

**KWONG FONG INDUSTRIES CORPORATION
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Kwong Fong Industries Corporation

Introduction

We have audited the accompanying parent company only balance sheets of Kwong Fong Industries Corporation as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of 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 Kwong Fong Industries Corporation 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 Preparations of Financial Reports by Securities Issuers" .

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public

Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters of the parent company only financial statements for the year ended December31 2022 are as follows:

Investing in subsidiaries using the equity method- Measurement of Financial Assets at Fair Value of Fulcrest Limited

Description

As of December 31, 2022, Kwong Fong Industries Corporation holds a subsidiary - Kwong Fong Holdings Limitd, with an investment amount of NT\$1,355,274 thousand using the equity method, accounting for 32% of the total assets. It has a significant impact on the individual financial statements of Kwong Fong Industries Corporation Therefore, the auditor has identified the key audit matter of Fulcrest Limited's financial asset fair value measurement as one of the most important audit matters for the current year.

How our audit addressed the matter

key audit procedures performed in respect of the above key audit matter included the following:

1. Investigate and assess the management' s policy and evaluation procedures

for financial assets measured at fair value through other comprehensive income.

2. Obtain and evaluate the value of the stock right evaluation report issued by an external evaluation expert appointed by the management, including determining the independence, competence, and objectivity of the external evaluation expert.
3. The evaluation model used in the value of stock right evaluation report is generally used where it is appropriate.
4. Evaluate the applicability and validity of the key assumptions used in the value of stock right evaluation report.
5. Ensure that the value of the stock right evaluation report' s fair value corresponds to the carrying amount.

Investing in subsidiaries using the equity method- Accuracy of recognition of revenue from information software service.

Description

As of December 31, 2022, Kwong Fong Industries Corporation. holds subsidiaries - Mdb's Digital Technology Co., Ltd. and Star Galaxy Digital Co., Ltd., with a total investment amount of NT\$88,725 thousand using the equity method. The revenue of the aforementioned subsidiaries has a significant impact on the individual financial statements of Kwong Fong Industries Corporation. Therefore, the auditor has identified the key audit matter of the accuracy of information software service revenue recognition of the subsidiaries as one of the most important audit matters for the current year.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. Understand the company' s operations and the nature of the industry in order to evaluate the reasonableness of the policy on recognition of revenue from information software service and related internal controls, as well as confirm compliance with the applicable financial reporting structure.
2. Understand the process involved in the recognition of revenue from information software service and test-related internal control, including obtaining project cost details, random inspection of the engaged time list and project estimation table, confirming the ratio of engaged time, and ensuring the justification for the percentage of completion calculation.
3. Verify the accuracy of the information in the report used by the management to calculate revenue from information software services. Verify the client' s contract prices, services rendered, and payment collection terms. Recalculate the correctness of the timing and amount of revenue recognized based on the degree of completion and verify that it corresponds to the carrying amount.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and for such internal control as management determines is necessary to enable the preparation of

financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the 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 generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform

audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Based on the audit evidence obtained, reach a conclusion on the appropriateness of the management's use of the going concern assumption and whether there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that such events or conditions exist, the auditor is required to draw attention to the related disclosures in the financial statements in the audit report or, when such disclosures are inadequate, to modify the audit opinion. The auditor's conclusion is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause Guang Feng Industrial Co., Ltd. to lack the ability 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 for the financial information

of the components of Kwong Fong Industries Corporation to express an opinion on the individual financial statements. The auditor is responsible for the direction, supervision, and performance of the individual audit engagement, as well as for forming an audit opinion on the individual financial statements.

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.

Lai, Chung-Hsi Chih, Ping-Chiun
For and on behalf of PricewaterhouseCoopers, Taiwan
March 24, 2023

KWONG FONG INDUSTRIES CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
CURRENT ASSETS						
1100	Cash and cash equivalents	6(1)	\$ 260,725	6	\$ 155,950	5
1110	Financial assets at fair value					
	through profit or loss - current	6(2)	8,410	-	9,731	-
1200	Other receivables	7	30,634	1	585	-
1220	Income tax assets		314	-	30	-
1410	Prepayments		2,215	-	1,503	-
11XX	Total current assets		<u>302,298</u>	<u>7</u>	<u>167,799</u>	<u>5</u>
NONCURRENT ASSETS						
1517	Financial assets at fair value					
	through other comprehensive					
	income-noncurrent	6(3) and 8	1,602,091	38	958,739	28
1550	Investments accounted for using					
	equity method	6(4)	2,276,665	54	2,272,716	65
1600	Property, plant and equipment	6(5)	4,354	-	6,141	-
1755	Right-of-use assets	6(6)	17,056	-	21,038	1
1840	Deferred income tax assets	6(24)	5,758	-	15,729	-
1920	Refundable deposits	6(7)	41,752	1	40,448	1
15XX	Total noncurrent assets		<u>3,947,676</u>	<u>93</u>	<u>3,314,811</u>	<u>95</u>
1XXX	Total assets		<u>\$ 4,249,974</u>	<u>100</u>	<u>\$ 3,482,610</u>	<u>100</u>

(Continued)

KWONG FONG INDUSTRIES CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current Liabilities						
2130	Current contract liabilities	6(17) and 7	\$ 127	-	\$ 127	-
2150	Notes payable		24	-	-	-
2200	Other payables	7	12,884	-	9,991	-
2250	Provision-Current	6(12)	114	-	557	-
2280	Lease liabilities-Current		5,770	-	5,285	-
2300	Other current liabilities		357	-	72	-
21XX	Total current liabilities		<u>19,276</u>	-	<u>16,032</u>	-
Noncurrent liabilities						
2540	Long-term bank loans	6(10)	564,541	14	-	-
2550	Provision-Noncurrent	6(12)	-	-	101	-
2570	Deferred income tax liabilities	6(24)	42,652	1	42,353	1
2580	Non-current lease liabilities		11,765	-	16,258	1
2645	Guarantee deposits		1,070	-	1,070	-
25XX	Total noncurrent liabilities		<u>620,028</u>	15	<u>59,782</u>	2
2XXX	Total liabilities		<u>639,304</u>	15	<u>75,814</u>	2
EQUITY						
Capital						
3110	Capital stock	6(13)	1,853,422	44	1,853,422	53
Capital surplus						
3200	Capital surplus	6(14)	43,767	1	43,786	2
Retained earnings						
3310	Appropriated as legal capital	6(15)	406,305	9	373,094	11
3320	Appropriated as special capital		76,450	2	76,450	2
3350	Unappropriated earnings		940,173	22	972,129	28
Other equity interest						
3400	Other equity interest	6(16)	290,553	7	87,915	2
3XXX	Total equity		<u>3,610,670</u>	85	<u>3,406,796</u>	98
Significant Contingent Liabilities And Unrecognized Contract Commitments						
		9				
Significant Events After The Balance Sheet Date						
		11				
3X2X	Total liabilities and equity		<u>\$ 4,249,974</u>	<u>100</u>	<u>\$ 3,482,610</u>	<u>100</u>

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

KWONG FONG INDUSTRIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Items	Notes	2022		2021	
		Amount	%	Amount	%
4000 Net revenue	6(17) and 7	\$ 462	100	\$ 364	100
Operating expenses	6(22)(23) and 7				
6200 General and administrative		(44,336)	(9597)	(43,691)	(12003)
6000 Total operating expenses		(44,336)	(9597)	(43,691)	(12003)
6900 Loss from operations		(43,874)	(9497)	(43,327)	(11903)
Non-operating income and expenses					
7100 Interest income	6(18) and 7	1,082	234	599	164
7010 Other income	6(19)	237,301	51364	140,678	38648
7020 Other gains and losses, net	6(20)	(87,720)	(18987)	2,561	704
7050 Finance costs	6(21)	(8,719)	(1887)	(4,245)	(1166)
7070 Share of profits of subsidiaries and associates	6(4)	4,173	903	(4,708)	(1293)
7000 Total non-operating income and expenses		146,117	31627	134,885	37057
7900 Profit before income tax		102,243	22130	91,558	25154
7950 Income tax expense	6(24)	(7,781)	(1684)	(9,695)	(2664)
8200 Profit for the year		\$ 94,462	20446	\$ 81,863	22490
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
8316 Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	6(3)	(\$ 15,718)	(3402)	(\$ 160,073)	(43976)
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(4)	105,763	22892	49,542	13610
8349 Income tax benefit (expense) related to items that will not be reclassified subsequently	6(24)	(12,855)	(2782)	14,634	4020
8310 Components of other comprehensive income that will not be reclassified to profit or loss		77,190	16708	(95,897)	(26346)

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

KWONG FONG INDUSTRIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Items that may be reclassified subsequently to profit or loss:					
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(4)	<u>125,448</u>	<u>27153</u>	(<u>31,410</u>) (<u>8629</u>)
8300	Other comprehensive income (loss), net of income tax		<u>\$ 202,638</u>	<u>43861</u>	(<u>\$ 127,307</u>) (<u>34975</u>)
8500	Total comprehensive income for the year		<u>\$ 297,100</u>	<u>64307</u>	(<u>\$ 45,444</u>) (<u>12485</u>)
 EARNINGS PER SHARE					
9750	Basic earnings per share (in dollars)	6(25)	<u>\$ 0.51</u>	<u>\$ 0.44</u>	
9850	Diluted earnings per share (in dollars)	6(25)	<u>\$ 0.51</u>	<u>\$ 0.44</u>	

