

Note 8 : This is due to the increase in revenue and costs in 2022 compared with 2021 and the increase in interest expenses caused by borrowings to invest in construction in progress.

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 2022 annual business report, financial statements and Appropriation of profit and loss and distribution of surplus, among which the finance report has been entrusted to the certified public accountants, Chuang Chun Wei and Hsu Ming Fang 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: 李 珮 璇
P.S. LI

Mar 8, 2023

E. Financial Statements for the Years Ended December 31, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, 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 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 Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 (m) for the relevant accounting policy regarding recognition of revenue, and refer to note 6 (p) 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.

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 or 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:

- Evaluating whether the inventory estimate was in accordance with business cycle and other economic decree.
- Evaluating whether the market price data provided have been updated on regular or irregular basis to reflect the real economic situation.
- Obtaining understanding of current market trends and business strategies from management, and soliciting sufficient audit evidence to ascertain the accurateness of inventory valuation.

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of 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 or supervisors) 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing of the the Republic of China, we exercise professional judgment and 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 Hsu Ming Fang.

KPMG

Taipei, Taiwan (Republic of China)
March 08, 2023

Notes to Readers

The accompanying parent company only 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

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

Balance Sheets

December 31, 2022 and 2021

(expressed in thousands of New Taiwan dollar)

	December 31, 2022		December 31, 2021		December 31, 2022		December 31, 2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
Assets									
Current assets:									
1100 Cash and cash equivalents (note 6(a))	\$ 191,909	1	560,618	2	2100 Short-term loans (note 6(i), 7 and 8)	\$ 13,067,980	34	10,748,491	32
1110 Financial assets at fair value through profit and loss (note 6(b))	-	-	-	-	2110 Short-term notes and bills payable (note 6(i), 7 and 8)	5,415,892	14	6,268,282	18
1150 Notes receivable, net (note 6(e)(p))	12,284	-	64,532	-	2130 Current contract liabilities (note 6(p) and 9)	3,962,158	10	1,675,503	5
1170 Accounts receivable, net (note 6(c)(p))	15,144	-	28,185	-	Notes payable	50,851	-	93,160	-
1210 Other receivable—related parties (note 7)	1,795	-	1,724	-	Accounts payable	166,812	1	58,517	-
1220 Current income tax assets	329	-	-	-	Other payable	180,357	1	204,981	1
1320 Inventories (notes 6(d), 8 and 9)	30,314,562	80	27,382,403	81	Current tax liabilities	-	-	7,458	-
1410 Prepayments(note 9)	360,502	1	746,686	2	Other current liabilities	52,073	-	41,137	-
1476 Other financial assets—current (note 6(p))	2,417,026	6	1,149,714	3	Total current liabilities	<u>22,896,123</u>	<u>60</u>	<u>19,097,529</u>	<u>56</u>
1479 Other current assets (note 9)	99,006	-	131,835	-	Non-current liabilities:				
1480 Incremental costs of obtaining a contract	895,186	2	545,986	2	Bonds payable (note 6(j))	500,000	1	-	-
Total current assets	<u>34,307,743</u>	<u>90</u>	<u>30,611,683</u>	<u>90</u>	Long-term borrowings (note 6(i), 7 and 8)	3,060,000	8	3,060,000	9
Non-current assets:					Other non-current liabilities	7,833	-	9,742	-
1550 Investments accounted for using equity method (note 6(e))	630,976	2	27,833	-	Total non-current liabilities	<u>3,067,833</u>	<u>9</u>	<u>3,069,742</u>	<u>9</u>
1600 Property, plant and equipment (note 6(g) and 8)	78,269	-	80,310	-	Total liabilities	<u>26,463,956</u>	<u>69</u>	<u>22,167,271</u>	<u>65</u>
1760 Investment property, net (note 6(h) and 8)	2,890,023	8	2,917,369	9	Equity:				
1920 Refundable deposits (note 9)	109,480	-	136,647	1	Common stock (note 6(n))	3,328,087	9	3,328,087	10
1990 Other assets	109,447	-	109,409	-	Capital surplus (note 6(n))	2,042,348	5	2,042,348	6
Total non-current assets	<u>3,818,195</u>	<u>10</u>	<u>3,271,568</u>	<u>10</u>	Retained earnings (note 6(n)):				
					Appropriated as legal capital reserve	1,979,059	5	1,979,059	6
					Unappropriated earnings	4,312,488	12	4,366,486	13
					Total equity	<u>11,661,982</u>	<u>31</u>	<u>11,715,980</u>	<u>35</u>
Total assets	<u>\$ 38,125,938</u>	<u>100</u>	<u>\$ 33,883,251</u>	<u>100</u>	Total liabilities and equity	<u>\$ 38,125,938</u>	<u>100</u>	<u>\$ 33,883,251</u>	<u>100</u>

See accompanying notes to financial statements.

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

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
Operating revenue:					
4300	Rental revenue (note 6(k)(p) and 7)	\$ 159,860	23	170,428	53
4511	Construction contract revenue (note 6(p))	524,708	77	152,229	47
Net operating revenue		<u>684,568</u>	<u>100</u>	<u>322,657</u>	<u>100</u>
Operating cost:					
5300	Rental Cost	84,465	12	87,753	27
5510	Construction contract cost (note 6(d))	218,840	32	112,089	35
Net operating cost		<u>303,305</u>	<u>44</u>	<u>199,842</u>	<u>62</u>
Gross profit		<u>381,263</u>	<u>56</u>	<u>122,815</u>	<u>38</u>
Operating expenses(note 6(l)(q) and 7):					
6100	Selling expenses	45,433	7	27,234	8
6200	Administrative expenses	33,699	5	28,041	9
Total operating expenses		<u>79,132</u>	<u>12</u>	<u>55,275</u>	<u>17</u>
Operating income		<u>302,131</u>	<u>44</u>	<u>67,540</u>	<u>21</u>
Non-operating income and expenses (note 6(j)(r) and 7):					
7100	Interest income	3,337	-	1,411	-
7010	Other income	27,647	4	21,555	7
7020	Other gains and losses	28,612	4	44,690	14
7050	Finance costs	(321,400)	(47)	(152,077)	(47)
7060	Share of profit of investment in associates and subsidiaries accounted for using equity method	(8,857)	(1)	(1,371)	-
Total non-operating income and expenses		<u>(270,661)</u>	<u>(40)</u>	<u>(85,792)</u>	<u>(26)</u>
7900	Profit (loss) before tax	31,470	4	(18,252)	(5)
7951	Less: income tax expenses (note 6(m))	<u>85,468</u>	<u>12</u>	<u>15,092</u>	<u>5</u>
8200	Loss	<u>(53,998)</u>	<u>(8)</u>	<u>(33,344)</u>	<u>(10)</u>
Other comprehensive income:					
8360	Items that may be reclassified subsequently to profit or loss:				
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
8300	Other comprehensive income (after tax)	-	-	-	-
8500	Total comprehensive income	<u>\$ (53,998)</u>	<u>(8)</u>	<u>(33,344)</u>	<u>(10)</u>
Earnings per share (note 6(o)):					
9750	Basic earnings per share (NT dollars)	<u>\$ (0.16)</u>		<u>(0.10)</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ (0.16)</u>		<u>(0.10)</u>	

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

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollar)

	Common stock	Capital surplus	Legal reserve	Retained earnings		Total equity
				Unappropriated earnings	Total	
Balance at January 1, 2021	\$ 3,328,087	2,042,348	1,917,660	4,860,600	6,778,260	12,148,695
Net loss	-	-	-	(33,344)	(33,344)	(33,344)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	(33,344)	(33,344)	(33,344)
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	61,399	(61,399)	-	-
Cash dividends	-	-	-	(399,371)	(399,371)	(399,371)
Balance at December 31, 2021	3,328,087	2,042,348	1,979,059	4,366,486	6,345,545	11,715,980
Net loss	-	-	-	(53,998)	(53,998)	(53,998)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	(53,998)	(53,998)	(53,998)
Balance at December 31, 2022	\$ 3,328,087	2,042,348	1,979,059	4,312,488	6,291,547	11,661,982

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(expressed in thousands of New Taiwan dollar)

	2022	2021
Cash flows from (used in) operating activities:		
Profit (loss) before income tax	\$ 31,470	(18,252)
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation expense	29,949	29,948
Amortization expense	183	335
Net profit on financial assets at fair value through profit or loss	-	(21)
Interest expenses	321,400	152,077
Interest income	(3,337)	(1,411)
Recognized shares of profit of investment in associates accounted for using equity method	8,857	1,371
Loss from disposal of property, plant and equipment	-	243
Gain on disposal of Investment property	-	(66,441)
Total adjustments to reconcile profit and loss	357,052	116,101
Net changes in operating assets and liabilities:		
Financial asset at fair value through profit or loss	-	21
Notes receivable	52,248	(52,076)
Accounts receivable	13,041	16,678
Other receivable—related parties	(71)	343
Inventories	(2,836,204)	(9,208,052)
Prepayments	386,184	(226,283)
Other current assets	4,018	(7,040)
Incremental costs of obtaining a contract	(349,200)	(396,496)
Other financial assets	(1,267,312)	(768,272)
Notes payable	(42,309)	69,032
Accounts payable	108,295	(70,444)
Other payable	(35,714)	142,641
Current contract liabilities	2,286,655	1,143,418
Other current liabilities	10,936	22,174
Total changes in operating assets / liabilities, net	(1,669,433)	(9,334,356)
Total adjustments	(1,312,381)	(9,218,255)
Cash used in from operations	(1,280,911)	(9,236,507)
Interest received	3,448	1,411
Interest paid	(406,265)	(183,446)
Income tax paid	(93,255)	(14,854)
Net cash flows used in operating activities	(1,776,983)	(9,433,396)
Cash flows from (used in) investing activities:		
Investments accounted for using equity method	(612,000)	-
Acquisition of property, plant and equipment	(562)	(2,157)
Proceeds from disposal of property, plant and equipment	-	2,248
Increase in refundable deposits	(2,362)	(289,708)
Decrease in refundable deposits	58,229	339,556
Proceeds from disposal of investment property	-	136,028
Increase in other non-current assets	(221)	(104,935)
Net cash flows from (used in) investing activities	(556,916)	81,032
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	21,962,011	19,297,991
Decrease in short-term borrowings	(19,642,522)	(14,639,500)
Increase in short-term notes and bills payable	40,334,041	18,770,987
Decrease in short-term notes and bills payable	(41,186,431)	(17,044,393)
Increase in bonds payable	500,000	-
Proceeds from long-term debt	-	3,060,000
Increase (Decrease) in other non-current liabilities	(1,909)	154
Cash dividends paid	-	(399,371)
Net cash flows from financing activities	1,965,190	9,045,868
Net decrease in cash and cash equivalents	(368,709)	(306,496)
Cash and cash equivalents, at beginning of period	560,618	867,114
Cash and cash equivalents, at end of period	\$ 191,909	560,618

See accompanying notes to financial statements.

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

Notes to Parent Company Only Financial Statements

For the years ended December 31 2022 and 2021

(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 08, 2023.

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 new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (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, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Company completes its evaluation.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

The Company does not expect the other 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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

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 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

(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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only 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.

(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 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

An entity shall classify a liability 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 issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises 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.

(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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only 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 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.

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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

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'.

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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

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 asset 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.

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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(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.

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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(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) 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.

(i) 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(j) 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.

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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(k) 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 lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rental revenue'.

(l) Impairment – non-financial assets

Non-financial assets other than inventories 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.

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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(m) 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 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(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.

(n) 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.

(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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(o) 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.

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 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.

