

Stock Code: 1416

KWONG FONG INDUSTRIES CORPORATION

2022 Annual Report

Notice to readers This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Date of publication: May 12, 2023

Check the websites for the annual report: <http://mops.twse.com.tw>

Company website: <https://www.kfic.com.tw>

1. Spokesperson and acting spokesperson of the Company
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Title: Manager
Tel.: (02)2704-8111
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3. Stock transfer agency
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4. CPAs certifying the latest financial statements
Name of CPAs: Lai Chung-Hsi, Chih Ping-Chiun
Name of CPA firm: PricewaterhouseCoopers, Taiwan
Address: 27F, No. 333, Sec. 1, Keelung Rd., Taipei City, Taiwan
Tel.: (02)2729-6666
Website: www.pwc.tw

5. The venue's name for trading the Company's listed overseas securities and inquiry method for such overseas securities: None.

6. Company website: www.kfic.com.tw

Table of Contents

	Page
One. Letter to Shareholders	1
Two. Company Profile	4
I. Date of incorporation.....	4
II. Company history:	4
Three. Corporate Governance Report	6
I. Organizational system	6
II. Background information on directors, the President, vice presidents, associate vice presidents and heads of various departments and branches	7
III. Remuneration for directors, the President, and vice presidents in the most recent year	21
IV. The state of the company’s implementation of corporate governance.....	26
V. Information on CPA professional fees	54
VI. Information on the replacement of CPAs.....	54
VII. Circumstances in which the chairperson, president, or officers in charge of financial or accounting matters of the Company have worked in the firm of the CPA or its affiliated companies within the last year	54
VIII. Any equity transfer or change in equity pledge by a director, supervisor, manager, or shareholder with 10% stake or more during the most recent year or during the current year up to the date of publication of the annual report	55
IX. Information on the top ten shareholders who are a related party, a spouse, or a relative within the second degree of kinship of one another	56
X. The total number of shares and the consolidated equity stake percentage held in any single investee enterprise by the Company, its directors, supervisors, managers, or any companies controlled either directly or indirectly by the Company.....	57
Four. Fund Raising Status	58
I. Capital and shares.....	58
II. Corporate bonds.....	63
III. Preferred share.....	63
IV. Global depository receipt (GDR).	63
V. Employee stock options.....	63
VI. New employee restricted stock.....	63
VII. Issuance of new shares in connection with mergers or acquisitions	63
VIII. Implementation of fund utilization plan	63
Five. Operational Highlights	64
I. Business activities	64
II. Market and Sales Overview.....	69
III. Information on employees for the last 2 years up to the date this annual report was published.....	73
IV. Environmental Expenditure.....	73
V. Labor Relations	73

VI. Information security management	74
VII. Important contracts	76
Six. Finance overview	77
I. Condensed balance sheet and comprehensive income statement for the most recent 5 years.....	77
II. Financial analysis for the most recent 5 years.....	81
III. 2022 Audit Committee Review Report	84
IV. 2022 Financial Statements and Independent Auditor’s Report.....	85
V. A parent-company-only financial statement for the most recent fiscal year that is audited by CPAs	85
VI. If the Company or its affiliates have experienced financial difficulties in the most recent year or during the current year up to the date of publication of the annual report, their effects on the Company’s financial status shall be disclosed.....	85
Seven. Review and analysis of the financial status and financial performance and risks	86
I. Financial position	86
II. Financial performance	87
III. Cash flow.....	88
IV. Significant capital expenditures in the most recent year and the impact on finance and business matters	89
V. Investment policy for the most recent years, the main reasons for profit or loss, improvement plan, and investment plan for the coming year	89
VI. Analysis and assessment of risks.....	89
VII. Other important matters.....	90
Eight. Special Items	91
I. Information on affiliates	91
II. Private placement of marketable securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report. ..	94
III. Holding or disposal of the Company’s shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report: None...	94
IV. Other matters that require additional explanation	94
Nine. Any events in the most recent year and the current year up to the publication date of this annual report that materially affects shareholders’ equity or the price of securities as defined in Paragraph 3, Sub-paragraph 2, Article 36 of the Securities and Exchange Act	94

One. Letter to Shareholders

I. 2022 Business Report:

(I). Business Plan implementation achievements:

Unit: NT\$1,000

Item	2022	2021	Amount of increase or decrease	Increase or decrease in percentage terms (%)
Operating revenue (Note 1)	249,391	236,931	12,460	5.26
Gross profit (loss)	66,543	71,471	(4,928)	(6.90)
Net profits (loss) for the period from continuing operations	96,256	72,705	23,551	32.39
Profit (Loss) from discontinued segments (Note 2)	-	8,559	(8,559)	(100.00)
Net profits (losses) for the period	96,256	81,264	14,992	18.45
Earnings (Loss) per share	0.51	0.44	0.07	15.91

Note 1 : Since the mall was sold to Cathay Life Insurance Co., Ltd. through an execution of a contract on October 23, 2020, IFRS5 requires the operating revenue from the mall to be recognized solely under discontinued operations. In 2021, a total of NT\$49,221 thousand of operating revenue from the mall was recognized under discontinued operations.

(II). Budget execution status: Not applicable (because no financial forecast was filed)

(III). An analysis of income and expenses and profitability for 2022:

Item		2022	2021
Capital structure	Debt to assets ratio (%)	18.17	10.22
	Ratio of long-term capital to fixed assets (%)	11858.72	4126.06
Solvency	Current ratio (%)	1094.73	795.61
	Quick ratio (%)	438.40	387.79
Profitability	Return on assets (%)	2.50	1.84
	Return on equity (%)	2.74	2.33
	Net profit margin (%)	38.59	28.39

(IV). R&D status: The R&D status that the general manufacturing industry is required to disclose is not applicable to the Company.

II. Summary of the 2023 Business Plan: The summary of the Business Plan and development strategy are as follows:

(I) Digital technology business:

1. Continue to strengthen core technologies and competitiveness.

Establish learning teams to maximize talent cultivation synergy, implement construction standardization, make programs atomic, and streamline work process, so as to increase competitive advantages.

2. Optimize applications to expand customer base and increase operating revenue.

Develop informational applications and AIs; develop digital learning applications and social media tools, in addition to strategic applications, to

enhance user experience; build the Company's image as a leading professional finance learning platform, and expand the user base, thereby expanding customer bases, increasing overall operating synergy, and thus increasing operating revenue.

3. Actively engage with customer in the finance field to boost profits.

Continue to engage in application systems for the finance industry such as securities, fund, and insurance; leverage advantages such as system performance, information linkage, cross-industry development experience, and knowledge application and innovation to provide customers with best solutions; create added value for services; use core competencies to actively engage with major customer bases to boost profits.

(II) Construction business:

1. Short-term goals: Have a good grasp of market prices and actively sell housing units on hand to recover funds.
2. Long-term goals: The Company's land assets in Taoyuan sit in the prime section in the downtown of Bade district and adjoin the G5 station of the Green Line of the metro system. With the rails under rapid construction, housing prices in the neighborhood gradually went up. The land in the district is central to the Company's medium- and long-term development plan; the Company will carry out regulatory assessment and forge the consensus of residents in the district to promote community re-construction or urban renewal. It is estimated that the development volume in the district after integration will be no inferior to Kwong Fong Park phase 1, 2, and 3 in scale; the Company will develop the district one area after another under the most favorable assessed conditions so as to revitalize assets. The construction business will take a more healthy and prudent manner when assessing the market, so as to carve out a lucrative niche.

(III) Investment business:

1. Strategic investment: Leverage long-term equity investment to enhance the monitoring of investees and actively participate in the operation of the Board of Directors, to obtain returns on investment.
2. Financial investment: Enhance risk management and seek stable returns to improve the utilization of funds, thereby generating revenue.
3. Seek profitable investment: Continue to seek items and opportunities of investment value to reap profits for the Company.

(IV) Corporate Governance:

Enhance corporate governance, e.g., successively promote and implement management policies regarding ethical management, risk management, and information security management in a transparent, open, efficient, and regulatorily compliant manner, so as to stably perform the company's various business activities.

III. Influenced by the external competitive environment:

Influenced by COVID-19 Pandemic, long-distance business opportunities continue to expand and corporate clients' demand for system information services has expanded from internal information systems and packaged software to customized system

integration, which has driven demand for information security protection and other related software and hardware. With the increase in the 5G popularization, consumer behavior has changed. The O2O model of “experience offline, consuming online” has accelerated to the OMO model of “hybrid of physical and virtual” and drives the consumption by data. Data power has become one of the keys to the success of business operations.

With the popularization of 5G network and persistence of stay-at-home economy, end users value user experience more. In view of this, the Company seeks to expand the software services to satisfy the demand for online shopping, social media, livestreaming, and online learning, thereby driving up the growth in the business of software development. According to statistics from the Department of Statistics of the Ministry of Economic Affairs, by the first half of 2022, the revenue of the computer and information service industry was 242.7 billion dollars, which hit a record high for the same period in previous years, with an annual increase of 16.0%. The computer programming industry increased by 16.8% and the information services industry increased by 13.7%. The market demand is strong and the prospect of the computer and information services industry is still good.

IV. Influenced by the regulatory environment and the overall business environment:

The Executive Yuan promoted and established the “Ministry of Digital Affairs,” announcing the goal of moving towards national digital transformation and strengthening national technological development and will combine industry development and counseling on information security, AI, software, digital content, e-commerce, system integration, etc., with open data, etc., will accelerate the overall digital transformation.

Data applications are becoming more mature, Open Banking will drive innovative finance, more banks or third-party operators will obtain consumer data to provide financial services and banking, insurance, investment, lending, etc. and will have more diverse and innovative financial service demands, which will benefit APP business opportunities.

In response to changes in the overall economy and the external business environment, the Company continues to face future challenges with a positive attitude and is committed to technology and talent cultivation. At the same time, it continues to cultivate financial patent layout to consolidate the company’s competitiveness.

We would like to say thank you to all shareholders for
your encouragement and support along the way.
We wish you good health and good luck!

Chairperson: Leo Ho
Manager: Huang Li-Ling
Accounting Manager: Chen Su-Ching

Two. Company Profile

I. Date of incorporation: June 28, 1968

II. Company history:

June 1968: “Kwong Fong Industries Corporation” was founded by the previous chairperson Ho Ying-Tsai. The capital stock was NT\$20,000,000; the “LIFE” trademark was created.

1969: Increased the capital to NT\$40,000,000 and built the Yarn-spinning Factory No.1.

1970: The Fabric-weaving Factory underwent phase 1 expansion.

1971: The Fabric-weaving Factory underwent phase 2 expansion.

July 1972: Increased the capital to NT\$67,000,000.

November 1972: Increased the capital to NT\$120,590,000.

June 1974: Increased the capital to NT\$200,000,000.

1974: The Fabric-weaving Factory No.2 was completed.

1975: The Yarn-spinning Factory No.2 was completed.

October 1975: Increased the capital to NT\$300,000,000.

April 1976: Shares went public.

June 1976: Increased the capital to NT\$315,000,000.

July 1977: Increased the capital to NT\$362,250,000.

June 1978: Increased the capital to NT\$434,700,000.

December 1978: Increased the capital to NT\$555,450,000.

1979: Increased the capital to NT\$615,840,000.

December 1979: Merged Le Cheng Textile Company.

1980: Increased the capital to NT\$677,430,000.

Completed expansion of automatic towel machines in the Towel Factory.

1983: Increased the capital to NT\$910,070,000.

1986: Increased the capital to NT\$1,315,559,660 via an issuance of new shares.

1988: Increased the capital to NT\$2,062,790,000.

Incorporated Kwong Fong Construction Co., Ltd. through investment.

The company was renamed Jiefeng Investment Co., Ltd. in 2001.

December 1989: Increased the capital to NT\$2,724,776,860.

June 1992: Set up Kwong Fong Holdings Limited through investment.

February 1995: Set up Grandcheer Construction Corporation through investment.

September 1995: Increased the capital to NT\$3,133,493,380.

February 1998: Increased the capital to NT\$4,426,159,400.

February 1998: Set up Pao Fong Investment Management Co., Ltd. through investment.

The company was renamed Pao Fong Asset Management Co., Ltd. in 2003.

September 1998: Increased the capital to NT\$5,532,574,260.

December 2000: Retired 3,474,000 treasury shares;
the paid-in capital stood at NT\$5,497,834,260.

June 2001: The Towel Factory ceased operation.

December 2003: The Board of Directors resolved to fully cease the operation of the
Puxin factory.

December 2005: The Board of Directors resolved to fully cease the operation of the yarn-
spinning factories in Taoyuan.

October 2009: Consolidated the urban land (the land on which Kwong Fong's Taoyuan
factories sat) in Bade City,
Taoyuan County and completed the development of the land for the early
phase of the urban land consolidation project.

August 2010: Reduced the capital to NT\$3,848,483,980.

2010: Launched "Kwong Fong Park NO.1" project.

2011: Launched "Kwong Fong Park NO.2" project.

2013: Launched "Kwong Fong Park NO.3" project.

August 2013: Reduced the capital to NT\$3,078,787,180.

October 2014: Retired 14,523,000 treasury shares;
the paid-in capital stood at NT\$2,933,557,570.

September 2015: Reduced the capital to NT\$2,640,201,820.

August 2016: Reduced the capital to NT\$2,059,357,420.

August 2017: Reduced the capital to NT\$1,853,421,680.

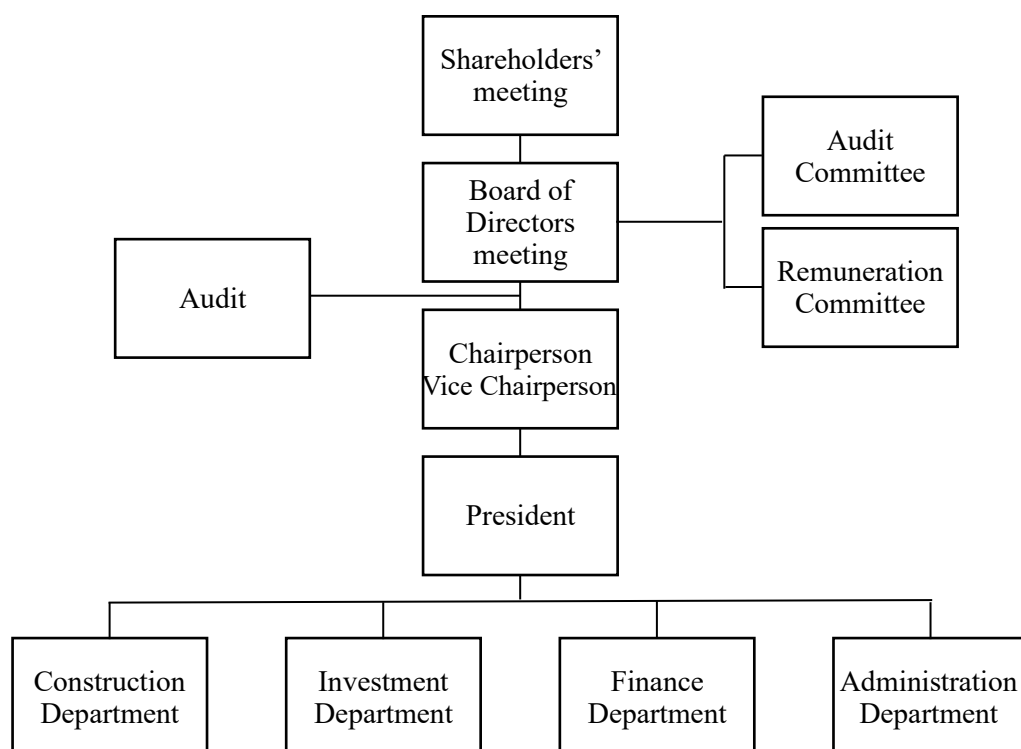
2017: "Kwong Fong Plaza" was completed and put into operation

2020: Sold "Kwong Fong Plaza." Invested "MDBS Digital Technology Co., Ltd." and
"Galaxy Digital Co., Ltd."

Three. Corporate Governance Report

I. Organizational system

(I) Organizational structure



(II) Business of each major department

Major Department	Major Business
Investment Department	Research and development of industrial investment and cooperation opportunities. Various financial investment business.
Construction Department	Real estate investment assessment and development. Construction plan and budget assessment. Outsourcing and management of construction projects. Real estate sales and leasing.
Finance Department	Income and expense accounting, fund scheduling, fund planning and fund raising. Establishment of accounting system; responsible for accounting processing and tax declaration. Preparation and analysis of various financial statements. Compliance with securities management regulations and handling of declaration and announcement matters. Organization of shareholders' meetings and Board of Directors meetings.
Administration Department	Stock affairs, personnel affairs, general affairs, procurement, and outsourcing. Maintenance of the hardware and software of the information system; database management. Management of equipment and assets.
Audit	Promote the implementation, supervision, and review of the internal control system. Formulation of the internal audit plan, audit, and the declaration work thereof. Track anomalies and submit improvement suggestions.

II. Background information on directors, the President, vice presidents, associate vice presidents and heads of various departments and branches:

About the Directors (I)

April 1, 2023
Unit: shares; NT\$1,000

Title	Nationality	Name	Gender Age	Date of election	Tenure	Date first elected or appointed	Shareholding when elected or appointed		Current shareholding		Shareholding of spouse and underage children		Shareholding in the name of others		Major Experience (Education)	Concurrent duties in the Company and other companies	Spouse or relatives of the second degree or closer acting as manager, director or supervisor		
							Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship
Chairperson	Canada	Leo Ho	Male 41-50	2021.07.01	3yrs	2008.08.01	12,772,701	6.89%	12,772,701	6.89%	-	-	-	-	Bachelor, University of California, USA President: Kwong Fong Industries Corporation Chairperson: Hemisphere Industries Corp. Zhee Fong Investments Co., Ltd. Hann Fong Investments Co., Ltd. Haoh Fong Investments Co., Ltd.	Chairperson: Kwong Fong Industries Corporation Pao Fong Asset Management Co., Ltd. Kwong Fong Holdings Limited Independent Director: East Tender Optoelectronics Corp.	-	-	-

Title	Nationality	Name	Gender Age	Date of election	Tenure	Date first elected or appointed	Shareholding when elected or appointed		Current shareholding		Shareholding of spouse and underage children		Shareholding in the name of others		Major Experience (Education)	Concurrent duties in the Company and other companies	Spouse or relatives of the second degree or closer acting as manager, director or supervisor		
							Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship
Director	ROC	Ho Ming- Hong	Male 61-70	2021.07.01	3yrs	2015.06.30	1,063,180	0.57%	1,063,180	0.57%	107,153	0.06%-	-	-	Master, University of Washington, USA Head Director of Taiwan Securities Association Director: Taipei Exchange (TPEX) Taiwan Depository & Clearing Corporation	Vice Chairperson: Kwong Fong Industries Corporation Director: Pao Fong Asset Management Co., Ltd. Kwong Fong Holdings Limited Yuanta Securities Co., Ltd.	-	-	-
Director	ROC	Chiu Wen- Ta	Male 61-70	2021.07.01	3yrs	2015.06.30	1,063,180	0.57%	1,063,180	0.57%	-	-	-	-	National Taipei University of Business Junior College Division Chairperson: Kwong Fong Industries Corporation Pao Fong Asset Management Co., Ltd. Kwong Fong Holdings Ltd.	Director: Pao Fong Asset Management Co., Ltd. Kwong Fong Holdings Limited	-	-	-

Title	Nationality	Name	Gender Age	Date of election	Tenure	Date first elected or appointed	Shareholding when elected or appointed		Current shareholding		Shareholding of spouse and underage children		Shareholding in the name of others		Major Experience (Education)	Concurrent duties in the Company and other companies	Spouse or relatives of the second degree or closer acting as manager, director or supervisor		
							Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship
Director	ROC	Liu Shiang	Male 71-80	2021.07.01	3yrs	2000.06.27	1,306,435	0.70%	1,306,435	0.70%	-	-	-	-	Bachelor, Harvard University, USA Tiffany and Company Vice President - Asia Region	Director: Pao Fong Asset Management Co., Ltd. Kwong Fong Holdings Limited	-	-	-
Director	United States	Chen Cheng-Te	Male 41-50	2021.07.01	3yrs	2021.07.01	1,306,435	0.70%	1,306,435	0.70%	-	-	-	-	Master, New York University, USA Vice Chairperson: Sesoda Corporation Chairperson: East Tender Optoelectronics Corp. Director: Sincere Industrial Corporation	Chairperson: East Tender Optoelectronics Corp. Vice Chairperson: Sesoda Corporation President: Sande International Investments Co., Ltd.	-	-	-
Independent director	ROC	Hou Ching-Chih	Male 61-70	2021.07.01	3yrs	2021.07.01	-	-	-	-	-	-	-	-	Master, University of Illinois, USA Consultant of KGI Futures Co., Ltd. Director and supervisor of	None	-	-	-

Title	Nationality	Name	Gender Age	Date of election	Tenure	Date first elected or appointed	Shareholding when elected or appointed		Current shareholding		Shareholding of spouse and underage children		Shareholding in the name of others		Major Experience (Education)	Concurrent duties in the Company and other companies	Spouse or relatives of the second degree or closer acting as manager, director or supervisor		
							Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship
														Chinese National Futures Association Chairperson of SYF Information Co., LTD. Senior vice manager of Yuanta Futures Co., Ltd. General manager of Fubon Futures Co., Ltd. Financial vice president of the California branch of The Tokai Bank Limited, Japan					
Independent director	ROC	Kuan Chi- Jui	Male 61-70	2021.07.01	3yrs	2021.07.01	-	-	-	-	-	-	-	National United University Junior College Division Chairperson Qunfu Construction Co., Ltd. Zhongxing	None	-	-	-	

Title	Nationality	Name	Gender Age	Date of election	Tenure	Date first elected or appointed	Shareholding when elected or appointed		Current shareholding		Shareholding of spouse and underage children		Shareholding in the name of others		Major Experience (Education)	Concurrent duties in the Company and other companies	Spouse or relatives of the second degree or closer acting as manager, director or supervisor		
							Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship
														Engineering Co., Ltd. Chief Engineering Consultant Te Chang Construction Co., Ltd. Kang he Construction co., Ltd.					
Independent director	ROC	Liu Wei-Ting	Male 41-50	2021.07.01	3yrs	2021.07.01	-	-	-	-	-	-	-	-	Master, National Taiwan University Lecturer of Soochow University, Taipei Arbitrator of Chinese Arbitration Association, Taipei	Chairman of Taipei law Attorneys-At-Law Director: Cheng Mei Materials Technology Corporation	-	-	-

Notes: I. Ho Ming-Hong: Corporate representative of Luo Sheng Tai Co., Ltd

II. Chiu Wen-Ta: Corporate representative of Luo Sheng Tai Co., Ltd.

III. Liu Shiang: Corporate representative of Hann Fong Investments Co., Ltd.

IV. Chen Cheng-Te: Corporate representative of Hann Fong Investments Co., Ltd. (The former corporate representative Hsieh Yao-Chun was discharged on April 29, 2022)

Table 1: Major Shareholders of Corporate Shareholders

April 1, 2023

Names of corporate shareholders (Note 1)	Major shareholders of corporate shareholders (Note 2)
Hann Fong Investments Co., Ltd.	Leo Ho (58%); Liu Chia-Cheng (7%); Chen Su-Ching (7%); Hsu Pei-Yi (14%); Hsu Su-Chen (7%); Luo Shao-Ku (7%)
Luo Sheng Tai Co., Ltd.	Luo Sheng Fong Co., Ltd. (99.75%)

Note 1: If a director or supervisor is a representative of a corporate shareholder, fill in the name of that corporate shareholder.

Note 2: Fill in the names of the corporate shareholder's major shareholders (those with a shareholding ratio ranking among the top 10) and their shareholding ratios.

Table 2: If any Major Shareholder Listed in Table 1 is a Corporate/Juristic Person, List its Major Shareholders in this Table

April 1, 2023

Name of corporate / juristic person (Note 1)	Major shareholders of the corporate/juristic person (Note 2)
Luo Sheng Fong Co., Ltd.	Ho Ming-Hong (99.311%)

Note 1: If any major shareholder in Table 1 above is a corporate/juristic person, fill in the name of that corporate/juristic person.

Note 2: Fill in the names of the corporate shareholder's major shareholders (those with a shareholding ratio ranking among the top 10) and their shareholding ratios.

About the Directors (II)

I. Disclosure of information on directors' professional qualifications and independent directors' independence

Name	Criteria	Professional qualifications and experience	Status of independence	Number of concurrent duties as an independent director at a public company
Chairperson	Leo Ho	Chairperson, Leo Ho, graduated from the University of California with a bachelor's degree in applied mathematics. He joined the Kwong Fong Group as the vice general manager in 2008 and was promoted to be the chairperson in 2021. He has participated in the business of various departments and the management of "Kwong Fong Plaza" shopping mall and is serving as an independent director of the East Tender Optoelectronics Corporation. He has the accounting and financial practical experience, strategic management and leadership skills and has the knowledge, skills and accomplishments to perform the duties and industry management experience to contribute corporate governance management expertise.	<ol style="list-style-type: none"> 1. The chairperson of the Company is not an independent director. 2. The director of an affiliated company (100% subsidiary) of the Company. 3. One of the top ten natural person shareholders of the Company. 4. The chairperson of Hemisphere Industries Corp., a juridical person shareholder holding more than 5% of the Company's issued shares. 5. The rest have been verified in accordance with the independence requirements listed in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" by the Financial Supervisory Commission and still meet the relevant independence requirements. 	1
Director	Ho Ming-Hong	Vice Chairperson, Ho Ming-Hong, graduated from the University of Washington with a master's degree in business administration. He used to be the chairperson of the Taiwan Securities Association and the Chinese National Futures Association and the chairperson of Yuanta Futures/Securities Co., Ltd. He has practical experience, strategic management and leadership skills, with abundant knowledge, skills and industry management experience for performing the duties and also serves as director in related industry companies to contribute his corporate governance management expertise. He has practical abilities in financial accounting, business and securities and futures industry-related operating planning, operations and management.	<ol style="list-style-type: none"> 1. The vice chairperson of the Company is not an independent director. 2. The director of an affiliated company (100% subsidiary) of the Company. 3. The director is the representative of the juridical person director of the Company (Luo Sheng Tai Co., Ltd.), not an independent director. 4. The rest have been verified in accordance with the independence requirements listed in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" by the Financial Supervisory Commission and still meet the relevant independence requirements. 	None

Name \ Criteria		Professional qualifications and experience	Status of independence	Number of concurrent duties as an independent director at a public company
Director	Chiu Wen-Ta	<p>Director Chiu Wen-Ta graduated from the Insurance Department of the Junior College of National Taipei University of Business and has been serving in the Company for nearly 40 years. He has served as the chairperson of finance/stock affairs/construction departments, leading the land redevelopment and urban planning of Taoyuan Bade City and the construction of the first/second/third phase construction project of Kwong Fong Park and the construction of the “Kwong Fong Plaza” shopping mall and subsequent operations and management and retired in 2021. He has practical experience, strategic management and leadership skills in the real estate development/construction/shopping mall management industry and the knowledge, skills and accomplishments to perform the duties, as well as industry management experience, financial accounting, business, marketing and industry-related business planning, operations and management practical ability.</p>	<p>1. The director is the representative of the juridical person director of the Company (Luo Sheng Tai Co., Ltd.), not an independent director.</p> <p>2. The rest have been verified in accordance with the independence requirements listed in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” by the Financial Supervisory Commission and still meet the relevant independence requirements.</p>	None
Director	Liu Shiang	<p>Director, Liu Shiang, graduated from Harvard University with a Bachelor’s degree of Arts. He used to be the general manager of the Asian region of Tiffany & Co. International, Taiwan Branch (U.S.A.). He has practical experience, strategic management and leadership skills in the sales management industry, with abundant knowledge, skills and accomplishments to perform duties, and industry management experience. He has practical abilities in financial accounting, business, marketing and industry-related operational planning, operation and management.</p>	<p>1. The director is the representative of the juridical person director of the Company (Hann Fong Investments Co., Ltd.), not an independent director.</p> <p>2. The rest have been verified in accordance with the independence requirements listed in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” by the Financial Supervisory Commission and still meet the relevant independence requirements.</p>	None

Name \ Criteria		Professional qualifications and experience	Status of independence	Number of concurrent duties as an independent director at a public company
Director	Chen Cheng-Te	Director, Chen Cheng-Te, graduated from New York University Stern School of Business with a master's degree in business administration. He is the vice chairperson of Sesoda Corporation and the chairperson of East Tender Optoelectronics Corporation. He has practical experience, strategic management and leadership skills in the sales management industry and has the knowledge, skills and accomplishments to perform his duties, as well as industry management experience. He has practical abilities in financial accounting, business, marketing and industry-related operational planning, operation and management.	<p>1. The director is the representative of the juridical person director of the Company (Hann Fong Investments Co., Ltd.), not an independent director.</p> <p>2. The rest have been verified in accordance with the independence requirements listed in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" by the Financial Supervisory Commission and still meet the relevant independence requirements.</p>	None
Independent director	Hou Ching-Chih	Independent director, Hou Ching-Chih, graduated from the University of Illinois with a master's degree in business administration. He was the director and supervisor of the Chinese National Futures Association /senior vice president of Yuanta Futures/general manager of Fubon Futures. He has the practical experience, strategic management and leadership skills in the securities and futures industry and is equipped with abundant knowledge, skills and industry management experience to perform his duties. He was also a director in related industry companies to contribute his corporate governance management expertise. He has practical abilities in financial accounting, business and securities and futures industry-related operating planning, operations and management.	The three independent directors listed on the left have met the qualifications in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" issued by the Financial Supervisory Commission and Article 14-2 of the Securities and Exchange Act, during the two years before the election and during their tenure and all independent directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities Exchange Act, and as the basis of performing relevant powers independently.	None

Name		Criteria	Professional qualifications and experience	Status of independence	Number of concurrent duties as an independent director at a public company
Independent director	Kuan Chi-Jui		Independent director, Kuan Chi-Jui, graduated from the Department of Architectural Engineering of the National United University. He used to be the chief engineering consultant of Te Chang Construction Co., Ltd. and Kang he construction Co., Ltd. He has practical experience, strategic management and leadership skills in the construction real estate management industry and has the knowledge, skills and accomplishments to perform his duties, as well as industry management experience. He has practical abilities in business, construction and industry-related operational planning, operations and management.		None
Independent director	Liu Wei-Ting		Independent director, Liu Wei-Ting, graduated from the Law Department of the National Chung Cheng University/ Graduate school of College of Management of National Taiwan University. He is the director of TaipeiLaw Attorneys-at-Law and an independent director of Cheng Mei Materials Technology Corporation. He has legal and business practice experience, strategic management and leadership skills and has the knowledge, skills and accomplishments to perform his duties, as well as industry management experience. He has practical abilities in business, legal and industry-related operational planning, operation and management.		1

Note: All Directors or Independent directors with no any of the circumstances under Article 30 of the Company Act.