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

KWONG FONG INDUSTRIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Notes	Retained Earnings				Others		Total Equity	
		Capital Stock - Common Stock	Capital Surplus	Legal Capital Reserve	Special Capita Reserve	Unappropriated Earnings	Financial statements Translation differences of foreign operations		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income
Year 2021									
Balance at January 1, 2021		\$ 1,853,422	\$ 43,822	\$ 373,094	\$ 326,700	\$ 732,687	\$ 38,358	\$ 176,864	\$ 3,544,947
Profit for the year		-	-	-	-	81,863	-	-	81,863
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	-	(31,410)	(95,897)	(127,307)
Total comprehensive income (loss)		-	-	-	-	81,863	(31,410)	(95,897)	(45,444)
Appropriation of 2020 earnings									
Cash dividends to shareholders	6(15)	-	-	-	-	(92,671)	-	-	(92,671)
Reversal of special reserve	6(15)	-	-	-	(250,250)	250,250	-	-	-
Dividends paid to unclaimed by shareholders with claim period elapsed	6(14)	-	(36)	-	-	-	-	-	(36)
Balance at December 31, 2021		\$ 1,853,422	\$ 43,786	\$ 373,094	\$ 76,450	\$ 972,129	\$ 6,948	\$ 80,967	\$ 3,406,796
Year 2022									
Balance at January 1, 2022		\$ 1,853,422	\$ 43,786	\$ 373,094	\$ 76,450	\$ 972,129	\$ 6,948	\$ 80,967	\$ 3,406,796
Profit for the year		-	-	-	-	94,462	-	-	94,462
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	-	125,448	77,190	202,638
Total comprehensive income		-	-	-	-	94,462	125,448	77,190	297,100

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

KWONG FONG INDUSTRIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Notes	Retained Earnings				Others		Total Equity
		Capital Stock - Common Stock	Capital Surplus	Legal Capital Reserve	Special Capita Reserve	Unappropriated Earnings	Financial statements Translation differences of foreign operations	
(loss)								
Appropriation of 2021 earnings								
Legal reserve	6(15)	-	-	33,211	-	(33,211)	-	-
Cash dividends to shareholders	6(15)	-	-	-	-	(92,671)	-	(92,671)
Dividends unclaimed by shareholders with claim period elapsed	6(14)	-	(19)	-	-	-	-	(19)
Adjustments to share of changes in equity of associates and joint ventures	6(4)	-	-	-	-	(536)	-	(536)
Balance at December 31, 2022		<u>\$ 1,853,422</u>	<u>\$ 43,767</u>	<u>\$ 406,305</u>	<u>\$ 76,450</u>	<u>\$ 940,173</u>	<u>\$ 132,396</u>	<u>\$ 158,157</u> <u>\$ 3,610,670</u>

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

KWONG FONG INDUSTRIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 102,243	\$ 91,558
Adjustments for			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(22)	7,047	7,552
Net gain on financial assets at fair value through profit or loss	6(20)	4,391	(2,793)
Interest expense	6(21)	8,719	4,245
Interest income	6(18)	(1,082)	(599)
Dividend income	6(19)	(221,113)	(136,796)
Share of profits of subsidiaries and associates	6(4)	(4,173)	4,708
Evaluation of unrealized exchange losses on foreign currency loans	6(27)	12,852	-
Gain on lease modification	6(20)	-	(18)
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Other receivables		(29,599)	-
Prepayments		(712)	(563)
Changes in operating liabilities			
Contract liabilities		-	(239)
Notes payable		24	-
Other payables		(5,487)	(61)
Provision		(544)	(2,790)
Other current liabilities		285	(150)
Cash out generated from operations		(127,149)	(35,946)
Interest received		636	599
Cash dividend received		446,912	296,796
Interest paid		(340)	(3,006)
Income tax paid		(10,650)	(4,434)
Net cash generated by operating activities		<u>309,409</u>	<u>254,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		(698,419)	(934,893)
Acquisition of financial instruments at fair value through profit or loss		(336,221)	(5,620)
Disposal of financial instruments at fair value through profit or loss		336,328	5,613
Proceeds from capital reduction of investments accounted for using equity method	6(4)	5,100	1,000,000
Acquisition of property, plant and equipment	6(5)	-	(5,686)
Disposal of property, plant and equipment		-	13
Increase in refundable deposits paid		(8,000)	(42,000)
Decrease in refundable deposits paid		3,515	32,610
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6(3)	39,349	-
Net cash generated by (used in) investing activities		<u>(658,348)</u>	<u>50,037</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term loans	6(27)	-	(35,000)
Decrease in short-term bills payable	6(27)	-	(120,000)
Repayment of long-term bank loans	6(27)	(24,547)	(297,823)

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

KWONG FONG INDUSTRIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Notes	2022	2021
Proceeds from long-term bank loans	6(27)	576,236	296,763
Decrease in guarantee deposits received	6(27)	-	(2,783)
Repayment of the principal portion of lease liabilities	6(27)	(5,285)	(5,720)
Cash dividends	6(15)	(92,671)	(92,671)
Expired unclaimed dividends transferred to capital surplus	6(14)	(19)	(36)
Net cash generated by (used in) financing activities		<u>453,714</u>	<u>(257,270)</u>
Net increase in cash and cash equivalents		104,775	46,776
Cash and cash equivalents at beginning of year		155,950	109,174
Cash and cash equivalents at end of year		<u>\$ 260,725</u>	<u>\$ 155,950</u>

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

KWONG FONG INDUSTRIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1 ° GENERAL

Kwong Fong Industries Corporation (henceforth the “Company”) was established in June 1968. The company main business items include housing and building development and rental, real estate business, mall management, information software services, electronic information supply services, and so on. On April 20, 1976, KF’ s shares were listed on the Taiwan Stock Exchange (TWSE).

2 ° THE AUTHORIZATION OF FINANCIAL STATEMENTS

The parent company only financial statements were authorised for issuance by the Board of Directors on March 24, 2023.

3 ° APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1). Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”) New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendment	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

Except for the following, the above standards and interpretations have no significant impact to the Company’ s financial condition and financial performance based on the Company’ s assessment.

(2). Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company.

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendment</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3). Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendment</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-Current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4 ◦ SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1).Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2).Basis of Preparation

A. Except for the following items, the financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3).Foreign currency translation

Items included in the parent company only financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

(a). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- (b). Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c). Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d). All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses' .

B. Translation of foreign operations

The operating results and financial position of all the Company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a). Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b). Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c). All resulting exchange differences are recognised in other comprehensive income.

(4). Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a). Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
 - (b). Assets held mainly for trading purposes.
 - (c). Assets that are expected to be realized within twelve months from the balance sheet date.

- (d). Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a). Liabilities that are expected to be settled within the normal operating cycle.
 - (b). Liabilities arising mainly from trading activities.
 - (c). Liabilities that are to be settled within twelve months from the balance sheet date.
 - (d). Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5).Cash Equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6). Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7).Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise

equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a). The objective of the Company' s business model is achieved both by collecting contractual cash flows and selling financial assets;
 - (b). The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as other income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8). Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a). The objective of the Company' s business model is achieved by collecting contractual cash flows.
 - (b). The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognized and derecognized using trade date accounting.

(9). Notes, accounts and receivables

- A. Notes and account receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The company measures its fair value at the time of initial recognition, and then adopts the effective interest method and amortization procedure to recognize interest income and recognize impairment losses during the circulation period, and recognize its benefits or losses in profit or loss.

(10).Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11).Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive cash flows from the financial asset expire.

(12).Operating leases (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13).Investments accounted for using equity method- subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulted from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately for the share of profit and loss and other comprehensive incomes in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interests in that subsidiary, the Company continues to recognize its shares in the subsidiary's loss proportionately.
- D. Changes in a parent' 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 shall be recognized directly

in equity and attributed to the owners of the parent.

- E. If the Company loses control of a subsidiary, the Company recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost and recognizes any resulting difference as a gain or loss in profit or loss. The Company shall account for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss when it loses control of the subsidiary.
- F. In accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the profit or loss and other comprehensive income or loss presented on the parent company only financial statements are consistent with those presented on the consolidated financial statements. In addition, owner’s equity presented on the parent company only financial statements is consistent with equity attributable to owners of parent presented on the consolidated financial statements.

(14).Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated

useful lives of property, plant and equipment are as follows:

Office equipment¹ 5 years

Leasehold Improvements¹ 5 years

(15).Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low- value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset' s useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(16).Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset' s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset' s fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised

historical cost would have been if the impairment had not been recognised.

(17).Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(18).Notes, accounts and payable

Accounts payable are liabilities for purchases of raw materials, goods or services. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19).Derecognition of financial liabilities

Financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(20).Provisions

Provisions (including contract liabilities) for war liability are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Provisions are not recognized for future operating losses.

(21).Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees

in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22).Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference

will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(23).Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24).Dividends

Dividends are recorded in the Company' s financial statements in the period in which they are resolved by the Company' s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25).Revenue recognition

The company provides rental services. Services revenue is recognized when service is provided to customers within the reporting period.