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
 - 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(p) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(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

The Company discloses the operating segments information in the consolidated financial statements.

Therefore, the Company does not disclose such information in the parent company only financial statement.

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:

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

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.

The Company'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 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 information. (i.e. non-observable parameter.)

6. Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 177	175
Demand deposits	191,732	560,443
Cash and cash equivalents in the statement of cash flows	\$ 191,909	560,618

Please refer to note 6(s) 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

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks non-listed on domestic markets	\$ -	-

As of December 31, 2022 and 2021, the financial assets were not pledged.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(c) Note and trade receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 12,284	64,532
Account receivables—measured as amortized cost	<u>15,144</u>	<u>28,185</u>
Total	<u><u>\$ 27,428</u></u>	<u><u>92,717</u></u>

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:

	<u>December 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ <u>27,428</u>	-	<u>-</u>
	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ <u>92,717</u>	-	<u>-</u>

The notes and trade receivable of the Company were not pledged as collaterals.

For further credit risk information, please refer to note 6(s).

(d) Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Properties and land held for sale	\$ 203,725	204,928
Construction-in-progress — land	10,000,089	8,902,356
Construction-in-progress — projects	6,296,756	2,552,382
Land held for development	13,800,902	15,710,047
Prepayments for land purchase	15,190	15,190
Less: allowance for loss on decline in market value and obsolescence	<u>(2,100)</u>	<u>(2,500)</u>
	<u><u>\$ 30,314,562</u></u>	<u><u>27,382,403</u></u>

(i) The capitalized interests of land held for development and construction in progress were \$95,955 thousand and \$37,570 thousand in the year of 2022, and 2021 respectively.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

- (ii) In 2022 and 2021 the reversal of allowance for loss of inventory amounted to \$400 thousand and \$1,210 thousand, respectively, due to the increase in market demand.
- (iii) Please refer to note 8 for the Company's inventories pledged as collateral as of December 31, 2022 and 2021.

(e) 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:

	December 31, 2022	December 31, 2021
Subsidiary	\$ 630,976	27,833

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended 2022.

(ii) Collateral

As of December 31, 2022 and 2021, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

(f) Business combination

On February, 2022, the Company participated cash capital increasement of Mitsubashi development Co,Ltd., and invested \$600,000 thousand, 60,000 thousand shares, acquiring 50% of the shares and voting interests in the company.Mitsubashi development Co,Ltd. is a company of Housing and Building Development.

Taking control of Mitsubashi development Co,Ltd. will enable the Company to execute urban renewal.

For the eleven months ended December 31, 2022, Mitsubashi development Co,Ltd. contributed revenue of \$0 thousand and loss of \$14,952 thousand to the Company's results. If the acquisition had occurred on January 1, 2022, management estimates that consolidated revenue would have been \$0 thousand and loss would have been \$14,952 thousand. In determining these amounts, the management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2022.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

- (i) The following table summarizes the acquisition date fair value of major class of consideration transferred.

Cash and cash equivalent	\$ <u>600,000</u>
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- (ii) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Inventories (note 6(d))	\$ 390,315
Cash and cash equivalent	808,537
Other current assets	900
Other assets	371
Current liabilities	<u>(123)</u>
Total identifiable net assets acquired	<u>\$ 1,200,000</u>

- (iii) Acquisitions of NCI

In March 2022, the Company acquired an additional interest in Mitsubishi development Co, Ltd. for \$12,000 thousand in cash, increasing its ownership from 50 to 51%.

- (g) Property, plant and equipment

- (i) Changes in the cost, depreciation of property, plant, and equipment for 2022 and 2021 were as follows:

	Land	Buildings and construction	Other Facilities	Total
Cost :				
Balance at January 1, 2022	\$ 54,131	65,703	15,448	135,282
Addition	-	-	562	562
Scrapped	-	-	(2,060)	(2,060)
Balance at December 31, 2022	<u>\$ 54,131</u>	<u>65,703</u>	<u>13,950</u>	<u>133,784</u>
Balance at January 1, 2021	\$ 54,131	65,703	15,991	135,825
Addition	-	-	2,157	2,157
Disposal	-	-	(2,700)	(2,700)
Balance at December 31, 2021	<u>\$ 54,131</u>	<u>65,703</u>	<u>15,448</u>	<u>135,282</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Other Facilities</u>	<u>Total</u>
Depreciation and impairments loss :				
Balance at January 1, 2022	\$ 7,869	35,323	11,780	54,972
Depreciation for the year	-	1,267	1,336	2,603
Scrapped	-	-	(2,060)	(2,060)
Balance at December 31, 2022	<u>\$ 7,869</u>	<u>36,590</u>	<u>11,056</u>	<u>55,515</u>
Balance at January 1, 2021	\$ 7,869	34,056	10,762	52,687
Depreciation for the year	-	1,267	1,227	2,494
Disposal	-	-	(209)	(209)
Balance at December 31, 2021	<u>\$ 7,869</u>	<u>35,323</u>	<u>11,780</u>	<u>54,972</u>
Carrying value:				
Balance at December 31, 2022	<u>\$ 46,262</u>	<u>29,113</u>	<u>2,894</u>	<u>78,269</u>
Balance at December 31, 2021	<u>\$ 46,262</u>	<u>30,380</u>	<u>3,668</u>	<u>80,310</u>
Balance at January 1, 2021	<u>\$ 46,262</u>	<u>31,647</u>	<u>5,229</u>	<u>83,138</u>

(ii) Collateral

As of December 31, 2022 and 2021, the property, plant and equipment of the Company had been pledged as collateral, please refer to note 8.

(h) Investment Properties

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost :			
Balance at January 1, 2022	<u>\$ 1,572,581</u>	<u>1,394,638</u>	<u>2,967,219</u>
Balance at December 31, 2022	<u>\$ 1,572,581</u>	<u>1,394,638</u>	<u>2,967,219</u>
Balance at at January 1, 2021	\$ 1,609,903	1,427,658	3,037,561
Disposal	(37,322)	(33,020)	(70,342)
Balance at December 31, 2021	<u>\$ 1,572,581</u>	<u>1,394,638</u>	<u>2,967,219</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2022	\$ -	49,850	49,850
Depreciation for the year	-	27,346	27,346
Balance at December 31, 2022	<u>\$ -</u>	<u>77,196</u>	<u>77,196</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

	Land and improvements	Buildings	Total
Balance at at January 1, 2021	\$ -	23,151	23,151
Depreciation for the year	-	27,454	27,454
Disposal	-	(755)	(755)
Balance at December 31, 2021	<u>\$ -</u>	<u>49,850</u>	<u>49,850</u>
Carrying amount :			
Balance at December 31, 2022	<u>\$ 1,572,581</u>	<u>1,317,442</u>	<u>2,890,023</u>
Balance at December 31, 2021	<u>\$ 1,572,581</u>	<u>1,344,788</u>	<u>2,917,369</u>
Balance at January 1, 2021	<u>\$ 1,609,903</u>	<u>1,404,507</u>	<u>3,014,410</u>
Fair value :			
Balance at December 31, 2022			<u>\$ 7,474,334</u>
Balance at December 31, 2021			<u>\$ 7,474,334</u>
Balance at January 1, 2021			<u>\$ 7,758,917</u>

The fair value of the investment property was determined by referring to the average market price of similar real estate after deducting related expenses. The inputs used in the fair value valuation technique were market values classified as Level 3.

Please refer to note 8 for the Company's investment property pledged as collateral as of December 31, 2022 and 2021.

(i) Short-term borrowings/short-term notes and bills payable/long-term borrowings

Short-term borrowings/short-term notes and bills payable/long-term borrowings were summarized as follows :

	December 31, 2022			
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	TWD	2.15%~2.95%	2023~2027	\$ 12,897,980
Secured bank loans	TWD	2.15%~2.26%	2028	3,060,000
Unsecured bank loans	TWD	2.425%	2027	170,000
Commercial paper payables	TWD	1.10%~2.49%	2023	5,415,892
Total				<u>\$ 21,543,872</u>
Current				\$ 18,483,872
Non-current				3,060,000
Total				<u>\$ 21,543,872</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

	December 31, 2021			
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	TWD	1.36%~1.80%	2022~2024	\$ 10,359,449
Secured bank loans	TWD	1.47%	2028	3,060,000
Unsecured bank loans	TWD	1.30%	2022	389,042
Commercial paper payables	TWD	0.32%~1.29%	2022	<u>6,268,282</u>
Total				<u>\$ 20,076,773</u>
Current				\$ 17,016,773
Non-current				<u>3,060,000</u>
Total				<u>\$ 20,076,773</u>

Please refer to note 8 for the Company's assets pledged to secure bank loans; please refer to note 7 for joint guarantees provided by related parties.

(j) Bonds payable

(i) The details of unsecured bonds payable were as follows:

	December 31, 2022
Unsecured bonds payable	\$ 500,000
Unamortized discounted corporate bonds payable	-
Cumulative redeemed amount	-
Year end balance	<u>\$ 500,000</u>
	2022
Interest expense	<u>\$ 2,351</u>

(ii) The Company' Board of Directors approved issuing not exceed NT\$1,000,000 thousand unsecured bonds payable on September 7, 2022, and the authority approved the declaration on October 19,2022.The company's rights and obligations to the outstanding unsecured bonds payable issued are as follows:

Item	Domestic unsecured bonds payable (I)
Total amount issued	NT\$500,000 thousand
Par value	NT\$1,000 thousand
Issue price	NT\$1,000 thousand
Issue date	October 27, 2022~October 27,2027,5 years
Coupon rate	2.60%
Terms of repayment	Unless the bonds are converted to ordinary shares of the Company in accordance with Article 8 of these Regulations, the Company shall repay in cash one lump sum according to the band face value when the bonds payable mature.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

Item	Domestic unsecured bonds payable (I)
Terms of redemption prior to maturity	From the day following the one-year period after the issuance of the bonds payable, the company may redemption parts or all bonds issued. Bonds holders shall be no objections. Notification letter will be delivered to the TPEx for the announcement within the next 30 business days, The redemption price is set as the Par value of the bonds, plus interest payable.
Interest payment	Simple interest will be used since the issuing date by using the coupon rate. Every million dollars of bond interests will round to the nearest whole number. If the payment date coincide with the bank's non-working day, the interest payment will be postponed to the next working day with no accrued interest. There is also no accrued interest for those who receive interest after the coupon dates.
Secured type	None

(k) 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, 2022	December 31, 2021
Less than one year	\$ 175,137	162,118
One to two year	168,939	153,625
Two to three year	162,098	171,577
Three to four year	156,027	151,726
Four to five year	153,885	150,011
More than five year	<u>1,695,609</u>	<u>1,844,038</u>
Total undiscounted lease payments	<u>\$ 2,511,695</u>	<u>2,633,095</u>

Rental income from investment properties were \$144,103 thousand and \$149,550 thousand for the years ended December 31, 2022 and 2021, respectively.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(l) 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, 2022 and 2021

(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 \$1,399 thousand and \$1,246 thousand for the years ended December 31, 2022 and 2021, respectively.

(m) Income tax

(i) Income tax expense

The components of income tax in the years of 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 85,468	15,092
Deferred tax expense	-	-
Income tax expenses from continuing operations	<u>\$ 85,468</u>	<u>15,092</u>

Reconciliation of income tax expense and profit before tax for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Profit(loss) excluding income tax	<u>\$ 31,470</u>	<u>(18,252)</u>
Income tax using the Company's domestic tax rate	\$ 6,294	(3,650)
Tax-exempt income	(1,767)	(11,781)
Land value increment Tax	87,134	7,431
Additional tax on undistributed earnings	-	7,661
Previous overestimate	(1,667)	-
Others	<u>(4,526)</u>	<u>15,431</u>
Total	<u>\$ 85,468</u>	<u>15,092</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(ii) Deferred tax assets

1) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets were as follows:

	December 31, 2022	December 31, 2021
Tax effect of deductible Temporary Differences	\$ 109,818	80,628
The carryforward of unused tax losses	184,537	183,248
	\$ 294,355	263,876

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 Company's can utilize the benefits there from.