II. Diversity of the Board of Directors and Independence

1. The Board of Directors Diversity Policy:

The composition of the board of directors shall be determined by taking diversity into consideration. In addition to the directors concurrently serving as company managers not exceed one-third of the total number of board members and that an appropriate policy on diversity based on the company's business operations, operating type and development needs to be formulated and includes but not limited to the following two general standards:

- (1) Basic requirements and values: gender, age, nationality and culture; it is advisable that the number of female directors accounts for at least one-third of all the directors.
- (2) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, construction), professional skills and industry experience. All members of the board shall have the knowledge, skills and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:
 - i. Ability to make operational judgments.
 - ii. Ability to perform accounting and financial analysis.
 - iii. Ability to conduct management administration.
 - iv. Ability to conduct crisis management.
 - v. Knowledge of the industry.
 - vi. An international market perspective.
 - vii. Ability to lead.
 - viii. Ability to make decisions.

2. The specific management goals and achievements of the diversity policy are as follows:

Management goals	Achievements
Independent directors account for at least one-third of all the directors.	Achieving
The directors concurrently serving as company managers do not exceed one-third of the total number of the board members.	Achieving
The term of office of independent directors does not exceed 3 terms.	Achieving
Sufficient and diverse professional knowledge and skills.	Achieving

3. Implementation:

The 18th Board of Directors has 8 members, including three independent directors accounted for 37.5%, directors with business management expertise accounted for 87.5% and directors who also serve as company managers accounted for 25%. The members of the board of directors have professional backgrounds in law, industry, accounting, marketing and finance and with operating management and leadership decision-making, operating judgment and crisis management, accounting and financial analysis capabilities, industry knowledge and international market view and other professional capabilities in different professional backgrounds, showing diversity and complementary effects. The nationalities of the 6 members of the board of directors are from the Republic of China, 2 are of foreign nationalities and the age is in the range of 41-71 years old.

4. The implementation of the relevant diversity policy is as follows.

Diversified corety	Basic composition							Core item of diversity									
	Nationality	Gender	An employee of the Company	Age				Seniority of being an independent director	Finance and futures and securities	Real estate investment and development and construction	Professional service and marketing	Law	Management administration	Leadership and decision making	Crisis management	International market perspective	Risk management
				aged 41-50	aged 51-60	aged 61-70	aged 71-80										
Name of Director																	
Leo Ho	Canada	Male	V	V					V		V		V	V	V	V	V
Ho Ming-Hong	ROC	Male	V			V			V				V	V	V	V	V
Chiu Wen-Ta	ROC	Male				V				V			V	V	V	V	V
Liu Shiang	ROC	Male					V				V		V	V	V	V	V
Chen Cheng-Te	United States	Male		V					V		V		V	V	V	V	V
Independent director Hou Ching-Chih	ROC	Male				V		V	V				V	V	V	V	V
Independent director Kuan Chi-Jui	ROC	Male				V		V		V			V	V	V	V	V
Independent director Liu Wei-Ting	ROC	Male		V				V	V			V	V	V	V	V	V

(II) Background information on the President, vice presidents, associate vice presidents and heads of various departments and branches

April 1, 2023

Title (Note 1)	National ity	Name	Gender	Date of appointment to position	Shareholding		Shareholding of spouse and underage children		Shareholding in the name of others		Major Experience (Education) (Note 2)	Concurrent duties in the Company and other companies	Managers with spouses or relatives with second degree of kinship		
					Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship
Vice Chairperson	ROC	Ho Ming-Hong	Male	2021.02.28	108	0%	107,153	0.06%	-	-	Master, University of Washington, USA Chairperson: Yuanta Securities Co., Ltd. Yuanta Futures Co., Ltd. Head Director of Taiwan Securities Association Director: Taipei Exchange (TPEX) Taiwan Depository & Clearing Corporation	Director: Pao Fong Asset Management Co., Ltd. Kwong Fong Holdings Limited Yuanta Securities Co., Ltd.			
President and Chief Financial Officer	ROC	Huang Li-Ling	Female	2021.02.28	3,537	0%	49	0%	-	-	National Cheng Kung University Finance manager, United Highway Bus Company Limited Chief Financial Officer, Kwong Fong Industries Corporation	President, Pao Fong Asset Management Co., Ltd.	-	-	-
Vice President, Investment Department	ROC	Hsia Huan-Ting	Male	2021.02.01	-	-	-	-	-	-	Master, Tamkang University Vice President of the Proprietary Business Department, Yuanta Futures Co., Ltd. Senior Vice President of the Proprietary Business Department, Capital Futures Corp.				
Vice President, Investment Department	ROC	Tsai Chia-Jung	Male	2021.11.12	-	-	-	-	-	-	National Chung Cheng University Quantitative R&D Engineer of the FinTech, MDevelop Technology Co., Ltd. Fund manager, Yuanta Securities Investment Trust Co., Ltd. Deputy manager of the Proprietary Business Department, Yuanta Futures Co., Ltd.				

Title (Note 1)	National ity	Name	Gender	Date of appointment to position	Shareholding		Shareholding of spouse and underage children		Shareholding in the name of others		Major Experience (Education) (Note 2)	Concurrent duties in the Company and other companies	Managers with spouses or relatives with second degree of kinship		
					Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship
Accounting Officer	ROC	Chen Su- Ching	Female	2021.02.28	234	0%	-	-	-	-	National Taipei University of Business Accounting Manager, Kwong Fong Industries Corporation	Accounting Manager, Pao Fong Asset Management Co., Ltd.	-	-	-
Head of the Audit Department	ROC	Hsu Hui- Chen	Female	2017.11.13	10,000	0%	-	-	-	-	National Taipei University of Business Senior Specialist, Kwong Fong Industries Corporation	-	-	-	-

Note 1: The information in this table should be disclosed to the president, vice presidents, associate vice presidents, and the chiefs of all the company's divisions and branch units, including all persons in positions equivalent to the president, vice presidents, associate vice presidents, regardless of job title.

Note 2: Specify the experience related to the current position. If during a period specified above, the person has served in a position at a CPA firm that serves as external auditor/attestor, specify the position held and the duties for which the person was responsible.

III. Remuneration for directors, the President, and vice presidents in the most recent year

(I) Remuneration to Ordinary Directors and Independent Directors (2022)

Unit: NT\$1,000

Title	Name	Directors' remuneration								Sum of A, B, C, and D as a % of the net profit (loss) after tax		Remuneration for concurrent duty as an employee						Sum of A, B, C, D, E, F, and G as a % of the net profit (loss) after tax		Whether received remuneration from an investee other than a subsidiary	
		Compensation (A)		Disability retirement benefits (B)		Directors' compensation (C)		Fees for professional practice (D)				Salary, bonus, and special reimbursement (E) (Note)		Disability retirement benefits (F)		Employee compensation (G)					
		The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements		
Chairperson	Leo Ho	240	240	-	-	180	180	-	-	0.44%	0.44%	3,508	3,508	-	-	-	-	4.16%	4.16%	None	
Director	Luo Sheng Tai Co., Ltd. Representative: Ho Ming-Hong	240	240	-	-	180	180	-	-	0.44%	0.44%	2,800	2,800	-	-	-	-	3.41%	3.41%		
Director	Luo Sheng Tai Co., Ltd. Representative: Chiu Wen-Ta	240	240	-	-	180	180	-	-	0.44%	0.44%			-	-	-	-	0.44%	0.44%		60
Director	Hann Fong Investments Co., Ltd. Representative: Liu Shiang	240	240	-	-	180	180	-	-	0.44%	0.44%	-	-	-	-	-	-	0.44%	0.44%		None
Director	Hann Fong Investments Co., Ltd. Representative: Chen Cheng-Te (Note)	160	160	-	-	180	180	-	-	0.36%	0.36%	-	-	-	-	-	-	0.36%	0.36%		
Director	Hann Fong Investments Co., Ltd. Representative: Hsieh Yao-Chun (Note)	80	80	-	-					0.08%	0.08%							0.08%	0.08%		

Title	Name	Directors' remuneration								Sum of A, B, C, and D as a % of the net profit (loss) after tax		Remuneration for concurrent duty as an employee						Sum of A, B, C, D, E, F, and G as a % of the net profit (loss) after tax		Whether received remuneration from an investee other than a subsidiary
		Compensation (A)		Disability retirement benefits (B)		Directors' compensation (C)		Fees for professional practice (D)				Salary, bonus, and special reimbursement (E) (Note)		Disability retirement benefits (F)		Employee compensation (G)				
		The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	
Independent director	Hou Ching-Chih	360	360	-	-	-	-	-	-	0.38%	0.38%	-	-	-	-	-	-	0.38%	0.38%	None
Independent director	Kuan Chi-Jui	360	360	-	-	-	-	-	-	0.38%	0.38%	-	-	-	-	-	-	0.38%	0.38%	
Independent director	Liu Wei-Ting	360	360	-	-	-	-	-	-	0.38%	0.38%	-	-	-	-	-	-	0.38%	0.38%	

Note: Hann Fong Investments Co., Ltd. replaced its representative Hsieh Yao-Chun with Chen Cheng-Te on April 29, 2022.

The Board of Directors is authorized to determine the remuneration paid to independent directors based on their extent of participation in the Company's operations and the responsibilities they resume, taking into account the Company's business goals and financial condition, and by referencing the prevailing industry standards among peers.

Aside from the remuneration disclosed in the above table, is there any other remuneration received by directors in the most recent year from any company included in the financial statements for their services rendered (such as serving as an advisor other than as an employee): None

(II) Remuneration to the President and Vice Presidents (2022)

Unit: NT\$1,000

Title	Name	Salary (A)		Disability retirement benefits (B)		Bonus and special reimbursement (C) (Note)		Employee compensation (D)				The ratio of the sum of A, B, C, and D to the net profit (loss) after tax (%)		Whether received remuneration from an investee other than a subsidiary
		The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company		All companies within the financial statements		The Company	All companies within the financial statements	
								Amount in cash	Amount in shares	Amount in cash	Amount in shares			
President	Huang Li-Ling	1,500	1,500	-	-	305	305	-	-	400	-	1.91%	2.33%	60
Vice President	Hsia Huan-Ting	1,200	1,200	-	-	300	300	-	-	-	-	1.59%	1.59%	None
Vice President	Tsai Chia-Jung	1,716	1,716	-	-	284	284	-	-	-	-	2.12%	2.12%	

(III) Remuneration to the Five Highest Remunerated Management Personnel

Unit: NT\$1,000

Title	Name	Salary (A)		Disability retirement benefits (B)		Bonus and special reimbursement (C) (Note)		Employee compensation (D)				The ratio of the sum of A, B, C, and D to the net profit (loss) after tax (%)		Whether received remuneration from an investee other than a subsidiary
		The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company		All companies within the financial statements		The Company	All companies within the financial statements	
								Amount in cash	Amount in shares	Amount in cash	Amount in shares			
Chairperson	Leo Ho	3,247	3,247	-	-	501	501	-	-	-	-	3.97%	3.97%	None
Vice Chairperson	Ho Ming-Hong	2,640	2,640	-	-	400	400	-	-	-	-	3.22%	3.22%	
President	Huang Li-Ling	1,500	1,500	-	-	305	305	-	-	400	-	1.91%	2.33%	60
Vice President	Tsai Chia-Jung	1,716	1,716	-	-	284	284	-	-	-	-	2.12%	2.12%	None
Vice President	Hsia Huan-Ting	1,200	1,200	-	-	300	300	-	-	-	-	1.59%	1.59%	

Name of managers who received employee remuneration and status of remuneration distribution:

March 31, 2023

Unit: NT\$1,000

	Title	Name	Amount in shares	Amount in cash	Total	Ratio of total amount to the net profit after tax (%)
Manager	President	Huang Li-Ling	0	360	360	0.38%
	Vice President	Hsia Huan-Ting				
	Vice President	Tsai Chia-Jung				
	Accounting Officer	Chen Su-Ching				
	Head of the Audit Department	Hsu Hui-Chen				

(IV) Separately compare and describe total remuneration, as a percentage of net profit after tax, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents, and vice presidents and analyze and describe remuneration policies, standards and packages, the procedure for determining remuneration and its linkage to operating performance.

(1) Total remuneration paid to the Company's directors, supervisors, president, and vice presidents, as a percentage of net profit after tax, for the last two years by the Company and all companies in the consolidated financial statements

Ratio of total amount to the net profit after tax:

Title	2021	2022
	Total remuneration paid to the Company's directors, supervisors, president, and vice presidents, as a percentage of net profit (loss) after tax, by the Company and all companies in the consolidated financial statements	Total remuneration paid to the Company's directors, supervisors, president, and vice presidents, as a percentage of net profit (loss) after tax, by the Company and all companies in the consolidated financial statements
Director	13.35%	10.03%
Supervisor	0.17%	-
President and Vice Presidents	4.62%	6.04%

The difference in the proportion of the total remuneration paid to the company's directors, supervisors, general managers and vice general managers in the last two years by the company and all companies in the consolidated statement to the net profit after-tax is mainly due to the retirement pension received by the former chairperson in 2021, and the vice general manager has been employed for less than one year.

(2) Remuneration policies, standards, and packages

Remuneration paid to directors and supervisors comprises salary and compensation; compensation is determined based on the Company's Articles of Incorporation. Remuneration paid to the President and vice presidents comprises salary, bonus, and employee compensation, which are determined based on the position they take, the contribution they make to the Company, and the industry standards.

(3) Procedures for determining remuneration

Compensation paid to directors, supervisors, and managers shall be determined by the Company's Remuneration Committee, which regularly assesses and formulates salary and compensation standards and shall be reported to the Board of Directors.

(4) Determination of remuneration and its linkage to operating performance and future risk exposure.

Remuneration paid to directors, supervisors, and managers is determined by considering the Company's business goals, financial condition, responsibilities assumed, and future risks.

IV. The state of the company's implementation of corporate governance

(I) The state of operation of the Board of Directors

The latest (2022) board of directors held 7 meetings (A) and the attendance of directors and supervisors is as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	% of attendance in person (B/A)	Remarks
Chairperson	Leo Ho	7	0	100	
Director	Luo Sheng Tai Co., Ltd. Representative: Ho Ming-Hong	7	0	100	
Director	Luo Sheng Tai Co., Ltd. Representative: Chiu Wen-Ta	7	0	100	
Director	Hann Fong Investments Co., Ltd. Representative: Liu Shiang	6	0	86	
Director	Hann Fong Investments Co., Ltd. Representative: Hsieh Yao-Chun	3	0	100	
Director	Hann Fong Investments Co., Ltd. Representative: Chen Cheng-Te	4	0	100	
Independent director	Hou Ching-Chih	6	1	86	
Independent director	Kuan Chi-Jui	7	0	100	
Independent director	Liu Wei-Ting	7	0	100	

Other matters to be recorded:

I. If any of the following situations occur in the operation of the board of directors, the date, session, content of the proposal, opinions of all independent directors, and the handling of the opinions of independent directors by the company shall be stated:

(I) Matters listed in Article 14-3 of the Securities Exchange Act:

Meeting Date/Session	Resolution content	Independent directors that hold objections or expressions of reservation opinions and the handling of independent directors' opinions by the company
2022.01.21 The 4th meeting of the 18th session	Approved the establishment of the Company's "Audit Committee Management of Meeting Agenda Operation" operating procedures	None

	Approved the Amendment to the “Endorsement Guarantee Operating Procedures” Approved the finalization of “Operational Procedures for Loaning Funds to Others”	
2022.03.25 The 5th meeting of the 18th session	Approved the amendment to the “Internal Control System”	None
2022.05.31 The 8th meeting of the 18th session	Approved the establishment of the Company’s “management of endorsement and guarantee” and “management of Loaning Funds to Others” operating procedures Approved loaning funds to subsidiaries	None
2022.08.12 The 9th meeting of the 18th session	Approved the designation of the supervisor of corporate governance Approved making endorsements and guarantees to the subsidiaries	None

(II) In addition to the aforementioned matters, other resolutions of the board of directors that have expressed an objection or reservation by the independent director are included in records or stated in writing: None.

II. The implementation of directors’ recusal of interest-related proposals: None.

III. Information such as evaluation cycles, evaluation periods, scope, method of evaluation and evaluation content of the self (or peer) evaluation of the board of directors of the Company:
Evaluation indicators and options for 2022

Nature	Evaluation cycles	Evaluation periods	Evaluation scope	Method of evaluation	Evaluation content
Board of Directors meeting	Once/ year	2022.1.1-2022.12.31	Board of Directors and Individual Directors	The internal evaluation of the board, self-evaluation by individual board members	The criteria for evaluating the performance of the board of directors: <ul style="list-style-type: none"> • Participation in the operations of the company • Improvement of the quality of the board of directors’ decision making • Composition and structure of the board of directors • Election and continuing education of the directors • Internal control The criteria for evaluating the performance of the board members: <ul style="list-style-type: none"> • Alignment of the goals and missions of the company • Awareness of the duties of a director • Participation in the operations of the company • Management of internal relationships and

					<ul style="list-style-type: none"> communication • The director’s professionalism and continuing education • Internal control
Audit Committee	Once/ year	2022.1.1-2022.12.31	Audit Committee	The internal evaluation of the Audit Committee	<p>The criteria for evaluating the performance of the members of the Audit Committee:</p> <ul style="list-style-type: none"> • Participation in the operations of the company • Awareness of the duties of the audit committee • Improvement of quality of decisions made by the audit committee • Makeup of the audit committee and election of its members • Internal control
Remuneration Committee	Once/ year	2022.1.1-2022.12.31	Remuneration Committee	The internal evaluation of the Remuneration Committee	<p>The criteria for evaluating the performance of the members of the Remuneration Committee:</p> <ul style="list-style-type: none"> • Participation in the operations of the company • Awareness of the duties of the remuneration committee • Improvement of quality of decisions made by the remuneration committee • Makeup of the remuneration committee and election of its members • Internal control

Evaluation results: During the evaluation period, the board as a whole, individual directors and functional committees operated well, met the requirements of corporate governance, and effectively strengthened the competency of the board of directors and maintained shareholders’ rights and interests.

Evaluation of the goals and implementation of strengthening the competency of the board of directors in the current year and the latest year:

1. Established independent directors according to the 2014 annual target, and in order to clarify the competency of independent directors, further strengthen their participation in the operation of the board of directors and revise the Company’s meeting agenda rules of the board of directors for compliance.
2. On November 11, 2022, the Company’s board of directors resolved to revise the “Rules for Performance Evaluation of Board of Directors and Functional Committees” and completed the 2022 performance evaluation and reported to the board of directors on January 13, 2023.
3. Training for directors: Encourage directors to continue their training, to enrich new knowledge continuously. In 2022, the total number of training hours for all directors was 57 hours.

(II) The state of operations of the audit committee:

(1) There are three members of the Audit Committee of the Company.

Title	Name	Professional qualifications and experience
Convener	Liu Wei-Ting	Independent director Liu is the director and managing attorney of TaipeiLaw Attorneys-at-Law and specialized in legal affairs.
Committee member	Hou Ching-Chih	Independent Director Hou has abundant experience in the futures and securities industry, consultant of KGI Futures Co., Ltd. the director and supervisor of the Chinese National Futures Association, chairperson of SYF Information Co., LTD., Senior vice manager of Yuanta Futures Co., Ltd., general manager of Fubon Futures Co., Ltd., financial vice president of California branch of The Tokai Bank Limited, Japan.
Committee member	Kuan Chi-Jui	Independent Director Kuan was the chairperson of Qunfu Construction Co., Ltd., Zhongxing Engineering Co., Ltd., engineer consultant of Te Chang Construction Co., Ltd., Kang he Construction Co., Ltd. and is specialized in the construction industry.

(2) Tenure of the incumbent (the 1st) Audit Committee: 2021.07.01 ~ 2024.06.30

(3) The Committee operates mainly to supervise the following:

- A. Fair presentation of the Company's financial statements.
- B. Appointment and dismissal of attesting CPAs and their independence and performance.
- C. Effective implementation of the Company's internal control.
- D. The Company's compliance with applicable laws and regulations.
- E. Control of the risks facing or having the potential to affect the Company.

(4) The Audit Committee held 6 meetings [A] in the most recent year (2022), the attendance is as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	% of attendance in person (B/A)	Remarks
Convener	Liu Wei-Ting	6		100	
Committee member	Hou Ching-Chih	5	1	83	
Committee member	Kuan Chi-Jui	6		100	

Any other matters that require reporting

I. If any of the following situations occur in the operation of the audit committee, the audit committee meeting date, session, content of proposals, independent directors' objections, reservation opinions or major proposal contents, audit committee resolution results and the company's handling of the audit committee's opinion.

(I) Matters listed in Article 14-5 of the Securities Exchange Act:

Meeting Date/Session	Resolution content	Independent directors that hold objections or expressions of reservation opinions and the handling of

		independent directors' opinions by the company
2022.01.21 The 4th meeting of the 1st session	1. Approved the establishment of the Company's "Audit Committee Management of Meeting Agenda Operation" operating procedures 2. Approved the Amendment to the "Endorsement Guarantee Operating Procedures" 3. Approved the finalization of "Operational Procedures for Loaning Funds to Others"	None
2022.03.25 The 5th meeting of the 1st session	1. Approved the amendment to the "Internal Control System" 2. Approved the Company's 2021 business report, financial statements and consolidated financial statements 3. Approved the company's 2021 earnings distribution proposal	None
2022.05.31 The 7th meeting of the 1st session	1. Approved the establishment of the Company's "management of endorsement and guarantee" and "management of Loaning Funds to Others" operating procedures 2. Approved loaning funds to subsidiaries	None
2022.08.12 The 8th meeting of the 1st session	1. Approved the designation of the supervisor of corporate governance 2. Approved making endorsement and guarantees to the subsidiaries	None
2022.11.11 The 9th meeting of the 1st session	1. Approved the 2023 internal audit plan review proposal 2. Approved the independent assessment of the Company's CPA of the financial statement.	None

(II) In addition to the aforementioned matters, other resolutions that have not been passed by the audit committee, but have been adopted with the approval of two-thirds or more of all board directors: None

II. The implementation of independent directors' recusal of interest-related proposals. The independent director's name, content of the proposal, reasons for his recusal of interests and participation in voting shall be stated: None

III. Communications between independent directors and internal audit supervisors and CPAs (should include major events, methods and results of communications regarding the company's financial and business conditions):

1. Communication between independent directors and CPAs

Date	Communication key points	Remarks
2022.03.25	1. The 2021 financial report audit conclusion matters of the CPA, including the type of audit opinion, key audit matters, materiality, etc., internal control and other communications.	Independent directors did not express their opinions.
2022.05.12	1. The CPA's review of the financial report for the first quarter of 2022, including the type of audit opinion, materiality and subsequent events, internal control and other communications.	Independent directors did not express their opinions.

2022.08.12	1.The CPA’s review of the financial report for the second quarter of 2022, including the type of audit opinion, materiality and subsequent events, internal control and other communications.	Independent directors did not express their opinions.
2022.11.11	1.The CPA’s review of the financial report for the third quarter of 2022, including the type of audit opinion, materiality and subsequent events, internal control and other communications. 2.The accountant communicates with the audit plan regarding the entrusted audit of 2022 financial report, including the audit method and scope, the application of the concept of materiality, independence and matters that may be with high concern.	Independent directors did not express their opinions.
2. Communication between independent directors and internal audit supervisors		
Date	Communication key points	Remarks
2022.01.21	1. Implementation of the 2022 review items of the audit plan	Independent directors did not express their opinions.
2022.03.25	1. Implementation of the 2022 review items of the audit plan	Independent directors did not express their opinions.
2022.05.13	1. Implementation of the 2022 review items of the audit plan	Independent directors did not express their opinions.
2022.08.12	1. Implementation of the 2022 review items of the audit plan	Independent directors did not express their opinions.
2022.11.11	1. Self-prepared tracking report on the implementation of the 2022 review items of the audit plan 2. 2023 audit plan	Independent directors did not express their opinions.

(III) The Company’s implementation of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.