5 ◦ CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company' s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a

significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1).Critical judgements in applying the Group' s accounting policies

Revenue recognition

The Company decides whether the promise to the client is its own performance obligation to provide certain goods or services (i.e., the Company is in charge) or whether it is an arrangement for another party to provide such goods or labor performance obligations based on the type of transaction and its economic substance (i.e. the Company acts as a proxy). When the Company controls specific goods or services prior to transferring them to a client, it is in charge, and the total amount of consideration expected to be entitled to the transfer of specific goods or services is recorded as revenue. If the Company does not have control over the particular goods or services before they are transferred to the client, it acts as the other party' s agent and makes arrangements for them to be provided to the client, and is then entitled to payment from the latter. Commissions and fees are regarded as earnings.

The Company decides whether certain goods or services are controlled before being transferred to the client based on the following indicators:

- a. The Company is principally in charge of providing the specific goods or services as promised.
- b. The Company takes on inventory risk before specific goods or services are delivered to the client or after the transfer of control.

(2).Critical accounting estimates and assumptions

Financial assets at fair value through other comprehensive income - the shares of unlisted companies measured at fair value.

The Company' s investments in securities of other unlisted companies at fair value through other comprehensive income, the fair values are measured with reference to the valuation of comparable companies, company technology development, market condition and other economic indicators. Any change of determination and estimation can affect the measurement at fair value. Please refer to Note 12 (3) for the details of fair value of financial instruments.

The carrying amount of the Company' s unlisted TWSE/TPEX stocks with no active market was \$^[A1]_[A2]^[A3]27,158 as of December 31, 2022.

6 ° DETAILS OF SIGNIFICANT ACCOUNTS

(1).Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 38	\$ 29
Checking accounts and demand deposit	35,287	155,921
Time deposits	225,400	-
	<u>\$ 260,725</u>	<u>\$ 155,950</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2).Financial assets at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items :		
Mandatorily measured at FVTPL		
Derivative financial instruments	9,255	9,546
Valuation adjustment	(845)	(185)
Total	<u>\$ 8,410</u>	<u>\$ 9,731</u>

A.Amounts recognised in profit or loss in relation to the Financial assets at fair value through profit or loss are listed below :

<u>Items</u>	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Mandatorily measured at FVTPL		
Equity instruments	\$ 153	(\$ 7)
Derivative financial instruments	(4,544)	2,800
	<u>(\$ 4,391)</u>	<u>\$ 2,793</u>

B. The following explains the Company' s participation in transactions and contract information on derivative financial assets for which hedge accounting is inapplicable:

	December 31, 2022	
	contract amount (Nominal principal)	Contracts period
Current items :		
Futures trading	\$ 9,255	2022.11.11~2023.9.30

	December 31, 2021	
	contract amount (Nominal principal)	Contracts period
Current items :		
Futures trading	\$ 9,546	2021.12.15~2022.1.19

Futures trading

Stock index futures, which are used to obtain a price differential, make up the Company' s futures contract.

On December 31, 2022 and 2021, respectively, the retained margin balances in futures accounts were \$47,041 and \$44,385, while the excess margin balances were \$37,786 and \$34,839.

(3).Financial assets at fair value through other comprehensive income

Items	December 31, 2022	December 31, 2021
Non-current items :		
Equity instruments		
Foreign listed stocks	\$ 1,205,469	\$ 600,516
Foreign unlisted shares	16,000	16,000
Listed (TSE) stocks	427,843	334,377
Unlisted stocks	9,954	49,303
Valuation adjustment	(57,175)	(41,457)
Total	\$ 1,602,091	\$ 958,739

- A. The Company has elected to classify these investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$1,602,091 and \$958,739 as at December 31, 2022 and 2021, respectively.
- B. The amount of financial assets at fair value through other comprehensive income in 2021 and 2020 was \$15,718 and \$160,073, respectively.
- C. The amount of dividend income recognized in profit or loss for financial assets at fair value through other comprehensive income in 2022 and 2023 was NT\$221,113 and NT\$136,796, respectively.
- D. On May 20, 2022, for the Seaward Wool Textile Co., Ltd. unlisted TWSE/TPEX stocks held by the Company, a resolution was reached on the “cash capital reduction and return of shares” case at the shareholders’ meeting, accounting for \$[A4][A5][A6]39,349 recovered by the Company.
- E. The Company’ s maximum exposure to credit risk, before consideration of associated collateral held and other credit enhancements, were \$1,602,091 and \$958,739 for financial assets at fair value through other comprehensive income, as of December 31, 2021 and 2020, respectively.
- F. Details of the Company’ s financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.

(4).Investments accounted for using equity method

	2022	2021
At January 1	\$ 2,272,716	\$ 3,419,292
Earnings distribution of investments accounted for using equity method	(225,799)	(160,000)
Share of profit or loss of investments accounted for using equity method	4,173	(4,708)
Proceeds from capital reduction of investments accounted for using equity method	(5,100)	(1,000,000)
Changes in Retained earnings	(536)	-
Changes in other equity items-cumulative translation adjustments	125,448	(31,410)
Changes in other equity items-Unrealized gains and losses on financial assets	105,763	49,542
At December 31	<u>\$ 2,276,665</u>	<u>\$ 2,272,716</u>

	December 31, 2022	December 31, 2021
Subsidiaries		
Kwong Fong Holdings Limitd	\$ 1,355,274	\$ 1,113,802
Pao Fong Asset Management Co., Ltd.	832,666	1,062,693
Mdbs Digital Technology Co., Ltd.	50,123	52,919
Galaxy Digital Co., Ltd.	38,602	43,302
	<u>\$ 2,276,665</u>	<u>\$ 2,272,716</u>

A. In 2022 and 2021, the company received investment cash dividends using the equity method of \$225,799 and \$160,000, respectively.

B. The company's reinvestment in Chin Fung Industrial Co., Ltd. and Grandcheer Construction Corporation were dissolved and liquidated in November 1989 and October 1996 respectively. As of December 31, 2011, they are still in the process of liquidation middle. The company stopped using the equity method when it handled the dissolution and liquidation, so the investment balance of \$27 was transferred to other receivables.

(5).Property, plant and equipment

	2022			
	Office equipment	Others equipment	Leasehold Improvements	Total
At January 1				
Cost	\$ 6,389	\$ 402	\$ 6,200	\$ 12,991
Accumulated depreciation	(5,224)	(402)	(1,224)	(6,850)
	<u>\$ 1,165</u>	<u>-</u>	<u>\$ 4,976</u>	<u>\$ 6,141</u>
At January 1	<u>\$ 1,165</u>	<u>\$ -</u>	<u>\$ 4,976</u>	<u>\$ 6,141</u>
Depreciation	(543)	-	(1,244)	(1,787)
At December 31	<u>\$ 622</u>	<u>\$ -</u>	<u>\$ 3,732</u>	<u>\$ 4,354</u>
At December 31				
Cost	\$ 6,389	\$ 402	\$ 6,200	\$ 12,991
Accumulated depreciation	(5,767)	(402)	(2,468)	(8,637)
	<u>\$ 622</u>	<u>\$ -</u>	<u>\$ 3,732</u>	<u>\$ 4,354</u>

	2021			
	Office equipment	Others equipment	Leasehold Improvements	Total
At January 1				
Cost	\$ 15,558	\$ 2,483	\$ 514	\$ 18,555
Accumulated depreciation	(13,815)	(2,483)	-	(16,298)
	<u>\$ 1,743</u>	<u>-</u>	<u>\$ 514</u>	<u>\$ 2,257</u>
At January 1	\$ 1,743	\$ -	\$ 514	\$ 2,257
Additions	-	-	5,686	5,686
Disposals	(9,169)	(2,081)	-	(11,250)
Accumulated depreciation on Depreciation	9,156	2,081	-	11,237
	(565)	-	(1,224)	(1,789)
At December 31	<u>\$ 1,165</u>	<u>\$ -</u>	<u>\$ 4,976</u>	<u>\$ 6,141</u>
At December 31				
Cost	\$ 6,389	\$ 402	\$ 6,200	\$ 12,991
Accumulated depreciation	(5,224)	(402)	(1,224)	(6,850)
	<u>\$ 1,165</u>	<u>\$ -</u>	<u>\$ 4,976</u>	<u>\$ 6,141</u>

(6).Leasing arrangements - lessee

- A. The leases various assets including buildings, transportation equipment. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise of buildings. Low-value assets comprise of office equipment and other equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows :

	December 31, 2022	Year ended December 31, 2022	December 31, 2021	Year ended December 31, 2021
	<u>Carrying Amount</u>	<u>Depreciation</u>	<u>Carrying Amount</u>	<u>Depreciation</u>
Buildings	\$ 15,778	\$ 5,260	\$ 21,038	\$ 5,256
Transportation equipment	1,278	-	-	507
	<u>\$ 17,056</u>	<u>\$ 5,260</u>	<u>\$ 21,038</u>	<u>\$ 5,763</u>

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$1,278 and \$0, respectively.

E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 239	\$ 329
Expense on short-term lease contracts	316	297
Expense on leases of low- value assets	84	71
Gains arising from lease modifications	-	18

F. For the years ended December 31, 2022 and 2021, the total cash outflow for leases amounted to \$5,924 and \$6,417, respectively.