As of December 31, 2022, the information of the Company's unused to losses for which no deferred tax assets were recognized was as follows:

Year of loss	Unused amount	Expiration year
2015	\$ 34,844	2025
2017	14,183	2027
2018	386,349	2028
2019	102,694	2029
2020	326,710	2030
2021	49,069	2031
2022	8,835	2032

(iii) The ROC income tax authorities have examined the Company's income tax returns for all years through 2020.

(n) Capital and Other Equities

As of December 31, 2022 and 2021, 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 were outstanding.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(i) Capital surplus

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

	<u>December 31, 2022</u>	<u>December 31, 2021</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	<u>11,235</u>	<u>11,235</u>
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.

(ii) Unappropriated earnings

The Company's article of incorporation stipulate that any Company's net earnings should first be used to offset the prior years' deficits, before paying any income taxes. Then 10% of the remaining balance is to be appropriated as legal reserve, unless such legal reserve has amounted to the paid-in capital. After that, the Company shall appropriate the remaining portion as a special reserve pursuant to relevant laws. Any remaining profit, together with any undistributed retained earnings, shall be distributed as dividends according to the distribution plan proposed by the Board of Directors and approved at a stockholders' meeting. Except as distribute reserve required by law, the Company can't appropriate dividends and bonus if the Company had net loss.

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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

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) Earnings Distribution

Loss covering for 2021 and earnings distribution for 2020 was decided by the resolution adopted, at the general meeting of shareholders held on June 15, 2022 and August 20, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share	Total amount	Amount per share	Total Amount
Dividends distributed to ordinary shareholders :				
Cash	\$ -	<u>-</u>	1.20	<u>399,371</u>

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.

(o) Earnings per share

(i) Basic Earnings per share

The details on the calculation of basic earnings per share at December 31, 2022 and 2021 was based on the loss attributable to ordinary shareholders of the Company amounting to \$(53,998) thousand and \$(33,334) thousand and the weighted average number of ordinary shares outstanding were both 332,809 thousand as follows:

	2022	2021
Loss attributable to ordinary shareholders of the Company	<u>\$ (53,998)</u>	<u>(33,334)</u>
Weighted-average number of ordinary shares outstanding (basic) (in thousands)	<u>332,809</u>	<u>332,809</u>
Basic (loss) earnings per share (NT dollars)	<u>(0.16)</u>	<u>(0.10)</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(ii) Diluted earnings per share

The details on the calculation of diluted earnings per share at December 31, 2022 and 2021 was based on loss attributable to ordinary shareholders of the Company amounting to \$(53,998) thousand and \$(33,344) thousand and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 332,809 thousand, as follows:

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

	<u>2022</u>	<u>2021</u>
Loss attributable to ordinary shareholders of the Company (basic)	\$ (53,998)	(33,334)
Loss attributable to ordinary shareholders of the Company (diluted)	<u>\$ (53,998)</u>	<u>(33,334)</u>

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

	<u>2022</u>	<u>2021</u>
Weighted-average number of ordinary shares (basic) (in thousands)	332,809	332,809
Effect of employee stock bonus	-	-
Weighted-average number of ordinary shares (diluted) (in thousands)	<u>332,809</u>	<u>332,809</u>
Diluted (loss) earnings per share (NT dollars)	<u>\$ (0.16)</u>	<u>\$ (0.10)</u>

(p) Revenue from contracts with customers

(i) Details of revenue

	<u>2022</u>	<u>2021</u>
Primary geographical markets		
Taiwan	<u>\$ 684,568</u>	<u>322,657</u>
Major products/services lines		
Sale of land and buildings	\$ 524,708	152,229
Lease of real estate	<u>159,860</u>	<u>170,428</u>
	<u>\$ 684,568</u>	<u>322,657</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes receivable	\$ 12,284	64,532	12,456
Accounts receivable	15,144	28,185	44,863
Total	<u>\$ 27,428</u>	<u>92,717</u>	<u>57,319</u>
Contract liabilities — sale of real estate	<u>\$ 3,962,158</u>	<u>1,675,503</u>	<u>532,085</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, 2022 and 2021.

(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”.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other financial assets-current	<u>\$ 2,417,026</u>	<u>1,149,714</u>

As of December 31, 2022, 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, 2022, the transaction payment trust for presale projects— Hong Pu Summer Palace, Hong Pu Central Park, Hong Pu Garden Gark, Hong Pu Yang Ming, Hong Pu ITC, Hong Pu Grand Park, Great Mansion, Fashion Mansion and Chic Mansion was detailed 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(q) Remuneration to employees and directors

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. If there is profit for the year, it shall be used to offset accumulated losses, if any, before appropriating employee compensation, after which the remaining portion shall be appropriated according to the above-mentioned proportion. If employee compensation is to be paid in the form of shares or cash, the recipients shall include the employees of the Company's affiliated companies that meet certain conditions. The amount of remuneration of directors and of compensation for employees entitled to receive the abovementioned employee compensation is in accordance with relevant laws and regulations and approved by the Board of Directors.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration were both amounting to \$0 thousands, and directors' remuneration were also both amounting to \$0 thousands. 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 2022 and 2021. Related information would be available at the Market Observation Post System website. The above-mentioned amounts, as stated in the financial statements for the years ended December 31, 2022 and 2021, are identical to those of the actual distributions.

(r) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 3,276	1,280
Other interest income	<u>61</u>	<u>131</u>
Total	<u>\$ 3,337</u>	<u>1,411</u>

(ii) Other income

The details of other income were as follows:

	<u>2022</u>	<u>2021</u>
Breach income	\$ 4,954	2,314
Others	<u>22,693</u>	<u>19,241</u>
Total	<u>\$ 27,647</u>	<u>21,555</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Gains on financial assets at fair value through profit or loss	\$ -	21
Losses on disposals of property, plant and equipment	-	(243)
Gains on disposals of investment property	-	66,441
Foreign exchange gains (losses)	34,171	(15,581)
Others	(5,559)	(5,948)
Total	<u>\$ 28,612</u>	<u>44,690</u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2022</u>	<u>2021</u>
Interest expenses	\$ 417,355	189,647
Less: Capitalized Interest	(95,955)	(37,570)
Total	<u>\$ 321,400</u>	<u>152,077</u>
Capitalized Interest Rate	<u>1.30%~2.10%</u>	<u>1.01%~1.33%</u>

(s) 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.

(ii) Liquidity risk

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

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

	<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>
As of December 31, 2022							
Non-derivative financial liabilities							
Secured bank loans	\$ 15,957,980	16,790,806	5,200,676	1,214,144	4,598,631	2,696,959	3,080,396
Unsecured Secured bank loans	170,000	187,018	2,061	2,061	4,123	178,773	-
Short-term notes and bills payables	5,415,892	5,433,400	5,433,400	-	-	-	-
Bonds payables	500,000	562,649	6,447	6,553	13,000	536,649	-
Notes and accounts payables	217,663	217,663	217,663	-	-	-	-
	<u>\$ 22,261,535</u>	<u>23,191,536</u>	<u>10,860,247</u>	<u>1,222,758</u>	<u>4,615,754</u>	<u>3,412,381</u>	<u>3,080,396</u>
As of December 31, 2021							
Non-derivative financial liabilities							
Secured bank loans	\$ 13,419,449	13,875,453	6,498,381	601,613	97,748	3,558,727	3,118,984
Unsecured bank loan	389,042	392,534	2,508	390,026	-	-	-
Short-term notes and bills payables	6,268,282	6,273,400	6,273,400	-	-	-	-
Notes and accounts payables	151,677	151,677	151,677	-	-	-	-
	<u>\$ 20,228,450</u>	<u>20,693,064</u>	<u>12,925,966</u>	<u>991,639</u>	<u>97,748</u>	<u>3,558,727</u>	<u>3,118,984</u>

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:

	<u>December 31, 2022</u>			<u>December 31, 2021</u>			
	<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>Monetary item</u>							
USD	\$	761	30.71	23,368	13,929	27.68	385,567

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents that are denominated in foreign currency. A strengthening (weakening) of 10% of the NTD against the USD as of December 31, 2022 and 2021, would have increased (decreased) the net profit before tax by \$2,337 and \$38,557 thousand respectively. 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 Company's interest rate exposure to its financial assets and liabilities.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

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 \$104,108 thousand and \$76,795 thousand for the years ended December 31, 2022 and 2021 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	2022		2021	
	After-tax other Comprehensive income	After-tax profit (loss)	After-tax other Comprehensive income	After-tax profit (loss)
Increase 3%	\$ -	-	-	-
Decrease 3%	\$ -	-	-	-

(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, 2022				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss \$	-	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	191,909	-	-	-	-
Notes receivable and account receivable	27,428	-	-	-	-
Other financial assets - current	2,417,026	-	-	-	-
Subtotal	2,636,363	-	-	-	-
Total	\$ 2,636,363				

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only 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.

(t) Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

The following likewise discusses the Company'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.

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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only 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, 2022 and 2021, 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 \$1,725,120 thousand and \$2,862,651 thousand as at 31 December 31, 2022 and 2021.

(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 Parent Company Only Financial Statements

(u) 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.

The Company's capital management strategies were the same for 2022 and 2021, and debt-to-equity ratios on December 31, 2022 and 2021 were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Total liabilities	\$ 26,463,956	22,167,271
Less: cash and cash equivalents	(191,909)	(560,618)
Net debt	<u>\$ 26,272,047</u>	<u>21,606,653</u>
Total equity	<u>\$ 11,661,982</u>	<u>11,715,980</u>
Debt to equity ratio	<u>225.28%</u>	<u>184.42%</u>

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.

<u>Name related party</u>	<u>Relationship with the Company</u>
J.H. Tuan	The chairman of the Company
IG Construction Co., Ltd.	Other related parties
Hsin Pei Real Estate Development Co., Ltd.	Other related parties
Chuan Yue Real Estate Development Co., Ltd.	Subsidiary

(b) Related party transactions

(i) Endorsements and guarantees

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

(ii) Leases

One of other related parties rented an office building from the Company, for which a five-year lease contract was signed at the price of \$331 thousand with reference to nearby office rental rates. For 2022 and 2021, the Company's rent income were both amounting to \$34 thousand. As of December 31, 2022 and 2021, the payments have been received.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(iii) Others

The Company has signed a contract for a joint-construction 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 charged Hsin Pei Real Estate for 6% of the management fee. For the years ended December 31, 2022 and 2021, management fee income amounted to \$21,904 thousand and \$10,811 thousand, respectively. As of December 31, 2022 and 2021, the resulting accounts receivable amounted to \$1,795 thousand and \$1,464 thousand respectively, both of which were included in the line item of "other receivables due from related parties.

The Company offers management services to its subsidiaries. For the year 2021, the Company recognized management income amounted \$260 thousands, and accounts receivables of \$260 thousands, recorded as "Other receivable—related parties " .