Evaluation items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary description	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?”	✓		The Company’s Board of Directors passed the [Kwong Fong Industries Corporation Corporate Governance Best Practice Principles] on November 14, 2014, which was amended on August 12, 2022, and disclosed on the Company’s website and on the Market Observation Post System.	No significant difference
II. The Company’s equity structure and shareholder equity				
(I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations and implemented them in accordance with the procedures?	✓		(I) The Company has a dedicated spokesperson, and the Company’s website makes available complaint-filing channels, through which shareholders’ recommendations and doubts can be addressed.	No significant difference
(II) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?	✓		(II) The Company checks for any change in the shareholding of directors, supervisors, and major shareholders every month, has a good grasp of the ultimate controllers of the major shareholders of the Company’s major shareholders by referencing the shareholder register of the stock agent and files their shareholdings as required.	No significant difference
(III) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies?	✓		(III) Each affiliated company operates its finance and business affairs independently and has set up an internal control system for compliance purposes. In addition, an audit is carried out by an audit unit periodically.	No significant difference
(IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	✓		(IV) The Company has formulated the “Procedures for Preventing Insider Trading and Handling Material Internal Information” in order to set up a mechanism for dealing with and disclosing the Company’s material internal information; doing so avoids	No significant difference

Evaluation items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary description	
			improper information leak and ensures the consistency and accuracy of the information disclosed by the Company to outsiders.	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Has the Board of Directors formulated and implemented a diversity policy on membership?</p> <p>(II) In addition to the Remuneration Committee and the Audit Committee established in accordance with the law, has the Company voluntarily set up other functional committees?</p> <p>(III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as a reference in determining salary/compensation for individual directors and their nomination and additional office terms?</p>	<p>~</p> <p>~</p> <p>~</p>	<p>~</p> <p>~</p> <p>~</p>	<p>(I) The election of the Company’s directors already accounts for each director’s professional skills and backgrounds and industry experience. All Board of Directors members possess the knowledge, skills, and literacy required for carrying out their duties. The Company’s eight directors (including independent directors) are a specialist in business administration, finance, construction, and/or law.</p> <p>(II) The Company has set up the Remuneration Committee and Audit Committee but has yet to establish other functional committees.</p> <p>(III) The board of directors of the Company passed the revision of the “Rules for Performance Evaluation of Board of Directors” on November 11, 2022, stipulating that the board of directors shall conduct performance evaluation for the board of directors, director members, remuneration committee and audit committee at least once a year. The internal evaluation shall be carried out at the end of each year, and the performance evaluation of the current year shall</p>	<p>No significant difference</p> <p>The Company will act in the future based on actual requirements or by laws or regulations.</p> <p>No significant difference</p>

Evaluation items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary description	
			<p>be carried out according to these Rules.</p> <p>The criteria for evaluating the performance of the board of directors of the Company include the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the company 2. Improvement of the quality of the board of directors' decision making 3. Composition and structure of the board of directors 4. Election and continuing education of the directors 5. Internal control <p>The criteria for evaluating the performance of the board members include the following aspects:</p> <ol style="list-style-type: none"> 1. Alignment of the goals and missions of the company 2. Awareness of the duties of a director 3. Participation in the operation of the company 4. Management of internal relationships and communication 5. The director's professionalism and continuing education 6. Internal control <p>The criteria for evaluating the performance of functional committees include the following aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the company 2. Improvement of quality of decisions made by the functional committee 3. Makeup of the functional committee 4. Election of its members 5. Internal control <p>The Company has completed the 2022 performance evaluation of</p>	

Evaluation items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary description	
(IV) Does the company regularly evaluate the independence of attesting CPAs?	✓		<p>the board of directors, directors, remuneration committee and audit committee on January 13, 2023 and submitted it to the board of directors.</p> <p>(IV) The attesting CPAs appointed by the Company have no interest relationship with the Company and strictly adhere to the independence requirements. Attesting CPAs' independence and suitability are discussed and assessed at a Board of Directors meeting periodically every year; the assessment was passed by the Board of Directors on November 11, 2022 through deliberation.</p> <p>The independence of attesting CPAs is reviewed periodically every year in the following manner:</p> <ol style="list-style-type: none"> (1) Review of the CPA's resume. (2) CPAs may not accept and should recuse themselves from, the work that has a direct or indirect relationship with them and thus affects their independence and impartiality. (3) Check to see if the CPA is the Company's shareholder or receives salary from the Company; make sure that the CPA is not a related party. (4) Obtain the Independence Statement from the CPAs to be appointed. 	No significant difference
IV. Does the Company as a listed company have a suitable and appropriate number of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance-related matters (including but not limited to, providing information necessary	✓		<p>The Company has set up a governance supervisor, and the finance department is in charge of corporate governance unit, responsible for the corporate governance related matters:</p> <p>(I) Handling matters relating to board meetings and shareholders meetings according to laws.</p>	No significant difference

Evaluation items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary description	
for directors and supervisors to perform their business, assisting directors and supervisors in complying with laws and regulations, conducting board meeting and shareholders' meeting related matters in accordance with the law, handling company registration and alteration registration and preparing minutes of board meetings and shareholders' meetings, etc.)?			(II) Producing minutes of board meetings and shareholders' meetings. (III) Assisting in onboarding and continuous development of directors and independent directors. (IV) Furnishing information required for business execution by directors. (V) Assisting directors with legal compliance. (VI) Other matters set out in the Articles of Incorporation or contracts. (VII) Other corporate governance related matters. The governance supervisor has completed the 18-hour continuous development course in 2022 and shall complete the declaration on the MOPS.	
V. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	√		The Company's website has a stakeholders' zone; the Company has properly responded to important corporate social responsibility issues that concern stakeholders.	No significant difference
VI. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	√		The Company has mandated Yuanta Securities Co., Ltd. to be its stock affairs agent.	No significant difference
VII. Public disclosure of information (I) Has the Company set up a website to disclose finance and business matters and corporate governance information?	√		(I) The Company has set up a website through which the Group's information such as financials, stock affairs, and corporate governance is disclosed.	No significant difference
(II) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson	√		(II) The Company's website features the Chinese language. The Company has a dedicated person who collects and discloses the Company's information. In addition, the channel through which the spokesperson may be contacted remains clear.	No significant difference

Evaluation items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary description	
<p>system, posting the Company's earnings calls on its website, etc.)?)</p> <p>(III) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with the monthly business performance statements before the required due dates?</p>		✓	<p>(III) The Company files its financial statements and monthly operating performance data within the due date specified in the "Particulars That Must Be Carried Out by TWSE-listed Companies," but has yet to announce and file the annual financial statements within two months after the end of a fiscal year.</p>	<p>The Company will act in the future based on actual requirements or by laws or regulations.</p>
<p>VIII. Does the company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the company's purchase of liability insurance for directors and supervisors, and so on)?</p>	✓		<ol style="list-style-type: none"> 1. The Company acts fully by the Labor Standards Act. Aside from that, the Company's Articles of Incorporation stipulates that 0.1%-2% of annual earnings, if any, be provided as employee remuneration and that welfare measures like subsidies for marriage and funeral be provided. 2. The Company provides a good working environment and system and maintains a good relationship with employees, so the employee turnover rate is low. 3. The Company has a spokesperson and a deputy spokesperson who are always ready to answer any shareholder inquiry to help them understand the Company. In addition, as required by law, the Company also discloses its information on the Market Observation Post System. 4. The Company maintains a good relationship with both suppliers and customers, and has set up channels for stakeholders to file their grievances; therefore, communication is expected to be clear and smooth. 5. The Company organizes continuing education courses for directors and supervisors at irregular intervals, and discloses their attendance on the Market Observation Post System. 6. As required by law, the Company has set up various internal regulations and 	<p>No significant difference</p>

Evaluation items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary description	
			<p>an internal control system to manage and assess risks. In addition, the internal audit unit also carries out regular and irregular audits to verify the implementation status of the internal control system.</p> <p>7. The Company's purchase of liability insurance for directors and supervisors: The Company has purchased a USD 5.5 million liability insurance policy for its directors, supervisors, and managers from Mingtai Fire & Marine Insurance Co., Ltd., with the insured period being 2022.4.24 through 2023.4.24.</p>	
<p>IX. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement:</p> <p>The Company has reviewed the items of the Corporate Governance Evaluation of the previous year for which the Company failed to score, and attempted to find out the causes and estimate the cost necessary for improvement. Furthermore, the Company also references the 2023 Corporate Governance Evaluation Guidelines to find out the items which can be improved.</p> <p>Improved items: The Company has additionally formulated various regulations for governance purposes, e.g., "Intellectual Property Management Plan," "Risk Management Policy and Procedures," "Procedures for Ethical Management and Guidelines for Conduct," and "Procedures for Preventing Insider Trading and Handling Material Internal Information". The Company also reports the corporate governance implementation status to the Board of Directors. All directors have completed the training courses for the number of hours required by the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies."</p> <p>Priority enhancement measures planned for items still awaiting improvement: A concrete plan to promote and implement corporate social responsibilities.</p> <p>Evaluation items whose improvement will incur too much cost based on our assessment have yet to be included in the improvement plan and may be improved in the future based on actual needs or by laws and regulations.</p>				

(IV) Composition, duties, and implementation status of the Remuneration Committee:

1. Remuneration Committee members

Identity	Name	Criteria	More than 5 years of work experience and the following professional qualifications	Whether qualifies for the criterion of independence (Note 1)								Number of concurrent duty as a Remuneration Committee member at a public company	Remarks (Note 2)		
			Lecturers or above in public and private colleges and universities in business, legal, financial, accounting or related areas required for the Company's business	A judge, public prosecutor, attorney, certified public accountant, or another professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company.	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6			7	8
Independent director	Hou Ching-Chih		✓			✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Kuan Chi-Jui			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Liu Wei-Ting			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: For each member who has met the following criteria for the two years prior to their elections and during their tenure, please mark “✓” in the space below each criterion code.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. However, this restriction does not apply to independent directors of the Company, its parent or subsidiary who are elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or held by the person under others' names, in an aggregate that reaches one percent or more of the total number of issued shares of the company or ranks among the top 10 in terms of shareholding.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a person in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder which directly holds 5% or more of the company's share; not a director, supervisor, or employee of a corporate shareholder ranking among the top 5 in terms of shareholding.
- (6) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution with a financial or business relationship with the company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting or related services or consultation thereon to the company or any affiliate of the company, or a spouse thereof.
- (8) Not a person with any of the circumstances under Article 30 of the Company Act.

Note 2: If the identity of a member is a director, please describe whether the person meets the requirements specified in Article 6, Paragraph 5 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.”

2. Information on the operations of the Remuneration Committee

- (1) There are three members of the Remuneration Committee of the Company.
 (2) Tenure of the 5th Remuneration Committee: 2021.07.01 ~ 2024.06.30
 (3) The Remuneration Committee held 3 meetings in 2022

Members' qualifications and attendance are as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	% of attendance in person (B/A)	Remarks
Convener	Hou Ching-Chih	3	0	100	
Committee member	Kuan Chi-Jui	3	0	100	
Committee member	Liu Wei-Ting	3	0	100	
Other matters to be recorded:					
<p>I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it should state the date, session, proposal content, resolution of the board, and its handling of the committee's opinions (if the remuneration approved by the board is better than the recommendation proposed by the committee, the difference and reasons should be stated): None.</p> <p>II. For the proposals by the Remuneration Committee, if any members have objections or reservations that are put down in records or written statements, the date, session, proposal content, the opinions of all members, its handling of the members' opinions should be stated: None.</p>					

- (3) The Remuneration Committee's discussions and resolutions in 2022, and the Company's response to the committee members' opinion:

Date/Session	Content of proposals	Resolution situation	The company's handling of committee members' opinions
2022.01.21 The 4th meeting of the 5th session	1. Review the distribution of year-end bonuses for managers in 2021	After being consulted by the chairman, all the attending committee members had no objection and passed the proposal.	Report the resolution to the board of directors
2022.03.25 The 5th meeting of the 5th session	1. Review the proposal of 2021 directors' remuneration and employees' remuneration		
2022.08.12 The 6th meeting of the 5th session	1. Amendments to the "Regulation of Distribution of Employees' Remuneration and Directors' and Supervisors' Remuneration" of the Company and its subsidiaries 2. Review 2021 manager's remuneration proposal		

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Implementation Items	The State of Implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary description	
I. Has the Company established a governance structure to promote sustainable development, and designated a full-time (part-time) unit to promote sustainable development, which is to be handled by the senior management with the authorization of the Board of Directors, and the actual supervision of the Board of Directors?		✓	The Company has yet to designate a full-time (part-time) unit to promote sustainable development.	The Company will act in the future based on actual requirements or by laws or regulations.
II. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to the Company’s operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		The company has formulated “Risk Management Policies and Procedures.” Through risk identification, risk response, risk monitoring and other management processes and adjusting at the proper time in line with changes in the business environment, business and operating activities. The 2022 risk management policy, scope, organizational structure and operation status have been submitted to the board of directors on November 11, 2022.	No significant difference
III. Environmental Issues				
(I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?	✓		(I) Launch energy-conservation and carbon-reduction campaigns in the office: Turn on the lights only in necessary areas; reduce paper consumption; manage the air conditioning system from area to area.	No significant difference
(II) Is the Company committed to improving the efficiency of resource utilization and using recycled materials with low impact on the environment?	✓		(II) The Company recycles and re-uses resources, reduces waste generation, and uses recycled tissue paper.	No significant difference
(III) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take corresponding measures to respond to climate related issues?	✓		(III) The Company implements resource recycling and sorting and air conditioning temperature control and uses energy-efficient equipment and lighting fixtures, and in doing so reaches the energy-conservation and carbon-reduction goal.	No significant difference
(IV) Does the Company make statistics on greenhouse gas emissions, water consumption and total weight of waste for the	✓		(IV) The Company continues to require that resources are recycled and waste is reduced in the office and hold internal awareness	No significant difference

Implementation Items	The State of Implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary description	
past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?			sessions. The Company has set up resource recycling bins for sorting resources; the Company also transitions the office paperwork to a digital flow so as to streamline processes and reduce paper use. By cherishing energy and resources, we avoid waste.	
IV. Social Issues				
(I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?	✓		(I) The company formulates various management measures and the employees’ employment and discharge, salary, leave, etc. are handled in accordance with the measures, and the following principles are jointly abide by in accordance with the human rights policy: “abide by labor and environmental laws and regulations,” “equal employment, prevent discrimination,” “prohibition of forced labor, prohibition of employing child labor,” “provide a safe and healthy working environment,” “keep labor-management communication channels open and provide a grievance mechanism”	No significant difference
(II) Has the Company formulated and implemented reasonable employee welfare measures (including remuneration, vacation, and other benefits, etc.), and appropriately reflected operating performance or results in employee remuneration?	✓		(II) According to the Company’s Articles of Incorporation, if the Company has earnings in a given year, it shall provide 0.1%-2% of such earnings as employee remuneration, which shall be distributed in cash or shares according to the resolution adopted by the Board of Directors. Those entitled to employee remuneration may include employees of a controlled or affiliated company who meet certain criteria.	No significant difference
(III) Did the Company provide employees with a safe and healthy working environment, and conduct regular safety and health education for employees?	✓		(III) The Company provides a good working environment and continues to improve and periodically maintain it. In addition, the Company also promotes a smoke-free working environment. The Company cooperates on a fire drill carried out periodically by the administrative unit of the office building and the management center of the office. Furthermore, an access control system and a	No significant difference

Implementation Items	The State of Implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary description	
(IV) Has the Company established an effective career development training program for employees?	✓		camera surveillance system are in place throughout the day. (IV) The Company arranges for employees to participate in the courses held by the competent authority or external professional institutions, and to participate in related education and training courses and internal awareness sessions held irregularly. Courses in 2022: Continuing education courses for accounting personnel; continuing education courses for audit personnel; and internal training courses: “Procedures for Ethical Management and Guidelines for Conduct,” and “Procedures for Preventing Insider Trading and Handling Material Internal Information”.	No significant difference
(V) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and establish relevant customer rights protection policies and complaint procedures?	✓		(V) The Company maintains a good relationship with both suppliers and customers, and has set up channels for stakeholders to file their grievances. The Company’s marketing and labeling of products and services are in accordance with relevant laws and regulations and international standards.	No significant difference
(VI) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	✓		(VI) Before doing business with a supplier, the Company accounts for its historical reputation and always attends to whether or not it has a record of impacting the environment or violating occupational safety and health requirements or labor rights at the moment. The Company and suppliers strive together to improve corporate social responsibility practices.	No significant difference
V. Does the Company make reference to international reporting standards or guidelines to prepare corporate social responsibility or other reports that disclose non-financial information about the Company? Has the assurance or opinion from third-party certifying institutions been		✓	The Company has yet to disclose the information on its corporate social responsibility practices.	The Company will act in the future based on actual requirements or by laws or regulations.

Implementation Items	The State of Implementation		Summary description	Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No		
obtained for the reports of the preceding paragraph?				
<p>VI. If the Company has its own corporate social responsibility best practice principles in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies,” please state the differences between its own principles and the state of implementation: None.</p>				
<p>VII. Other important information conducive to understanding the implementation of corporate social responsibility: The Company developed residential and shopping malls in the Bade area of Taoyuan. The Bade Industrial and Commercial Complex Area has also donated more than 4,800 square meters of ecological green space for public use. After the opening and operation, more than 800 square meters of community centers were donated for local people to use for free.</p>				

(VI) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX -Listed Companies and the Reasons:

Evaluation items	The State of Operation		Summary description	Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Company” and the Reasons.
	Yes	No		
<p>I. Formulate ethical corporate management policy and plan</p> <p>(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and by laws and publicly available documents addressing its corporate conduct and ethics policy and measures and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(II) Whether the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?</p> <p>(III) Whether the Company has specified operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviews and amends it?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has set up its “Ethical Corporate Management Best Practice Principles” and uploaded it to TWSE’s Market Observation Post System and to the Company’s website, so as to provide a reference for implementing corporate ethical management.</p> <p>(II) Upon employment of employees, the Company requires that they abide by the “Ethical Corporate Management Best Practice Principles;” in addition, the Company irregularly holds internal awareness sessions to show employees its determination to fulfill ethical corporate management.</p> <p>(III) To prevent unethical conduct, the Company has set up the “Regulations for Handling Reporting of Illegal or Unethical Conduct” to encourage exposure of any illegal conduct or any conduct that violates the code of ethics or Ethical Corporate Management Best Practice Principles. Each work item is routinely audited to reduce the various unethical risks.</p>	<p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p>
II. The implementation of ethical corporate management				

Evaluation items	The State of Operation			Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Company” and the Reasons.
	Yes	No	Summary description	
(I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?	✓		(I) Before doing business with a supplier, customer, or other counterparties, the Company looks into their legality and whether they used to commit unethical conduct; if necessary, the Company also conducts a credit investigation on them.	No significant difference
(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and report regularly (at least once a year) to the Board of Directors on its ethical management policy, plan to prevent unethical conduct, and the state of monitoring and implementation of such policy and plan?	✓		(II) The Company has designated the President’s Office as a dedicated unit, which is obliged to promote ethical corporate management and report regularly (at least once a year) to the Board of Directors on its ethical management policy, plan to prevent unethical conduct and the state of monitoring and implementation of such policy and plan.	No significant difference
(III) Does the Company have the policy to prevent conflict of interest, provide appropriate channels for an explanation, and implement it?	✓		(III) Employees may report any matters involving conflict of interest to their immediate supervisor. According to the Company’s Regulations Governing Procedure for Board of Directors Meetings, if a motion involves a director’s or supervisor’s interest which conflict with that of the Company, they must recuse themselves from discussion, being present at the meeting, and voting.	No significant difference
(IV) Does Company establish an effective accounting system and internal control system for the implementation of ethical corporate management, and have the internal audit unit draw up relevant audit plans based on the evaluation results of risk of unethical conduct and audit the compliance with the plan to prevent unethical conduct, or entrust a CPA to perform the audit?	✓		(IV) The Company has set up an effective accounting system and internal control process; personnel of the Company are also highly alert to unethical conduct and may whistle blow on any unethical conduct if they spot any. The Audit Department includes each work item in the Annual Audit Plan and carries out regular audits; the department also reports the audit result to the Board of Directors and has it reviewed by the supervisors.	No significant difference
(V) Does the Company regularly organize internal and external	✓		(V) The Company’s relevant personnel also participate in the education and	

Evaluation items	The State of Operation		Summary description	Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Company” and the Reasons.
	Yes	No		
education and training on ethical corporate management?			training on ethical management organized by the competent authority or external professional institutions as required. Education and training are also given internally if the Company deems it necessary.	No significant difference
<p>III. The operation of the Company’s whistleblower reporting system</p> <p>(I) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?</p> <p>(II) Has the Company formulated standard operating procedures for the investigation of the reported matters and the relevant confidentiality mechanisms?</p> <p>(III) Does the Company take measures to protect whistleblowers from being improperly treated due to reporting?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has set up the “Regulations for Handling Reporting of Illegal or Unethical Conduct,” which sets out the responsible unit for handling the reporting, reporting channels, and handling process. Any violation of the Company’s Ethical Corporate Management Best Practice Principles may be reported to a unit’s supervisor or the Audit Department.</p> <p>(II) The reported matter will be audited and kept confidential according to the Company’s internal process.</p> <p>(III) The whistleblower is protected and won’t be improperly treated due to his/her reporting.</p>	<p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p>
<p>IV. Enhance Information Disclosure</p> <p>Does the Company disclose the content and implementation results of its Ethical Corporate Management Best Practice Principles on its website and the Market Observation Post System?</p>	✓		The Company’s Ethical Corporate Management Best Practice Principles are disclosed on its website and the Market Observation Post System in a timely manner.	No significant difference
V. If the Company has established its own ethical corporate management best practice principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies,” please state the differences between its own principles and the state of implementation: None.				
VI. Other important information that is conducive to understanding the implementation of ethical corporate management (e.g., the Company’s review or revision of its own ethical corporate management best practice principles): None.				

(VII) If the Company has formulated the Corporate Governance Best Practice Principles and related rules,

it shall disclose the query methods: Query may be made on the Company's website.

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

- (1) Internal audits are operated as required, to enhance the audit of the Company and subsidiaries. The audit result is also reported to the Board of Directors for supervisory purposes.
- (2) The spokesperson system is fully implemented; therefore, information is fully disclosed.

(IX) State of implementation of the internal control system:

1. Statement of Internal Control

Kwong Fong Industries Corporation
Statement of internal control system

Date: March 24, 2023

The Company states the following for its 2022 internal control system based on the results of self-evaluation:

- I. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance, and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rulings, laws and regulations, etc.
- II. Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of the internal control system adopted in the "Regulations" are based on the process of managerial control and divide the internal control system into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. Information and communication, and 5. Monitoring operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.
- IV. The Company has adopted the aforementioned criteria of the internal control system to evaluate the effectiveness of the design and implementation of its internal control system.
- V. Based on the evaluation results of the preceding paragraph, the Company believed that the design and implementation of its internal control system were effective as of December 31, 2022 (including the supervision and management of subsidiaries), with an understanding of the extent to which the objectives of effectiveness and efficiency of operations were achieved, whether or not the reporting was reliable, timely, transparent and if the compliance with relevant rulings, laws, and regulations is met, and a reasonable assurance of the achievement of these objectives.
- VI. This statement will become the main content of the Company's annual report and prospectus and will be made public. If the above-mentioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.
- VII. This statement was approved by the Company's Board of Directors on March 24, 2023 Of the 8 directors present, 0 had objections and the rest all agreed with the content of this statement and we hereby declare the same.

Kwong Fong Industries Corporation
Chairperson: Leo Ho
President: Huang Li-Ling

2. Where a CPA was entrusted to review the internal control system, the review report should be disclosed: N/A.

(X) Was there any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report? What were the major deficiencies and the condition for improvement?: None.

(XI) Important resolutions of the shareholders' meeting and board meeting during the most recent year and during the current year up to the date of publication of the annual report:

Date	Meeting title	Important resolutions	Status of implementation
2022.01.21	The 18th Board of Directors The 4th meeting	I. Approved the application for financing through the financial bank II. Approved the establishment of the Company's "Audit Committee Management of Meeting Agenda Operation" operating procedures III. Approved the Amendment to the "Endorsement Guarantee Operating Procedures" IV. Approved the finalization of "Operational Procedures for Loaning Funds to Others" V. Approved the convening of the Company's 2022 Annual General Meeting of Shareholders VI. Approved matters related to the shareholder proposals	1. The independent directors have not expressed their opinions 2. It has been handled in accordance with the content of the resolution
2022.03.25	The 18th Board of Directors The 5th meeting	I. Approved the Company's 2021 internal control statement and its related attachments II. Approved the Company's 2021 directors' remuneration and employees' remuneration distribution proposal III. Approved the Company's 2021 business report, financial statements and consolidated financial statements IV. Approved the company's 2021 earnings distribution proposal V. Approved the amendment to the "Internal Control System" VI. Approved of the application for the financing quota of the financial bank	1. The independent directors have not expressed their opinions 2. It has been handled in accordance with the content of the resolution
2022.04.28	The 18th Board of Directors The 6th meeting	I. Approved matters related to distribution of souvenirs for the 2022 shareholders' meeting	1. The independent directors have not expressed their opinions 2. It has been handled in accordance with the content of the resolution
2022.05.13	The 18th Board of Directors The 7th meeting	I. Approved of the Company's financial statements for the first quarter of 2022 II. Approved of the application for the financing quota of the financial bank III. Approved the reassignment of directors and supervisors of subsidiaries	1. The independent directors have not expressed their opinions 2. It has been handled in accordance with the content of the resolution
2022.05.31	2022 General shareholders' meeting	I. Ratification of the Company's 2021 financial statements. II. Ratification of the Company's 2021 earnings distribution III. Approved the Amendment to the "Endorsement Guarantee Operating Procedures" IV. Approved the finalization of "Operational Procedures for Loaning Funds to Others"	Has been handled in accordance with the content of the resolution: Earnings distribution proposal Ex-dividend base date 2022.06.25 Distribution date 2022.07.05
2022.05.31	The 18th Board of Directors	I. Set the ex-dividend base date for the company's 2021 earnings distribution	1. The independent directors have not expressed their opinions

Date	Meeting title	Important resolutions	Status of implementation
	The 8th meeting		2. It has been handled in accordance with the content of the resolution
2022.08.12	The 18th Board of Directors The 9th meeting	<p>I. Approved the financial statements for the second quarter of 2022</p> <p>II. Approved the designation of the supervisor of corporate governance</p> <p>III. Approved the proposal of the custodian of important seals for the Ministry of Economic Affairs and others.</p> <p>IV. Approved the endorsement guarantee for the consolidated subsidiary</p> <p>V. Approved of the application for the financing quota of the financial bank</p> <p>VI. Formulated the “Procedures for Ethical Management and Guidelines for Conduct”</p> <p>VII. Formulated the “Procedures for insider trading management and Handling Material Inside Information”</p> <p>VIII. Proposed to abolish and re-establish the Company’s “Corporate Governance Best Practice Principles”</p>	<p>1. The independent directors have not expressed their opinions</p> <p>2. It has been handled in accordance with the content of the resolution</p>
2022.11.11	The 18th Board of Directors The 10th meeting	<p>I. Approved the financial statements for the third quarter of 2022</p> <p>II. Approved the 2023 review proposal of the internal audit plan</p> <p>III. Approved 2023 business plan review proposal</p> <p>IV. Revised of the Company’s “Rules for Performance Evaluation of Board of Directors”</p> <p>V. Revised the Company’s “Procedures for insider trading management and Handling Material Inside Information”</p> <p>VI. Formulated the Company’s “Risk Management Policies and Procedures”</p> <p>VII. Approved the independent assessment of the Company’s CPA of the financial statement.</p> <p>VIII. Renew the financial bank’s contract</p> <p>IX. Approved the capital increase proposal of Kwong Fong Holdings Limited</p>	<p>1. The independent directors have not expressed their opinions</p> <p>2. It has been handled in accordance with the content of the resolution</p>
2023.01.13	The 18th Board of Directors The 11th meeting	<p>I. Proposed to abolish and re-establish the company’s “Rules of Procedure for Shareholders’ Meetings”</p> <p>II. Formulated the related matters of convening the 2023 General Shareholders’ meeting of the Company</p> <p>III. Approved the matters related to accepting shareholders’ proposals.</p>	<p>1. The independent directors have not expressed their opinions</p> <p>2. It has been handled in accordance with the content of the resolution</p>
2023.03.24	The 18th Board of Directors The 12th meeting	<p>I. Approved the Company’s 2022 internal control statement and its related attachments</p> <p>II. Approved the Company’s 2022 directors’ remuneration and employees’ remuneration distribution proposal</p> <p>III. Approved the Company’s 2022 business report, financial statements and consolidated financial statements</p> <p>IV. Approved the company’s 2022 earnings</p>	<p>1. The independent directors have not expressed their opinions</p> <p>2. It has been handled in accordance with the content of the resolution</p>

Date	Meeting title	Important resolutions	Status of implementation
		distribution proposal V. Approved the revision of “Management of the procedures for preparation of financial statements” and its internal control “Management Control System” VI. Approved the renewal of the financial bank’s contract VII. Approved the proposal to formulate the Company’s non-assurance service pre-approval policy for the 2023 entrusted certified firm. VIII. Approved the capital increase proposal of Kwong Fong Holdings Limited	

(XII) During the most recent year or during the current year up to the date of publication of the annual report, if directors or supervisors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: None.