(7).Refundable deposits

Items	December 31, 2022	December 31, 2021
Futures Trading Margin	\$ 38,631	\$ 34,654
Leases margin	2,509	2,469
Land security deposit	-	2,713
Other	612	612
	\$ 41,752	\$ 40,448

The Company made a \$[A7][A8]39,972 deposit on a predetermined land sales contract with a third party in 1996. The relevant contract was not completed, and after numerous extensions, \$[A9][A10] 22,044 was recovered. The deposit of \$[A11][A12][A13]17,928 was supposed to be returned by the Fu-Hui, Lin and Xing Lin Construction Corporation in May 2019, but this was not done as planned. In a settlement agreement signed on November 16, 2020, both parties agreed to return the deposit in five installments after the Company filed a lawsuit. As of December 31, 2022, the Company has completely recouped the deposit.

(8).Short-term loans

- A. As of December 31, 2022, the Company had no outstanding balance of short-term loans.
- B. In 2022 and 2021, the Company recognized interest accrued in the amounts of \$[A14][A15][A16]8,380 and \$[A17][A18][A19]1,408.

(9).short-term bills payable

- A. As of December 31, 2022, the Company had no outstanding balance of short-term bills payable.
- B. In 2022 and 2021, the Company recognized interest accrued in the amounts of \$[A20][A21][A22]72 and \$[A23][A24][A25]637.

(10).Long-term bank loans

Type of borrowings	Borrowing period and repayment term	Interest rate	December 31, 2022	Collaterals
<u>Long-term loans</u>				
Mortgage and secured bank loans	Borrowing period is from June 7, 2022 to June 7, 2023 and pay monthly	0.78%~ 4.03%	\$ 564,541	Financial assets at fair value through other comprehensive income and Property, plant and equipment
Less: Long-term liabilities - current portion			-	
			\$ <u>564,541</u>	

(11).Pension

- A. Effective July 1, 2005, the Company have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The pension costs and expenses under defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were \$721 and \$3,104, respectively.

(12).Provision

	Onerous Contracts	
	2022	2021
2022		
At January 1	\$ 658	\$ 3,448
Provisions during the year	71	94
Provisions used during the year	(615)	(2,884)
At December 31	\$ <u>114</u>	<u>658</u>

The ageing analysis of provision is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current		
Onerous Contracts	\$ 114	\$ 557
Noncurrent		
Onerous Contracts	\$ -	\$ 101

The liability provision for onerous lease contracts is equal to the expected rent received under the non-cancellable lease contract minus the Company' s future rent payable under the contract.

(13).Capital stock

As of December 31, 2022, the Company' s authorized capital was \$6,000,000, and the paid-in capital was \$ 1,853,422, consisting of 185,342 thousand shares of common stocks with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected.

(14).Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2022		
	<u>Adjustments to share of changes in equity of associates and joint ventures</u>	<u>Expired unclaimed dividends</u>	<u>Total</u>
At January 1	\$ 30,861	\$ 12,925	\$ 43,786
Dividends paid to Expired unclaimed	-	(19)	(19)
At December 31	\$ 30,861	\$ 12,906	\$ 43,767

	2021		
	Adjustments to share of changes in equity of associates and joint ventures	Expired unclaimed dividends	Total
At January 1	\$ 30,861	\$ 12,961	\$ 43,822
Dividends paid to Expired unclaimed	-	(36)	(36)
At December 31	\$ 30,861	\$ 12,925	\$ 43,786

(15).Retained earnings

- A. According to the Company' s Articles of Incorporation, if there is any profit for a fiscal year, the Company shall first make provision for all taxes and cover prior years' losses and then appropriate 10% of the residual amount as legal reserve. Dividends shall be resolved by the stockholders.
- B. The Company' s dividend policy is to distribute stock dividends or cash dividends with the earnings net of the capital required for future years that is estimated and retained based on the Company' s future capital budget planning.
- C. Legal reserve Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company' s paid-in capital.
- D. (a).In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b). After the company has utilized, disposed of, or reclassified assets related to the Special Surplus Reserve provided by the letter of Jin-Guan-Zheng-Fa-Zi No. 1010012865 dated April 6, 2012, the original provision must be made in accordance with IFRS. If the assets aforementioned are investment real estate, the land portion must be reversed upon disposal

or reclassification, and the non-land portion must be reversed on a period-by-period basis during the period of use. The special surplus reserve was reversed to the retained surplus of \$[A26][A27][A28]250,250 due to the disposal of assets in 2021.

- E. The appropriation of earnings of year 2022 that was resolved at the Company' s shareholders' meeting on July 1, 2022 is as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Accrual of legal reserve	\$ 33,211		\$ -	
Appropriation of cash dividends to shareholders	92,671	\$ 0.50	92,671	\$ 0.50

- F. The appropriation of 2022 earnings resolved by the Board of Directors on March 24, 2023 is as follows:

	Year ended December 31, 2022	
	Amount	Dividend per share (in dollars)
Accrual of legal reserve	\$ 9,393	
Appropriation of cash dividends to shareholders	92,671	\$ 0.50

As of March 24 2023, the above-mentioned 2022 earnings appropriation had not been resolved by the stockholders' meeting.

Information about the appropriation of earnings as resolved by the Board of Directors and shareholder s will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(16).Other equity items

	2022		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	\$ 80,967	\$ 6,948	\$ 87,915
Revaluation	(15,718)	-	(15,718)
Revaluation-Associate	105,763	-	105,763
Revaluation-tax	(12,855)	-	(12,855)
Currency translation differences	-	125,448	125,448
At December 31	<u>\$ 158,157</u>	<u>\$ 132,396</u>	<u>\$ 290,553</u>

	2021		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	\$ 176,864	\$ 38,358	\$ 215,222
Revaluation	(160,073)	-	(160,073)
Revaluation-Associate	49,542	-	49,542
Revaluation - tax	14,634	-	14,634
Currency translation differences	-	(31,410)	(31,410)
At December 31	<u>\$ 80,967</u>	<u>\$ 6,948</u>	<u>\$ 87,915</u>

(17).Operating revenue

A. The revenue is mainly from the transfer of products and services over time or at a point in time.

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue from external customer contracts		
Revenue from the transfer of services over time	\$ 462	\$ 364

B. Contract liabilities

(a).The Company has recognized the following revenue-related contract assets and liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities	\$ 127	\$ 127	\$ 366

(b).Revenue recognised that was included in the contract liability balance at the beginning of the period

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Rent in advance	\$ 60	\$ 299

(18).Interest income

	Year ended December 31, 2022	Year ended December 31, 2021
Interest income from bank deposits	\$ 704	\$ 556
Other Interest income	378	43
	\$ 1,082	\$ 599

(19).Other income

	Year ended December 31, 2022	Year ended December 31, 2021
Dividend income	\$ 221,113	\$ 136,796
Other income, others	16,188	3,882
	\$ 237,301	\$ 140,678

(20).Other gains and losses

	Year ended December 31, 2022	Year ended December 31, 2021
Unrealized gain on foreign currency exchange, net	(\$ 82,136)	\$ 299
(Loss) interest in financial assets at fair value through profit or loss	(4,391)	2,793
Profit from lease modification	-	18
Other expenses	(1,193)	(549)
	(\$ 87,720)	(\$ 2,561)

(21).Finance costs

	Year ended December 31, 2022	Year ended December 31, 2021
Interest expense		
Bank loans	\$ 8,380	\$ 1,408
Commercial papers payable	72	637
Imputed interest for deposit	4	22
Other finance expense	263	2,178
	<u>\$ 8,719</u>	<u>\$ 4,245</u>

(22).Expenses by nature

	Year ended December 31, 2022	Year ended December 31, 2021
Employee benefit expense	\$ 22,158	\$ 22,585
Service expenses	5,453	4,968
Directors' remuneration	2,280	1,410
Depreciation charges on right-of-use assets	5,260	5,763
Rent expense	399	368
Depreciation charges on property, plant and equipment	1,787	1,789
Other operating expenses	6,999	6,808
	<u>\$ 44,336</u>	<u>\$ 43,691</u>

(23).Employee benefit expense

	Year ended December 31, 2022	Year ended December 31, 2021
Wages and salaries	\$ 19,487	\$ 17,495
Labor and health insurance fees	1,402	1,393
Pension costs	721	3,104
Other personnel expenses	548	593
	<u>\$ 22,158</u>	<u>\$ 22,585</u>

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for 0.1%~ 2% and pay remuneration to the directors and supervisors that

account for no more than 1% of the total distributed amount.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$600 and \$90, respectively; while directors' and supervisors' remuneration was accrued at \$900 and \$450, respectively. The aforementioned amount is listed in the account of salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 0.58% and 0.87% of distributable profit of current year. The actual distributed amounts as resolved by the Board of Directors were in agreement with the accrued amounts. The employees' compensation will be distributed in the form of cash.