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 6,780	5,907
Retirement benefits	374	316
Other long-term benefits	-	-
Resignation benefits	-	-
Share-based payment	-	-
Total	<u>\$ 7,154</u>	<u>6,223</u>

8. Pledged assets

As of December 31, 2022 and 2021, the carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Inventories -Construction- in-progress -land	Short-term bills payable, short-term loans	\$ 9,961,184	8,863,450
Inventories -Land held for development	Short-term bills payable, short-term loans	12,685,352	13,051,001
Property, Plant and Equipment	Short-term bills payable	75,375	76,642
Investment properties	Short-term bills payable, Long-term borrowings	2,890,023	2,917,369
		<u>\$ 25,611,934</u>	<u>24,908,462</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

9. Commitments and contingencies

- (a) As of December 31, 2022 and 2021, the Company had issued promissory notes of \$21,547,900 and \$20,976,900 thousand to financial institutions for their provision of repayment guarantees.
- (b) As of December 31, 2022 and 2021, the total contract amount of the Company's construction projects was \$6,715,395 and \$4,486,592 thousand, of which \$1,929,988 and \$485,496 thousand had been paid and recorded as "inventory and prepayments."
- (c) As of December 31, 2022 and 2021, the total contract amount of the Company's advanced-sell projects was \$24,019,577 and \$12,377,601 thousand of which \$3,962,158 and \$1,675,503 thousand had been received and recorded as "current contract liabilities."
- (d) As of December 31, 2022 and 2021, the total contract amount of the Company's prepayments for land purchase were \$15,190 thousand, of which \$15,190 thousand had been paid and recorded as "inventories".
- (e) As of December 31, 2021, the total contract amount of the Company's prepayments for building bulk ware \$671,507 thousand, of which \$588,680 thousand had been paid and recorded as "prepayment".
- (f) The Company has signed project "061120014" joint construction agreement with six non related parties, Mrs. Yang and five others, on June 2010; and Mr. Pan and three others on September 2011. As of December 31, 2021, 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".
- (g) 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, 2022 and 2021, in accordance with the joint construction agreement, the Company has paid a promissory amount of \$92,464 thousand and \$121,234 thousand respectively to the land owners and recorded it as "other current assets"
- (h) The Company has signed project "032310150" joint construction agreement with eleven non-related parties, Mr. Chen and ten others, in October, November and December 2019. As of December 31, 2022 and 2021, 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.
- (i) The Company requested IBFC to be the guarantor for its issuance of commercial papers. The Tunhwa South office was pledged as collateral. According to the contract, IBFC was appointed as the beneficiary of the fire insurance on this office.

10. Losses Due to Major Disasters : None.

11. Subsequent Events

On January 16, 2023, the Company issued unsecured bonds payable(II), total amount issued was NT\$500,000 thousand, with Coupon rate 2.85%, 5 years.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

12. Other

- (a) Total personnel, depreciation and amortization expenses categorized by function for the years ended December 31, 2022 and 2021, were as follows:

	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	11,951	17,998	29,949	8,238	17,867	26,105
Labor and health insurance	1,080	1,943	3,023	755	1,945	2,700
Pension	657	774	1,431	459	819	1,278
Remuneration of directors	-	631	631	-	588	588
Others	337	527	864	240	579	819
Depreciation	27,346	2,603	29,949	27,454	2,494	29,948
Amortization	-	183	183	-	335	335

The information on the Company's employee and employee for the years ended December 31, 2022 and 2021 were as follow:

	<u>2022</u>	<u>2021</u>
Number of employees	<u>35</u>	<u>32</u>
Number of directors (not employees)	<u>5</u>	<u>3</u>
Average employee benefit expense	<u>\$ 1,176</u>	<u>1,066</u>
Average salary expense	<u>\$ 998</u>	<u>900</u>
Perecentage of average employee salary expense	<u>10.89 %</u>	<u>(32.13)%</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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only 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, 2022 (excluding investment in subsidiaries, associates and joint ventures) :

(Unit Share)

Name of holder	Category and name of security	Relationship with company	Account title	Ending Balance				Note
				Shares/Units	carrying value	Percentage of ownership	Fair value	
The Company	STOCK-CPT	-	Mandatorily measured at fair value through profit-current	23,599	-	-	-	
The Company	STOCK-NEOMAGIC(NMGC)	-	Mandatorily measured at fair value through profit-current	10,659	-	-	-	

- (4) Cumulative buying or selling of one specific security exceeding the lower of TWD300 million or 20% capital stock :

(In Thousands of New Taiwan Dollar)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	STOCK-Mitsubishi Development Co., Ltd.	Investment's accounted for using equity method	Cash Capital Increase	none	-	-	60,000,000	600,000	-	-	-	-	60,000,000	600,000
The Company	STOCK-Mitsubishi Development Co., Ltd.	Investment's accounted for using equity method	Mitsui Fudosan Taiwan Co., Ltd.	none	-	-	1,200,000	12,000	-	-	-	-	1,200,000	12,000

- (5) Acquisition of real estate with an amount exceeding the lower of TWD300 million or 20% of the capital stock :

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			
Mitsubishi Development Co., Ltd.	Construction-in-progress-land	2022.03.01	1,950,000	1,950,000	4 People 、OO Co., Ltd	An unrelated parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

- (6) Disposal of real estate with an amount exceeding the lower of TWD300 million or 20% of the capital stock :

Name of company	Name of property	Transaction	Acquisition date	Book value	Transaction amount	Amount received	Gain or loss on disposal	Counter party	Relationship with the Company	Purpose of disposal	References for determining price	Other
The Company	Land held for construction	December 30, 2021 (note)	July 30, 2007	164,775	461,380	461,380	296,605	OO Co., Ltd	An unrelated party	Operating income	Reference is made to the land transaction prices in the vicinity	None
The Company	Inventory-Construction-in-progress	October 30, 2022	It's Properties and land held for sale, so not applicable	None	4,080,000	600,000	None	OO Co., Ltd、OO Co., Ltd	An unrelated party	Operating income	Chiatai Real Estate Appraiser Office appraised for \$3,950,399、Yes Home Real Estate Appraiser Office appraised for \$3,962,690.	None

Note: On January 19, 2022, property right had transferred.

- (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 2022 (excluding information on investees in Mainland China):

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of the investee	Share of profit / losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	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 %	26,602	(2,414)	(1,231)	None
The Company	Mitsubishi Development Co., Ltd.	Taipei	Real estate development service	612,000	-	61,200,000	51.00 %	604,374	(14,952)	(7,626)	None

- (c) Information on investment in Mainland China: None.
- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Hua-Zhan Investment Co., Ltd.		60,009,745	18.03 %
Fu-Ta Investment Co., Ltd.		59,182,040	17.78 %

14. Segment information : None.

F. Consolidated Financial Statements and Independent Auditor’s Report in the recent years 2022 :



安侯建業聯合會計師事務所

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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, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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 Hong Pu Real Estate Development Co., Ltd. and its subsidiaries as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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 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 (m) 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 Hong Pu Real Estate Development Co., Ltd. and its subsidiaries 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 Hong Pu Real Estate Development Co., Ltd. and its subsidiaries.
- 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.

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:

- Evaluating whether the inventory estimate was in accordance with business cycle and other economic decree.
- Evaluating whether the market price data provided have been updated on regular or irregular basis to reflect the real economic situation.
- Obtaining understanding of current market trends and business strategies from management, and soliciting sufficient audit evidence to ascertain the accurateness of inventory valuation.

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, 2022 and 2021, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing Hong Pu Real Estate Development Co., Ltd. and its subsidiaries ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Hong Pu Real Estate Development Co., Ltd. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee or supervisors) are responsible for overseeing Hong Pu Real Estate Development Co., Ltd. and its subsidiaries financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Hong Pu Real Estate Development Co., Ltd. and its subsidiaries internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Hong Pu Real Estate Development Co., Ltd. and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Hong Pu Real Estate Development Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Hong Pu Real Estate Development Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 Hsu Ming Fang.

KPMG

Taipei, Taiwan (Republic of China)
March 08, 2023

Notes to Readers

The accompanying Consolidated 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 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, 2022 and 2021

(expressed in thousands of New Taiwan dollar)

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note 6(a))	\$ 207,631	1	579,746	2
1110 Financial assets at fair value through profit and loss (note 6(b))	-	-	-	-
1150 Notes receivable, net (notes 6(c)(o))	12,284	-	64,532	-
1170 Accounts receivable, net (note 6(c)(o))	15,144	-	28,185	-
1210 Other receivable-related parties (note 7)	1,795	-	1,464	-
1220 Current income tax assets	329	-	-	-
1320 Inventories (notes 6(d) 8 and 9)	32,317,993	82	27,405,229	81
1410 Prepayments (note 9)	370,316	1	749,137	2
1476 Other financial assets—current (notes 6(o))	2,417,026	6	1,149,714	3
1479 Other current assets (note 9)	99,006	-	131,834	-
1480 Incremental costs of obtaining a contract	895,186	2	545,986	2
Total current assets	<u>36,336,710</u>	<u>92</u>	<u>30,655,827</u>	<u>90</u>
Non-current assets:				
1600 Property, plant and equipment (notes 6(f) and 8)	78,269	-	80,310	-
1760 Investment property, net (note 6(g) and 8)	2,890,023	8	2,917,369	9
1920 Refundable deposits (note 9)	119,480	-	146,647	1
1990 Other assets	110,321	-	110,284	-
Total non-current assets	<u>3,198,093</u>	<u>8</u>	<u>3,254,610</u>	<u>10</u>
Total assets	<u>\$ 39,534,803</u>	<u>100</u>	<u>\$ 33,910,437</u>	<u>100</u>
Liabilities and Equity				
Current liabilities:				
2100 Short-term loans (note 6(h) 7 and 8)	\$ 13,867,980	35	10,748,491	32
2130 Short-term notes and bills payable (note 6(h) 7 and 8)	5,415,892	14	6,268,282	18
2150 Current contract liabilities (note 6(o) and 9)	3,962,158	11	1,675,503	5
2170 Notes payable	50,851	-	93,160	-
2200 Accounts payable	167,312	-	58,517	-
2230 Other payable	182,546	-	205,459	1
2399 Current tax liabilities	-	-	7,458	-
Total current liabilities	<u>23,698,755</u>	<u>60</u>	<u>19,097,973</u>	<u>56</u>
Non-current liabilities:				
2530 Bonds payable (note 6(i))	500,000	1	-	-
2540 Long-term borrowings (note 6(h) 7 and 8)	3,060,000	8	3,060,000	9
2600 Other non-current liabilities	7,833	-	9,742	-
Total non-current liabilities	<u>3,567,833</u>	<u>9</u>	<u>3,069,742</u>	<u>9</u>
Total liabilities	<u>27,266,588</u>	<u>69</u>	<u>22,167,715</u>	<u>65</u>
Equity:				
3110 Common stock (note 6(m))	3,328,087	8	3,328,087	10
3200 Capital surplus (note 6(m))	2,042,348	5	2,042,348	6
Retained earnings: (note 6(m))				
3310 Appropriated as legal capital reserve	1,979,059	5	1,979,059	6
3350 Unappropriated earnings	4,312,488	11	4,366,486	13
36XX Non-controlling interests	6,291,547	16	6,345,545	19
Total Equity attributable to owners of parent:	<u>11,661,982</u>	<u>29</u>	<u>11,715,980</u>	<u>35</u>
Total equity	<u>606,233</u>	<u>2</u>	<u>26,742</u>	<u>-</u>
Total liabilities and equity	<u>\$ 39,534,803</u>	<u>100</u>	<u>\$ 33,910,437</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, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
Operating revenue:					
4300	Rental revenue (notes 6(j)(o) and 7)	\$ 159,650	23	170,313	53
4511	Construction contract revenue (note 6(o))	<u>524,708</u>	<u>77</u>	<u>152,229</u>	<u>47</u>
Net operating revenue		<u>684,358</u>	<u>100</u>	<u>322,542</u>	<u>100</u>
Operating cost:					
5300	Rental Cost	84,465	12	87,753	27
5510	Construction contract cost (note 6(d))	<u>218,840</u>	<u>32</u>	<u>112,089</u>	<u>35</u>
Net operating cost		<u>303,305</u>	<u>44</u>	<u>199,842</u>	<u>62</u>
Gross profit		<u>381,053</u>	<u>56</u>	<u>122,700</u>	<u>38</u>
Operating expenses (notes 6(k)(p) and 7):					
6100	Selling expenses	45,998	7	27,234	8
6200	Administrative expenses	<u>36,854</u>	<u>5</u>	<u>30,362</u>	<u>10</u>
Total operating expenses		<u>82,852</u>	<u>12</u>	<u>57,596</u>	<u>18</u>
Operating income		<u>298,201</u>	<u>44</u>	<u>65,104</u>	<u>20</u>
Non-operating income and expense(note6(i)(q) and 7):					
7100	Interest income	3,375	-	1,418	-
7010	Other income	27,647	4	21,296	7
7020	Other gains and losses	28,612	4	44,690	14
7050	Finance costs	<u>(334,874)</u>	<u>(49)</u>	<u>(152,077)</u>	<u>(47)</u>
Total non-operating income and expenses		<u>(275,240)</u>	<u>(41)</u>	<u>(84,673)</u>	<u>(26)</u>
7900	Profit (loss) before tax	22,961	3	(19,569)	(6)
7951	Less: income tax expenses (note 6(l))	<u>85,468</u>	<u>12</u>	<u>15,092</u>	<u>5</u>
8200	Loss	<u>(62,507)</u>	<u>(9)</u>	<u>(34,661)</u>	<u>(11)</u>
Other comprehensive income					
8360	Items that may be reclassified subsequently to profit or loss:				
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
8300	Other comprehensive income (after tax)	-	-	-	-
8500	Total comprehensive income	<u>\$ (62,507)</u>	<u>(9)</u>	<u>(34,661)</u>	<u>(11)</u>
Loss attributable to:					
8610	Shareholders of the parent	\$ (53,998)	(8)	(33,344)	(11)
8620	Non-controlling interests	<u>(8,509)</u>	<u>(1)</u>	<u>(1,317)</u>	<u>-</u>
Loss		<u>\$ (62,507)</u>	<u>(9)</u>	<u>(34,661)</u>	<u>(11)</u>
Total comprehensive income attributable to:					
8710	Shareholders of the parent	\$ (53,998)	(8)	(33,344)	(11)
8720	Non-controlling interests	<u>(8,509)</u>	<u>(1)</u>	<u>(1,317)</u>	<u>-</u>
Other comprehensive income		<u>\$ (62,507)</u>	<u>(9)</u>	<u>(34,661)</u>	<u>(11)</u>
Earnings per share (note 6(n)):					
Basic earnings per share (NT dollars)		<u>\$ (0.16)</u>		<u>(0.10)</u>	
Diluted earnings per share (NT dollars)		<u>\$ (0.16)</u>		<u>(0.10)</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, 2022 and 2021