(XIII) For the most recent year or the current year up to the date of publication of the annual report, a summary of the resignation and dismissal of the Company’s chairperson, presidents, accounting officer, finance officer, internal audit officer, and R&D officer: None.

V. Information on CPA professional fees:

CPA firm	CPA name		Audit period	Remarks
PricewaterhouseCoopers, Taiwan	Lai Chung-Hsi	Chih Ping-Chiun	January 2022 ~ December 2022	

Professional fee items		Audit fee	Non-audit fee	Total
Amount range				
1	Under NT\$2000 thousand			
2	NT\$2,000 thousand (inclusive) ~ NT\$4,000 thousand	2,220	300	2,520
3	NT\$4,000 thousand (inclusive) ~ NT\$6,000 thousand			
4	NT\$6,000 thousand (inclusive) ~ NT\$8,000 thousand			
5	NT\$8,000 thousand (inclusive) ~ NT\$10,000 thousand			
6	NT\$10,000 (inclusive) or more			

- (I) If the amount of non-audit fee paid to the attesting CPA, its firm, and affiliates is more than one-fourth of the audit fee, the amount of audit and non-audit fee and the content of non-audit service should be disclosed:

Unit: NT\$1,000

CPA firm	CPA name	Audit fee	Non-audit fee					CPA audit period	Remarks
			System design	Business registration	Human resources	Others (Remarks)	Subtotal		
PricewaterhouseCoopers, Taiwan	Lai Chung-Hsi	2,220	0	0	0	300	300	2022	Profit-seeking Enterprise Income Tax auditing and attestation
	Chih Ping-Chiun								

- (II) Where the audit fee paid in the year of the replacement of the CPA firm is less than the audit fee in the year before the change, the amount of audit fees before and after replacement and the reasons should be disclosed: None.

- (III) Where the audit fee is at least 15% less than the previous year: None.

VI. Information on the replacement of CPAs: None.

VII. Circumstances in which the chairperson, president, or officers in charge of financial or accounting matters of the Company have worked in the firm of the CPA or its affiliated companies within the last year: None

VIII. Any equity transfer or change in equity pledge by a director, supervisor, manager, or shareholder with 10% stake or more during the most recent year or during the current year up to the date of publication of the annual report:

(I) Changes in equity:

Unit: Share

Title	Name	2022		Year-to-date through April 1, 2023	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairperson	Leo Ho	-	-	-	-
Director	Luo Sheng Tai Co., Ltd.	-	-	-	-
Juridical representative of the director	Ho Ming-Hong	-	-	-	-
Juridical representative of the director	Chiu Wen-Ta	(320,000)	-	-	-
Director	Hann Fong Investments Co., Ltd.	-	-	-	-
Juridical representative of the director	Liu Shiang	-	-	-	-
Juridical representative of the director	Chen Cheng-Te	-	-	-	-
Independent director	Ho Chin-Chih	-	-	-	-
Independent director	Kuan Chi-Jui	-	-	-	-
Independent director	Liu Wei-Ting	-	-	-	-
Vice Chairperson	Ho Ming-Hong	-	-	-	-
President and Chief Financial Officer	Huang Li-Ling	-	-	-	-
Vice President, Investment Department	Hsia Huan-Ting	-	-	-	-
Vice President, Investment Department	Tsai Chia-Jung	-	-	-	-
Accounting Officer	Chen Su-Ching	-	-	-	-
Head of the Audit Department	Hsu Hui-Chen	-	-	-	-

(II) Equity transfer: None.

(III) Equity pledged: None.

IX. Information on the top ten shareholders who are a related party, a spouse, or a relative within the second degree of kinship of one another

Relationship among the 10 largest shareholders in terms of the shareholding ratio

April 1, 2023

Name	Shareholdings of the Principal		Shareholding of spouse and underage children		Shares held in the name of others		The name of and relationship among the top 10 shareholders if anyone is a related party, a spouse, or a relative within second degree of kinship of another.		Remarks
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Title (or Name)	Relationship	
Luo Sheng Fong Co., Ltd. Responsible person: Chung Yi-Chen	16,640,400	8.98%					None	None	
Hemisphere Industries Corp. Responsible person: Leo Ho	16,296,746	8.79%					De Fong Investment Co., Ltd.	Chairpersons are the same person.	
Leo Ho	12,772,701	6.89%					Hemisphere Industries Corp. De Fong Investment Co., Ltd.	Chairperson	
Ciyun International Co., Ltd. Responsible person: Wu Shen-Huang	8,797,000	4.75%					Shenhuang International Investment Co., Ltd.	Chairpersons are the same person.	
Lin Kao-Huang	6,187,000	3.34%					None	None	
De Fong Investment Co., Ltd. Responsible person: Leo Ho	6,166,004	3.33%					Hemisphere Industries Corp.	Chairpersons are the same person.	
Xishida Co., Ltd.	4,618,000	2.49%					None	None	
Shenhuang International Investment Co., Ltd.	3,716,000	2.00%					Ciyun International Co., Ltd.	Chairpersons are the same person.	
Yen Chiu-Le	3,378,000	1.82%					None	None	
Chu Feng	2,548,866	1.38%					None	None	

- X. The total number of shares and the consolidated equity stake percentage held in any single investee enterprise by the Company, its directors, supervisors, managers, or any companies controlled either directly or indirectly by the Company:

December 31, 2022 ; Unit: Share; %

Invested enterprises (Note 1)	The Company's investment		Investment of the directors, supervisors, managers and business under direct or indirect control		Total investments	
	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)
Kwong Fong Holdings Limited	17,800,000	100.00	-	-	17,800,000	100.00
Grandcheer Construction Corporation (Note 2)	15,000,756	99.13	-	-	15,000,756	99.13
Pao Fong Asset Management Co., Ltd.	10,000,000	100.00	-	-	10,000,000	100.00
Cheng Feng Industrial Co., Ltd. (Note2)	1,861,200	9.40	1,964,220	9.92	3,825,420	19.32
Mdbs Digital Technology Co., Ltd.	1,611,500	51.00	-	-	1,611,500	51.00
Galaxy Digital Co., Ltd.	3,386,800	51.00	-	-	3,386,800	51.00

Note 1: The Company's investments accounted for using equity method.

Note 2. Company under the liquidation process.

Four. Fund Raising Status

I. Capital and shares

(I) Capital source

Unit: NTS /Share

Date	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Use of assets other than cash for the share amount	Others
June 1968	100	200,000	20,000,000	200,000	20,000,000	Cash on hand 20,000,000	None	
October 1969	100	400,000	40,000,000	400,000	40,000,000	Issuance of new shares 20,000,000	None	
July 1972	100	670,000	67,000,000	670,000	67,000,000	Issuance of new shares 27,000,000	None	
November 1972	100	1,205,900	120,590,000	1,205,900	120,590,000	Issuance of new shares 53,590,000	None	
June 1974	10	20,000,000	200,000,000	20,000,000	200,000,000	Issuance of new shares 79,410,000	None	
October 1975	10	30,000,000	300,000,000	30,000,000	300,000,000	Recapitalization of capital surplus 100,000,000	None	
June 1976	10	31,500,000	315,000,000	31,500,000	315,000,000	Recapitalization of accumulated earnings 15,000,000	None	
July 1977	10	36,225,000	362,250,000	36,225,000	362,250,000	Recapitalization of accumulated earnings 47,250,000	None	
June 1978	10	43,470,000	434,700,000	43,470,000	434,700,000	Recapitalization of accumulated earnings 72,450,000	None	
December 1978	10	55,545,000	555,450,000	55,545,000	555,450,000	Recapitalization of capital surplus 120,750,000	None	
August 1979	10	59,892,000	598,920,000	59,457,300	594,573,000	Recapitalization of accumulated earnings 39,123,000	None	
December 1979	10	61,656,960	616,569,600	61,584,888	615,848,880	Recapitalization of capital surplus 21,275,880	None	
August 1980	10	67,743,377	677,433,770	67,743,377	677,433,770	Recapitalization of accumulated earnings 61,584,890	None	
December 1981	10	91,077,207	910,772,070	74,517,715	745,177,150	Recapitalization of accumulated earnings 20,323,014 Recapitalization of capital surplus 47,420,366	None	
February 1984	10	91,077,207	910,772,070	91,077,207	910,772,070	Issuance of new shares 165,594,920	None	
November 1986	10	131,555,966	1,315,559,660	131,555,966	1,315,559,660	Issuance of new shares 404,787,590	None	
November 1987	10	147,342,682	1,473,426,820	147,342,682	1,473,426,820	Issuance of new shares 157,867,160	None	
November 1988	10	206,279,758	2,062,797,580	206,279,758	2,062,797,580	Recapitalization of accumulated earnings 294,685,380 Issuance of new shares 294,685,380	None	
April 1990	10	360,000,000	3,600,000,000	272,477,680	2,724,776,800	Recapitalization of capital surplus 206,279,760 Issuance of new shares 455,699,520	None	
August 1995	10	360,000,000	3,600,000,000	313,349,338	3,133,493,380	Recapitalization of capital surplus 408,716,520	None	
February 1998	10	500,000,000	5,000,000,000	442,605,940	4,426,059,400	Recapitalization of capital surplus 313,349,340 Issuance of new shares 979,216,680	None	
September 1998	10	600,000,000	6,000,000,000	553,257,426	5,532,574,260	Recapitalization of accumulated earnings 840,951,290 Recapitalization of capital surplus 265,563,570	None	

Date	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Use of assets other than cash for the share amount	Others
December 2000	10	600,000,000	6,000,000,000	549,783,426	5,497,834,260	Retirement of treasury shares 34,740,000	None	
August 2010	10	600,000,000	6,000,000,000	384,848,398	3,848,483,980	Capital reduction for making up for losses 1,649,350,280	None	
August 2013	10	600,000,000	6,000,000,000	307,878,718	3,078,787,180	Capital reduction by refunding share subscription proceeds 769,696,800	None	
October 2014	10	600,000,000	6,000,000,000	293,355,757	2,933,557,570	Retirement of treasury shares 145,229,610	None	
September 2015	10	600,000,000	6,000,000,000	264,020,182	2,640,201,820	Capital reduction by refunding share subscription proceeds 293,355,750	None	
August 2016	10	600,000,000	6,000,000,000	205,935,742	2,059,357,420	Capital reduction by refunding share subscription proceeds 580,844,400	None	
August 2017	10	600,000,000	6,000,000,000	185,342,168	1,853,421,680	Capital reduction by refunding share subscription proceeds 205,935,740	None	

Unit: Share

Type of equity	Authorized capital			Remarks
	Outstanding shares of TWSE-listed shares	Unissued shares	Total	
Common stock	185,342,168	414,657,832	600,000,000	-

(II) Shareholder structure

April 1, 2023

Shareholder structure Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of people	2	3	181	48,708	68	48,962
Number of shares held	1,300	1,561	67,881,183	100,635,632	16,822,492	185,342,168
Shareholding percentage (%)	0.00	0.00	36.62	54.30	9.08	100

(III) Share ownership dispersion

1. Common shares:

April 1, 2023

Shareholding tier	Number of shareholders	Number of shares held	Shareholding percentage (%)
1~999	38,180	5,884,734	3.18
1,000~5,000	8,317	17,050,922	9.20
5,001~10,000	1,245	9,363,142	5.05
10,001~15,000	358	4,466,613	2.41
15,001~20,000	239	4,410,924	2.38
20,001~30,000	197	5,026,780	2.71
30,001~40,000	96	3,377,331	1.82
40,001~50,000	68	3,131,302	1.69
50,001~100,000	129	9,488,147	5.12
100,001~200,000	61	8,591,485	4.64
200,001~400,000	38	10,415,524	5.62
400,001~600,000	9	4,606,012	2.49
600,001~800,000	2	1,526,234	0.82
800,001~1,000,000	5	4,381,044	2.36
1,000,001~99,999,999	18	93,621,974	50.51
Total	48,962	185,342,168	100.00

2. Preferred share: None.

(IV) Name of major shareholder

April 1, 2023

Name of major shareholder	Shares	Number of shares held	Shareholding percentage (%)
Luo Sheng Fong Co., Ltd.		16,640,400	8.98%
Hemisphere Industries Corp.		16,296,746	8.79%
Leo Ho		12,772,701	6.89%
Ciyun International Co., Ltd.		8,797,000	4.75%
Lin Kao-Huang		6,187,000	3.34%
De Fong Investment Co., Ltd.		6,166,004	3.33%
Xishida Co., Ltd.		4,618,000	2.49%
Shenhuang International Investment Co., Ltd.		3,716,000	2.00%
Yen Chiu-Le		3,378,000	1.82%
Chu Feng		2,548,866	1.38%

(V) Information on market price, net worth, earnings, and dividends per share for the most recent two years

Unit: NTD

Item		Year		Year-to-date through March 31, 2023 (Note 8)	
		2021	2022		
Market price per share (Note 1)	Highest	12.85	12.25	11.45	
	Lowest	9.80	9.99	10.00	
	Average	10.99	10.75	10.73	
Net worth per share (Note 2)	Before distribution	18.38	19.48	-	
	After distribution	17.88	18.98	-	
Earnings per share	Weighted average number of shares (Unit: Thousand shares)	Before adjustment	185,342	185,342	185,342
		After adjustment			
	Earnings per share (Note 3)	Before adjustment	0.44	0.51	-
		After adjustment			
Dividends per share	Cash dividends		0.5	0.5	-
	Stock dividends	Before adjustment	-	-	-
		After adjustment	-	-	-
	Cumulative undistributed dividends (Note 4)		-	-	-
Investment return analysis	Price/earnings ratio (Note 5)		24.98	21.08	-
	Price/dividend ratio (Note 6)		21.98	21.50	-
	Cash dividend yield (Note 7)		4.55	4.65	-

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year end. Calculate the amount of distribution based on the amount resolved on in the next year's shareholders' meeting.

Note 3: If retrospective adjustments are required because of the issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price/earnings ratio = average closing price per share for the year/earnings per share.

Note 6: Price/dividend ratio = average closing price per share for the year/cash dividends per share.

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

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as of the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

(VI) Dividends policy and implementation status

1. Dividend policy:

According to the dividend policy specified in Article 19-1 of the Company's Articles of Incorporation, the Company shall distribute stock dividends or cash dividends with the earnings net of the capital required for future years that is estimated based on the Company's future capital budget planning.

2. Proposed dividend distribution by the shareholders' meeting:

The Company's Earning Distribution Proposal for 2022 was passed at the Board of Directors meeting dated March 24, 2023; cash dividends to be distributed were NT\$0.5 per share.

(VII) The effect of the proposed stock dividends of shares at the shareholders' meeting on the Company's operating results and earnings per share: None.

(VIII) Employee compensation and director remuneration

1. Percentage or scope of remuneration paid to employees and directors that are stipulated in the Articles of Incorporation:

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. However, if the Company has an accumulated loss, an amount equal to such loss shall be reserved in the first place. Those entitled to employee remuneration in the form of stocks or cash may include employees of a controlled or affiliated company who meet certain criteria.

2. The basis for estimating the amount of remuneration to employees, directors, and supervisors, the basis for calculating the number of shares for employee remuneration distributed in stock and the accounting treatment if the actual amount distributed differs from the estimated amount:

If the amount of employee remuneration or director remuneration in the Earning Distribution Proposal is changed via a resolution of the Shareholders' Meeting, such change shall be accounted for as changes in accounting estimates, and shall be recognized in the profit or loss in the following year and therefore bears no impact on the financial statements already adopted.

3. Distribution of remuneration approved by the Board of Directors:

(1) The Company's board of directors approved the distribution of remuneration on March 24, 2023 as follows: the Company's distribution for the directors in 2022 would be NT\$900,000 and for the employees would be NT\$600,000. All will be distributed in cash. The aforementioned remuneration for directors and remuneration for the employees has been reviewed and approved by the Remuneration Committee.

(2) The amount of any employee remuneration distributed in stocks and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: N/A.

(3) The actual distribution of employee, director, and supervisor remuneration for the previous fiscal year: The Company distributed employee remuneration in the amount of NT\$450,000 and director remuneration in the amount of NT\$90,185 in cash for 2021. The said employee remuneration and director remuneration were all approved by the Remuneration Committee through deliberation.

(IX) Repurchase of the Company's shares: None.

II. Corporate bonds: None.

III. Preferred shares: None.

IV. Global depository receipt (GDR): None.

V. Employee stock options: None.

VI. New employee restricted stock: None.

VII. Issuance of new shares in connection with mergers or acquisitions: None.

VIII. Implementation of fund utilization plan:

(I) Each uncompleted public issue or private placement of securities, and such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefit:

All of the Company's securities are fully issued and none of them fails to yield the planned benefit.

(II) Implementation status: N/A.

Five. Operational Highlights

I. Business activities

(I) Business scope:

(1) Content of operations and sales:

1. Retail Sale of Others.
2. International Trade.
3. Housing and Building Development and Rental.
4. Specific Area Development
5. Investment, Development, and Construction in Public Construction.
6. Tourist Hotel.
7. Information Software Services.
8. All businesses that are not prohibited or restricted by law, except those that are subject to special approval.

(2) 2022 revenue weight

Unit: NT\$1,000

Product name	Sales amount	Percentage (%)
Other leasing	462	0.19
Digital technology	248,929	99.81
Total	249,391	100.00

(3) The Company's major product:

1. Digital technology business:

The Company engages in the B2B market in Taiwan, mainly providing customers in the financial industry or big business customers with the Speedy family, real-time financial transaction products in Taiwan; large systems integration; real-time big data analysis; innovative platform deploying financial AIs; website design; website construction; and app development. In recent years, the Company even expanded the market for applications with its cutting-edge technologies; it also constructed a to-customer product ecological system in its two major markets, namely, financial e-commerce business and retail e-commerce businesses. In doing so, the Company actively penetrates the B2C market to create new business and thus revenue growth.

2. Construction business:

By merging its subsidiary Pao Feng, Kwong Fong participated in the construction and sale of new housing units in Tamsui, New Taipei City.

(4) New products under development: See (III).Technology and R&D Overview

(II) An overview of the industry:

The current status and development of the industry, the links between the upstream, midstream, and downstream segments of the industry supply chain, and development trends and competition for the company's products.

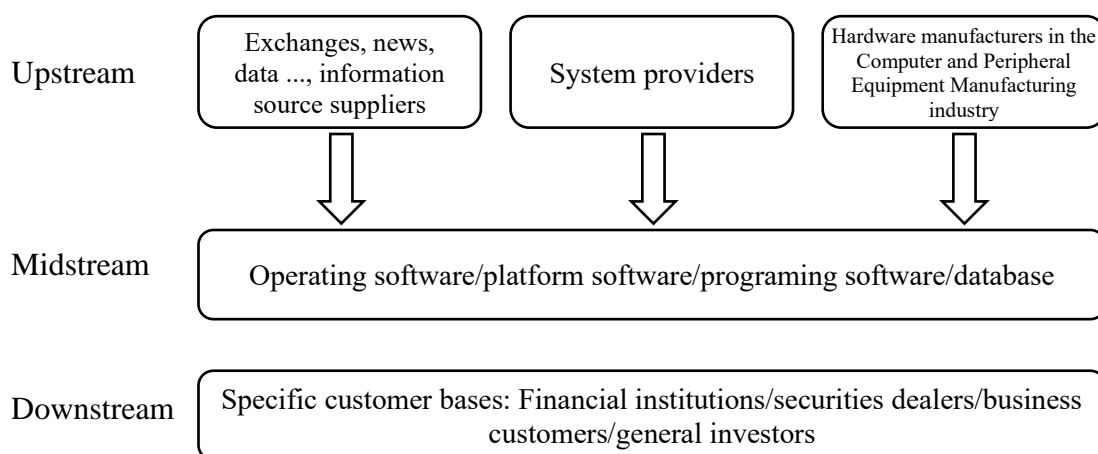
1. Digital technology business

(1) Current status and development of the industry:

Driven by the pandemic, the demand for remote access continues to open up business opportunities. Business customers' demand for systems and information services has extended from internal information systems and software packages to custom system integration, boosting the demand for software and hardware require for information security protection. With the popularization of 5G network and persistence of stay-at-home economy, end users value user experience more. In view of this, the Company seeks to expand the software services to satisfy the demand for online shopping, social media, livestreaming, and online learning, thereby driving up the growth in the business of software development. According to MOEA's statistics, as of first half of 2022, the revenue of the Computer and Information Service Industry amounted to NT\$ 242.7 billion, a record high in the same period over the past years, with an increase of 16.0% YOY. Of all the revenue, the revenue of the Computer Program Design Service industry increased by 16.8% and the Information Service industry by 13.7%. This indicates a strong market demand, thus a prosperous prospect for the Computer and Information Service industry.

(2) Links between the upstream, midstream, and downstream segments of the industry supply chain:

Information Service industry means the businesses that provide professional knowledge and information technologies. They compile, manage, and access various raw information and turn it into an information system that features integrity, internet connection, and optimization, and which is used by themselves or by other users. The Company's digital technology business has a wide range of customer base and has focused on the financial industry in recent years. Below is a description of the information service market whose customers are the financial industry:



Upstream suppliers are mainly information providers (quotations, post-session information), operating system providers, and hardware manufacturers. The Company's digital technology business mainly provides a single product or total solutions regarding information integration, application design, and interface optimization to downstream customers like securities dealers, futures dealers, banks, the insurance industry, financial holdings, institutional investors, and general investors for them to re-develop or use.

(3) Development trends and competition for the Company's products:

A. Development trends

(a) Software customization

Market competition and the digital transformation pressure facing each industry have caused public-domain software and standardized software to fall behind customers' requirements and thus lose competitiveness. That's when the information service industry comes in. By integrating users' requirements and realizing innovative topics, the information service industry helps improve the service of businesses by offering them various services, e.g., frontend planning, design, implementation, overall project management, consulting services, and system integration service.

(b) Atomic software

Software functions development is trending towards modularization, which reduces programming cost and development time and is a step towards the development of "atomic software." Setting standards helps have a say in collaboration and application; moreover, "atomic software" is more likely to be reused, assembled, and innovated. In general, the software industry is trending towards specialization as well as integration.

(c) Online merge Offline (OMO)

The pandemic and popularization of the 5G network have changed customers' behavior. The Online To Offline (O2O) model, which emphasizes "Experience offline and shop online," has rapidly evolved into the "Online merge Offline" (OMO) model, which drives consumption with data. In this respect, the ability to manage data is a business's key to successful operations.

(d) Transition to online learning

According to the "2021 Taiwan Smart-learning Industry Output Survey" of the Industrial Development Bureau, Ministry of Economic Affairs, the total output of Taiwan's smart learning industry was NT\$457.9 billion, an annual growth rate of a whopping 220%. The pandemic has accelerated the development of online learning. Aside from school courses and companies' internal training courses, applications in the business area also thrive. This helps creators turn their knowledge into cash and makes the content more diversified, entertaining, and closer to life. The applications further extend from professional skills learning and language learning to investment and stress alleviation courses like cooking, workout, and astrology, creating immense business opportunities.

(e) Social commerce application

As network speed and distant social activities boom, the various social networking websites with a high penetration rate have gradually evolved into a business platform, whose growth in recent years is admirable; they operate among line groups and group-based ecosystems, and provide a wide range of applications from consumption, investment, to online learning, successfully turning the data flow on social networking websites into a source of new customers.

B. Competition

The continuous growth in the "0-touch economy" economy has triggered digital transformation and interdisciplinary innovation, posing a test for businesses in the

information industry in terms of whether or not they are able to grasp the change in business models and integrate and leverage these models. The information industry is a technology-intensive industry. However, in the internet era, developing basic software has a low entry barrier, so some new competitors attempted to gain market share by waging a price war. On the other hand, large software developers have transitioned to the role as a digital advisor while positioning themselves in the software-hardware integration market to stand firm in the marketplace. As each industry diversifies its business in the post-pandemic era, software that integrates the online world with the physical world, that is designed for daily application, and that conforms to a business model will become the trend. In addition, companies capable of innovation and swift action will possess a competitive advantage.

2. Construction business

(1). Current status and development of the industry:

Looking back at the housing market in 2022, under the disadvantage impact of global QE shrinking balance sheet, the cycle of raising the interest rate, intensifying inflation, excessive false demand, short-term investors dumping goods, tense cross-strait relations and intensified policy to crackdown housing, it will lead the buyers to wait-and-see and the volume shrinks, thereby suppressing housing prices; the overall housing market has seen a significant cooling. According to statistics from the Ministry of the Interior, in the first 11 months of 2022, the cumulative number of housing sales and transfers in Taiwan was 291,000, with an annual decrease rate of -6.6%.

Looking forward to the housing market in 2023, it is expected that the increase in interest rates will be narrowed, global inflation will slow down, the mainland will be fully unblocked soon and various uncertain factors will disappear after the nine-in-one election, etc., which will push the economy to gradually recover from the bottom in 2023. Consumers will become the main buyers in the real estate market in order to preserve the value and rigid demand. However, constructors have to use the land and houses that they purchased previously. Plus, the land prices and the construction cost are still high, so this will reduce the number of pre-sold houses or delay to promote the projects, which will make the house price decline limited.

(2). Links between the upstream, midstream, and downstream segments of the industry supply chain:

Upstream raw materials of the real estate industry include mainly land and construction materials. However, possession of land itself won't suffice. The industry also needs midstream suppliers, e.g., experience architects who plan the product and quality construction companies which carry out the construction work and downstream suppliers, e.g., experience brokers or real estate agents which sell the product.

(3). Development trends and competition:

Downtown land becomes even hard to get and consumers began attaching more importance to the layout of a housing unit. Therefore, product planning in the future requires more mental effort. Aside from meeting customers' requirements, a product must be unique, thus competitive, thereby forging a brand image.

(III) Technology and R&D Overview:

1. Aside from striving for digital innovation, development, and application, the digital technology business also continues to improve its core technological capability; it also leverages AI tools and its development experience to integrate platform information in order to hold customers' transition to digital. Meanwhile, it deeply engages in developing and optimizing its own investment platform; it also offers more instruction courses and after-sale services to assist general investors in making a transaction decision, thereby creating the most optimal experience of using an investment tool.