Information about the appropriation of employees', directors' and supervisors' remuneration by the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24).Income tax

A. Income tax expense

(a).Components of income tax expense

	Year ended December 31, 2022	Year ended December 31, 2021
Current tax :		
Current tax on profits for the period	\$ 10,366	4,431
Deferred tax :		
Origination and reversal of temporary differences	(2,585)	5,264
Income tax expense	<u>\$ 7,781</u>	<u>9,695</u>

(b).The income tax (charge)/credit relating to components of other comprehensive income is as Follows :

	Year ended December 31, 2022	Year ended December 31, 2021
Changes in fair value of financial assets at fair value through other comprehensive loss	(12,855)	\$ 14,634

B. Reconciliation between income tax expense and accounting profit :

	Year ended December 31, 2022	Year ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate	\$ 20,449	\$ 18,312
Income tax impact of items adjusted in accordance with tax laws	(14,739)	116
Tax exempt income by tax regulation	(814)	(13,164)
Impact of withholding tax on overseas income	2,885	4,431
Income tax expense (benefit)	<u>\$ 7,781</u>	<u>\$ 9,695</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows :

	Year ended December 31, 2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Decembe r 31
Temporary differences :				
-Deferred tax assets :				
Unused compensated absences payable	\$ 294	(\$ 96)	\$ -	\$ 198
Loss on valuation of financial assets	14,634	-	(12,855)	1,779
Provisions for liabilities - onerous contracts	132	(109)	-	23
Tax losses	75	(75)	-	-
Exchange loss	-	2,570	-	2,570
Other	594	594	-	1,188
Subtotal	<u>15,729</u>	<u>2,884</u>)	<u>(12,855)</u>	<u>5,758</u>
Deferred tax liabilities :				
Investment income of foreign subsidiaries	(42,353)	(299)	-	(42,652)
Total	(\$ <u>26,624</u>)	\$ <u>2,585</u>	(\$ <u>12,855</u>)	(\$ <u>36,894</u>)

	Year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences :				
-Deferred tax assets :				
Unused compensated absences payable	\$ 232	\$ 62	\$ -	\$ 294
Loss on valuation of financial assets	-	-	14,634	14,634
Provisions for liabilities - onerous contracts	690	(558)	-	132
Tax losses	5,242	(5,167)	-	75
Other	-	594	-	594
Subtotal	<u>6,164</u>	<u>(5,069)</u>	<u>14,634</u>	<u>15,729</u>
Deferred tax liabilities :				
Investment income of foreign subsidiaries	(42,158)	(195)	-	(42,353)
Total	<u>(\$ 35,994)</u>	<u>(\$ 5,264)</u>	<u>\$ 14,634</u>	<u>(\$ 26,624)</u>

D.Expiration dates of loss carryforward and amounts of unrecognized deferred tax assets are as follows:

Year of occurrence	Year ended December 31, 2022			
	Declared	Amount not deducted	Non-recognized amount of deferred income tax assets	The final year in which the tax deduction is applied
2019	\$ 29,875	\$ -	\$ -	2029

Year of occurrence	Year ended December 31, 2021			
	Declared	Amount not deducted	Non-recognized amount of deferred income tax assets	The final year in which the tax deduction is applied
2019	\$ 29,875	\$ 375	\$ -	2029

E. Deductible temporary differences that are not recognized as deferred income tax Assets by the Company.

	December 31, 2022	December 31, 2021
Deductible temporary differences	\$ 13,712	\$ 13,313

F. In accordance with Article 45 of the Business Mergers and Acquisitions Act, with the company as the taxpayer, the business income tax settlement declaration was merged with its subsidiary Pao Fong Asset Management Co., Ltd.

G. The Company' s income tax returns through 2020 have been assessed as approved by the Tax Authority.

(25).Earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding(share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit	\$ 94,462	185,342	\$ 0.51
<u>Diluted earnings per share</u>			
Profit	\$ 94,462	-	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	61	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all shares	\$ 94,462	185,403	\$ 0.51
	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding(share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit	\$ 81,863	185,342	\$ 0.44
<u>Diluted earnings per share</u>			
Profit	\$ 81,863	-	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	8	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all shares	\$ 81,863	185,350	\$ 0.44

(26).Supplemental cash flow information

Investing activities with partial cash payment:

	Year ended December 31, 2022	Year ended December 31, 2021
Purchase of property, plant, equipment and Intangible assets	\$ -	\$ 5,686
Add: Opening balance of payable on equipment	-	-
Less: Ending balance of payable on equipment	-	-
Cash paid during the period	<u>\$ -</u>	<u>\$ 5,686</u>

(27).Changes in liabilities from financing activities

	2022					
	Short- term loans	Short- term bills payable	Long-term borrowings (including current portion)	Guarantee deposits received	Lease liabilities	Liabilities from financing activities- gross
January 1	\$ -	\$ -	\$ -	\$ 1,070	\$ 21,543	\$ 22,613
Changes in cash flow from financing activities	-	-	551,689	-	(5,285)	546,404
Changes in other non-cash item	-	-	12,852	-	1,277	14,129
December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 564,541</u>	<u>\$ 1,070</u>	<u>\$ 17,535</u>	<u>\$ 583,146</u>

	2021					
	Short- term loans	Short- term bills payable	Long-term borrowings (including current portion)	Guarantee deposits received	Lease liabilitie s	Liabilities from financing activities- gross
January 1	\$ 35,000	\$ 119,814	\$ -	\$ 3,853	\$ 31,788	\$ 190,455
Changes in cash flow from financing activities	(35,000)	(120,000)	(1,060)	(2,783)	(5,720)	(164,563)
Changes in other non-cash item	-	186	1,060	-	(4,525)	(3,279)
December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,070</u>	<u>\$ 21,543</u>	<u>\$ 22,613</u>

7 • RELATED PARTY TRANSACTIONS

(1).Names of related parties and their relationship with the Group

Names of related parties	Relationship with the Company
Pao Fong Asset Management Co., Ltd.	Subsidiary
Kwong Fong Holdings Limitd	Subsidiary
Mdbs Digital Technology Co., Ltd.	Subsidiary
Galaxy Digital Co., Ltd.	Subsidiary
Chin Fung Industrial Co., Ltd.	Other related party (Dissolution and liquidation)
Hemisphere Industries Corp.	Other related party
Luo Sheng Fong Co., Ltd.	Other related party
Luo Shengtai Co., Ltd.	Other related party

(2).Significant related party transactions and balances

A. Operating revenue

	Year ended December 31, 2022	Year ended December 31, 2021
Hemisphere Industries Corp.	\$ 229	\$ 171
Luo Sheng Fong Co., Ltd.	114	86
Luo Shengtai Co., Ltd.	114	86
	<u>\$ 457</u>	<u>\$ 343</u>

B. Contract liabilities

	Year ended December 31, 2022	Year ended December 31, 2021
Luo Sheng Fong Co., Ltd.	\$ 30	\$ -
Luo Shengtai Co., Ltd.	30	-
	<u>\$ 60</u>	<u>\$ -</u>

C. Other receivables

	Year ended December 31, 2022	Year ended December 31, 2021
Mdbs Digital Technology Co., Ltd.	\$ <u>46</u>	\$ <u>-</u>

D. Payables to related parties

	December 31, 2022	December 31, 2021
Kwong Fong Holdings Limitd	\$ <u>3,632</u>	\$ <u>3,686</u>

E. Leasing Transactions - Lessee

(a). The company leases houses and buildings from its subsidiary Pao Fong Asset Management Co., Ltd. The lease contract period is one year, and the rent is paid at the end of each year.

(b). Rent Expense

	Year ended December 31, 2022	Year ended December 31, 2021
Pao Fong Asset Management Co., Ltd.	\$ <u>-</u>	\$ <u>77</u>

F. Fund loan and related parties

(a). Loans to related parties

i. Outstanding balance

	December 31, 2022	December 31, 2021
Mdbs Digital Technology Co., Ltd.	\$ <u>30,000</u>	\$ <u>-</u>

ii. Interest income

	Year ended December 31,	Year ended December 31,
	<u> </u>	<u> </u>

		2022		2021
Mdbs Digital Technology Co., Ltd.	\$	362	\$	-
		362		-

The terms of lending to affiliated companies are monthly repayment within 1 year after the loan is made, and the interest in the 2022 of the Republic of China is charged at an annual rate of 1.50%~1.89%.

G. Endorsements and guarantees

		December 31, 2022		December 31, 2021
Galaxy Digital Co., Ltd.	\$	20,000	\$	-
		20,000		-

(3).Key management compensation

		Year ended December 31, 2022		Year ended December 31, 2021
Salaries and other short-term employee benefits	\$	13,893	\$	7,658
Post-employment benefits		-		2,214
Total	\$	13,893	\$	9,872

8 ° PLEDGED ASSETS

The Company' s assets pledged as collateral are as follows :

		Book value		
Pledged assets		December 31, 2022	December 31, 2021	Purpose
Financial assets at fair value through other comprehensive income-noncurrent	\$	1,439,937	\$ 20,611	Short-term loans credit line 、 Long-term liabilities

9 ° SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

None.

1 0 ° SIGNIFICANT DISASTER LOSS

None.

1 1 ° SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Information about appropriation of earnings is provided in Note 6(15)

1 2 ° OTHERS

(1).Capital management

The Company' s objectives when managing capital are to safeguard the Company' s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares to maintain an optimal capital structure.