(Expressed in thousands of New Taiwan dollar)

	Equity attributable to owners of parent					Total equity attributable to owner of the parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total			
Balance at January 1, 2021	\$ 3,328,087	2,042,348	1,917,660	4,860,600	6,778,260	12,148,695	28,059	12,176,754
Net loss	-	-	-	(33,344)	(33,344)	(33,344)	(1,317)	(34,661)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(33,344)	(33,344)	(33,344)	(1,317)	(34,661)
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	61,399	(61,399)	-	-	-	-
Special reserve	-	-	-	(399,371)	(399,371)	(399,371)	-	(399,371)
Balance at December 31, 2021	3,328,087	2,042,348	1,979,059	4,366,486	6,345,545	11,715,980	26,742	11,742,722
Net loss	-	-	-	(53,998)	(53,998)	(53,998)	(8,509)	(62,507)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(53,998)	(53,998)	(53,998)	(8,509)	(62,507)
Non-controlling interests	-	-	-	-	-	-	588,000	588,000
Balance at December 31, 2022	\$ 3,328,087	2,042,348	1,979,059	4,312,488	6,291,547	11,661,982	606,233	12,268,215

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, 2022 and 2021
(expressed in thousands of New Taiwan dollar)

	2022	2021
Cash flows from (used in) operating activities:		
Profit (loss) before income tax	\$ 22,961	(19,569)
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation expense	29,949	29,948
Amortization expense	183	335
Net loss on financial assets at fair value through profit or loss	-	(21)
Interest expenses	334,874	152,077
Interest income	(3,375)	(1,418)
Loss from disposal of property, plant and equipment	-	243
Gain on disposal of Investment property	-	(66,441)
Total adjustments to reconcile profit and loss	361,631	114,723
Net changes in operating assets and liabilities:		
Financial asset at fair value through profit or loss	-	21
Notes receivable	52,248	(52,076)
Accounts receivable	13,041	16,678
Other receivable—related parties	(331)	257
Inventories	(4,426,494)	(9,223,588)
Prepayments	378,821	(226,412)
Other current assets	4,847	(8,457)
Other financial assets	(1,267,312)	(768,272)
Incremental costs of obtaining a contract	(349,200)	(396,496)
Notes payable	(42,309)	69,032
Accounts payable	108,795	(70,444)
Other payable	(35,453)	142,648
Current contract liabilities	2,286,655	1,143,418
Other current liabilities	10,790	22,171
Total changes in operating assets / liabilities, net	(3,265,902)	(9,351,520)
Total adjustments	(2,904,271)	(9,236,797)
Cash flow used in operations	(2,881,310)	(9,256,366)
Interest received	3,486	2,836
Interest paid	(418,289)	(183,446)
Income tax paid	(93,255)	(14,854)
Net cash flows used in operating activities	(3,389,368)	(9,451,830)
Cash flows from (used in) investing activities:		
Acquisition of subsidiaries(reduction of cash received)	208,537	-
Acquisition of property, plant and equipment	(562)	(2,157)
Proceeds from sale of property, plant and equipment	-	2,248
Increase in refundable deposits	(2,362)	(289,708)
Decrease in refundable deposits	58,299	339,556
Proceeds from disposal of investment property	-	136,028
(Increase) decrease in other assets	151	(104,936)
Net cash flows from (used in) investing activities	264,063	81,031
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	22,762,011	19,297,991
Decrease in short-term borrowings	(19,642,522)	(14,639,500)
Increase in short-term notes and bills payable	40,334,041	18,770,987
Decrease in short-term notes and bills payable	(41,186,431)	(17,044,393)
Increase in bonds payable	500,000	-
Proceeds from long-term debt	-	3,060,000
Increase (decrease) in other non-current liabilities	(1,909)	154
Cash dividends paid	-	(399,371)
Changes in non-controlling interests	(12,000)	-
Net cash flows from financing activities	2,753,190	9,045,868
Net decrease in cash and cash equivalents	(372,115)	(324,931)
Cash and cash equivalents, at beginning of period	579,746	904,677
Cash and cash equivalents, at end of period	\$ 207,631	579,746

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 2022 and 2021

(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 08, 2023.

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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (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, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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 following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group does not expect the other 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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

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.

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, 2022	December 31, 2021	
The Company	Chuan Yue Real Estate Development Co., Ltd.	Real estate Development	51 %	51 %	-
The Company	MITSUBASHI DEVELOPMENT CO., LTD.	Real estate Development	51 %	- %	Note

Note: Acquired 51% shares during 2022, related disclosure reference to note 6(e).

(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.

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.

(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 (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 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 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 issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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'.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated 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 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.

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 2 years 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated 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 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.

(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) 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.

(j) 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

(k) 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 Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rental revenue'.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Impairment – non-financial assets

Non-financial assets other than inventories 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.

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.

(m) 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(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.

(n) 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated 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 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.

(o) 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.

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 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.

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

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

(p) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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.)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6. Explanation of significant accounts

(a) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 177	175
Demand deposits	<u>207,454</u>	<u>579,571</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 207,631</u>	<u>579,746</u>

Please refer to note 6(r) for the exchange rate risk, interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks non-listed on domestic markets	<u>\$ -</u>	<u>-</u>

As of December 31, 2022 and 2021, the financial assets were not pledged.

(c) Notes and Accounts receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 12,284	64,532
Account receivables—measured as amortized cost	<u>15,144</u>	<u>28,185</u>
Total	<u>\$ 27,428</u>	<u>92,717</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, notes and accounts 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:

	<u>December 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	<u>\$ 27,428</u>	-	<u>-</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 92,717	-	-

The notes and accounts receivable of the Group were not pledged as collaterals.

For further credit risk information, please refer to note 6(r).

(d) Inventories

	December 31, 2022	December 31, 2021
Properties and land held for sale	\$ 203,725	204,928
Construction-in-progress – land	10,000,089	8,902,356
Construction-in-progress – projects	6,348,199	2,575,208
Land held for development	15,752,890	15,710,047
Prepayments for land purchase	15,190	15,190
Less: allowance for loss on decline in market value and obsolescence	(2,100)	(2,500)
	\$ 32,317,993	27,405,229

(i) The capitalized interests of land held for development and construction in progress were \$95,955 thousand and \$37,570 thousand in the year 2022 and 2021, respectively.

(ii) In 2022 and 2021, the reversal of allowance for loss of inventory amounted to \$400 thousand and \$1,210 thousand, respectively, due to the increase in market demand.

(iii) Please refer to note 8 for the Group inventories pledged as collateral as of December 31, 2022 and 2021.

(e) Business combination

On February, 2022, the Group participated cash capital increasement of Mitsubashi development Co,Ltd., and invested \$600,000 thousand, 60,000 thousand shares, acquiring 50% of the shares and voting interests in the company.Mitsubashi development Co,Ltd. is a company of Housing and Building Development.

Taking control of Mitsubashi development Co,Ltd. will enable the Group to execute urban renewal.

For the eleven months ended December 31, 2022, Mitsubashi development Co,Ltd. contributed revenue of \$0 thousand and loss of \$14,952 thousand to the Group's results. If the acquisition had occurred on January 1, 2022, management estimates that consolidated revenue would have been\$0 thousand and loss would have been \$14,952 thousand. In determining these amounts, the management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2022.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) The following table summarizes the acquisition date fair value of major class of consideration transferred.

Cash and cash equivalent	\$ <u>600,000</u>
--------------------------	-------------------

- (ii) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date

Inventories(note6(d))	\$ 390,315
Cash and cash equivalent	808,537
Other current assets	900
Other assets	371
Current liabilities	<u>(123)</u>
Total identifiable net assets acquired	<u>\$ 1,200,000</u>

- (iii) Acquisitions of NCI

In March 2022, the Group acquired an additional interest in Mitsubishi development Co,Ltd. for \$12,000 thousand in cash, increasing its ownership from 50 to 51%.