2. Future R&D trend:

We will continue to deeply engage with customers of the financial industry; provide more digital transformation solutions for businesses; enhance the accounting management for financial products; optimize service process; provide customers with the best solution to diversified development; and use core competencies to enhance the stickiness of major customer bases and increase profits. As for informational applications and AI development, we will continue to optimize our own investment platform. Aside from developing strategic applications and widening digital learning applications and social media tools to enhance user experience and build the Company's image as a leading professional finance learning platform, we also expand the user base, thereby expanding customer bases, increasing overall operating synergy, and thus increasing operating revenue.

(IV) Long- and short-term business development plans:

Short-term Business Development

Digital technology business: Strengthen core technical capabilities; increase the stickiness of important customer bases; expand the number of end users in the financial industry; and lay a foundation for development.

Construction business: Sell the housing units in stock to recover funds.

Investment business: Strengthen risk management, seek stable returns, and increase financial returns.

Long-term Business Development

Digital technology business: Continue to advance core technologies, implement construction standardization, make programs atomic, and streamline work process to increase competitive advantages; establish learning teams to maximize talent cultivation synergy. Use AI and high-performance computing to develop our own investment platform, and to construct and develop an innovative ecosystem across the upstream and downstream that corresponds to different customer application scenarios, so as to create new value for information and enhance competitiveness.

Construction business: Be keen to grasp the trend in the development area and develop the land assets on hand at the right time and under advantageous conditions.

Investment business: Continue to remove the Group's business and investments that are poorly performed to improve operational efficiency; find business opportunities to obtain growth in revenue and profits via re-investment and business development.

II. Market and Sales Overview

[Construction business]

(I) Market Analysis

1. Geographic areas where the main products are provided.

Most of the Company's construction projects are in Taoyuan in recent years.

2. Competitive niche

The brand image and word-of-mouth that are forged as a result of the Company's long-term operations in Taoyuan will help with the development and sale of land.

3. Positive and negative factors for future development, and the Company's response to such factors.

(1). Favorable factors:

A. Major developments planned for MRT Transit Oriented Development (TOD) will still bring business opportunities.

B. Urban renewal and rebuilding of old buildings will continue to be the main policy promoted by the government.

(2). Negative factors:

A. Government ministries and committees have only a little room to loosen the anti-speculation policies in the real estate market, and the basis will be precise and strategic adjustment.

B. The industry will face high costs of building materials, land, shortage of workers, and green building materials, which will reduce the profit margin.

(3). Response measures:

A. Profit control: Prudently assess development projects, proposes a Return on Investment Analysis Report and a reasonable price, and enhance management efficiency and construction progress control, so as to avoid the scenario in which profit is eroded by an increase in both the labor cost and materials expenses.

B. Policy for housing units in stock: Adopt a flexible selling strategy to sell off all housing units, thereby obtaining the goal of "zero unsold housing units" and increasing fund liquidity.

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

1. Main products: Most are residential housing units, built on our own or jointly with others.

2. Production process:

Market research → seeking partners → product planning and design → land development → marketing → sales and outsourcing → construction → handover after completion → management and after-sales service.

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

1. Land: The Company will continue to carry out an assessment to seek new projects whose development will yield benefits.

2. Construction Projects: The Company's projects are completed via its own construction or joint construction. "Own construction" means that the project is preferentially outsourced to a domestic construction company of a certain scale; "joint construction" means working with

experienced construction companies to ensure that the products planned can meet the target buyers' requirements and to ensure construction quality.

[Digital technology business]

(I) Market Analysis

1. Geographic areas where the main products are provided

Products of the Company's digital technology business are mainly sold in Taiwan.

2. Competitive niche

Since the Company's digital technology business heavily engages in the application system of the financial industry, *e.g.*, securities, funds, and insurance, it is more advantageous in terms of system performance and information streaming capability; with rich experience in multiple industries and its emphasis on knowledge application and innovation, it is capable of providing customers with the best solution and creating added-value for information and services. Upholding the ideal to be an information innovator in the financial industry, we have a good grasp of the requirements of the market and customers. We insist on quality and attend to every trace of detail. With innovative thinking and ever-evolving technologies, we fulfill each of our customer's requirements. Our rich project experience and strong cross-industry integration capability serve as customers' strongest backup. In this respect, on the trail of innovation and excellence, we participate aggressively.

3. Positive and negative factors for future development, and the Company's response to such factors

(1) Positive factors

- A. According to IDC's latest forecast of global spending on digital transformation, during 2022 and 2026, the investment in digital transformation technologies made by the financial service industry will grow at the fastest pace; the five-year compound annual growth rate (CAGR) of industries including securities, investment service, insurance industry, and banking service will reach 19% or more.
- B. According to a report on the "eLearning Industry," online education has grown rapidly and is forecast to grow to US\$325 billion (or NT\$9.75 trillion) by 2025.
- C. According to the "Smart Learning Industry Output Survey" published by the Industrial Development Bureau, Ministry of Economic Affairs, in 2021, the total output of smart learning in Taiwan amounted to NT\$457.87 billion, a growth of 220.9% YOY. Of all the users, individuals accounted for 25.2% and businesses and institutions 22.4%, indicating that users already possess certain familiarization with learning via digital technologies. Businesses and institutions saw their demand for smart learning products and services soar as a result of the pandemic. Under the trend of digital transformation, the business opportunities brought by talent "training outsourcing" can be expected.
- D. The Executive Yuan established the "Ministry of Digital Affairs (MODA)," which declared digital transformation and set out technological development goals at the country level. The MODA will accelerate overall digital transformation by developing and guiding industries in areas of information security, AI, software, digital content, e-commerce, and system integration using open data.

E. Data application becomes more mature. The open of opening banking services will encourage more banks and third-party companies to obtain customers' data and provide them with financial services. In this respect, the demand for diverse and innovative financial services in areas like banking, insurance, investment, and loaning will increase, which will open up business opportunities for app providers.

(2) Negative factors

- A. Technology is ever-evolving and it is not easy to cultivate and retain technological talent.
- B. Taiwan's domestic industry is limited in size; therefore, information service providers are homogeneous and competition is intense.
- C. According to TWSE's statistics, the trading volume up to October was NT\$48.9 trillion, the trading volume on a trading day averaged NT\$251.8 billion, a plummet from NT\$391.4 billion in 2021, and the TAIEX was estimated at about 13,000 marks, all of which severely impact the development of related industries.
- D. Similar products are offered at an unfairly low price, driving down the gross profits.

(3) Response measures

- A. Continue to innovate to enhance core products' competitiveness; develop quality, high-end customer bases; achieve a win-win situation for the three parties in the B2B model and the B2C model; and widen the advantageous gap between peers.
- B. Recruit professionals and campus talent; expand the R&D and service team; establish an innovative and mutually-beneficial culture; and gain employee's recognition and improve their cohesion.
- C. Expand information service for industry customers while enhancing core software technologies; increase and enhance IT products and service content; develop and maintain contract customers to improve the contract-signing rate.
- D. Increase the proportion of sales of own products and services; expand social media management applications and content differences; and increase end-user stickiness with digital learning.
- E. Support the government's policy in assisting enterprises in digital transformation; leverage experience to develop hardware-software integration products; and provide digital transformation consulting service.

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

1. Major usage of the company's products

Enterprise information service, end-user app development, financial information platform, Fin Tech innovative business, and video platform.

2. Production process:

Customer requirements → Product planning → Product design → Product development → System test → System acceptance → After-sale service

(III) Status of supply of major raw materials: The Company is not a manufacturing company and does not have major raw materials.

(IV) List of major suppliers and customers

1. A list of any suppliers and customers accounting for 10 percent or more of the company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, the percentage of total procurement accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

Unit: NT\$1,000

Item	2021				2022			
	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the Issuer
1	Company A	21,893	21.92	None	Company A	15,069	14.81	None
2	Others	77,971	78.08	None	Others	86,708	85.19	None
	Net purchase	99,864	100.00		Net purchase	101,777	100.00	
Reason for change: The major business is software services revenue, and the leading suppliers are data providers and information service stores. Since the contract prohibits disclosure of customers' names or the counterparty, and the party involved is not a related party, they are addressed in the code.								

2. A list of any suppliers and customers accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, the percentage of total sales accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

Unit: NT\$1,000

Item	2021				2022			
	Name	Amount	Ratio to annual net sales (%)	Relationship with the Issuer	Name	Amount	Ratio to annual net sales (%)	Relationship with the Issuer
1	Customer A	90,736	31.70	None	Customer A	64,539	25.87	None
2	Others	195,416	29.30	None	Others	184,852	74.13	None
	Total net sales	286,152	100.00		Total net sales	249,391	100.00	
Reason for change: The major business is software services revenue.								

(V) Production Volume and Value in the Most Recent 2 Fiscal Years:

Description: The main Company's business in the last two years is software services and has no manufacturing, so it is not applicable.

(VI) Sales Volume and Value in the Most Recent 2 Fiscal Years

Unit: NT\$1,000

Sales quantity and amount Major Products (or segment type)	Year		2021				2022			
			Domestic sale		Export		Domestic sale		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount		
Construction		17,910				0				
Shopping malls and leasing		49,585				462				
Digital technology		218,657				248,929				
Total		286,152				249,391				

III. Information on employees for the last 2 years up to the date this annual report was published

Year		2021	2022	Year-to-date through March 31, 2023
Number of employees	Salespersons and managerial officers	68	47	42
	Program development and design	58	74	75
	Total	126	121	117
Average age		40.70	40.21	40.32
Average service years		6.66	6.36	7.67
Education distribution percentage	PhD	0%	0%	0%
	Master degree	19.05%	14.88%	15.38%
	College diploma	69.05%	80.99%	80.34%
	Senior high school	9.52%	4.13%	4.27%
	Below senior high school	2.38%	0%	0%

IV. Environmental Expenditure: None.

V. Labor Relations:

- (I) The Company's employee welfare programs, continuing education, training, retirement systems, and their implementation, as well as labor-management agreements and various employee rights protection measures:

1. Employee welfare measures:

Leave: Marriage leave, maternity leave, funeral leave, paternity leave, sick leave, and annual leave.

Insurance: Employees are offered health insurance and labor insurance.

Bonus: Earnings distribution, year-end bonus.

Employee discount purchase program: Employees may purchase products or services at a preferential price. Spring party, lucky draw, allowances, and optional welfare items from which an employee may choose the most suitable one based on their hobbies and preferences.

2. Education and training:

The Company provides employees with education and training courses in a timely manner. The courses fall into two categories, namely, orientation training for new hires and professional training for in-service employees. Where appropriate, trainings on professional knowledge or skills will be provided to employees of different attributes.

3. Retirement system:

As required by the law of the competent authority, the Company carries out matters relating to employees' retirement. The "Labor Pension Act" was effective on July 1, 2005. The employees are free to choose the old or new systems. The Company contributes 6% of the employee's wages every month to the individual pension account of the Bureau of Labor Insurance in accordance with the relevant regulations.

4. Labor-management agreements and various employee rights protection measures:

The Company carries out employee management policy based on the Labor Standards Act and other labor-related laws and regulations, and updates internal regulations accordingly, so as to preserve employees' rights. Therefore, in the current year and over the past years, labor-management relations have been harmonious and stable, and managers at each level have been able to value and help solve the problems reflected by employees.

5. Work environment and employee personal safety protection measures

The Company provides a good working environment and continues to improve and periodically maintain it. In addition, the Company also promotes a smoke-free working environment. The Company cooperates on a fire drill carried out periodically by the administrative unit of the office building and the management center of the office. Furthermore, an access control system and a camera surveillance system are in place throughout the day.

In addition, in order to reduce the risk of employees being infected with COVID-19, the company has prepared appropriate and sufficient anti-pandemic objects (such as alcohol, masks, thermometers and rapid screening reagents, etc.)

- (II) The losses suffered by the Company due to labor disputes in the most recent year and the current year up to the date of publication of the annual report, and the estimated amount of current and potential future losses and countermeasures: None.

VI. Information security management:

- (I) Describe the information security risk management structure, information security policy, specific management plan, resources invested in the information security management, etc.

1. Information security risk management structure

The IT Department is a department independent of user units and is responsible for integrating and executing information security policy, disseminating information security messages, improving employees' information security awareness, and collecting and improving the technology, products, or projects that can improve the performance and effectiveness of the Company's information security system. Audit personnel carry out an audit of the internal control system in relation to cyber security every year, so as to assess the effectiveness of the Company's internal control system in relation to information operation.

2. Information security policy

To implement information security management, the Company has put in place the internal control system - Regulations for Information Circulation and Internet Data Center, and the control of information security check. We hope that all employees together strive to meet the following policy goals.

- Ensure the confidentiality and integrity of information assets.
- Ensure that data are accessed according to the occupational functions assigned to each department.
- Ensure the normal operation of the information system.
- Prevent unauthorized modification or use of documents and systems.
- Regularly conduct internal audits on information security to ensure the implementation of information security.

3. Specific management methods

■ Internet information security control

Set up a firewall to prevent the external network from directly connecting to the Company. Regularly scan computer systems and data storage media for viruses.

Regularly check the System Log, traffic, and packets of various network service items to track abnormal situations.

■ Data access control

Computer equipment should be kept by a dedicated person and should be locked with a login username and password.

Different access authorities should be assigned to each department according to their functions, and the authority granted to a person who has transferred to another place should be revoked.

No equipment may be retired before the confidential data, sensitive data, and licensed software therein are removed or overwritten.

Unless appropriately approved, no person may access the management information system from a remote place.

■ Response and recovery mechanism.

Regularly review the emergency response plan.

Conduct a system recovery drill regularly every year.

Establish a system backup mechanism and implement a remote backup mechanism.

Regularly review, advocate for, and check the computer and network safety control measures.

Disseminate information security information at all times to raise employees' information security awareness.

Carry out a cyber security check regularly every year.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken.

- The Company currently does not suffer any loss that is caused by a significant information security incident.
- The Company will continue to implement the information security management policy and objectives, as well as a recovery drill to ensure the security of the Company's important systems and information.

VII. Important contracts:

Important contracts: Supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year: None.

Six. Finance overview

I. Condensed balance sheet and comprehensive income statement for the most recent 5 years

(I) Condensed balance sheets and statements of comprehensive income (IFRS)

Condensed balance sheet - IFRS (consolidated financial statements)

Unit: NT\$1,000

Item \ Year	Financial information for the most recent 5 years					Financial data for the current year up to March 31, 2023 (Note 1)	
	2018	2019	2020	2021	2022		
Current assets	1,323,463	1,059,893	5,502,930	1,264,754	1,086,504	N/A	
Property, plant and equipment (Note2)	4,389,793	4,308,391	83,920	86,066	35,768		
Intangible assets			75,729	82,916	74,395		
Other assets (Note2)	1,934,886	1,775,541	1,547,911	2,442,187	3,296,934		
Total Assets	7,648,142	7,143,825	7,210,490	3,875,923	4,493,601		
Current liabilities	Before distribution	525,262	918,413	3,205,768	158,965		99,248
	After distribution						
Non-current liabilities	2,876,291	2,317,407	386,985	237,399	717,264		
Total Liabilities	Before distribution	3,401,553	3,235,820	3,592,753	396,364		816,512
	After distribution						
Equity attributable to shareholders of the parent company	4,246,589	3,908,005	3,544,947	3,406,796	3,610,670		
Capital stock	1,853,422	1,853,422	1,853,422	1,853,422	1,853,422		
Capital surplus	117,518	120,962	43,822	43,786	43,767		
Retained earnings	Before distribution	2,135,902	1,779,765	1,432,481	1,421,673		1,422,928
	After distribution	1,913,491	1,779,765	1,339,810	1,329,002		
Other equity interests	139,747	153,856	215,222	87,915	290,553		
Treasury stock							
Non-controlling interests			72,790	72,763	66,419		
Total equity	Before distribution	4,246,589	3,908,005	3,617,737	3,479,559		3,677,089
	After distribution	4,024,178	3,908,005	3,525,066	3,386,888		(Note 3)

Note 1: The financial information of the years stated above has been audited and attested by CPAs.

Note 2: No asset revaluation was conducted in the years stated above.

Note 3: Yet to be resolved by the shareholders' meeting.

Condensed balance sheet - IFRS (parent-company-only financial statements)

Unit: NTS1,000

Item \ Year	Financial information for the most recent 5 years					Financial data for the current year up to March 31, 2023	
	2018	2019	2020	2021	2022		
Current assets	203,837	12,697	110,726	167,799	302,298	N/A	
Property, plant and equipment (Note2)	2,929	2,319	2,257	6,141	4,354		
Intangible assets							
Other assets (Note2)	4,605,955	4,366,726	3,678,673	3,308,670	3,943,322		
Total Assets	4,812,721	4,381,742	3,791,656	3,482,610	4,249,974		
Current liabilities	Before distribution	412,016	375,612	174,701	16,032		19,276
	After distribution						
Non-current liabilities	154,116	98,125	72,008	59,782	620,028		
Total Liabilities	Before distribution	566,132	473,737	246,709	75,814		639,304
	After distribution						
Equity attributable to shareholders of the parent company							
Capital stock	1,853,422	1,853,422	1,853,422	1,853,422	1,853,422		
Capital surplus	117,518	120,962	43,822	43,786	43,767		
Retained earnings	Before distribution	2,135,902	1,779,765	1,432,481	1,421,673		1,422,928
	After distribution	1,913,491	1,779,765	1,339,810	1,329,002		
Other equity interests	139,747	153,856	215,222	87,915	290,553		
Treasury stock							
Non-controlling interests							
Total equity	Before distribution	4,246,589	3,908,005	3,544,947	3,406,796		3,610,670
	After distribution	4,024,178	3,908,005	3,452,276	3,314,125		(Note 3)

Note 1: The financial information of the years stated above has been audited and attested by CPAs.

Note 2: No asset revaluation was conducted in the years stated above.

Note 3: Yet to be resolved by the shareholders' meeting.

Condensed statement of comprehensive income - IFRS (consolidated financial statements)

Unit: NT\$1,000

Item \ Year	Financial information for the most recent 5 years (Note 1)					Financial data for the current year up to March 31, 2023
	2018	2019	2020 (Note 2)	2021	2022	
Operating revenue	271,003	258,885	20,370	236,931	249,391	N/A
Operating gross profit	190,081	236,654	(107,569)	71,471	66,543	
Operating profits or losses	(159,774)	(44,919)	(171,932)	(54,646)	(48,109)	
Non-operating income and expenses	400,504	(121,447)	(141,831)	141,252	155,105	
Net profits before tax	240,730	(166,366)	(313,763)	86,606	106,996	
Net profits for the period from continuing operations	250,066	(133,726)	(289,508)	72,705	96,256	
Losses from discontinued operations			(54,224)	8,559		
Net profits (losses) for the period	250,066	(133,726)	(343,732)	81,264	96,256	
Other comprehensive income (net after tax) for the period	40,481	14,109	61,366	(127,307)	202,638	
Total comprehensive income for the period	290,547	(119,617)	(282,366)	(46,043)	298,894	
Net profits attributable to shareholders of parent company	250,066	(133,726)	(343,732)	81,863	94,462	
Net profits attributable to non-controlling interests				(599)	1,794	
Total comprehensive income attributable to shareholders of parent company	290,547	(119,617)	(282,366)	(45,444)	297,100	
Total comprehensive income attributable to non-controlling interests				(599)	1,794	
Earnings per share	1.35	(0.72)	(1.85)	0.44	0.51	

Note 1: The financial information of the years stated above has been audited and attested by CPAs.

Note 2: Since the shopping mall was sold to Cathay Life Insurance Co., Ltd. by executing a contract on October 23, 2020, the operating revenue of the shopping mall shall be separately presented under the discontinued operation according to IFRS5. The revenue of the shopping mall in the amount of NT\$183,152 thousand and NT\$49,221 thousand was recognized in the discontinued operation in 2020 and 2021.

Condensed statement of comprehensive income - IFRS (parent-company-only financial statements)

Unit: NT\$1,000

Item \ Year	Financial information for the most recent 5 years (Note 1)					Financial data for the current year up to March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenue	10,959	66	33	364	462	N/A
Operating gross profit	9,847	66	33	364	462	
Operating profits or losses	(58,287)	(36,923)	(36,950)	(43,327)	(43,874)	
Non-operating income and expenses	330,873	(118,193)	(352,218)	134,885	146,117	
Net profits before tax	272,586	(155,116)	(389,168)	91,558	102,243	
Net profits for the period from continuing operations	272,586	(155,116)	(389,168)	91,558	102,243	
Losses from discontinued operations						
Net profits (losses) for the period	250,066	(133,726)	(343,732)	81,863	94,462	
Other comprehensive income (net after tax) for the period	40,481	14,109	61,366	(127,307)	202,638	
Total comprehensive income for the period	290,547	(119,617)	(282,366)	(45,444)	297,100	
Net profits attributable to shareholders of parent company						
Net profits attributable to non-controlling interests						
Total comprehensive income attributable to shareholders of parent company						
Total comprehensive income attributable to non-controlling interests						
Earnings per share	1.35	(0.72)	(1.85)	0.44	0.51	

Note 1: The financial information of the years stated above has been audited and attested by CPAs.

(II) The name of CPA for the most recent 5 years and the audit opinions

Year	CPA firm	Attesting CPAs	Audit opinion
2022	PricewaterhouseCoopers, Taiwan	Lai Chung-Hsi; Chih Ping-Chiun	Unqualified opinion
2021	PricewaterhouseCoopers, Taiwan	Lai Chung-Hsi; Chih Ping-Chiun	Unqualified opinion plus Other Matter paragraphs
2020	PricewaterhouseCoopers, Taiwan	Lai Chung-Hsi; Chih Ping-Chiun	Unqualified opinion plus Other Matter paragraphs
2019	Crowe (TW) CPAs	Kao Pei; Lin Chih-Lung	Unqualified opinion plus Other Matter paragraphs
2018	Crowe (TW) CPAs	Kao Pei; Lin Chih-Lung	Unqualified opinion plus Other Matter paragraphs

II. Financial analysis for the most recent 5 years

(I) Financial analysis - IFRS (consolidated financial statements)

Analysis item (Note 2)		Year (Note 1)		Financial analysis for the most recent 5 years					Year-to-date through March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022			
Capital structure (%)	Debt to assets ratio	44.48	45.30	49.83	10.22	18.17	N/A		
	Ratio of long-term capital to property, plant, and equipment	153.69	137.13	4288.49	4126.06	11858.72			
Solvency	Current ratio (%)	251.96	115.40	171.66	795.61	1094.73			
	Quick ratio (%)	78.23	19.08	147.63	387.79	438.40			
	Interests coverage multiplier (times)	4.55	(2.40)	(6.44)	14.94	11.15			
Operating performance	Accounts receivable turnover rate (times)	9.29	8.21	3.27	4.12	7.18			
	Average collection days	39	44	111	89	51			
	Inventory turnover rate (times)	0.1	0.03	0.18	0.25	0.28			
	Average sales days	3650	12167	2028	1460	1304			
	Accounts payable turnover rate (times)	1.03	0.89	11.48	26.30	22.68			
	Property, plant and equipment turnover rate (times)	0.06	0.06	0.09	3.36	4.09			
	Total assets turnover rate (times)	0.03	0.04	0.02	0.05	0.05			
Profitability	Return on assets (%)	3.74	(1.28)	(4.24)	1.84	2.50			
	Return on equity (%)	5.90	(3.28)	(9.22)	2.33	2.74			
	Net profits before tax to paid-in capital (%)	12.99	(8.98)	(19.85)	19.93	5.77			
	Net profit margin (%)	92.27	(51.65)	(168.89)	28.39	38.59			
	Earnings per share (NT\$)	1.35	(0.72)	(1.85)	0.44	0.51			
Cash flow	Cash flow ratio (%)	-	-	3.17	125.38	168.86			
	Cash flow adequacy ratio (%)	41.97	45.77	82.83	70.72	19.37			
	Cash reinvestment ratio (%)	-	-	2.5	3.10	1.72			
Leverage	Operating leverage	0.38	-	0.71	-	-			
	Financial leverage	0.7	0.48	0.78	0.73	0.82			
Please explain the reasons for the changes in the financial ratios for the last two years. (This section need not be filled in if the change is within 20%)									
1. The ratio of liabilities to assets, the ratio of long-term funds to property, plant and equipment, and the current ratio increased: due to paying off the short-term loans and increasing long-term loans.									
2. The turnover rate of accounts receivable, turnover rate of property, plant and equipment, increased in return on assets and net profit margin: the main reason is the revenue in 2022 increased, so various ratios of operating capacity increased.									
3. The ratio of times interest earned and pre-tax net profit to paid-in capital decreased: Selling the shopping malls in 2021, so the pre-tax net profit increased.									
4. Increased in cash flow ratio: paying off short-term loans.									
5. Cash adequacy ratio and cash reinvestment ratio decreased: net cash flow from 5-year operating activities decreased.									

Financial analysis - IFRS (parent-company-only financial statements)

Analysis item (Note 2)		Financial analysis for the most recent 5 years (Note 1)					Year-to-date through March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Capital structure (%)	Debt to assets ratio	11.76	10.81	6.50	2.17	15.04	N/A
	Ratio of long-term capital to property, plant, and equipment	144984.26	168521.13	157064.55	55476.24	95893.68	
Solvency	Current ratio (%)	49.47	3.38	63.38	1046.65	1568.26	
	Quick ratio (%)	49.39	3.22	62.84	1037.27	1556.77	
	Interests coverage multiplier (times)	26.65	(35.19)	(101.52)	22.57	12.73	
Operating performance	Accounts receivable turnover rate (times)	36.65	0.22	-	-	-	
	Average collection days	10	1654	-	-	-	
	Inventory turnover rate (times)	-	-	-	-	-	
	Average sales days	-	-	-	-	-	
	Accounts payable turnover rate (times)	-	-	-	-	-	
	Property, plant and equipment turnover rate (times)	0.07	0.03	0.01	0.08	0.09	
	Total assets turnover rate (times)	-	-	-	-	-	
Profitability	Return on assets (%)	5.09	(2.83)	(8.33)	2.34	2.63	
	Return on equity (%)	5.9	(3.28)	(9.22)	2.35	2.69	
	Net profits before tax to paid-in capital (%)	14.71	(8.37)	(20.99)	4.93	5.51	
	Net profit margin (%)	2281.83	(202615.15)	(1041612.12)	22489.83	20446.32	
	Earnings per share (NT\$)	1.35	(0.72)	(1.85)	0.44	0.51	
Cash flow	Cash flow ratio (%)	9.92	-	229.17	1584.38	1605.15	
	Cash flow adequacy ratio (%)	63.81	118.21	115.46	93.86	155.45	
	Cash reinvestment ratio (%)	-	-	11.73	4.69	8.29	
Leverage	Operating leverage	-	-	-	-	-	
	Financial leverage	0.85	0.90	0.91	0.91	0.83	

Please explain the reasons for the changes in the financial ratios for the last two years. (This section need not be filled in if the change is within 20%)

- Liabilities-to-assets ratio, long-term capital to property, plant, current ratio, and quick ratio increased: due to paying off short-term loans and increasing long-term loans.
- Times interest earned ratio decreased: financial cost increased in the current period.
- Cash adequacy ratio and cash reinvestment ratio decreased: net cash flow from 5-year operating activities decreased.

Note 1: 1. The financial information of the years stated above has been audited and attested by CPAs.

2. Earnings per share shall be calculated using the weighted average number of shares outstanding throughout the year; earnings per share of prior years should be adjusted retrospectively if earnings or capital surplus is recapitalized.

3. If the cash flow or leverage is a negative number, present it as "-".

Note 2: Formulas applied for the calculation of the analysis items are as follows:

1. Capital structure

(1) Debt to assets ratio = total liabilities/total assets

(2) Ratio of long-term capital to fixed assets = (total net equity + long-term liabilities)/net fixed assets.