(2).Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 8,410	\$ 9,731
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	1,602,091	958,739
Financial assets at amortized cost		
Cash and cash equivalents	260,725	155,950
Other receivables	30,634	585
Guarantee deposits paid	41,752	40,448
	\$ <u>1,943,612</u>	\$ <u>1,165,453</u>

	December 31, 2022	December 31, 2021
Financial liabilities		
Financial liabilities at amortized cost		
Contract liabilities	\$ 126	\$ 127
Other payables	12,884	9,991
Guarantee deposits received	1,070	1,070
	\$ <u>14,080</u>	\$ <u>11,188</u>
Lease liabilities	\$ <u>17,535</u>	\$ <u>21,543</u>

B. Financial risk management policies

- (a).The Company' s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b).Risk management is carried out by the Company' s Finance Department under policies approved by the Board of Directors. The Company' s Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Company' s Operating Department. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a).Market risk

Foreign exchange risk

- i. The Company' s main source of foreign exchange risk is the operational team' s net investment of institutions that operate as a team. The Company does not hedge the net investment of foreign operating institutions because it is a strategic investment.
- ii. The Company' s businesses involve some non-functional currency operations The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2022		
	Foreign currency amount	Exchange rate	Book value(NTD)
<u>Financial assets</u>			
Non-monetary items			
USD : NTD	44,131	30.710	1,355,274
HKD : USD	303,854	3.938	1,196,577
<u>Financial liabilities</u>			
Non-monetary items			
JPY : NTD	1,705,956	0.232	396,464
CHF : NTD	5,062	33.205	168,077

(Foreign currency: functional currency)	December 31, 2021		
	Foreign currency amount	Exchange rate	Book value(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	27.68	\$ 1
HKD : USD	10,625	3.549	37,708
<u>Non-monetary items</u>			
USD : NTD	\$ 40,239	27.68	1,113,802
HKD : USD	148,590	3.549	527,346

iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on othe comprehensive income
<u>Financial assets</u>			
<u>Non-monetary items</u>			
USD : NTD	1.00%	\$ -	\$ 13,553
HKD : NTD	1.00%	-	11,966
<u>Financial liabilities</u>			
<u>Non-monetary items</u>			
JPY : NTD	1.00%	\$ 3,965	\$ -
CHF : NTD	1.00%	1,681	-

(Foreign currency: functional currency)	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on othe comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1.00%	\$ -	\$ -
HKD : USD	1.00%	377	-
<u>Financial liabilities</u>			
<u>Non-monetary items</u>			
USD : NTD	1.00%	\$ -	\$ 11,138
HKD : NTD	1.00%	-	5,273

Price risk

The Company is exposed to the price risk of equity instruments as a result of its equity instrument holdings. The Company's investments in equity instruments are recorded as financial assets measured at fair value through profit or loss and other comprehensive income, respectively, in the consolidated financial statements. The price of the Company's main investment in these equity instruments will be impacted by uncertainty regarding the investment's future value. If the price of equity instruments increased or decreased by 1% while all other factors remained constant, after-tax profit and loss for 2022 and 2021 increased or decreased by \$[A29][A30]0 and \$[A31][A32]0, respectively, with the increased fair value of the financial assets measured at fair value through profit or loss. As a result of the financial assets measured at the fair value of other comprehensive income, the other comprehensive income increased or decreased by \$[A33][A34]13,623 and \$[A35][A36]8,527, respectively.

Cash flow and fair value interest rate risk

i. The Company's financial assets and financial liabilities that are subject to interest rate risk as of the reporting date have the following carrying amounts:

Items	December 31, 2022	December 31, 2021
<u>Fair value interest rate risk</u>		
Financial assets	\$ 225,400	\$ -
Financial liabilities	-	-
Net	\$ 225,400	\$ -
<u>Cash flow interest rate risk</u>		
Financial assets	\$ 34,319	\$ 155,018
Financial liabilities	(564,541)	-

Net	(\$ <u>530,222</u>)	<u>155,018</u>
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ii. Sensitive analysis of fair value interest rate risk instruments:

The Company does not classify any fixed-rate financial assets and liabilities as financial assets measured at fair value through profit or loss and at fair value through other comprehensive income, and it does not designate derivatives (interest rate swaps) as the fair value hedging accounting model. As a result, interest rate changes will have no impact on profit or loss and other comprehensive net profit as of the reporting date.

iii. Sensitivity analysis of cash flow interest rate risk instruments:

Financial instruments with variable interest rates used by the Company include assets and liabilities with floating interest rates. The variations in effective interest rates brought on by changes in market interest rates will cause future cash flows to fluctuate. For each 1% rise in the market interest rate, the net profit and loss for 2022 and 2021 dropped by \$^[A37]_[A38]4,242 and \$^[A39]_[A40]1,240, respectively.

(b).Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. Mainly due to the inability of the counterparty to pay off the accounts receivable and bills paid according to the payment terms.

ii. The Company manages its credit risk based on a Company -oriented system. For corresponding banks and financial institutions, it is set that only those with an independent credit rating equal to or higher than the investment grade can be accepted as trading counterparties. Following the internal credit policies, before setting the terms and conditions for payments and delivery with a new customer, each entity of the Company should assess new customer's credit risk and conduct credit risk management. The internal risk control considers the financial position, past experience and other factors in order to assess the credit quality of customers. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilization of credit limits is regularly monitored.

iii. The Company adopts following assumptions under IFRS 9 to assess

whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- iv. The Company will use a condensed method based on the characteristics of client ratings and a provision matrix to calculate expected credit losses for client accounts receivable. The expected credit loss rate over the life of the company takes clients' past contract violations and the current financial, industrial, and economic climate into account. Given that the Company's historical credit loss experience does not reveal any major differences in the loss patterns across different customer groups, the provision matrix makes no further differentiation of customer groups and instead computes the expected credit loss rate based on the number of days that accounts receivable are past due.

(c). Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company's Finance Department. Company's Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The Company invests surplus cash from all operating units in interest bearing current accounts, time deposits, and choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2022 and 2021, the Company's position held in money market were \$34,319 and \$155,018.
- iii. Detail of the loan credit not yet drawn down by the Group is as follows:

	December 31, 2022	December 31, 2021
Floating rate		
Less than 1 year	\$ 686,996	\$ 1,350,000
Over 5 years	97,932	516,504
	<u>\$ 784,928</u>	<u>\$ 1,866,504</u>

- iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non- derivative

financial liabilities.

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative</u>		
<u>financial liabilities</u>		
December 31, 2022		
Contract liabilities	\$ 127	\$ -
Notes payable	24	-
Other payables	12,884	-
Lease liabilities	5,943	11,908
Long-term loans	-	564,541

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial</u>		
<u>liabilities</u>		
December 31, 2021		
Contract liabilities	\$ 127	\$ -
Other payables	9,991	-
Lease liabilities	5,524	16,573

(3). Fair value estimation

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. It includes the investment in equity instruments without the Company' s active market.

B. The carrying amounts of the Company' s financial instruments not measured at fair value, including cash and cash equivalents, other receivables, refundable deposits, notes payable, other payables, long -term borrowings,

guarantee deposits received, lease liabilities are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a).The related information of natures of the assets and liabilities is as follows:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ 8,410	\$ -	\$ -	\$ 8,410
Financial assets at fair value through other comprehensive income				
Equity securities	<u>1,574,933</u>	<u>-</u>	<u>27,158</u>	<u>1,602,091</u>
Total	<u>\$ 1,583,343</u>	<u>\$ -</u>	<u>\$ 27,158</u>	<u>\$ 1,610,501</u>
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ 9,731	\$ -	\$ -	\$ 9,731
Financial assets at fair value through other comprehensive income				
Equity securities	<u>861,403</u>	<u>-</u>	<u>97,336</u>	<u>958,739</u>
Total	<u>\$ 871,134</u>	<u>\$ -</u>	<u>\$ 97,336</u>	<u>\$ 968,470</u>

(b).The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values are listed below by characteristics:

Market quoted price	<u>Listed shares</u> Closing price
---------------------	---------------------------------------

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and

characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters)

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>Equity securities-Unlisted shares</u>	
	<u>2022</u>	<u>2021</u>
At January 1	\$ 97,336	\$ 183,919
Gains and losses recognized in other comprehensive income	(30,829)	(86,583)
Proceeds from capital reduction of financial assets at fair value through profit or loss	(39,349)	-
At December 31	<u>\$ 27,158</u>	<u>\$ 97,336</u>

F. For the years ended December 31, 2022 and 2021, there was no transfer between Level 3.

G. The Company is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement :

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument :				
Unlisted shares	\$ 1,6386	Market comparable companies	Discount for lack of marketability	The higher the weighted average cost of capital and discount for lack of control, the lower the fair value
	10,772	Net asset value	"	The higher the control and discount for lack of control, the lower the fair value
	<u>\$ 27,158</u>			
	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument :				
Unlisted shares	\$ 97,336	Market comparable companies	Discount for lack of marketability	The higher the weighted average cost of capital and discount for lack of control, the lower the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed :

	Input	Change	December 31, 2022				
			Recognized in profit or loss		Recognized in other comprehensive income		
			Favorable change	Unfavorable change	Favorable change	Unfavorable change	
Financial assets							
Equity instrument							
Unlisted shares	discount for lack of marketability	±1%	\$ -	\$ -	\$ 182	(\$ 182)	

	Input	Change	December 31, 2021				
			Recognized in profit or loss		Recognized in other comprehensive income		
			Favorable change	Unfavorable change	Favorable change	Unfavorable change	
Financial assets							
Equity instrument							
Unlisted shares	discount for lack of marketability	±1%	\$ -	\$ -	\$ 1,052	(1,052)
						\$	

(4).Other

In response to the impact of Covid-19, the Company implemented several measures to control the pandemic in accordance with governments' prevention measures, including work shifts, redundancy and enhancing employees' health management. At the same time, the Company assessed that Covid-19 did not have a significant impact on the Company's operations and ability to continue as a going concern.