- (f) Property, plant and equipment

Changes in the cost, depreciation of property, plant, and equipment for 2022 and 2021 were as follows :

	Land	Buildings and construction	Other Facilities	Total
Cost:				
Balance at January 1, 2022	\$ 54,131	65,703	15,448	135,282
Addition	-	-	562	562
Scrapped	-	-	(2,060)	(2,060)
Balance at December 31, 2022	<u>\$ 54,131</u>	<u>65,703</u>	<u>13,950</u>	<u>133,784</u>
Balance at January 1, 2021	\$ 54,131	65,703	15,991	135,825
Addition	-	-	2,157	2,157
Disposal	-	-	(2,700)	(2,700)
Balance at December 31, 2021	<u>\$ 54,131</u>	<u>65,703</u>	<u>15,448</u>	<u>135,282</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Other Facilities</u>	<u>Total</u>
Depreciation and impairments loss:				
Balance at January 1, 2022	\$ 7,869	35,323	11,780	54,972
Depreciation for the year	-	1,267	1,336	2,603
Scrapped	-	-	(2,060)	(2,060)
Balance at December 31, 2022	<u>\$ 7,869</u>	<u>36,590</u>	<u>11,056</u>	<u>55,515</u>
Balance at January 1, 2021	\$ 7,869	34,056	10,762	52,687
Depreciation for the year	-	1,267	1,227	2,494
Disposal	-	-	(209)	(209)
Balance at December 31, 2021	<u>\$ 7,869</u>	<u>35,323</u>	<u>11,780</u>	<u>54,972</u>
Carrying value:				
Balance at December 31, 2022	<u>\$ 46,262</u>	<u>29,113</u>	<u>2,894</u>	<u>78,269</u>
Balance at December 31, 2021	<u>\$ 46,262</u>	<u>30,380</u>	<u>3,668</u>	<u>80,310</u>
Balance at January 1, 2021	<u>\$ 46,262</u>	<u>31,647</u>	<u>5,229</u>	<u>83,138</u>

(i) Collateral

As of December 31, 2022 and 2021, the property, plant and equipment of the Group had been pledged as collateral, please refer to note 8.

(g) Investment Properties

	<u>Land and improvements</u>	<u>Buildings and construction</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	<u>\$ 1,572,581</u>	<u>1,394,638</u>	<u>2,967,219</u>
Balance at December 31, 2022	<u>\$ 1,572,581</u>	<u>1,394,638</u>	<u>2,967,219</u>
Balance at January 1, 2021	\$ 1,609,903	1,427,658	3,037,561
Disposal	(37,322)	(33,020)	(70,342)
Balance at December 31, 2021	<u>\$ 1,572,581</u>	<u>1,394,638</u>	<u>2,967,219</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2022	\$ -	49,850	49,850
Depreciation for the year	-	27,346	27,346
Balance at December 31, 2022	<u>\$ -</u>	<u>77,196</u>	<u>77,196</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land and improvements</u>	<u>Buildings and construction</u>	<u>Total</u>
Balance at January 1, 2021	\$ -	23,151	23,151
Depreciation for the year	-	27,454	27,454
Disposal	-	(755)	(755)
Balance at December 31, 2021	<u>\$ -</u>	<u>49,850</u>	<u>49,850</u>
Carrying amount :			
Balance at December 31, 2022	<u>\$ 1,572,581</u>	<u>1,317,442</u>	<u>2,890,023</u>
Balance at December 31, 2021	<u>\$ 1,572,581</u>	<u>1,344,788</u>	<u>2,917,369</u>
Balance at January 1, 2021	<u>\$ 1,609,903</u>	<u>1,404,507</u>	<u>3,014,410</u>
Fair value :			
Balance at December 31, 2022			<u>\$ 7,474,334</u>
Balance at December 31, 2021			<u>\$ 7,474,334</u>
Balance at January 1, 2021			<u>\$ 7,758,917</u>

The fair value of the investment property was determined by referring to the average market price of similar real estate after deducting related expenses. The inputs used in the fair value valuation technique were market values classified as Level 3.

Please refer to note 8 for the Group investment property pledged as collateral as of December 31, 2022 and 2021.

(h) Short-term borrowings/short-term notes and bills payable/long-term borrowings

Short-term borrowings/short-term notes and bills payable/long-term borrowings were summarized as follows:

	<u>December 31, 2022</u>			
	<u>Currency</u>	<u>Interest rate collars</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	TWD	2.15~2.95%	2023~2027	\$ 13,697,980
Secured bank loans	TWD	2.15~2.26%	2028	3,060,000
Unsecured bank loans	TWD	2.425%	2027	170,000
Commercial paper payables	TWD	1.10~2.49%	2023	<u>5,415,892</u>
Total				<u>\$ 22,343,872</u>
Current				\$ 19,283,872
Non-current				<u>3,060,000</u>
Total				<u>\$ 22,343,872</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021			
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	TWD	1.36~1.80%	2022~2024	\$ 10,359,449
Secured bank loans	TWD	1.47%	2028	3,060,000
Unsecured bank loans	TWD	1.30%	2022	389,042
Commercial paper payables	TWD	0.32~1.29%	2022	6,268,282
Total				\$ 20,076,773
Current				\$ 17,016,773
Non-current				3,060,000
Total				\$ 20,076,773

Please refer to note 8 for the Group assets pledged to secure bank loans; please refer to note 7 for joint guarantees provided by related parties.

(i) Bonds payable

(i) The details of unsecured bonds payable were as follows:

	December 31, 2022
Unsecured bonds payable	\$ 500,000
Unamortized discounted corporate bonds payable	-
Cumulative redeemed amount	-
Year end balance	\$ 500,000
	2022
Interest expense	\$ 2,351

(ii) The Group' Board of Directors approved issuing not exceed NT\$1,000,000 thousand unsecured bonds payable on September 7, 2022, and the authority approved the declaration on October 19,2022.The Group' s rights and obligations to the outstanding unsecured bonds payable issued are as follows:

Item	Domestic unsecured bonds payable (I)
Total amount issued	NT\$500,000 thousand
Par value	NT\$1,000 thousand
Issue price	NT\$1,000 thousand
Issue date	October 27, 2022~October 27,2027,5 years
Coupon rate	2.60%
Terms of repayment	Unless the bonds are converted to ordinary shares of the Company in accordance with Article 8 of these Regulations, the Company shall repay in cash one lump sum according to the band face value when the bonds payable mature.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Domestic unsecured bonds payable (I)
Terms of redemption prior to maturity	From the day following the one-year period after the issuance of the bonds payable, the company may redemption parts or all bonds issued. Bonds holders shall be no objections. Notification letter will be delivered to the TPEx for the announcement within the next 30 business days, The redemption price is set as the Par value of the bonds, plus interest payable.
Interest payment	Simple interest will be used since the issuing date by using the coupon rate. Every million dollars of bond interests will round to the nearest whole number. If the payment date coincide with the bank's non-working day, the interest payment will be postponed to the next working day with no accrued interest. There is also no accrued interest for those who receive interest after the coupon dates.
Secured type	None

(j) Operating lease

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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Less than one year	\$ 174,985	162,004
One to two year	168,825	153,587
Two to three year	161,984	171,577
Three to four year	155,913	151,726
Four to five year	153,770	150,011
More than five year	<u>1,695,495</u>	<u>1,844,038</u>
	<u>\$ 2,510,972</u>	<u>2,632,943</u>

Rental income from investment properties were \$144,103 thousand and \$149,550 thousand for the years ended December 31, 2022 and 2021, respectively.

(k) 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, 2022 and 2021.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 \$1,504 thousand and \$1,350 thousand for the years ended December 31, 2022 and 2021, respectively.

(l) Income tax

(i) Income tax expense

The components of income tax in the years of 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 85,468	15,092
Deferred tax expense	-	-
Income tax expenses from continuing operations	<u>\$ 85,468</u>	<u>15,092</u>

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Profit(loss) excluding income tax	<u>\$ 22,961</u>	<u>(19,569)</u>
Income tax using the Company's domestic tax rate	\$ 4,592	(3,914)
Tax-exempt income	(1,770)	(11,781)
Land Value Increment Tax	87,134	7,431
Additional tax on Undistributed earnings	-	7,661
Previous overestimate	(1,667)	-
Others	<u>(2,821)</u>	<u>15,695</u>
Total	<u>\$ 85,468</u>	<u>15,092</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets

1) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets were as follows:

	December 31, 2022	December 31, 2021
Tax effect of deductible Temporary Differences	\$ 109,818	80,628
The carryforward of unused tax losses	190,088	185,326
	\$ 299,906	265,954

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, 2022, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused amount	Expiration year
2015	\$ 34,844	2025
2016	555	2026
2017	14,354	2027
2018	386,954	2028
2019	106,369	2029
2020	329,406	2030
2021	52,128	2031
2022	25,831	2032

(iii) The ROC income tax authorities have examined the Company's income tax returns for all years through 2020.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Capital and Other Equities

As of December 31, 2022 and 2021, 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 were outstanding.

(i) Capital surplus

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

	December 31, 2022	December 31, 2021
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	\$ 2,042,348	2,042,348

According to the ROC Group 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.

(ii) Unappropriated earnings

The Group's article of incorporation stipulate that any Group's net earnings should first be used to offset the prior years' deficits, before paying any income taxes. Then 10% of the remaining balance is to be appropriated as legal reserve, unless such legal reserve has amounted to the paid-in capital. After that, the Group shall appropriate the remaining portion as a special reserve pursuant to relevant laws. Any remaining profit, together with any undistributed retained earnings, shall be distributed as dividends according to the distribution plan proposed by the Board of Directors and approved at a stockholders' meeting. Except as distribute reserve required by law, the Group can't appropriate dividends and bonus if the Group had net loss.

Considering future capital demand and sound financial plan for sustainable development of the Group, 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

When a Group 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) Earnings Distribution

Loss covering for 2021 and earnings distribution for 2020 was decided by the resolution adopted, at the general meeting of shareholders held on June 15, 2022 and August 20, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share	Total Amount	Amount per share	Total Amount
Dividends distributed to ordinary shareholders :				
Cash	\$ -	<u>-</u>	1.20	<u><u>399,371</u></u>

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.

(n) Earnings per share

(i) Basic Earnings per share

The details on the calculation of basic earnings per share at December 31, 2022 and 2021 was based on the loss attributable to ordinary shareholders of the Group amounting to \$(53,998) thousand and \$(33,344) 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

	2022	2021
Loss attributable to ordinary shareholders of the Company	\$ <u>(53,998)</u>	<u>(33,344)</u>
Weighted-average number of ordinary shares outstanding (basic) (in thousands)	<u>332,809</u>	<u>332,809</u>
Basic (loss) earnings per share (NT dollars)	\$ <u>(0.16)</u>	<u>(0.10)</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Diluted earnings per share

The details on the calculation of diluted earnings per share at December 31, 2022 and 2021 that were based on loss attributable to ordinary shareholders of the Group amounting to \$(53,998) thousand and \$(33,344) thousand, the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 332,809 thousand, as follows :

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

	2022	2021
Loss attributable to ordinary shareholders of the Company (basic)	\$ (53,998)	(33,344)
Loss attributable to ordinary shareholders of the Company (diluted)	<u>\$ (53,998)</u>	<u>(33,344)</u>

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

	2022	2021
Weighted-average number of ordinary shares (basic) (in thousands)	332,809	332,809
Effect of employee stock bonus	-	-
Weighted-average number of ordinary shares (diluted) (in thousands)	<u>332,809</u>	<u>332,809</u>
Diluted (loss) earnings per share (NT dollars)	<u>\$ (0.16)</u>	<u>(0.10)</u>

(o) Revenue from contracts with customers

(i) Details revenue

	2022	2021
Primary geographical markets		
Taiwan	<u>\$ 684,358</u>	<u>322,542</u>
	2022	2021
Major products/services lines		
Sale of land and buildings	\$ 524,708	152,229
Lease of real estate	159,650	170,313
	<u>\$ 684,358</u>	<u>322,542</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 12,284	64,532	12,456
Accounts receivable	15,144	28,185	44,863
Total	<u>\$ 27,428</u>	<u>92,717</u>	<u>57,319</u>
Contract liabilities—sale of real estate	<u>\$ 3,962,158</u>	<u>1,675,503</u>	<u>532,085</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, 2022 and 2021.