2. Solvency

(1) Current ratio = current assets/current liabilities

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

(3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period

3. Operating performance
 - (1) Receivables (including accounts receivable and notes receivable from business operations) turnover rate = net sales/balance of average receivables for various periods (including accounts receivable and notes receivable from business operations).
 - (2) Average collection days = 365/accounts receivable turnover rate
 - (3) Inventory turnover rate = costs of goods sold/average inventory
 - (4) Payables (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold/balance of average payables for the various periods (including accounts payable and notes payable from business operations).
 - (5) Average sales days = 365/inventory turnover rate
 - (6) Fixed assets turnover rate = net sales/net fixed assets
 - (7) Total assets turnover rate = net sales/total assets
4. Profitability
 - (1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)]/average total assets
 - (2) Return on equity = net profits after tax/average total equity.
 - (3) Net profit margin = net profits after tax/net sales
 - (4) Earnings per share = (net profits after tax - preferred stock dividend)/weighted average number of shares outstanding. (Note 3)
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
 - (2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend)/(gross fixed assets + long-term investment + other assets + working capitals).
6. Leverage
 - (1) Operating leverage = (net operating revenues - variable operating costs and expenses) /operating profits (Note 5).
 - (2) Financial leverage = Operating profits/(operating profits - interest expense).

Note 3: Special attention should be paid to the following when measuring earnings per share stated in the previous paragraph with the above calculation formula:

1. Based on the weighted average number of common shares rather than the number of shares outstanding at the end of the year.
2. Where there is cash capital increase or treasury stock transactions, the weighted average number of shares should be used considering the period of circulation.
3. Where there is a capital increase by retained earnings or capital surplus when calculating the annual or semi-annual earnings per share for previous years, retrospective adjustments should be made in proportion to the capital increase, regardless of the issuance period of such capital increase.
4. If the preferred shares are non-convertible and cumulative, their dividends for the current year (whether paid or not) should be deducted from the net profits after tax, or added to the net losses after tax. If the preferred shares are non-cumulative, their dividends should be deducted from net profits after tax if there are net profits after tax; if there are net losses, no adjustment is required.

Note 4: Special attention should be paid to the following when performing cash flow analysis:

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflows from capital investments.
3. Increase in inventory is included only if the ending balance is greater than the beginning balance or zero if inventory decreases at the end of the year.
4. Cash dividends include cash dividends on common stock and preferred stock.
5. Gross fixed assets mean the total fixed assets inclusive of accumulated depreciation.

Note 5: The issuer should distinguish between fixed and variable operating costs and operating expenses according to their nature. Where estimates or subjective judgments are involved, pay attention to reasonableness and maintain consistency.

III. 2022 Audit Committee Review Report

Kwong Fong Industries Corporation

Audit Committee Review Report

The Board of Directors has prepared the Company's 2022 business report, financial statements, and earnings distribution proposal. The financial statements have been audited by the CPAs of PricewaterhouseCoopers Taiwan, who have issued an Independent Auditors' Report accordingly. The Audit Committee has reviewed the said business report, financial statements, and earnings distribution proposal, and did not find any non-conformity thereof. Therefore, according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, those documents are submitted for your approval.

Submitted to:

2023 Annual general meeting

Audit Committee Convener: Liu Wei-Ting

March 24, 2023

- IV. 2022 Financial Statements and Independent Auditor's Report. p.95~p.183
- V. A parent-company-only financial statement for the most recent fiscal year that is audited by CPAs. p.184~p.257
- VI. If the Company or its affiliates have experienced financial difficulties in the most recent year or during the current year up to the date of publication of the annual report, their effects on the Company's financial status shall be disclosed: None

Seven. Review and analysis of the financial status and financial performance and risks

I. Financial position

(1) Financial status comparison and analysis table

Unit: NT\$1,000

Item	Year		Difference	
	2022	2021	Amount	%
Current assets	1,086,504	1,264,754	(178,250)	(14.09)
Property, plant and equipment	35,768	86,066	(50,298)	(58.44)
Non-current assets	3,371,329	2,525,103	846,226	33.51
Total Assets	4,493,601	3,875,923	617,678	15.94
Current liabilities	99,248	158,965	(59,717)	(37.57)
Non-current liabilities	717,264	237,399	479,865	202.13
Total Liabilities	816,512	396,364	420,148	106
Capital stock	1,853,422	1,853,422	-	-
Capital surplus	43,767	43,786	(19)	(0.04)
Earnings per share (Note 1)	1,422,928	1,421,673	1,255	0.09
Other equity interests (Note 2)	290,553	87,915	202,638	230.49
Non-controlling interests	66,419	72,763	(6,344)	(8.72)
Total equity	3,677,089	3,479,559	197,530	5.68

Note 1: Retained earnings including legal reserves and undistributed earnings.

Note 2: Other equity includes the differences arising from the translation of the financial statements of foreign operations and the unrealized gain (loss) arising from financial assets measured at fair value through other comprehensive income

Note 3: The financial information of the years stated above has been audited and attested by CPAs.

(2) Assets, liabilities, and equity of the past two years that vary from the previous/next period by 20% or more, or by NT\$10 million or more, and the reasons therefor, are stated below:

- A. Property, plant and equipment decreased: disposal of property.
- B. Non-current assets increased: increased in non-current assets classified as financial assets measured at fair value through other comprehensive income.
- C. Current liabilities decreased, non-current liabilities and total liabilities increased: paying off short-term liabilities and increasing long-term loans.
- D. Other equity increased: increase in unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.

II. Financial performance

(1) Financial performance comparison and analysis table

Unit: NT\$1,000

Item \ Year	2022	2021	Increase (decrease) amount	Change (%)
Net operating revenues	249,391	236,931	12,460	5.26
Operating costs	(182,848)	(165,460)	17,388	10.51
Operating gross profit	66,543	71,471	4,928	6.90
Operating expenses	114,652	126,117	(11,465)	(9.09)
Operating profit (loss)	(48,109)	(54,646)	6,537	11.96
Non-operating income and expenses	155,105	141,252	13,853	9.81
Net profits before tax	106,996	86,606	20,390	23.54
Income tax benefits (expenses)	(10,740)	(13,901)	3,161	22.74
Gain (loss) from discontinued operation	-	8,559	(8,559)	(100)
Net profits (losses) for the period	96,256	81,264	14,992	18.45
Other comprehensive income	202,638	(127,307)	329,945	259.17
Total comprehensive income for the period	298,894	(46,043)	344,937	749.16
Total comprehensive income attributable to shareholders of parent company	297,100	(45,444)	342,544	753.77

Analysis of changes in the percentage:

- A. Pre-tax net profit increased: the revenue and net income from non-operating activities increased.
- B. Other comprehensive income, total comprehensive income for the current period and total comprehensive income attributable to owners of the parent company increased: unrealized gains (losses) increased from investments in equity instruments measured at fair value through other comprehensive income.
- C. Income tax expenses increased: adjusted according to the accounting income and income tax expenses recognized in profits and losses of the current year.

III. Cash flow

(1) Analysis of changes in cash flows for the most recent year

Unit: NT\$1,000

Item \ Year	2022	2021	Difference	
			Amount	Description
Operating activities	167,599	199,312	(31,713)	In 2022, the pre-tax net profit of the discontinuing operation decreased, and the income tax payment increased.
Investing activities	(472,248)	2,941,658	(3,413,906)	2021 Disposal of non-current assets held for sale.
Financing activities	313,995	(3,176,095)	3,490,090	Long-term loans increased in 2022 and decreased in 2021.
Net cash balance	311,144	301,622	9,522	

Remedies for cash shortfall and liquidity analysis: None.

(2) Liquidity analysis for the most recent two years

Item \ Year	December 31, 2022	December 31, 2021	Increase (decrease) ratio %
Cash flow ratio	168.86	125.38	43.48
Cash flow adequacy ratio	19.37	70.72	(51.35)
Cash reinvestment ratio	1.72	3.10	(1.38)

Analysis of changes in the percentage:

A. Increased the ratio of cash flow: decreased current liabilities.

B. Decreased in cash adequacy ratio and cash reinvestment ratio: net cash flow from operating activities decreased in the last five years.

(3) Cash flow analysis for the coming year

Unit: NT\$1,000

Estimated cash balance at the beginning of the period	Estimated net cash inflow from operating activities during the year	Expected annual net cash inflows (outflows) from others	Estimated cash balance (shortfall)	Remedies for cash shortfall	
				Investment plan	Financing plan
311,144	113,814	10,357	435,315	-	-

IV. Significant capital expenditures in the most recent year and the impact on finance and business matters: None

V. Investment policy for the most recent years, the main reasons for profit or loss, improvement plan, and investment plan for the coming year:

The Company's investment policy is based on the operational and strategic development requirements, and allows the Company to arrange and manage the various investees under acceptable risks. Aside from abiding by government laws and regulations, the implementation of each management regulation and detail is based on the Company's "Regulations Governing the Acquisition and Disposal of Assets" and other internal regulations; doing so enables to Company to manage, supervise, and get a good grasp of the financial status of investees.

Investment in the digital technology business at the end of 2020 helped grow the Group's operating revenue; the Company will continue to seek good targets and industries to implement its reinvestment plan.

VI. Analysis and assessment of risks

(I) Impact of changes in the interest rates, exchange rates, and inflation on the Company's profit and loss in the most recent year, and future countermeasures

1. Changes in interest rates: The overall economy still features a loose monetary policy; therefore, the Company's short-term and medium-term capital costs are expected to be low.
2. Exchange rate changes: Fluctuations in exchange rates have no relative impact on the company's business operations. The Company always attends to the exchange market and, if necessary, hedges the risks facing the Company's assets and liabilities denominated in foreign currency.
3. Inflation: Given the Company's industry characteristics, inflation has limited impact on the Company. In 2022 and up to the publication date of this annual report, the Group did not face any immediate and significant impact from inflation.

(II) Policies on high-risk, highly-leverage investments, lending funds to others, endorsement and guarantee, and derivatives transactions for the most recent year, main reasons for gain or loss, and future countermeasures.

1. The Company does not make high-risk and highly-leverage investments.
2. Derivatives are traded via the process and requirements specified in the Company's "Guidelines for Derivatives Trading." Proper hedging strategies are planned, risks are managed and monitored, and trade may be carried out only within the authorized amount. In addition, derivatives trading is announced and filed monthly as required, so it shouldn't have a significant impact on the Company's financial status.

(III) Future R&D plans and estimated expenses: The Company's digital technology business will

invest about NT\$10 million ~ NT\$20 million in the R&D plan on high-performance computing and big data platforms.

- (IV) The impact of important domestic and foreign policy and legal changes on the Company's finance and business and countermeasures in the most recent year: None.
- (V) The impact of important changes in technology or industry on the Company's finance and business and countermeasures in the most recent year: None.
- (VI) The impact of change in the corporate image on corporate crisis management and countermeasures: None.
- (VII) Expected benefits and possible risks of mergers and acquisitions and countermeasures: None.
- (VIII) Expected benefits and possible risks of plant expansion and countermeasures: None.
- (IX) Risks of concentration of purchases or sales and countermeasures: None.
- (X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and countermeasures: None.
- (XI) The impact on the Company and risks of change in management rights and countermeasures: None.
- (XII) Litigious and non-litigious matters. List major litigious, non-litigious, or administrative disputes that: involve the company and/or any company director, supervisor, President, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, the amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.
- (XIII) Other critical risks and countermeasures: None.

VII. Other important matters: None.

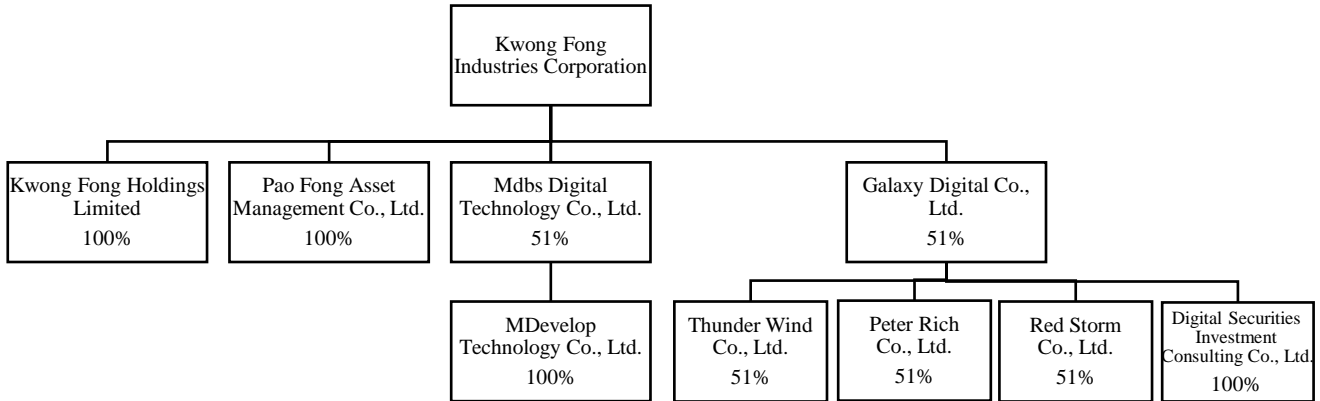
Eight. Special Items

I. Information on affiliates

(I) Consolidated Financial Statements of Affiliated Enterprises: See p.95~p183.

(II) Consolidated business report of affiliates:

1. Affiliated enterprise organizational chart



2. Basic information on affiliates

Unit: NT\$1,000

Company name	Establishment Date	Address	Paid-in Capital	Principal business or production items
Kwong Fong Holdings Limited	June 19, 1992	P. O. BOX 71 , Craigmuir Cnamber , Road Town ,Torola , British Virgin Islands	US\$ 17,800	Investment business
Pao Fong Asset Management Co., Ltd.	February 4, 1998	28F, No. 97, Section 2, Dunhua South Road, Da'an District, Taipei City	NT\$ 100,000	Asset management business
MdbS Digital Technology Co., Ltd. (Note 1)	March 4, 2002	18F, No. 105, Section 2, Dunhua South Road, Da'an District, Taipei City	NT\$ 31,595	Digital technology; information software
Galaxy Digital Co., Ltd.	March 30, 2020	6F-1, No. 63, Section 2, Anhe Road, Da'an District, Taipei City	NT\$ 42,537	Digital technology; information software
MDevelop Technology Co., Ltd.	February 1, 2002	18F, No. 105, Section 2, Dunhua South Road, Da'an District, Taipei City	NT\$ 23,020	Information software service
Thunder Wind Co., Ltd	July 24, 2018	6F-1, No. 63, Section 2, Anhe Road, Da'an District, Taipei City	NT\$ 2,000	Information software service
Peter Rich Co., Ltd (Note 2)	June 18, 2019	6F-1, No. 63, Section 2, Anhe Road, Da'an District, Taipei City	NT\$ 2,000	Information software service
Red Storm Co., Ltd	December 5, 2019	6F-1, No. 63, Section 2, Anhe Road, Da'an District, Taipei City	NT\$ 2,000	Information software service
Digital Securities Investment Consulting Co., Ltd.	May 16, 2022	18F, No. 105, Section 2, Dunhua South Road, Da'an District, Taipei City	NT\$ 20,000	Securities investment consulting

Note 1: The Group modified its investment structure on June 1, 2022. MDBS Digital Technology Co., Ltd., a subsidiary of the Group, absorbed and merged MDevelop Technology Co., Ltd. and MDBS Digital Technology Co., Ltd. to create the surviving company.

Note 2: On June 30 and July 29, 2022, Peter Rich Co., Ltd. and Red Storm Co., Ltd. filed for liquidation, respectively. The Galaxy Digital Co., Ltd., a subsidiary of the Group, acquired the original undertakings of the two companies via business transfer.

3. Information on the same shareholder of affiliates presumed to have a relationship of control or subordination: None.
4. Industries covered by the business activities of all affiliates as a whole:
 - (1) Investment industry
 - (2) Construction industry
 - (3) Real estate property management industry
 - (4) Trade industry
 - (5) Digital technology industry

5. Information on directors, supervisors, and presidents of affiliate companies

December 31, 2022

Company name	Title	Name or Representative	Shareholding	
			Shares	Shareholding percentage
Kwong Fong Holdings Limited	Chairperson Director	Kwong Fong Industries Corporation (Representative: Leo Ho) (Representative: Ho Ming-Hong) (Representative: Chiu Wen-Ta) (Representative: Liu Shiang) (Representative: Chen Cheng-Te)	17,800,000	100%
Pao Fong Asset Management Co., Ltd.	Chairperson Director Supervisor	Kwong Fong Industries Corporation (Representative: Leo Ho) (Representative: Ho Ming-Hong) (Representative: Liu Shiang) (Representative: Chiu Wen-Ta) (Representative: Chen Cheng-Te)	10,000,000	100%
Mdbs Digital Technology Co., Ltd.	Chairperson Director Supervisor	Chang Li-Yuan Su Yu-Ying Kwong Fong Industries Corporation (Representative: Huang Li-Ling) (Representative: Lin Dai-Fan) (Representative: Chen Su-Ching) Weng Chih-Wei Fu Chiung-Fang	105,150 - 1,611,500 - -	3% - 51% - -
Galaxy Digital Co., Ltd.	Chairperson Director Supervisor	Lin Chia-Leng Chang Li-Yuan Kwong Fong Industries Corporation (Representative: Huang Li-Ling) (Representative: Lin Dai-Fan) (Representative: Chen Su-Ching) Weng Chih-Wei Fu Chiung-Fang	256,219 256,219 2,169,400 - -	6% 6% 51% - -
Thunder Wind Co., Ltd	Chairperson Director Supervisor	Weng Chih-Wei Lin Chun-Hung Chang Li-Yuan Su Yu-Ying	98,000	49%
Digital Securities Investment Consulting Co., Ltd.	Chairperson Director Supervisor	Galaxy Digital Co., Ltd. Chang Li-Yuan Lin Chia-Leng Hsu Pei-Yi Fu Chiung-Fang	2,000,000	100%

6. Operating profile of affiliates

December 31, 2022

Unit: NT\$1,000

Company name	Capital	Total Value of Assets	Total Liabilities	Net worth	Operating revenue	Operating profit	Profits or losses for the period (After tax)	Earnings per share (NT\$) (After tax)
Kwong Fong Holdings Limited	546,638	1,355,324	50	1,355,274	-	(173)	1,538	0.28
Pao Fong Asset Management Co., Ltd.	100,000	911,184	78,520	832,664	-	(3,988)	2,246	2.25
Mdbs Digital Technology Co., Ltd.	31,595	137,701	86,576	51,125	124,929	247	2,554	0.81
Galaxy Digital Co., Ltd.	42,537	64,469	17,669	46,800	94,129	6,374	5,312	1.25
MDevelop Technology Co., Ltd. (Note)	-	-	-	-	15,940	928	342	-
Thunder Wind Co., Ltd	2,000	4,721	433	4,288	46,861	2,141	2,040	10.20
Peter Rich Co., Ltd	2,000	306	-	306	974	(30)	(36)	(0.18)
Red Storm Co., Ltd	2,000	1,680	-	1,680	7,960	626	836	4.18
Digital Securities Investment Consulting Co., Ltd.	20,000	20,751	2,010	18,741	-	(1,334)	(1,259)	(0.63)

Note: MDevelop Technology Co., Ltd. merged with Mdbs Digital Technology Co., Ltd. on June 1, 2022.

(III) Affiliation Report: None.

II. Private placement of marketable securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report: None.

IV. Other matters that require additional explanation: None.

Nine. Any events in the most recent year and the current year up to the publication date of this annual report that materially affects shareholders' equity or the price of securities as defined in Paragraph 3, Sub-paragraph 2, Article 36 of the Securities and Exchange Act: None.

KWONG FONG INDUSTRIES CORPORATION

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATE

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of the parent company and its subsidiaries as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements” . Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent company and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates for the year ended December 31, 2022.

Very truly yours,

Kwong Fong Industries Corporation

By:

LEO HO
Chairman

March 24, 2023

INDEPENDENT AUDITORS' REPORT

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

Introduction

We have audited the accompanying consolidated balance sheets of Kwong Fong Industries Corporation and its subsidiaries (collectively referred herein as the "Group") as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, and its financial performance and cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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 consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group' s 2022 consolidated financial statements are stated as follows:

Measurement of Financial Assets at Fair Value of Fulcrest Limited

Explanation of Items

Regarding the accounting policy for measuring financial assets at fair value through other comprehensive income, please refer to the consolidated financial statement in Note 4 (8); for the estimations and assumptions of financial assets, please refer to the consolidated financial statement in Note 5; and for the explanation of the accounting item for financial assets measured at fair value through other comprehensive income, please refer to the consolidated financial statement in Note 6 (3).

As of December 31, 2022, the amount of Kwong Fong Industries Group of Companies and its subsidiaries' s financial assets measured at fair value through other comprehensive income is NT\$3,044,936 thousands, which represents 68% of total consolidated assets, of which Fulcrest Limited, a Hong Kong-based company, accounts for at fair value of NT\$1,348,096 thousands. As the assumptions used in the fair value evaluation are subjective and uncertain, and the results have a significant impact on the consolidated financial statement, the accountant has identified Fulcrest Limited' s measurement of the fair value of its financial assets as one of the year' s most important audited items.

How our audit addressed the matter

Our 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.

Accuracy of recognition of revenue from information software service.

Description

Please refer to Note 4(28) of the financial statements for accounting policies on revenue recognition, Note 5 for accounting Estimate on revenue recognition and Note 6(22) for details of operating revenue.

The operating income of Kwong Fong Industries Group of Companies and its subsidiaries is primarily comprised of revenue from information software services, shopping malls, and construction. The information software service revenue in 2022 amounted to NT\$247,500 thousands, accounting for 99% of its operating income in 2022. During the period of financial reporting, revenue from information software services is recognized based on the percentage of completion method for contractually agreed-upon services provided to clients. As of the balance sheet date, the percentage of completion is based on the engaged time proportion of the total estimated hours contracted. Due to the subjective nature of the management' s assessment of the degree of completion, the accountant has ranked the accuracy of software service revenue recognition as one of the year' s most important audited items.

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.

Other matter – Parent company only financial reports

We have audited the parent company only financial statement of Kwong Fong Industries Corporation Limited as of and for the years ended December 31, 2021 and 2020 on which we have issued an unqualified opinion with explanatory paragraph thereon.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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. Conclude on the appropriateness of management' s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key

audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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)	\$ 311,144	7	\$ 301,622	8
1110	Financial assets at fair value through profit or loss - current	6(2)	15,638	-	14,651	-
1136	Financial assets at amortized cost - non-current	6(4)	19,000	1	213,500	6
1140	Contract assets- current	6(22)	11,617	-	23,941	1
1170	Accounts receivable, net	6(5)	21,637	1	30,288	1
1180	Receivables from related parties, net	7	-	-	16,964	-
1200	Other receivables	6(7)(12)	55,648	1	10,601	-
1220	Income tax assets		421	-	151	-
130X	Inventories	6(6) and 8	647,406	14	647,406	17
1410	Prepayments		3,988	-	887	-
1460	Non-current assets held for sale, net	6(12)	-	-	-	-
1470	Other current assets	8	5	-	4,743	-
11XX	Total current assets		<u>1,086,504</u>	<u>24</u>	<u>1,264,754</u>	<u>33</u>
NONCURRENT ASSETS						
1517	Financial assets at fair value through other comprehensive income-noncurrent	6(3) and 8	3,044,936	68	2,170,975	56
1600	Property, plant and equipment	6(7) and 8	35,768	1	86,066	2
1755	Right-of-use assets	6(8)	39,405	1	50,213	1
1780	Intangible assets	6(10)	74,395	2	82,916	2
1840	Deferred income tax assets	6(29)	153,410	3	164,465	4
1900	Other noncurrent assets	6(11)	59,183	1	56,534	2
15XX	Total noncurrent assets		<u>3,407,097</u>	<u>76</u>	<u>2,611,169</u>	<u>67</u>
1XXX	Total assets		<u>\$ 4,493,601</u>	<u>100</u>	<u>\$ 3,875,923</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						
2100	Short-term loans	6(13) and 8	\$ -	-	\$ 58,000	2
2130	Current contract liabilities	6(22) and 7	22,143	1	22,062	1
2150	Notes payable		24	-	-	-
2170	Accounts payable	6(14)	7,743	-	8,366	-
2180	Payables to related parties	7	-	-	16	-
2219	Other payables		38,865	1	42,647	1
2230	Income tax payable		169	-	4,081	-
2250	Provision-Current	6(17)	114	-	557	-
2280	Lease liabilities-Current		14,056	-	13,246	-
2320	Long-term liabilities - current portion	6(15) and 8	13,766	-	7,644	-
2399	Other current liabilities		2,368	-	2,346	-
21XX	Total current liabilities		<u>99,248</u>	<u>2</u>	<u>158,965</u>	<u>4</u>
Noncurrent liabilities						
2527	Non-current contract liabilities	6(22)	-	-	228	-
2540	Long-term bank loans	6(15) and 8	564,541	12	71,580	2
2550	Provision-Noncurrent	6(17)	-	-	101	-
2570	Deferred income tax liabilities	6(29)	125,399	3	126,258	3
2580	Non-current lease liabilities		26,236	1	38,143	1
2600	Other noncurrent liabilities		1,088	-	1,089	-
25XX	Total noncurrent liabilities		<u>717,264</u>	<u>16</u>	<u>237,399</u>	<u>6</u>
2XXX	Total liabilities		<u>816,512</u>	<u>18</u>	<u>396,364</u>	<u>10</u>
EQUITY						
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
Capital						
3110	Capital stock	6(18)	1,853,422	41	1,853,422	48
Capital surplus						
3200	Capital surplus	6(19)	43,767	1	43,786	1
Retained earnings						
3310	Appropriated as legal capital reserve	6(20)	406,305	9	373,094	10
3320	Appropriated as special capital reserve		76,450	2	76,450	2
3350	Unappropriated earnings		940,173	21	972,129	25
Other equity interest						
		6(21)				

The accompanying notes are an integral part of these consolidated financial statements

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

(In Thousands of New Taiwan Dollars)

3400	Other equity interest	<u>290,553</u>	<u>6</u>	<u>87,915</u>	<u>2</u>
31XX	Equity attributable to shareholders of the parent	3,610,670	80	3,406,796	88
36XX	NON-CONTROLLING INTERESTS	<u>66,419</u>	<u>2</u>	<u>72,763</u>	<u>2</u>
3XXX	Total equity	<u>3,677,089</u>	<u>82</u>	<u>3,479,559</u>	<u>90</u>
	Significant Contingent Liabilities And Unrecognized Contract Commitments		9		
	Significant Events After The Balance Sheet Date		11		
3X2X	Total liabilities and equity	<u>\$ 4,493,601</u>	<u>100</u>	<u>\$ 3,875,923</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements

KWONG FONG INDUSTRIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED 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(22) and 7	\$ 249,391	100	\$ 236,931	100
5000 Cost of revenue					
	6(27) and 7	(182,848)	(73)	(165,460)	(70)
5900 Gross profit					
		<u>66,543</u>	<u>27</u>	<u>71,471</u>	<u>30</u>
Operating expenses	6(27)(28)				
6100 Selling expenses		(1,393)	(1)	(11,459)	(5)
6200 General and administrative		(113,446)	(45)	(109,395)	(46)
6450 Expected credit loss (gain)		<u>187</u>	-	(5,263)	(2)
6000 Total operating expenses	6(27) and 12(2)	(114,652)	(46)	(126,117)	(53)
6900 Income(Loss) from operations		(48,109)	(19)	(54,646)	(23)
Non-operating income and expenses					
7100 Interest income	6(23)	1,682	1	1,688	1
7010 Other income	6(24)	247,240	99	147,485	62
7020 Other gains and losses, net	6(25)	(83,273)	(34)	(264)	-
7050 Finance costs	6(26)	(10,544)	(4)	(7,657)	(3)
7000 Total non-operating income and expenses		<u>155,105</u>	<u>62</u>	<u>141,252</u>	<u>60</u>
7900 Profit before income tax		106,996	43	86,606	37
7950 Income tax expense	6(29)	(10,740)	(4)	(13,901)	(6)
8000 Continuing operations Profit for the year		96,256	39	72,705	31
8100 Discontinued Operations Profit for the year	6(12)	-	-	8,559	4
8200 Profit for the year		<u>\$ 96,256</u>	<u>39</u>	<u>\$ 81,264</u>	<u>35</u>