1 3 • SUPPLEMENTARY DISCLOSURES

(1).Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company' s paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Note 6(2)

J. Significant inter-company transactions during the reporting periods: Please refer to table 4

(2).Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5

(3).Information on investments in Mainland China

A. Basic information: None.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4).Information of major shareholder

Information of major shareholder: Please refer to table 6

14 ◦ SEGMENT INFORMATION

None.

Kwong Fong Industries Corporation
Statement of cash and cash equivalents
December 31, 2022

Expressed in thousands of TWD

Item	Description	Amount
Cash on hand and Petty cash		\$ 38
Checking accounts and Demand deposits		35,287
Time deposits		225,400
		\$ 260,725

Kwong Fong Industries Corporation
Statement of changes in Financial assets at fair value through other comprehensive income
For the year ended December 31, 2022

Expressed in thousands of shares/TWD

	Balance at January 1, 2022		Additions in Investment		Decrease in Investment		Balance at December 31, 2022			Collateral	Footnote
	Shares/Units (In Thousands)	Fair value	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Percentage of Ownership (%)	Fair value		
Shin hua wool spinning co., Ltd.	4,372	\$ 84,327	-	\$ -	3,935	(\$ 75,843)	437	15.17%	\$ 8,484	No	
Lian An Health Business Co., Ltd.	401	10,322	-	6,064	-	-	401	3.19%	16,386	"	
ASCCHARWIE COMPANY	922	2,687	-	-	(399)	-	922	8.00%	2,288	"	
Bank of China Co., Ltd.	17,800	177,514	28,000	334,710	-	-	45,800	0.02%	512,224	Note	Pledge
Agricultural Bank of China Co., Ltd.	17,800	169,301	18,000	208,526	-	-	35,800	0.01%	377,827	"	"
Bank of Communications Co., Ltd.	10,800	180,531	-	10,430	-	-	10,800	0.01%	190,961	"	"
Industrial and Commercial Bank of China Co., Ltd.	-	-	7,300	115,565	-	-	7,300	0.00%	115,565	"	"
Union Bank of Taiwan Special Shares	1,700	90,100	-	-	(2,210)	-	1,700	0.04%	87,890	"	"
Yulon Finance Corporation Special Shares	401	20,611	-	-	(441)	-	401	0.07%	20,170	"	"
Asia Cement co., Ltd.	3,300	146,190	-	-	(10,890)	-	3,300	0.09%	135,300	"	"
Mega Financial Holdings Co., Ltd.	10	356	-	-	(45)	-	10	0.00%	311	No	
Taiwan Cement co., Ltd.	1,600	76,800	1,881	40,345	-	-	3,481	0.05%	117,145	"	
Shin Kong Financial Holdings Co., Ltd.	-	-	2,000	17,540	-	-	2,000	0.01%	17,540	"	
		<u>\$ 958,739</u>		<u>\$ 733,180</u>		<u>(\$ 89,828)</u>			<u>\$ 1,602,091</u>		

Note: The company pledged the stock for borrowing.

Kwong Fong Industries Corporation
Statement of changes in investment accounted for using equity meth
For the year ended December 31, 2022

Expressed in thousands of shares/TWD

	Balance at January 1, 2022		Additions in Investment		Decrease in Investment		Balance at December 31, 2022			Market Value or Net Assets Value		Collatera l
	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Ownership (%)	Amount	Price (TWD)	Total Amount	
Kwong Fong Holdings Limitd	17,800	\$ 1,113,802	-	\$ 241,472	-	\$ -	17,800	100.00%	\$ 1,355,274	\$ -	\$ 1,355,274	No
Pao Fong Asset Management Co., Ltd.	10,000	1,062,693	-	2,253	-	(232,280)	10,000	100.00%	832,666	-	832,666	"
Mdb's Digital Technology Co., Ltd.	1,612	52,919	-	-	-	(2,796)	1,612	51.00%	50,123	-	50,123	
Galaxy Digital Co., Ltd.	3,387	43,302	-	936	(1,218)	(5,636)	2,169	51.00%	38,602	-	38,602	
		<u>\$ 2,272,716</u>	-	<u>\$ 244,661</u>		<u>(\$ 240,712)</u>			<u>\$ 2,276,665</u>		<u>\$ 2,276,665</u>	

Note 1. The increase in the current period includes investment interests and unrealized interests in financial products.

Note 2. The decrease in the current period includes investment losses, accumulative exchange adjustments, unrealized losses of financial products, capital reduction of invested companies and cash dividends.

Kwong Fong Industries Corporation
Statement of administrative expenses
For the year ended December 31, 2022

Expressed in thousands of shares/TWD

Item	Description	Amount	Note
Wages and salaries		\$ 19,487	
Other expenses		10,069	
Depreciation expense		7,047	
service expense		5,453	
Directors' remuneration		2,280	
		\$ 44,336	

Kwong Fong Industries Corporation
 Summary statement of current period employee benefits, depreciation, and amortization expenses by function
 For the year ended December 31, 2022

Expressed in thousands of TWD

	2022			2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Wages and salaries	\$ -	\$ 19,487	\$ 19,487	\$ -	\$ 17,495	\$ 17,495
Labor and health insurance fees	-	1,402	1,402	-	1,393	1,393
Pension costs	-	721	721	-	3,104	3,104
Directors' remuneration	-	2,280	2,280	-	1,410	1,410
Other personnel expenses	-	548	548	-	593	593
	<u>\$ -</u>	<u>\$ 24,438</u>	<u>\$ 24,438</u>	<u>\$ -</u>	<u>\$ 23,995</u>	<u>\$ 23,995</u>
Depreciation expenses	\$ -	\$ 7,047	\$ 7,047	\$ -	\$ 7,552	\$ 7,552
Amortisation expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note:

1. As at December 31, 2022 and 2021, the Company had 20 and 20 employees, including 6 and 6 non-employee directors, respectively.
2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
 - (1) Average employee benefit expense in current year was \$1,583 ('total employee benefit expense in current year – total directors' remuneration in current year' / 'the number of employees in current year – the number of non-employee directors in current year').
 Average employee benefit expense in previous year was \$1,613 ('total employee benefit expense in previous year – total directors' remuneration in previous year' / 'the number of employees in previous year – the number of non-employee directors in previous year')
 - (2) Average employees salaries in current year were \$1,392 (total salaries and wages in current year / 'the number of employees in current year - the number of non-employee directors in current year').
 Average employees salaries in previous year were \$1,250 (total salaries and wages in previous year / 'the number of employees in previous year -the number of non-employee directors in previous year').
 - (3) Adjustments of average employees salaries were 0.94% ('the average employee salaries and wages in current year - the average employee salaries and wages in previous year' / the average employee salaries and wages in previous year)

(4).The remuneration of the audit committee members this year was \$1,080, and the remuneration of the audit committee members and supervisors in the previous year was \$660.

(The company re-elected all directors through the resolution of the shareholders' meeting on July 1, 2021, and set up an audit committee to replace the supervisor)

(5).Salary policy for directors, managers, employees.

A.The Articles of Incorporation of the Company, if the Company has profits in a given year, it shall allocate 0.1%–2% of such profits as employee remuneration and no greater than 1% as director remuneration. The payment will be made upon approval by the Salary and Remuneration Committee.

B.The emoluments of the employee and manager consists of salary, bonus and employees' compensation. This emoluments policy is to offer appropriate emoluments based on their education and work experience and degree of contribution to recognise the responsibilities.

C.The Company may pay directors the transportation fee on a monthly basis, regardless of being in profit or loss; such amount shall be determined by the Board of Directors. The Board of Directors is authorized to determine the remuneration for the directors based on the extent of their participation in, and contribution to, the Company' s operations, and by referencing the industry standards among peers.

D.Directors' remuneration and manager's remuneration are submitted to the Board of Directors for approval after the Remuneration Committee makes recommendations in accordance with regulations.

Kwong Fong Industries Corporation
Loans to others
For the year ended December 31, 2022

Table 1
TWD Expressed in thousands of

Number (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2021 (Note 3)	Balance at December 31, 2021 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with borrower (Note 5)	Reason for short- term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	Kwong Fong Industries Corporation	Mdbs Digital Technology Co., Ltd.	Other receivables	Yes	\$ 100,000	\$ 100,00	\$ 30,000	1.5%~1.89%	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$1,444,268	\$1,444,268	In accordance with Article 4 of the company's operating procedures for lending funds to others, for companies or firms that need short-term financing with the company, the total amount of funds loaned should not exceed 40% of the company's net value; The amount shall not exceed 40% of the company's net worth.

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'

Note 2: Fill in the name of account in which the loans are recognised, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2021

Note 4: The column of 'Nature of loan' shall fill in 1. 'Business transaction' or 2. 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current period.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and

the calculation for ceiling on total loans granted in the footnote.

According to the Company's credit policy, the total amount of loans granted to a single company should not exceed 40% of the net worth stated in the latest financial statements

KF : $\$ 3,610,670 * 40\% = 1,444,268$

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the Board of Directors of a public company has authorized the Chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration that they could be loaned again thereafter.