- (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, 2022	December 31, 2021
Other financial assets-current	<u>\$ 2,417,026</u>	<u>1,149,714</u>

As of December 31, 2022, 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, 2022, the transaction payment trust for presale projects—Hong Pu Summer Palace, Hong Pu Central Park, Hong Pu Garden Park, Hong Pu Yang Ming, Hong Pu ITC, Hong Pu Grand Park, Great Mansion, Fashion Mansion and Chic Mansion was detailed 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Remuneration to employees and directors

In accordance with the Articles of Incorporation, the Group 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. If there is profit for the year, it shall be used to offset accumulated losses, if any, before appropriating employee compensation, after which the remaining portion shall be appropriated according to the above-mentioned proportion. If employee compensation is to be paid in the form of shares or cash, the recipients shall include the employees of the Group's affiliated companies that meet certain conditions. The amount of remuneration of directors and of compensation for employees entitled to receive the above-mentioned employee compensation is in accordance with relevant laws and regulations and approved by the Board of Directors.

For the years ended December 31, 2022 and 2021, the Group estimated its employee remuneration were both amounting to \$0 thousands, and directors' remuneration were also both amounting to \$0 thousands. 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 Group's Articles. These remunerations were expensed under operating costs or operating expenses during 2022 and 2021. Related information would be available at the Market Observation Post System website. The above-mentioned amounts, as stated in the financial statements for the years ended December 31, 2022 and 2021, are identical to those of the actual distributions.

(q) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 3,314	1,287
Other interest income	<u>61</u>	<u>131</u>
Total	<u>\$ 3,375</u>	<u>1,418</u>

(ii) Other income

The details of other income were as follows:

	<u>2022</u>	<u>2021</u>
Breach Revenue	\$ 4,954	2,314
Others	<u>22,693</u>	<u>18,982</u>
Total	<u>\$ 27,647</u>	<u>21,296</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Gains on financial assets at fair value through profit or loss	\$ -	21
Gains (Losses) on disposals of property, plant and equipment	-	(243)
Gain on disposals of investment property	-	66,441
Foreign exchange gains (losses)	34,171	(15,581)
Others	<u>(5,559)</u>	<u>(5,948)</u>
Total	<u>\$ 28,612</u>	<u>44,690</u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2022</u>	<u>2021</u>
Interest expenses	\$ 430,829	189,647
Less: Capitalized Interest	<u>(95,955)</u>	<u>(37,570)</u>
Total	<u>\$ 334,874</u>	<u>152,077</u>
Capitalized Interest Rate	<u>1.30%~2.10%</u>	<u>1.01%~1.33%</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) 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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated 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.

	<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>
As of December 31, 2022							
Non-derivative financial liabilities							
Secured bank loans	\$ 16,757,980	17,669,633	5,210,050	1,223,674	4,617,587	3,537,926	3,080,396
Unsecured Secured bank loans	170,000	187,018	2,061	2,061	4,123	178,773	-
Short-term notes and bills payable	5,415,892	5,433,400	5,433,400	-	-	-	-
Bonds payables	500,000	562,649	6,447	6,553	13,000	536,649	-
Notes and accounts payables	218,163	218,163	218,163	-	-	-	-
	<u>\$ 23,062,035</u>	<u>24,070,863</u>	<u>10,870,121</u>	<u>1,232,288</u>	<u>4,634,710</u>	<u>4,253,348</u>	<u>3,080,396</u>
As of December 31, 2021							
Non-derivative financial liabilities							
Secured bank loans	\$ 13,419,449	13,875,453	6,498,381	601,613	97,748	3,558,727	3,118,984
Unsecured bank loan	389,042	392,534	2,508	390,026	-	-	-
Short-term notes and bills payable	6,268,282	6,273,400	6,273,400	-	-	-	-
Notes and accounts payables	151,677	151,677	151,677	-	-	-	-
	<u>\$ 20,228,450</u>	<u>20,693,064</u>	<u>12,925,966</u>	<u>991,639</u>	<u>97,748</u>	<u>3,558,727</u>	<u>3,118,984</u>

The Group does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Group significant exposure to foreign currency risk were as follows:

	<u>December 31, 2022</u>			<u>December 31, 2021</u>			
	<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	\$	761	30.71	23,368	13,929	27.68	385,567

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 that are denominated in foreign currency. A strengthening (weakening) of 10% of the NTD against the USD as of December 31, 2022 and 2021, would have increased (decreased) the net profit before tax by \$2,337 and \$38,557 thousand respectively. The analysis assumes that all other variables remain constant.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 \$106,108 thousand and \$76,795 thousand for the years ended December 31, 2022 and 2021 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	2022		2021	
	After-tax other Comprehensive income	After-tax profit (loss)	After-tax other Comprehensive income	After-tax profit (loss)
Increase 3%	\$ -	-	-	-
Decrease 3%	\$ -	-	-	-

(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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ -	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	207,631	-	-	-	-
Notes receivable and account receivable	27,428	-	-	-	-
Other financial assets - current	2,417,026	-	-	-	-
Subtotal	2,652,085	-	-	-	-
Total	\$ 2,652,085	-	-	-	-
Financial liabilities at amortized cost					
Bank Loans	\$ 16,927,980	-	-	-	-
Short-term notes and bills payable	5,415,892	-	-	-	-
Notes payable and account payable	218,163	-	-	-	-
Other payable	182,546	-	-	-	-
Bonds payable	500,000	-	-	-	-
Subtotal	23,244,581	-	-	-	-
Total	\$ 23,244,581	-	-	-	-

	December 31, 2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ -	-	-	-	-
Loans and account receivable					
Cash and cash equivalents	579,746	-	-	-	-
Notes receivable and account receivable	92,717	-	-	-	-
Other financial assets - current	1,149,714	-	-	-	-
Subtotal	1,822,177	-	-	-	-
Total	\$ 1,822,177	-	-	-	-
Financial liabilities at amortized cost					
Bank Loans	\$ 13,808,491	-	-	-	-
Short-term notes and bills payable	6,268,282	-	-	-	-
Notes payable and account payable	151,677	-	-	-	-
Other payable	205,459	-	-	-	-
Subtotal	20,433,909	-	-	-	-
Total	\$ 20,433,909	-	-	-	-

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 Group' 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.

(s) 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 disclosure about the quantitative effects of these risks exposures, please refer to respective notes in the accompany 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.

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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 2022 and 2021, 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 \$2,386,120 thousand and \$2,862,651 thousand as at December 31, 2022 and 2021.

(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.

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.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated 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.

The Group's capital management strategies were the same for 2022 and 2021, and debt-to-equity ratios on December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 27,266,588	22,167,715
Less: cash and cash equivalents	<u>(207,631)</u>	<u>(579,746)</u>
Net debt	<u>\$ 27,058,957</u>	<u>21,587,969</u>
Total equity	<u>\$ 12,268,215</u>	<u>11,742,722</u>
Debt to equity ratio	<u>220.56%</u>	<u>183.84%</u>

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 consolidated financial statements.

Name related party	Relationship with the Company
J.H. Tuan	The chairman of the Company
IG Construction Co., Ltd.	Other related parties
Hsin Pei Real Estate Development Co., Ltd.	Other related parties

(b) 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

One of other related parties rented an office building from the Group, for which a five-year lease contract was signed at the price of \$331 thousand with reference to nearby office rental rates. For 2022 and 2021, the Group's rent income were both amounting to \$34 thousand. As of December 31, 2022 and 2021, the payments have been received.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Others

The Group has signed a contract for a joint-construction 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. For the years ended December 31, 2022 and 2021, management fee income amounted to \$21,904 thousand and \$10,811 thousand, respectively. As of December 31, 2022 and 2021, the resulting accounts receivable amounted to \$1,795 thousand and \$1,464 thousand respectively, both of which were included in the line item of "other receivables due from related parties."

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 6,780	5,907
Retirement benefits	374	316
Other long-term benefits	-	-
Resignation benefits	-	-
Share-based payment	-	-
Total	<u>\$ 7,154</u>	<u>6,223</u>

8. Pledged assets

As of December 31, 2022 and 2021, the carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Inventories-Construction-in-progress- land	Short-term bills payable and short-term loans	\$ 9,961,184	8,863,450
Inventories-Land held for development	Short-term bills payable and short-term loans	14,637,341	13,051,001
Property, Plant and Equipment	Short-term bills payable	75,375	76,642
Investment properties	Short-term bills payable	2,890,023	2,917,369
	Long-term borrowings	<u>\$ 27,563,923</u>	<u>24,908,462</u>

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

9. Commitments and contingencies

- (a) As of December 31, 2022 and 2021, the Group had issued promissory notes of \$23,008,900 and \$20,976,900 thousand to financial institutions for their provision of repayment guarantees.
- (b) As of December 31, 2022 and 2021, the total contract amount of the Group's construction projects was \$6,808,373 and \$4,486,592 thousand, of which \$1,970,645 and \$485,496 thousand had been paid and recorded as "inventories and prepayment".
- (c) As of December 31, 2022 and 2021, the total contract amount of the Group's advanced-sell projects was \$24,019,577 and \$12,377,601 thousand of which \$3,962,158 and \$1,675,503 thousand had been received and recorded as "current contract liabilities."
- (d) As of December 31, 2022 and 2021, the total contract amount of the Group's prepayments for land purchase were \$15,190 thousand of which \$15,190 thousand had been paid and recorded as "inventories".
- (e) As of December 31, 2022, the total contract amount of the Company's prepayments for building bulk ware \$671,507 thousand, of which \$588,680 thousand had been paid and recorded as "prepayment".
- (f) The Group has signed project "061120014" joint construction agreement with six non-related parties, Mrs. Yang and five others, on June 2010; and Mr. Pan and three others on September 2011. As of December 31, 2021, 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.
- (g) 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, 2022 and 2021, in accordance with the joint construction agreement, the Group has paid a promissory amount of \$92,464 thousand and \$121,234 thousand to the land owners and recorded it as "other current assets".
- (h) The Group has sign project "032310150" joint construction agreement with eleven non-related parties, Mr. Chen and ten others on October 2019 and on March 2020. As of December 31, 2022 and 2021, 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.
- (i) The Group requested IBFC to be the guarantor for its issuance of commercial papers. The Tunhwa South office was pledged as collateral. According to the contract, IBFC was appointed as the beneficiary of the fire insurance on this office.

10. Losses Due to Major Disasters : None.

11. Subsequent Events

On January 16, 2023, the Group issued unsecured bonds payable(II), total amount issued was NT\$500,000 thousand, with Coupon rate 2.85%, 5 years.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

12. Other

- (a) Total personnel, depreciation and amortization expenses categorized by function for the years ended December 31, 2022 and 2021, were as follows:

	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	11,950	19,880	31,830	8,238	19,750	27,988
Labor and health insurance	1,080	2,120	3,200	755	2,123	2,878
Pension	658	878	1,536	459	923	1,382
Remuneration of directors	-	631	631	-	588	588
Others	336	581	917	240	637	877
Depreciation	27,346	2,603	29,949	27,454	2,494	29,948
Amortization	-	183	183	-	335	335

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 Group:

- (1) Fund financing to other parties: None.
- (2) Guarantees and endorsements for other parties: None.
- (3) Securities held as of December 31, 2022 (excluding investment in subsidiaries associate and joint ventures):

(Unit Shares)

Name of holder	Category of security	Category and name of security	Account	Ending balance				Highest percentage of owner ship	Note
				Shares/Unit	Carryng value	Percentage of ownership	Fair value		
The Company	STOCK-CPT	-	Mandatorily measured at fair value through profit—current	23,599	-	-	-	23,559	
The Company	STOCK-NEOMAGIC(NMGC)	-	Mandatorily measured at fair value through profit—current	10,659	-	-	-	10,659	

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (4) Cumulative buying or selling of one specific security exceeding the lower of \$300 million or 20% of the Company's paid-in capital:

(Unit Shares)

Name of company	Category	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	cost	Gain (loss) on disposal	Shares	Amount
The Company	STOCK-Mitsubishi Development Co., Ltd.	Investments accounted for using equity method (note)	Cash Capital Increase	none	-	-	60,000,000	600,000	-	-	-	-	60,000,000	600,000
The Company	STOCK-Mitsubishi Development Co., Ltd.	Investments accounted for using equity method (note)	Mitsui Fudosan Taiwan Co., Ltd.	none	-	-	1,200,000	12,000	-	-	-	-	1,200,000	12,000

Note: Written off when preparation of consolidated financial statements.