KWONG FONG INDUSTRIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED 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	%
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)	\$ 90,045	36	(\$ 110,531)	(47)
8349 Income tax benefit (expense) related to items that will not be reclassified subsequently	6(29)	(12,855)	(5)	14,634	6
8310 Components of other comprehensive income that will not be reclassified to profit or loss		77,190	31	(95,897)	(41)
Items that may be reclassified subsequently to profit or loss:					
8361 Exchange differences arising on translation of foreign operations	6(21)	125,448	50	(31,410)	(13)
8300 Other comprehensive income (loss), net of income tax		\$ 202,638	81	(\$ 127,307)	(54)
8500 Total comprehensive income for the year		\$ 298,894	120	(\$ 46,043)	(19)
Profit attributable to:					
8610 Shareholders of the parent		\$ 94,462	38	\$ 81,863	35
8620 Non-controlling interests		1,794	1	(599)	-
TOTAL		\$ 96,256	39	\$ 81,264	35
Comprehensive income attributable to:					
8710 Shareholders of the parent		\$ 297,100	119	(\$ 45,444)	(19)
8720 Non-controlling interest		1,794	1	(599)	-
Total		\$ 298,894	120	(\$ 46,043)	(19)
Basic earnings per share (in dollars)	6(30)				
9710 Continuing operations Profit (Loss)		\$	0.51	\$	0.39
9720 Discontinued Operations Profit (Loss)			-		0.05
9750 Basic earnings per share		\$	0.51	\$	0.44
Diluted earnings per share (in dollars)	6(30)				
9810 Continuing operations Profit (Loss)		\$	0.51	\$	0.39
9820 Discontinued Operations Profit (Loss)			-		0.05
9850 Diluted earnings per share		\$	0.51	\$	0.44

The accompanying notes are an integral part of these consolidated financial statements

KWONG FONG INDUSTRIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Notes	Equity Attributable to Shareholders of the Parent							Total	Non-controlling Interests	Total Equity
		Retained Earnings					Others				
		Capital Stock - Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital 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	\$ 72,790	\$ 3,617,737
Profit for the year		-	-	-	-	81,863	-	-	81,863	(599)	81,264
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	(31,410)	(95,897)	(127,307)	-	(127,307)
Total comprehensive income (loss)		-	-	-	-	81,863	(31,410)	(95,897)	(45,444)	(599)	(46,043)
Appropriation of 2020 earnings											
Cash dividends to shareholders	6(20)	-	-	-	-	(92,671)	-	-	(92,671)	-	(92,671)
Reversal of special reserve	6(20)	-	-	-	(250,250)	250,250	-	-	-	-	-
Dividends paid to unclaimed by shareholders with claim period elapsed	6(19)	-	(36)	-	-	-	-	-	(36)	-	(36)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	572	572
Balance at December 31, 2021		\$ 1,853,422	\$ 43,786	\$ 373,094	\$ 76,450	\$ 972,129	\$ 6,948	\$ 80,967	\$ 3,406,796	\$ 72,763	\$ 3,479,559
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	\$ 72,763	\$ 3,479,559
Profit for the year		-	-	-	-	94,462	-	-	94,462	1,794	96,256
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	125,448	77,190	202,638	-	202,638
Total comprehensive income (loss)		-	-	-	-	94,462	125,448	77,190	297,100	1,794	298,894

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

KWONG FONG INDUSTRIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent										
	Notes	Retained Earnings					Others		Total	Non-controlling Interests	Total Equity
		Capital Stock - Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Financial statements translation differences of foreign operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
Appropriation of 2021 earnings											
Legal reserve	6(20)	-	-	33,211	-	(33,211)	-	-	-	-	-
Cash dividends to shareholders	6(20)	-	-	-	-	(92,671)	-	-	(92,671)	-	(92,671)
Adjustments to share of changes in equity of associates and joint ventures		-	-	-	-	(536)	-	-	(536)	-	(536)
Dividends unclaimed by shareholders with claim period elapsed	6(19)	-	(19)	-	-	-	-	-	(19)	-	(19)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	(8,138)	(8,138)
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>	<u>\$ 66,419</u>	<u>\$ 3,677,089</u>

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

KWONG FONG INDUSTRIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Notes	2022	2021
ASH FLOWS FROM OPERATING ACTIVITIES			
Continuing operations Profit before income tax		\$ 106,996	\$ 86,606
Discontinuing operations Profit before income tax		-	282,898
Profit before tax		106,996	369,504
Adjustments for:			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(27)	17,095	17,573
Amortization expense	6(27)	11,876	9,002
Expected credit losses recognized (reversal) on investments in debt instruments	6(27)	(187)	5,263
Net gain on financial assets at fair value through profit or loss	6(25)	5,268	(2,211)
Interest expense	6(26)	10,544	26,505
Interest income	6(23)	(1,682)	(1,688)
Dividend income	6(24)	(226,704)	(138,459)
Loss (gain) on disposal or retirement of property, plant and equipment, net	6(25)	(6,746)	477
Gain on disposal of non-current assets held for sale	6(25)	-	(319,577)
Evaluation of unrealized exchange losses on foreign currency loans	6(32)	12,852	-
Gain on lease modification	6(25)	(350)	(14)
Reversal of write-down of inventories	6(6)	-	(16,516)
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Contract assets		12,324	(23,941)
Accounts receivable		8,838	37,618
Receivables from related parties		16,964	544
Other receivables		7,609	308
Inventories		-	30,753
Prepayments		(3,101)	98,237
Changes in operating liabilities			
Contract liabilities		(147)	21,578
Notes payable		24	(305)
Accounts payable		(623)	4,919
Payables to related parties		(16)	(432)
Other payables		(11,737)	(21,492)
Other payables to related parties		(54)	(46)
Provision		(544)	(2,790)
Other current liabilities		394	(2,845)
Cash (out)inflow generated from operations		(41,107)	91,965
Interest received		1,553	1,688
Cash dividend received		226,704	138,459
Interest paid		(2,540)	(25,597)
Income tax paid		(17,011)	(7,203)
Net cash generated by operating activities		167,599	199,312

KWONG FONG INDUSTRIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Notes	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 698,419)	(\$ 1,034,320)
Proceeds from capital reduction of financial assets at fair value through profit or loss	6(3)	39,349	-
(Increase) decrease in financial assets at amortised cost	6(4)	194,500	(191,950)
Acquisition of financial instruments at fair value through profit or loss		(339,406)	(113,129)
Disposal of financial instruments at fair value through profit or loss		336,328	113,055
Disposal of non-current assets held for sale	6(12)	-	4,551,337
Payment of land appreciation tax on disposal of non-current assets to be sold	6(12)	-	(383,350)
Acquisition of property, plant and equipment	6(31)	(153)	(6,186)
Disposal of property, plant and equipment		-	251
Increase in refundable deposits paid		(13,734)	(46,000)
Decrease in refundable deposits paid		9,325	29,815
Acquisition of intangible assets	6(31)	(4,459)	(16,189)
Decrease in other financial assets - current		4,738	40,087
Increase in other non-current assets		(317)	(1,763)
Net cash generated by (used in) investing activities		(472,248)	2,941,658
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term loans	6(32)	(58,000)	(84,850)
Decrease in short-term bills payable	6(32)	-	(160,000)
Proceeds from long-term bank loans	6(32)	591,236	323,844
Repayment of long-term bank loans	6(32)	(105,005)	(3,109,155)
Decrease in guarantee deposits received	6(32)	(1)	(39,658)
Repayment of the principal portion of lease liabilities	6(32)	(13,352)	(13,569)
Cash dividends		(95,964)	(92,671)
Expired unclaimed dividends transferred to capital surplus	6(19)	(19)	(36)
Subsidiary cash reduction		(4,900)	-
Net cash generated by (used in) financing activities		313,995	(3,176,095)
Effect of exchange rate changes		176	(131)
Net increase(decrease) in cash and cash equivalents		9,522	(35,256)
Cash and cash equivalents at beginning of year		301,622	336,878
Cash and cash equivalents at end of year		\$ 311,144	\$ 301,622

The accompanying notes are an integral part of these consolidated financial statements

KWONG FONG INDUSTRIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED 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 Group of Companies (henceforth the “Company”) was established in June 1968. The company and its subsidiary’ s (henceforth collectively referred to as the “Group”) 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 accompanying consolidated financial statements were approved and authorized for issue 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:

<u>New Standards, Interpretations and Amendment</u>	<u>Effective date by International Accounting Standards Board</u>
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 Group' s financial condition and financial performance based on the Group' s assessment.

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

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 Group' s financial condition and financial performance based on the Group' 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 Group's financial condition and financial performance based on the Group's assessment.

4 ◦ SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated 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 accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC with the effective dates (collectively, "Taiwan-IFRSs").

(2). Basis of Preparation

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

- (a). Financial assets at fair value through profit or loss (Including derivative financial instruments).
- (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 consolidated financial statements are disclosed in Note 5.

(3). Basis of Consolidation

A. The basis for the consolidated financial statements

- (a). All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b). Inter-company transactions, balances and unrealised gains or losses on

transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (c). Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d). Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e). When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B.The subsidiaries in the consolidated financial statements :

Name of Investor	Name of Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Company	Pao Fong Asset Management Co., Ltd.	Asset Management	100%	100%	-
"	Kwong Fong Holdings Limited	General investment activities	100%	100%	-
"	Mdbs Digital Technology Co., Ltd.	Service of software	51%	51%	-
"	Galaxy Digital Co., Ltd.	Service of software	51%	51%	"
Mdbs Digital Technology Co., Ltd.	MDevelop Technology Co., Ltd.	Service of software	-	100%	Note1
Galaxy Digital Co., Ltd.	Thunder Wind Co.,Ltd	Service of software	51%	51%	-
"	Peter Rich Co.,Ltd	Service of software	51%	51%	Note3
"	Red Storm Co.,Ltd	Service of software	51%	51%	Note3
"	Digital Securities Investment Consultant Co., Ltd.	Securities investment consultant	100%	-	Note2

Note 1: The Group modified its investment structure on June 1, 2022. MDDBS Digital Technology Co., Ltd., a subsidiary of the Group, absorbed and merged MDevelop Technology Co., Ltd. and MDDBS Digital Technology Co., Ltd. to create the surviving company.

Note 2: Digital Securities Investment Consulting Co., Ltd. was founded on May 16, 2022.

Note 3: On June 30 and July 29, 2022, Peter Rich Co., Ltd. and Red Storm Co., Ltd. filed for liquidation, respectively. The Galaxy Digital Co., Ltd., a subsidiary of the Group, acquired the original undertakings of the two companies via business transfer.

C. Subsidiary not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4). Foreign currency translation

Items included in the 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 consolidated financial statements are presented in New Taiwan Dollars, which is the Company' s functional and the Group' s presentation 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 group 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.

(5).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 realised, 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 realised 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.

(6).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.

(7).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 recognised and derecognised using trade date accounting.

C.At initial recognition, the Group measures the financial assets at fair value and

recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8). 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 Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a). The objective of the Group'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 recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised 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 recognised as other income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9). 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 Group'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 recognised and derecognised using trade date accounting.

C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as

the effect of discounting is immaterial.

(10).Notes, accounts and receivables

A. Notes and account receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term notes receivable, accounts receivable and other receivables without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11).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 Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises 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 Group recognises the impairment provision for lifetime ECLs.

(12).Derecognition of financial assets

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

(13).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.

(14).Inventories

The inventories include "land held for construction", "construction in progress", and "buildings and land held for sale" are initially recorded at cost. The Consolidated Company's inventory is measured at the lower of cost and net realisable value, adopts an item-by-item approach in comparing cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course, less the estimated cost of goods available for sales and applicable variable selling expenses.

(15).Non-current assets held for sale and discontinued business unit

A. Non-current assets held for sale

When the carrying amount of a non-current asset is anticipated to be recovered primarily through sale transactions as opposed to continued use, and the asset will probably be sold, it is classified as an asset held for sale and measured at its lower book value and fair value minus the cost of sale.

B. Discontinued business unit

Any Group component, such as a subsidiary acquired for resale or a primary business line or area of operation, that has been disposed of or will be sold is considered a discontinued business unit. An operating unit is categorized as a discontinued business unit in an earlier period of time when it is sold or meets the requirements for sale.

(16). Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

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 Group 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:

Buildings	50 ~ 55 years
Office equipmen	3 ~ 5 years
Other equipment	3 ~ 5 years

Leasehold Improvements 2 ~ 5 years

(17). 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 Group. 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 Group 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.

(18). Intangible assets

A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

B. Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Patents amortised on a straight-line basis over its estimated useful life of 10 years.

D. Customer relationship has a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 3 ~ 4 years.

E. Technological expertise amortised on a straight-line basis over its estimated useful life of 15 years..

(19). Impairment of non-financial assets

A. The Group 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.

B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

(20). Borrowings

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.

(21). 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.

(22). Derecognition of financial liabilities

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

(23). Provisions

Provisions (including contract liabilities) for war liability are recognized when the Group 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.

(24). 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 Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25). Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 Group 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 realised or the deferred income tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised 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.

(26). Share 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.

(27). 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.

(28). Revenue recognition

A. Income from rentals

The Group divides the mall' s booths so that manufacturers can establish trading locations. According to the contract, the Group either charges

manufacturers a fixed fee or determines rental income based on the turnover of specific manufacturers and the predetermined ratio.

B.Services revenue

The Group manages shopping malls services. Services revenue is recognized when service is provided to customers within the reporting period.

C.Land development and sale.

The Group conducts its business in land development and sale of residential buildings, revenue is recognized when the control of the property has been transferred to the customer. For a signed residential contract, due to restrictive terms set out in the contract, the Group retains no continuing involvement of the associated property. Only if the legal ownership of property has been transferred to the customer, the Group will have the right to the contract consideration. Thus, revenue is recognized when the legal ownership has been transferred to the customer.

D. Revenue from information software services

(a).The Group provides the design, importation, and maintenance of information software and related services. Revenue from services is recognized as income during the period of financial reporting when services are provided to clients. Revenue is recognized in the ratio of services provided accounting for all services that should be provided as of the balance sheet date. The contract price is paid by the client as per the payment schedule established in the contract. A contract asset is recognized when the value of the Group' s service exceeds the accounts receivables. A contract liability is recognized when the accounts receivables exceed the Group' s service.

(b).The Group's estimations for revenue, costs and stage of completion are adjusted accordingly. Any variation of estimated revenue or costs arising from change of estimations is reflected in profit or loss in the period when the condition for change of estimation is made known to the management.

(29).Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(30).Operating segments

The Group' s operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief

Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group' 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 Group decides whether the promise to the client is its own performance obligation to provide certain goods or services (i.e., the Group 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 Group acts as a proxy). When the Group 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 Group 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 Group decides whether certain goods or services are controlled before being transferred to the client based on the following indicators:

- a.The Group is principally in charge of providing the specific goods or services as promised.
- b.The Group 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 Group'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 (2) for the details of fair value of financial instruments.

The carrying amount of the group's unlisted TWSE/TPEX stocks with no active market was NT\$1,375,254 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	\$ 1,446	\$ 2,333
Checking accounts and demand deposit	84,298	299,289
Time deposits	225,400	-
	<u>\$ 311,144</u>	<u>\$ 301,622</u>

A. The Group 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. Details of the Group's Cash and cash equivalents pledged to others as collateral are provided in Note 8.

(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		
Listed (TSE) stocks	\$ 8,472	\$ 5,287
Derivative financial instruments	9,255	9,546
	<u>17,727</u>	<u>14,833</u>
Valuation adjustment	(2,089)	(182)
Total	<u>\$ 15,638</u>	<u>\$ 14,651</u>

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

Items	Year ended December 31, 2022	Year ended December 31, 2021
Mandatorily measured at FVTPL		
Equity instruments	(\$ 724)	(\$ 563)
Derivative financial instruments	(4,544)	2,774
	<u>(\$ 5,268)</u>	<u>\$ 2,211</u>

B. The following explains the Group' 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	<u>\$ 9,255</u>	<u>2022.11.11~2023.9.30</u>

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

Futures trading

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

On December 31, 2022 and 2021, respectively, the retained margin balances in futures accounts were \$47,539 and \$44,840, while the excess margin balances were \$38,284 and \$35,294.

C. The amount of dividend income recognized in profit or loss for financial assets at fair value through profit or loss in 2022 and 2021 was NT\$88 and NT\$77, respectively.

(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		
Hong Kong Fulcrest Limited	1,079,212	1,079,212
Other	16,000	16,000
Listed (TSE) stocks	527,270	433,804
Unlisted stocks	9,954	49,303
Valuation adjustment	161,051	71,006
Effect of exchange rate	45,980	(78,866)
changes		
Total	\$ 3,044,936	\$ 2,170,975

A. The Group 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 \$3,044,936 and \$2,170,975 as at December 31, 2022 and 2021, respectively.

B. The amount of financial assets at fair value through other comprehensive income in 2022 and 2021 was \$90,045 and (\$110,531), 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 2021 was \$226,616 and \$138,382, respectively.

D. On May 20, 2022, for the Seaward Wool Textile Co., Ltd. unlisted TWSE/TPEX stocks held by the Group, a resolution was reached on the "cash capital reduction and return of shares" case at the shareholders' meeting, accounting for \$39,349 recovered by the group.

E. The Group's maximum exposure to credit risk, before consideration of associated collateral held and other credit enhancements, were \$3,044,936 and \$2,170,975 for financial assets at fair value through other comprehensive income, as of December 31, 2022 and 2021, respectively.

F. Details of the Group's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.

(4). Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items :		
Time deposits exceeding 3 months	\$ 19,000	\$ 213,500

A. The Group has determined that none of the abovementioned financial assets pose a significant expected credit risk.

B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$19,000 and \$213,500 respectively.

(5). Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 21,842	\$ 30,503
Less: Allowance for bad debts	(205)	(215)
	\$ 21,637	\$ 30,288

A. The ageing analysis of accounts receivable and notes receivable are as follows :

	December 31, 2022	December 31, 2021
Not past due	\$ 21,208	\$ 27,923
Past due within 30 days	67	-
31 to 90 days	567	2,580
	\$ 21,842	\$ 30,503

The above ageing analysis was based on past due date.

B. As of December 31, 2022, December 31, 2021 and January 1, 2021, the balances of receivables from contracts with customers. At January 1, 2021 amounted to \$ 73,630.

C. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

(6).Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Real property for sale	\$ 147,382	\$ 147,382
Land held for construction site	500,024	500,024
Total	<u>\$ 647,406</u>	<u>\$ 647,406</u>

A.Real property for sale

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Dazhi Section of Bade City	\$ 17,811	\$ 17,811
Tamsui Shulinkou section	258,458	258,458
Taode Section and Qiancheng Section of Bade City	1,029	1,029
Taoyuan City Middle Road Section	666	666
Subtotal	277,964	277,964
Less: Allowance for valuation losses	(130,582)	(130,582)
Total	<u>\$ 147,382</u>	<u>\$ 147,382</u>

B.Land held for construction site

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land held for construction site	\$ 509,757	\$ 509,757
Less: Allowance for valuation losses	(9,733)	(9,733)
Total	<u>\$ 500,024</u>	<u>\$ 500,024</u>

C.The cost of inventories recognized as expense for the Current period is as follows :

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
cost of selling premises	\$ -	\$ 30,753
Inventory Turnover Benefit	-	(16,516)
Leases cost	48	48
Total	<u>\$ 48</u>	<u>\$ 14,285</u>

D. A portion of the Group' s available property inventory was sold in 2021, resulting in a reversal in inventory amounting to \$16,516.

E. Information relating to the Group' s inventories pledged to others as collaterals are provided in Note 8.

(7). Property, plant and equipment

	2022						
	Land	Buildings	Office equipment	Others equipment	Lease asset	Leasehold Improvements	Total
At January 1	\$ 66,313	\$ 12,132	\$ 8,510	\$ 462	\$ 2,442	\$ 10,362	\$ 100,221
Accumulated depreciation	-	(2,360)	(6,748)	(462)	(886)	(3,699)	(14,155)
	<u>\$ 66,313</u>	<u>\$ 9,772</u>	<u>\$ 1,762</u>	<u>\$ -</u>	<u>\$ 1,556</u>	<u>\$ 6,663</u>	<u>\$ 86,066</u>
At January 1	\$ 66,313	\$ 9,772	\$ 1,762	\$ -	\$ 1,556	\$ 6,663	\$ 86,066
Additions	-	-	-	153	-	-	153
Disposals	(43,824)	(3,825)	-	-	-	-	(47,649)
Accumulated depreciation on disposal date	-	880	-	-	-	-	880
Depreciation	-	(392)	(729)	(23)	(49)	(2,489)	(3,682)
At December 31	<u>\$ 22,489</u>	<u>\$ 6,435</u>	<u>\$ 1,033</u>	<u>\$ 130</u>	<u>\$ 1,507</u>	<u>\$ 4,174</u>	<u>\$ 35,768</u>
At December 31							
Cost	\$ 22,489	\$ 8,307	\$ 8,510	\$ 615	\$ 2,442	\$ 10,362	\$ 52,725
Accumulated depreciation	-	(1,872)	(7,477)	(485)	(935)	(6,188)	(16,957)
	<u>\$ 22,489</u>	<u>\$ 6,435</u>	<u>\$ 1,033</u>	<u>\$ 130</u>	<u>\$ 1,507</u>	<u>\$ 4,174</u>	<u>\$ 35,768</u>
	2021						
	Land	Buildings	Office equipment	Others equipment	Lease asset-	Leasehold Improvements	Total
At January 1							
Cost	\$ 66,313	\$ 11,584	\$ 22,802	\$ 2,680	\$ 2,442	\$ 5,670	\$ 111,491
Accumulated depreciation	-	(1,872)	(20,505)	(2,660)	(838)	(1,696)	(27,571)
	<u>\$ 66,313</u>	<u>\$ 9,712</u>	<u>\$ 2,297</u>	<u>\$ 20</u>	<u>\$ 1,604</u>	<u>\$ 3,974</u>	<u>\$ 83,920</u>
At January 1	\$ 66,313	\$ 9,712	\$ 2,297	\$ 20	\$ 1,604	\$ 3,974	\$ 83,920
Additions	-	-	360	-	-	5,826	6,186
Disposals	-	(1,019)	(14,652)	(2,218)	-	(1,134)	(19,023)
Accumulated depreciation on disposal date	-	979	14,495	2,202	-	619	18,295
Reclassifications	-	460	-	-	-	-	460
Depreciation	-	(360)	(738)	(4)	(48)	(2,622)	(3,772)
At December 31	<u>\$ 66,313</u>	<u>\$ 9,772</u>	<u>\$ 1,762</u>	<u>\$ -</u>	<u>\$ 1,556</u>	<u>\$ 6,663</u>	<u>\$ 86,066</u>
At December 31							
Cost	\$ 66,313	\$ 12,132	\$ 8,510	\$ 462	\$ 2,442	\$ 10,362	\$ 100,221
Accumulated depreciation	-	(2,360)	(6,748)	(462)	(886)	(3,699)	(14,155)
	<u>\$ 66,313</u>	<u>\$ 9,772</u>	<u>\$ 1,762</u>	<u>\$ -</u>	<u>\$ 1,556</u>	<u>\$ 6,663</u>	<u>\$ 86,066</u>

A.The Group signed the real estate purchase agreement with the buyer on October 13, 2022. The property on Anhe Road was sold by the Group for a total gain on disposal amounting to \$55,000 (inclusive of tax), realizing a gain on disposal amounting to \$6,746 and depositing the said price into the performance bond account. The amount is listed under accounts receivables as of December 31, 2022 because it has not yet been paid.

B.Information relating to the Group' s property, plant and equipment pledged to others as collaterals are provided in Note 8.

(8). Leasing arrangements - lessee

A.The Group 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 :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying Amount</u>	<u>Carrying Amount</u>
Buildings	\$ 38,112	\$ 50,004
Transportation equipment	1,293	209
	<u>\$ 39,405</u>	<u>\$ 50,213</u>

	<u>Year ended</u> <u>December 31, 2022</u>	<u>Year ended</u> <u>December 31, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 13,220	\$ 13,055
Transportation equipment	193	746
	<u>\$ 13,413</u>	<u>\$ 13,801</u>

D.For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$14,071 and \$0, respectively.

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

	Year ended December 31, 2022	Year ended December 31, 2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 744	\$ 1,022
Expense on short-term lease contracts	1,737	1,280
Expense on leases of low-value assets	113	105
Gains arising from lease modifications	(350)	(14)

F. For the years ended December 31, 2022 and 2021, the Group' s total cash outflow for leases amounted to \$15,946 and \$15,976, respectively.

(9). Leasing arrangements – lessor

A. The Consolidated Company leases various assets including land and buildings. Rental contracts are typically made for periods of 1 and 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor' s ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.

B. For the years ended December 31, 2022 and 2021, the Group recognised rent income in the amounts of \$1,333 and \$31,753, respectively, based on the operating lease agreement, which does include variable lease payments.

C. Gain arising from operating lease agreements for the years ended December 31, 2022 and 2021 are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Rental revenue	\$ 1,287	\$ 31,753
Rental income recognized as variable lease payments	\$ 46	\$ 14,973

D. The maturity analysis of the lease payments under the operating leases is as follows :

	December 31, 2022		December 31, 2021
2022	\$ -	2022	\$ -
2023	114	2023	-
Total	\$ 114	Total	\$ -

(10). Intangible assets

	2022					
	Computer software	Goodwill	Technological expertise	Patents	Client relationship	Total
At January 1						
Cost	\$ 16,253	\$ 32,583	\$ 18,643	\$ 13,657	\$ 10,784	\$ 91,920
Accumulated depreciation and accumulated impairment losses	(3,180)	-	(1,243)	(1,366)	(3,215)	(9,004)
	<u>\$ 13,073</u>	<u>\$ 32,583</u>	<u>\$ 17,400</u>	<u>\$ 12,291</u>	<u>\$ 7,569</u>	<u>\$ 82,916</u>
At January 1	\$ 13,073	\$ 32,583	\$ 17,400	\$ 12,291	\$ 7,569	\$ 82,916
Additions	4,459	-	-	-	-	4,459
Reclassifications	(1,105)	-	-	-	-	(1,105)
Amortization expenses	(6,052)	-	(1,243)	(1,365)	(3,215)	(11,875)
At December 31	<u>\$ 10,375</u>	<u>\$ 32,583</u>	<u>\$ 16,157</u>	<u>\$ 10,926</u>	<u>\$ 4,354</u>	<u>\$ 74,395</u>
At December 31						
Cost	\$ 19,607	\$ 32,583	\$ 18,643	\$ 13,657	\$ 10,784	\$ 95,274
Accumulated depreciation and accumulated impairment losses	(9,232)	-	(2,486)	(2,731)	(6,430)	(20,879)
	<u>\$ 10,375</u>	<u>\$ 32,583</u>	<u>\$ 16,157</u>	<u>\$ 10,926</u>	<u>\$ 4,354</u>	<u>\$ 74,395</u>
	2021					
	Computer software	Goodwill	Technological expertise	Patents	Client relationship	Total
At January 1						
Cost	\$ 489	\$ 32,583	\$ 18,643	\$ 13,657	\$ 10,784	\$ 76,156
Accumulated depreciation and accumulated impairment losses	(427)	-	-	-	-	(427)
	<u>\$ 62</u>	<u>\$ 32,583</u>	<u>\$ 18,643</u>	<u>\$ 13,657</u>	<u>\$ 10,784</u>	<u>\$ 75,729</u>
At January 1	\$ 62	\$ 32,583	\$ 18,643	\$ 13,657	\$ 10,784	\$ 75,729
Additions	16,189	-	-	-	-	16,189
Amortization expenses	(3,178)	-	(1,243)	(1,366)	(3,215)	(9,002)
At December 31	<u>\$ 13,073</u>	<u>\$ 32,583</u>	<u>\$ 17,400</u>	<u>\$ 12,291</u>	<u>\$ 7,569</u>	<u>\$ 82,916</u>
At December 31						
Cost	\$ 16,678	\$ 32,583	\$ 18,643	\$ 13,657	\$ 10,784	\$ 92,345
Accumulated depreciation and accumulated impairment losses	(3,605)	-	(1,243)	(1,366)	(3,215)	(9,429)
	<u>\$ 13,073</u>	<u>\$ 32,583</u>	<u>\$ 17,400</u>	<u>\$ 12,291</u>	<u>\$ 7,569</u>	<u>\$ 82,916</u>

(11). Refundable deposits

Items	December 31, 2022	December 31, 2021
Futures Trading Margin	\$ 39,129	\$ 35,110
Contract project deposit	6,429	7,399
Operating margin	5,000	-
Leases margin	4,054	4,167
Special store deposit	-	4,000
Land security deposit	-	2,713
Other	917	912
	\$ 55,529	\$ 54,301

The Group made a \$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, \$22,044 was recovered. The deposit of \$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 Group filed a lawsuit. As of December 31, 2022, the Group has completely recouped the deposit.