Kwong Fong Industries Corporation
Provision of endorsements and guarantees to others
For the year ended December 31, 2022

Table 2
TWD Expressed in thousands of

Number (Note 1)	Endorser / Guarantor	Party being endorsed/guaranteed		Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsement /guarantees secured with collateral	Ratio of accumulated endorsement / guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements /guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements /guarantees by subsidiary to parent company (Note 7)	Provision of endorsements /guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Kwong Fong Industries Corporation	Galaxy Digital Co., Ltd.	2	\$ 3,610,670	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	0.55	\$ 3,610,670	Y	N	N	(Note 8)

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'

(2) The subsidiaries are numbered in order starting from '1'

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company directly and indirectly owns more than 50% voting shares of the endorsed/guaranteed company.

(3) The endorsed/guaranteed parent company directly and indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(4) The parent company directly or indirectly owns more than 90% voting shares of the companies that make endorsements/guarantees for each other.

(5) The parent company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) Due to joint venture, all capital contributing shareholders make endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorized by the Board of Directors.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary, provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: According to the company's "fund loan and endorsement guarantee operation procedures"

1. The limit of endorsement guarantee for individual objects is limited to 100% of the net value of the latest financial statement.
2. The maximum amount of external endorsement guarantee is the same as the limit of endorsement guarantee for individual objects.

Kwong Fong Industries Corporation
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
For the year ended December 31, 2022

Table 3
TWD Expressed in thousands of shares/thousands of

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2022				Footnote (Note 4)
				Shares/Units (In Thousands)	Book value (Note 3)	Percentage of Ownership (%)	Fair value	
Kwong Fong Industries Corporation	Shin hua wool spinning co., ltd.		Financial asset measured at fair value through other comprehensive income - noncurrent	437	\$ 8,484	15.17%	\$ 8,484	
"	Lian An Health Business Co., Ltd.		"	401	16,386	3.19%	16,386	
"	ASCCHARWIE COMPANY		"	922	2,288	8.00%	2,288	
"	Bank of China Co., Ltd.		"	45,800	512,224	0.02%	512,224	註 4
"	Agricultural Bank of China Co., Ltd.		"	35,800	377,827	0.01%	377,827	註 5
"	Bank of Communications Co., Ltd.		"	10,800	190,961	0.01%	190,961	註 6
"	Industrial and Commercial Bank of China Co., Ltd.		"	7,300	115,565	0.00%	115,565	註 7
"	Union Bank of Taiwan Special Shares		"	1,700	87,890	0.04%	87,890	註 8
"	Yulon Finance Corporation Special Shares		"	401	20,170	0.07%	20,170	註 9
"	Asia Cement co., ltd.		"	3,300	135,300	0.09%	135,300	註 10
"	Mega Financial Holdings Co., Ltd.		"	10	311	0.00%	311	
"	Taiwan Cement co., Ltd.		"	3,481	117,145	0.05%	117,145	
"	Shin Kong Financial Holdings Co., Ltd.		"	2,000	17,540	0.01%	17,540	
Kwong Fong Holdings Limitd	FULCREST LIMITED		"	2,716	1,348,096	44.24%	1,348,096	
Pao Fong Asset Management Co., Ltd.	Cathay Financial Holdings Special Shares		"	1,115	63,109	0.01%	63,109	註 11
"	Fubon Financial Holdings Special Shares		"	505	30,502	0.00%	30,502	註 12
"	Fubon Financial Holding Co., Ltd.		"	20	1,138	0.00%	1,138	
"	Cathay Financial Holding Co., Ltd.		Financial assets at fair value through profit or loss - current	91	3,640	0.00%	3,640	
Mdbs Digital Technology Co., Ltd.	Taiwan Semiconductor Manufacturing Company Limited		"	8	3,588	0.00%	3,588	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS9, 'Financial instruments: recognition and measurement'

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The provision of 45,000 thousand shares was pledged to financial institutions for financing loans.
Note 5: The provision of 35,800 thousand shares was pledged to financial institutions for financing loans.
Note 6: The provision of 10,800 thousand shares was pledged to financial institutions for financing loans.
Note 7: The provision of 7,300 thousand shares was pledged to financial institutions for financing loans.
Note 8: The provision of 1,700 thousand shares was pledged to financial institutions for financing loans.
Note 9: The provision of 401 thousand shares was pledged to financial institutions for financing loans.
Note 10: The provision of 3,300 thousand shares was pledged to financial institutions for financing loans.
Note 11: The provision of 1,115 thousand shares was pledged to financial institutions for financing loans.
Note 12: The provision of 505 thousand shares was pledged to financial institutions for financing loans.

Kwong Fong Industries Corporation
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2022

Table 4
TWD Expressed in thousands of shares/thousands of

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Kwong Fong Industries Corporation	Kwong Fong Holdings Limitd	1	Other payables	\$ 3,632	Collection	0.08%
"	"	Mdbs Digital Technology Co., Ltd.	"	Other payables	30,046	Fund financing and accrued interest	0.67%
"	"	Mdbs Digital Technology Co., Ltd.	"	Interest income	362	Accrued interest	0.15%
1	Mdbs Digital Technology Co., Ltd.	Galaxy Digital Co., Ltd.	3	Rental income	857	Note 4	0.34%
"	"	Thunder Wind Co.,Ltd	"	"	14	"	0.01%
"	"	Red Storm Co.,Ltd	"	"	23	"	0.01%
"	"	Peter Rich Co.,Ltd	"	"	29	"	0.01%
"	"	Galaxy Digital Co., Ltd.	"	Project income	32,539	"	13.05%
"	"	Galaxy Digital Co., Ltd.	"	Contract liabilities	429	"	0.01%
"	"	Galaxy Digital Co., Ltd.	"	Project cost	4,457	"	1.79%
"	"	Galaxy Digital Co., Ltd.	"	Accounts receivable	1,143	"	0.03%
"	"	Galaxy Digital Co., Ltd.	"	Contract assets	386	"	0.01%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows :

(1). Parent company is '0' .

(2) .The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; Fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Terms are approximately the same as for general transactions.

Kwong Fong Industries Corporation and Subsidiaries
Information on investees (not including investee company of Mainland China)
For the year ended December 31, 2022

Table 5 (Amounts in Thousands of NTD/USD, Unless Specified Otherwise)

Investor	Investee (Note 1 · Note 2)	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2022			Net profit (loss) of the investee For the year ended December 31, 2021 (Note 2(2))	Investment income (loss) recognised by the Company For the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as of December 31, 2022	Balance as of December 31, 2021	Number of shares	Ownership (%)	Book value			
Kwong Fong Industries Corporation	Kwong Fong Holdings Limitd	British Virgin Islands(BVI)	General Investment	USD 17,800	USD 17,800	17,800	100%	\$ 1,355,274	\$ 1,492	\$ 1,492	Note 3
"	Pao Fong Asset Management Co., Ltd.	28F., No.97, Sec.2, Dunhua S, Rd., Da'an Dist., Taipei City 106, Taiwan	Real estate sale, lease, development	\$ 1,337,716	\$ 1,337,716	10,000	100%	832,666	2,253	2,253	"
"	Mdbs Digital Technology Co., Ltd.	18F., No.105, Sec.2, Dunhua S, Rd., Da'an Dist., Taipei City 106, Taiwan	Information software service industry	60,000	60,000	1,612	51%	50,123	2,854	(508)	"
"	Galaxy Digital Co., Ltd.	18F., No.105, Sec.2, Dunhua S, Rd., Da'an Dist., Taipei City 106, Taiwan	"	34,900	40,000	2,170	51%	38,602	5,277	936	"
Mdbs Digital Technology Co., Ltd.	MDevelop Technology Co., Ltd.	18F., No.105, Sec.2, Dunhua S, Rd., Da'an Dist., Taipei City 106, Taiwan	"	-	23,020	-	-	-	(3,490)	(3,490)	Note 4
Galaxy Digital Co., Ltd.	Thunder Wind Co., Ltd	11th Floor, No. 279, Section 4, Xinyi Road, Daan District, Taipei City	"	15,000	15,000	102	51%	2,187	2,040	1,040	Note 3
"	Peter Rich Co., Ltd	6F-1, No. 63, Section 2, Anhe Road, Daan District, Taipei City	"	6,000	6,000	102	51%	156	(36)	(18)	"
"	Red Storm Co., Ltd	"	"	8,000	8,000	102	51%	848	818	436	"
"	Digital Securities Investment Consultant Co., Ltd.	18F., No.105, Sec.2, Dunhua S, Rd., Da'an Dist., Taipei City 106, Taiwan	Securities Investment Advisory Industry	20,000	-	2,000	100%	18,741	(1,259)	(1,259)	"

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations :

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2021' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the year ended December 31, 2021' column should fill in amount of net profit (loss) of the investee for this period
- (3) The 'Investment income (loss) recognised by the Company for the year ended December 31, 2022' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note3: This transaction was written off when the consolidated financial statements were prepared.

Note4:It was absorbed and merged by Mdbs Digital Technology Co., Ltd. on June 1, 2022.

Kwong Fong Industries Corporation
Major shareholders information
For the year ended December 31, 2022

Table 6

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
Luo Sheng Fong Co., Ltd.	16,640,400	8.97%
Hemisphere Industries Corp.	16,296,746	8.79%
Leo Ho	12,772,701	6.89%