- (5) Acquisition of real estate with an amount exceeding the lower of TWD300 million or 20% of capital stock:

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			
Mitsubishi Development Co., Ltd.	Construction-in-progress-land	2022.03.01	1,950,000	1,950,000	4 People · OO Co., Ltd	An unrelated 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:

Name of company	Property name	Date of transaction	Date of initial acquisition	Book value	Transaction amount	Amount received	Gain on disposa	Counter party	Relationship with the Company	Purpose of disposal	References for determining price	Other terms
The Company	Land held for construction site	December 30, 2021 (Note)	July 30, 2007	164,775	461,380	461,380	296,605	OO Co.,Ltd	An unrelated party	Operating income	Reference is made to the land transaction prices in the vicinity	None
The Company	Inventory-Construction-in-progress	October 31, 2022	It's Properties and land held for sale,so not applicable	None	4,080,000	600,000	None	OO Co., Ltd · OO Co., Ltd	An unrelated party	Operating income	Chiatai Real Estate Appraiser Office appraised for \$3,950,399 · Yes Home Real Estate Appraiser Office appraised for \$3,962,690.	None

Note: On January 19, 2022, property right had transferred.

- (7) Related party transactions for purchase and sale with amounts exceeding the lower of TWD100 million or 20% of the capital stock: None.

HONG PU REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (8) Receivable from related parties exceeding the lower of TWD100 million or 20% of the capital stock: None.
- (9) Trading in derivative instruments: None.
- (10) Business relationship and significant intercompany transactions: None.

(b) Information on investees:

The followings is the information on investees for the year 2022 (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	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 %	26,602	32,742	(2,414)	(1,231)	Note
The Company	Mitsubashi Development Co., Ltd.	Taipei	Real estate development service	612,000	-	61,200,000	51.00 %	604,374	612,000	(14,952)	(7,626)	Note

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.		60,009,745	18.03 %
Fu-Ta Investment Co., Ltd.		59,182,040	17.78 %

14. Segment information: None.

G. 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	2022	2021	Difference	
				Amount	%
Current Assets		\$36,336,710	\$30,655,827	5,680,883	18.53
Fixed Assets		78,269	80,310	(2,041)	(2.54)
Instangible assets		-	-	-	-
Other Assets		3,119,824	3,174,300	(54,476)	(1.72)
Total Assets		39,534,803	33,910,437	5,624,366	16.59
Current liabilities		23,698,755	19,097,973	4,600,782	24.09 (Note 1)
Non-current liabilities		3,567,833	3,069,742	498,091	16.23
Total Liabilities		27,266,588	22,167,715	5,098,873	23.00 (Note 2)
Capital Stock		3,328,087	3,328,087	-	-
Capital Surplus		2,042,348	2,042,348	-	-
Retained Earnings		6,291,547	6,345,545	(53,998)	(0.85)
Other equity		606,233	26,742	579,491	2,166.97 (Note 3)
Total Stockholder's Equity		12,268,215	11,742,722	525,493	(4.48)
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 : The company invested in construction in progress during 2022, which increased short-term borrowings and resulted in a substantial increase in total current liabilities.					
Note 2 : The substantial increase in short-term borrowings was due to investment in construction in progress.					
Note 3 : It was caused by the reinvestment in Mitsubishi Development Co., Ltd. in year 2022.					

B. Analysis of Operation Results :

a. Analysis of Operation Results :

(Unit: NT\$ thousands)

Item \ Year	2022	2021	Difference	Percent Change
Operating Revenues	684,358	322,542	361,816	89.15 (Note 1)
Operating Costs	(303,305)	(199,842)	(103,463)	51.77 (Note 1)
Gross Profit	381,053	122,700	258,353	210.56 (Note 1)
Operating Expenses	(82,852)	(57,596)	(25,256)	43.85 (Note 1)
Total Operating Income	298,201	65,104	233,097	358.04 (Note 1)
Non-Operating Income	(275,240)	(84,673)	(190,567)	225.06 (Note 2)
Income Before Income Tax	22,961	(19,569)	42,530	(46.01) (Note 2)
Income Tax expense	(85,468)	(15,092)	(70,376)	466.31 (Note 3)
Cumulative Effect of Changes in Accounting Policies	-	-	-	-
Loss (Profit) for Continuing Operations	(62,507)	(34,661)	(27,846)	80.34 (Note 4)

(Note 1) : In 2022, the operating revenue, cost and management and sales expenses decreased compared with that in 2021, and the overall operating gross profit and operating net profit increased.

(Note 2) : It is mainly due to the investment in construction in progress in 2022 and Taiwan's interest rate hikes, resulting in an increase in interest expenses and financial expenses.

(Note 3) : Sales of housing inventories increased compared to 2021 resulted in a increase in income tax expense.

(Note 4) : The investment in construction in progress in 2022 and Taiwan's interest rate hikes have increased borrowings and interest costs have increased significantly.



b. Analysis of Gross Profit:

1. Analysis of Change of Gross Profit:

(Unit: NT\$ thousands)

Year \ Item	Net Operating Revenues	Operating Costs	Gross Profit	Percent Gross profit
2021	322,542	199,842	122,700	38.04 (Note 1)
2022	684,358	303,305	381,053	55.68 (Note 1)
Explanation : Note 1: The revenue was increase due to the sale of co-owned land in New Taipei City and the overall gross margin increase in 2022.				

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	2022 (%)	2021 (%)	Percent Change
Cash Flow Ratio(%)	(14.30)	(49.49)	(35.19) (Note 1)
Cash Flow Adequacy Ratio (%)	(82.43)	(76.59)	5.84 (Note 1)
Cash Re-Investment Ratio (%)	(21.33)	(82.44)	(61.11) (Note 1)
Analysis of deviation : Note 1: This year's investment in construction in progress and Taiwan's interest rate hikes resulted in an increase in financial costs and a decrease in net cash flow from operating activities.			

b. Cash Flow Projection for Next Year

(Unit: NT\$ thousands)

Cash Balance 12/31/2022 ①	Net Cash Provided by Operating Activities In 2023 ②	Net Cash Outflows from Investing & Financing Activities in 2023 ③	Cash Balance 12/31/2023 ①+②-③	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
207,631	3,268,252	(3,157,083)	318,800	-	-

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, merged company netprofit after tax would have increased (decreased) by \$106,108 and \$76,795 for the years ended December 31, 2022 and 2021 with all other variable factors that remain constant. This is mainly due to merged company 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	2022.12.31			2021.12.31		
	USD	Exchange rate	NTD	USD	Exchange rate	NTD
	\$761	30.71	23,368	\$13,929	27.68	385,567

(ii) sensitivity analysis

Merged company 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, 2022 and 2021, would have increased (decreased) “Earning before Tax” by \$2,337 thousand and \$ 38,557 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, highinvestment, 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. The impact of important domestic and foreign policy and legal changes on the company's financial business and corresponding measures:

Looking back on 2022, the Russo-Ukrainian war at the beginning of the year made international raw material prices rise even further. In the shortage of domestic labor and materials, construction costs continued to increase. The annual growth rate of money supply was higher than the economic growth rate,



and the public still needed to preserve value, therefore the domestic real estate market demand is still the first choice of the public.

e. Effect and treatment from change of technology and industry on company's finance and operation:

The company continues to pay attention to the overall information environment, enhance the concept of information security among colleagues and recognize the importance of information security. In the most recent year and as of the date of publication of the annual report, changes in technology (including information security) and industries have no adverse impact on business and operations.

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.

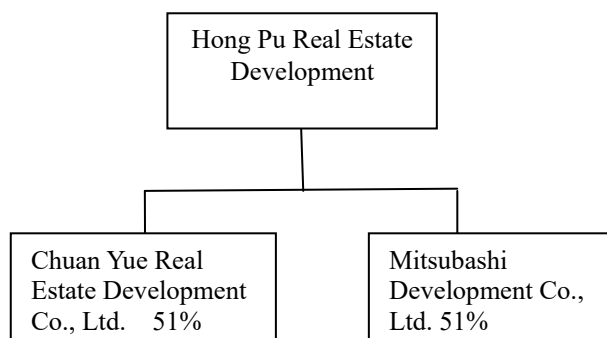
G. Other important event: None

VIII. Special Disclosure

A. Affiliate Information:

(I) Consolidated business report of affiliated enterprises:

(a) Organization chart of related companies



(b) Basic information of each affiliated enterprise:

Company Name	Date of establishment	address	Paid-in capital	Main business or production items
Chuan Yue Real Estate Development Co., Ltd	99/12/22	21 Fl., No. 71, Sec.2, DunHua S. Road, Da'an Dist., Taipei City	NTD 60,000 thousand	Real estate development and sales
Mitsubishi Development Co., Ltd.	100/08/04	21 Fl., No. 71, Sec.2, DunHua S. Road, Da'an Dist., Taipei City	NTD 1,200,000 thousand	Real estate development and sales

(c) Presumed to have control and subordination relationship and its common shareholder information:

None

(d) The industries covered by the business operations of the overall affiliated companies: real estate development



(e) Directors, supervisors and general managers of all affiliated companies:

Company Name	Position	name or representative	shares held	
			number of shares	Shareholding ratio
Chuan Yue Real Estate Development Co., Ltd	Chairman	J.H. Tuan	As the legal representatives of Hong Pu Real Estate Development, the total number of shares held is 3,060,000 shares.	51%
	Director	W.G. Tuan		
	Director	S.L Shen		
	Director	Yasuhiro Hisaichi	As the legal representatives of Mitsui Fudosan Taiwan, the total number of shares held is 2,940,000 shares.	49%
	Director	Koji Ono		
	Supervisor	W. L. You	0	-
	Supervisor	Kensuke Kihara	0	-
Mitsubishi Development Co., Ltd.	Chairman	J.H. Tuan	As the legal representatives of Hong Pu Real Estate Development, the total number of shares held is 61,200,000 shares.	51%
	Director	W.G. Tuan		
	Director	W. L. You		
	Director	Yasuhiro Hisaichi	As the legal representatives of Mitsui Fudosan Taiwan, the total number of shares held is 58,800,000 shares.	49%
	Director	Koji Ono		
	Supervisor	S.L Shen	0	-
	Supervisor	Kensuke Kihara	0	-

(f) Operational overview of affiliated companies

Unit: Thousands of NT dollars ; Date: Dec 31, 2022

Company Name	Capital amount	Total assets	Total liabilities	Net worth	Operating income	Business interest	Profit and loss for the period (after tax)	Earnings per share (dollar) (after tax)
Chuan Yue Real Estate Development Co., Ltd	600,000	51,739	452	51,287	0	0	(2,413)	(-0.40)
Mitsubishi Development Co., Ltd.	1,200,000	1,987,285	802,237	1,185,047	0	0	(14,582)	(-0.12)

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