(12). Non-current assets held for sale and discontinued business unit

A. The Group sold Kwong Fong Plaza based on resolutions passed by the board on March 9, 2020 and the shareholders' meeting on May 27, 2020. Relevant assets related to the Kwong Fong Plaza have been placed in the "for sale" section, which satisfies the criteria for and is described as a discontinued business unit. For more information on the transaction on June 2021, refer to Note 12 (4) 1. Description.

B. The cash flow information of the closed unit is as follows :

	Year ended December 31, 2022	Year ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES	\$ -	\$ 61,636
CASH FLOWS FROM INVESTING ACTIVITIES	-	4,167,987
CASH FLOWS FROM FINANCING ACTIVITIES	-	(2,926,812)
TOTAL CASH FLOWS	\$ -	\$ 1,302,811

C.Assets of the disposal group to be sold :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	\$ -	\$ -
Other noncurrent assets	-	-
	<u>\$ -</u>	<u>\$ -</u>

D.The analysis of the operating results of the closed units is as follows:

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Net revenue	\$ -	\$ 49,221
Operating expenses	-	(67,124)
Total non-operating income and expenses	-	(18,776)
Discontinuing operations loss before income tax	-	(36,679)
Income tax expense	-	-
Discontinuing operations Profit after income tax	-	(36,679)
Gain on disposal of discontinued operations	-	319,577
Disposal of discontinued operations land value increment tax	-	(274,339)
Discontinuing operations Profit after income tax discontinued operations	-	45,238
gain (loss)	<u>\$ -</u>	<u>\$ 8,559</u>

E. Disposal of gains and losses from the sale of Kwong Fong Plaza, which the Group finalized in June 2021, is broken down below.

Sale price (tax excluded)	\$ 4,561,337
Book value of disposal groups classified as held for sale	(4,232,374)
Costs associated with the sale of a discontinued unit	(9,386)
Gain on disposal of discontinued operations	<u>\$ 319,577</u>

F. Regarding the sale of Kwong Fong Plaza, the Group transferred the ownership of the Kwong Fong Plaza' s real estate to Cathay Life Insurance on May 20, 2021, and on May 27, 2021, the handover was finalized. The retention money in the amount of \$10,000 according to the terms of the real estate purchase agreement has not yet been collected, which is listed under accounts receivables. The Group and Cathay Life Insurance signed the correction item agreement based on the list of items handing correction on July 25, 2022, and the retention money was recovered.

G. On May 4, 2021, the Group paid the \$516,291 land value tax that the Taxation Bureau had approved for the real estate transfer of the Kwong Fong Plaza. The Group petitioned the Taxation Bureau to reconsider their approval. On June 23 of that year, the Taxation Bureau corrected the previously approved tax amount and refunded \$132,941 on July 7, 2021.

(13).Short-term loans

Type of borrowings	December 31, 2021	Interest rate	Collaterals
Bank loans			
Mortgage and secured bank loans	\$ 53,000	1.40%~3.00%	Other financial assets-current Financial assets at fair value through other comprehensive income.
Unsecured bank loans	5,000	2.32%~3.00%	
	<u>\$ 58,000</u>		

A. As of December 31, 2022, the Group had no outstanding balance of short-term loans.

B. In 2022 and 2021, the Group recognized interest accrued in the amounts of \$9,697 and \$22,542 related to its long-term and short-term borrowings, respectively.

C. Information relating to the Group' s short-term loans pledged to others as collaterals are provided in Note 8.

(14). Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	<u>\$ 7,743</u>	<u>\$ 8,366</u>

(15). 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 August 27, 2019 to August 27, 2039 and pay monthly	0.78%~4.03%	\$ 578,307	Financial assets at fair value through other comprehensive income and Property, plant and equipment
Less: Long-term liabilities - current portion			(<u>13,766</u>)	
			<u>\$ 564,541</u>	

Type of borrowings	Borrowing period and repayment term	Interest rate	December 31, 2021	Collaterals
<u>Long-term loans</u>				
Mortgage and secured bank loans	Borrowing period is from August 18, 2017 to August 27, 2039 and pay monthly	0.655%~2.20%	\$ 79,224	Financial assets at fair value through other comprehensive income and Property, plant and equipment
Less: Long-term liabilities - current portion			(<u>7,644</u>)	
			<u>\$ 71,580</u>	

Information relating to the Group' s long-term loans pledged to others as collaterals are provided in Note 8.

(16).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 Group for the years ended December 31, 2022 and 2021 were \$5,514 and \$13,019, respectively.

(17).Provision

	Onerous Contracts	
	2022	2021
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:

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

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

(18).Share Capital

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.

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

	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	<u>\$ 30,861</u>	<u>\$ 12,925</u>	<u>\$ 43,786</u>

(20). 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 \$250,250 due to the disposal of assets in 2021.

E. The appropriations of 2021 and 2020 earnings were proposed by the Board of Directors on May 5, 2022 and July 1, 2021, respectively, when approved by shareholders. Details are 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 shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21). Other equity items

	2022		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	\$ 80,967	\$ 6,948	\$ 87,915
Revaluation	90,045	-	90,045
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	(110,531)	-	(110,531)
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>

(22). Operating revenue

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue from computer software services	\$ 247,500	\$ 216,926
Mall revenue	-	49,221
Revenue from sales of real estate	-	17,796
Other revenue	1,891	2,209
Less : Discontinued operations revenue	-	(49,221)
Revenue(Adjustments)	<u>\$ 249,391</u>	<u>\$ 236,931</u>

	Year ended December 31, 2022	Year ended December 31, 2021
Income from rentals	\$ -	\$ 29,658
Services revenue	-	19,563
	<u>\$ -</u>	<u>\$ 49,221</u>

A.Detail of customer contract income

The Group' s revenue is mainly from the transfer of products and services over time or at a point in time, and it can be broken down into the main segments below:

Year ended December 31, 2022	Revenue from computer software services	Other	Total
Revenue from external customer contracts	\$ 247,500	\$ 1,891	\$ 249,391
Inter-segment revenue	32,539	923	33,462
Total	<u>\$ 280,039</u>	<u>\$ 2,814</u>	<u>\$ 282,853</u>
Disaggregation of revenue from contracts with customers			
Revenue at a point in time	\$ 144	\$ 558	\$ 702
Revenue from the transfer of services over time	247,336	1,333	248,669
	<u>\$ 247,480</u>	<u>\$ 1,891</u>	<u>\$ 249,371</u>

Year ended December 31, 2021	Kwong Fong Shopping Center		Revenue from computer software services	Revenue from sales of real estate	Other	Total
	Service revenue	Leases revenue				
Revenue from external customer contracts	\$ -	\$ -	\$ 216,926	\$ 17,796	\$ 2,209	\$ 236,931
Inter-segment revenue	-	-	33,184	-	757	33,941
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,110</u>	<u>\$ 17,796</u>	<u>\$ 2,966</u>	<u>\$ 270,872</u>
Disaggregation of revenue from contracts with customers						
Revenue at a point in time	\$ -	\$ -	\$ -	\$ 17,796	\$ -	\$ 17,796
Revenue from the transfer of services over time	19,563	29,658	216,926	-	2,209	268,356
Less : Discontinued Operations Revenue	(19,563)	(29,658)	-	-	-	(49,221)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,926</u>	<u>\$ 17,796</u>	<u>\$ 2,209</u>	<u>\$ 236,931</u>

B.Contract assets and liabilities

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

	December 31, 2022	December 31, 2021	At January 1, 2021
Contract assets	\$ 11,617	\$ 23,941	\$ -
Contract liabilities	\$ 22,143	\$ 22,290	\$ 712

(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 recognised that was included in the contract liability balance at the beginning of the period		
Advance project payment	\$ 17,254	\$ -
Rent in advance	60	645
	\$ 17,314	\$ 645

(23).Interest income

	Year ended December 31, 2022	Year ended December 31, 2021
Interest income from bank deposits	\$ 1,656	\$ 1,627
Other Interest income	26	61
	\$ 1,682	\$ 1,688

(24).Other income

	Year ended December 31, 2022	Year ended December 31, 2021
Dividend income	\$ 226,704	\$ 138,459
Deferred government grants, net	-	2,931
Other income, others	20,536	6,194
Less : Discontinued operations other income	-	(99)
	\$ 247,240	\$ 147,485

(25). Other gains and losses

	Year ended December 31, 2022	Year ended December 31, 2021
Gain on disposal of non-current assets held for sale	\$ -	\$ 319,577
Loss on disposal of property, plant and equipment	6,746	(477)
Profit from lease modification	350	14
Unrealized gain on foreign currency exchange, net	(82,077)	302
(Loss) interest in financial assets at fair value through profit or loss	(5,268)	2,211
Other gains	25	45
Other expenses	(3,049)	(2,386)
Less : Discontinued operations other gains and losses, net	-	(319,550)
	(\$ <u>83,273</u>)	(\$ <u>264</u>)

(26). Finance costs

	Year ended December 31, 2022	Year ended December 31, 2021
Interest expense		
Bank loans	\$ 9,697	\$ 22,542
Commercial papers payable	72	666
Imputed interest for deposit	4	175
Other finance expense	771	3,122
	<u>10,544</u>	<u>26,505</u>
Less : Discontinued operations finance costs	-	(18,848)
	\$ <u>10,544</u>	\$ <u>7,657</u>

(27). Expenses by nature

	Year ended December 31, 2022	Year ended December 31, 2021
Cost of sales of real estate	\$ -	30,753
Services cost	83,170	48,617
Other cost-(Gain from price recovery) loss on inventory obsolescence and market price decline	-	(16,516)
Other operating costs	18,607	13,444
Depreciation charges on property, plant and equipment	3,682	3,772
Depreciation charges on right-of-use assets	13,413	13,801
Employee benefit expense	131,337	144,894
Directors' remuneration	2,280	2,236
Expected credit loss (gain)	(187)	5,263
Amortisation charges	11,876	9,002
Service expenses	9,072	22,232
Other operating expenses	24,250	81,203
Less : Discontinued operations expenses	-	(67,124)
	<u>\$ 297,500</u>	<u>\$ 291,577</u>

(28). Employee benefit expense

	Year ended December 31, 2022	Year ended December 31, 2021
Wages and salaries	\$ 111,703	\$ 116,323
Labor and health insurance fees	10,179	10,487
Pension costs	5,514	13,019
Other personnel expenses	3,941	5,065
	<u>131,337</u>	<u>144,894</u>
Less : Discontinued operations employee benefit expense	-	(74)
	<u>\$ 131,337</u>	<u>\$ 144,820</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.

(29). 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	\$ 12,921	8,621
Tax on undistributed surplus earnings	-	11
Prior year income tax overestimation	131	
Land value increment tax included in current tax	347	1,483
Total current tax	<u>13,399</u>	<u>10,115</u>
Deferred tax :		
Origination and reversal of temporary differences	(2,659)	3,786
Total deferred tax	<u>(2,659)</u>	<u>3,786</u>
Income tax expense	<u>\$ 10,740</u>	<u>13,901</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	\$ 21,399	\$ 17,321
Income tax impact of items adjusted in accordance with tax laws	(11,754)	(6,442)
Tax exempt income by tax regulation	(2,680)	(200,692)
Temporary differences not recognized as deferred tax assets	(53)	425
Temporary differences not recognized as deferred tax assets	465	197,363
Prior year income tax overestimation	131	-
Tax on undistributed surplus earnings	-	11
Land value increment tax included in current tax	347	1,483
Impact of withholding tax on overseas income	2,885	4,432
Income tax expense (benefit)	\$ 10,740	\$ 13,901

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	December 31
Deferred tax assets :				
- Temporary differences :				
Unused compensated absences payable	\$ 393	(\$ 111)	\$ -	\$ 282
Loss on valuation of financial asses	14,634	-	(12,855)	1,779
Provisions for liabilities - onerous contracts	132	(109)	-	23
Impairment Loss	13,016	(5)	-	13,011
Exchange loss	-	2,571	-	2,571
Tax losses	136,290	(546)	-	135,744
Subtotal	164,465	1,800	(12,855)	153,410
Deferred tax liabilities :				
Unrealized exchange gain	(3)	3	-	-
Equity method unrealized investment gains	(42,353)	(298)	-	(42,651)
Reserve for land value increment tax	(76,450)	(11)	-	(76,461)
Acquisition of subsidiary intangible assets	(7,452)	1,165	-	(6,287)
Subtotal	(126,258)	859	-	(125,399)
Total	\$ 38,207	\$ 2,659	(\$ 12,855)	\$ 28,011

	Year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets :				
- Temporary differences :				
Unused compensated absences payable	\$ 448	(\$ 55)	\$ -	\$ 393
Loss on valuation of financial asses	-	-	14,634	14,634
Provisions for liabilities - onerous contracts	690	(558)	-	132
Impairment Loss	15,878	(2,862)	-	13,016
Tax losses	137,769	(1,479)	-	136,290
Subtotal	154,785	(4,954)	14,634	164,465
Deferred tax liabilities :				
Unrealized exchange gain	-	(3)	-	(3)
Equity method unrealized investment gains	(42,158)	(195)	-	(42,353)
Reserve for land value increment tax	(185,662)	109,212	-	(76,450)
Acquisition of subsidiary intangible assets	(8,617)	1,165	-	(7,452)
Subtotal	(236,437)	110,179	-	(126,258)
Less: Income tax from discontinued operations	-	(109,011)	-	-
Total	(\$ 81,652)	(\$ 3,786)	\$ 14,634	\$ 38,207

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

Year of occurrence	Year ended December 31, 2022			The final year in which the tax deduction is applied
	Declared	Amount not deducted	Non-recognized amount of deferred income tax assets	
2014	\$ 71,347	\$ 71,347	\$ 41,803	2024
2015	12,970	12,970	-	2025
2016	369,764	369,764	85,251	2026
2019	127,568	97,692	-	2029
2020	1,921	352	-	2030
2021	738,227	738,227	484,571	2031
2022	1,259	1,259	-	2032
	<u>\$ 1,323,056</u>	<u>\$ 1,291,611</u>	<u>\$ 611,625</u>	

Year of occurrence	Year ended December 31, 2021			The final year in which the tax deduction is applied
	Declared	Amount not deducted	Non-recognized amount of deferred income tax assets	
2014	\$ 71,347	\$ 71,347	\$ -	2024
2015	12,970	12,970	-	2025
2016	369,764	369,764	124,457	2026
2019	127,568	98,068	-	2029
2020	6,087	2,831	-	2030
2021	750,975	750,975	500,045	2031
	<u>\$ 1,338,711</u>	<u>\$ 1,305,955</u>	<u>\$ 624,502</u>	

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

	December 31, 2022	December 31, 2021
Deductible temporary differences	\$ 15,668	\$ 15,440

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.

(30).Earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding(sha re in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Net profit for the current period attributable to the parent company' s ordinary shareholders of continuing business units	\$ 94,462	185,342	\$ 0.51
<u>Diluted earnings per share</u>			
Net profit for the current period attributable to ordinary shareholders of the parent company as a continuing business unit plus the impact of potential ordinary shares	\$ 94,462	185,342	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	61	
	\$ <u>94,462</u>	<u>185,403</u>	\$ <u>0.51</u>

	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>			
Net profit for the current period attributable to the parent company' s ordinary shareholders of continuing business units	\$ 73,304		\$ 0.39
Net profit for the current period attributable to ordinary shareholders of the parent company as a closed business unit plus the impact of potential ordinary shares	8,559		0.05
	<u>\$ 81,863</u>	<u>185,342</u>	<u>\$ 0.44</u>
<u>Diluted earnings per share</u>			
Net profit for the current period attributable to ordinary shareholders of the parent company as a continuing business unit plus the impact of potential ordinary shares	\$ 73,304		\$ 0.39
Net profit for the current period attributable to ordinary shareholders of the parent company as a closed business unit plus the impact of potential ordinary shares	8,559		0.05
Assumed conversion of all dilutive potential ordinary shares Employees' compensation		8	
	<u>\$ 81,863</u>	<u>185,350</u>	<u>\$ 0.44</u>

(31). 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	\$ 4,612	\$ 22,375
Add: Opening balance of payable on equipment	-	-
Less: Ending balance of payable on equipment	-	-
Cash paid during the period	<u>\$ 4,612</u>	<u>\$ 22,375</u>

(32). 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	\$ 58,000	\$ -	\$ 79,224	\$ 1,089	\$ 51,389	\$ 189,702
Changes in cash flow from financing activities	(58,000)	-	486,231	(1)	(13,352)	414,878
Changes in other non-cash item	-	-	12,852	-	2,255	15,107
December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 578,307</u>	<u>\$ 1,088</u>	<u>\$ 40,292</u>	<u>\$ 619,687</u>

	2021					
	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	\$ 142,850	\$ 159,785	\$ 2,863,475	\$ 40,747	\$ 69,617	\$ 3,276,474
Changes in cash flow from financing activities	(84,850)	(160,000)	(2,785,311)	(39,658)	(13,569)	(3,083,388)
Changes in other non-cash item	-	215	1,060	-	(4,659)	(3,384)
December 31	<u>\$ 58,000</u>	<u>\$ -</u>	<u>\$ 79,224</u>	<u>\$ 1,089</u>	<u>\$ 51,389</u>	<u>\$ 189,702</u>

7 • RELATED PARTY TRANSACTIONS

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

Names of related parties	Relationship with the Group
Chin Fung Industrial Co., Ltd.	Other related party (Dissolution and liquidation)
Grandcheer Construction Corporation	Other related party (Dissolution and liquidation)
Yujing Technology Co., Ltd.	Other related party (A subsidiary since December 31, 2020)
Mobile Communications Holdings Co., Ltd.	Other related party (A subsidiary since December 31, 2020)
Encirich Enterprise Co., Ltd.	Other related party (A subsidiary since December 31, 2020)
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

	Year ended December 31, 2022	Year ended December 31, 2021
A. <u>Operating revenue</u>		
Other operating revenue		
Hemisphere Industries Corp.	\$ 228	\$ 171
Luo Sheng Fong Co., Ltd.	114	86
Luo Shengtai Co., Ltd.	114	86
Yujing Technology Co., Ltd.	-	119
	<u>\$ 456</u>	<u>\$ 462</u>

The business terms on which the Group transacts with related parties are of no difference from those with non-related parties.

B. Operating cost

	Year ended December 31, 2022	Year ended December 31, 2021
Yujing Technology Co., Ltd.	\$	\$ 1,808

C. Receivables from related parties :

	December 31, 2022	December 31, 2021
Accounts receivable		
Yujing Technology Co., Ltd.	\$ -	\$ 15,895
Mobile Communications Holdings Co., Ltd.	-	1,069
	<u>\$ -</u>	<u>\$ 16,964</u>

D. Payables to related parties :

	December 31, 2022	December 31, 2021
Accounts payable		
Encirich Enterprise Co., Ltd.	\$ -	\$ 16
	<u>\$ -</u>	<u>\$ 16</u>

E. Contract liabilities

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

(3). Key management compensation

	Year ended December 31, 2022	Year ended December 31, 2021
Salaries and other short-term employee benefits	\$ 26,847	\$ 14,383
Post-employment benefits	-	2,214
Total	<u>\$ 26,847</u>	<u>\$ 16,597</u>

8 ◦ PLEDGED ASSETS

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

Pledged assets	Book value		Purpose
	December 31, 2022	December 31, 2021	
Other current assets	\$ -	\$ 4,733	Short-term loans
Inventories - Real property for sale	72,245	72,245	Short-term loans
Property, plant and equipment	1,506	74,615	Short-term loans Long-term liabilities - current portion
Financial assets at fair value through other comprehensive income-noncurrent	1,533,548	20,611	Short-term loans credit line Long-term liabilities
	<u>\$ 1,607,299</u>	<u>\$ 172,204</u>	

9 • SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

(1). Contingencies

The Group sold Kwong Fong Plaza to Cathay Life Insurance Co., Ltd. (henceforth Cathay Life Insurance) on January 15, 2021, and the Group signed a “Leasing Contract Succession Agreement” with Decathlon and Cathay Life Insurance to settle utility costs. After amicable negotiations and a written agreement, the parties resolved to settle the rent arrearage of \$7,833 for the period of January 1, 2021, through March 31, 2021, by the agreed means other than that specified in the lease agreement. As of September 30, 2021, however, the parties had not yet reached an agreement on the pricing of electricity charges and had not signed a written agreement as required by the tripartite agreement. The Group believes that the negotiations have yielded no results and that the tripartite agreement is no longer applicable; therefore, the terms of this lease agreement shall govern. The group filed for arbitration on November 16, 2021 (the court was held on January 10, 2022) and requested that Decathlon pay the Group’s rent receivable of \$7,833. In accordance with Article 6.1 of this contract, Decathlon counterclaimed the Group \$8,527 for overpaid electricity charges after deducting the “deferred rent” on the basis that the electricity charges were overpaid.

The arbitral tribunal held a substantive hearing on July 28, 2022, at the Chinese Arbitration Association in Taipei (2021 Zhong-Sheng-He-Zi No. 053), and the arbitral tribunal decided that Decathlon shall demand that the Group pay the \$1,770 in overcharged electricity charges from January to July 2017 as well as interest at a rate of 5% per year calculated up until the settlement date. According to the arbitral tribunal’s decision, the Group estimated on September 30, 2022 to pay \$1,770 for the overpaid electricity fee (listed under other gains and losses). The fact that Decathlon persisted in refusing to settle the unpaid balance

indicated that it had no intention of observing the arbitration award. Therefore, in accordance with the arbitration agreement reached during the aforementioned arbitration process, the Group demanded payment from Decathlon in a second arbitration that was filed with the Chinese Arbitration Association, Taipei, on November 9, 2022. The total amount owed by the arbitration is \$6,012 after adding interest of \$1,821 at a rate of 5% annually from November 9, 2022, to the date of settlement. This sum represents the discrepancy between the \$7,833 rent payment and the overcharged electricity fee plus interest. As of December 31, 2022, the second arbitration tribunal had not held a hearing.

(2). Commitments

None.

1 0 ◦ SIGNIFICANT DISASTER LOSS

None.

1 1 ◦ SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1). Information about appropriation of earnings is provided in Note 6(22)

(2). The arbitration award (2021 Zhong-Sheng-He-Zi No. 053) concerning the overpayment of electricity charges between the Group and Decathlon was released by the Chinese Arbitration Association, Taipei on July 28, 2022. It was determined that the Company must pay \$1,770 (inclusive of tax) adding interest at a rate of 5% annually calculated from the 31st day after the award' s arrival until the date of settlement. After receiving a request for enforcement from Decathlon, the Taiwan Taipei District Court granted enforcement of the aforementioned sum on February 2, 2023.

1 2 ◦ OTHERS

(1). Capital management

The Group' s objectives when managing capital are to safeguard the Group' 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 Group 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>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 15,638	\$ 14,651
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	3,044,936	2,170,975
Financial assets at amortized cost		
Cash and cash equivalents	311,144	301,622
Financial assets at amortized cost	19,000	213,500
Contract assets	11,617	23,941
Accounts receivable	21,637	47,252
Other receivables	55,648	10,601
Guarantee deposits paid	55,529	54,301
Other financial assets	-	4,733
	<u>\$ 3,535,149</u>	<u>\$ 2,841,576</u>
	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term loans	\$ -	\$ 58,000
Contract liabilities	22,143	22,290
Notes payable	24	-
Accounts payable	7,743	8,382
Other payables	38,865	42,647
Long-term liabilities - current portion	578,307	79,224
Guarantee deposits received	1,088	1,089
	<u>\$ 648,170</u>	<u>\$ 211,632</u>
Lease liabilities	<u>\$ 40,292</u>	<u>\$ 51,389</u>

B. Financial risk management policies

- (a). The Group'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 Group's Finance Department under policies approved by the Board of Directors. The Group's Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group'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 Group's main source of foreign exchange risk is the operational team's net investment of institutions that operate as a team. The Group does not hedge the net investment of foreign operating institutions because it is a strategic investment.
- ii. The Group'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>			
<u>Monetary items</u>			
USD : NTD	\$ 2	30.710	\$ 61
HKD : NTD	853	3.938	3,359
Non-monetary items			
USD : NTD	43,898	30.710	1,348,096
HKD : NTD	303,854	3.938	1,196,577
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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	\$ 2	27.68	\$ 56
HKD : NTD	11,074	3.549	39,302
<u>Non-monetary items</u>			
USD : NTD	40,055	27.68	1,108,718
HKD : NTD	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>Monetary items</u>			
USD : NTD	1.00%	\$ 1	\$ -
HKD : NTD	1.00%	34	-
<u>Non-monetary items</u>			
USD : NTD	1.00%	-	13,481
HKD : NTD	1.00%	-	11,966
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY : NTD	1.00%	3,865	-
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%	\$ 1	\$ -
HKD : NTD	1.00%	393	-
<u>Non-monetary items</u>			
USD : NTD	1.00%	-	11,087
HKD : NTD	1.00%	-	5,273

Price risk

The Group is exposed to the price risk of equity instruments as a result of its equity instrument holdings. The Group'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 Group'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 \$72 and \$49, 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 \$25,355 and \$18,432, respectively.

Cash flow and fair value interest rate risk

- i. The Group'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	\$ 244,000	\$ 213,500
Financial liabilities	-	-
NET	\$ <u>244,000</u>	\$ <u>213,500</u>
<u>Cash flow interest rate risk</u>		
Financial assets	\$ 83,329	\$ 303,119
Financial liabilities	(578,307)	(137,224)
NET	(\$ <u>494,978</u>)	\$ <u>165,895</u>

- ii. Sensitive analysis of fair value interest rate risk instruments:

The Group 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 Group 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 \$3,960 and \$1,327, respectively.

(b). Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations.
- ii. The Group manages its credit risk based on a Group-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 Group 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 Group 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 Group 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 Group'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.

- v. The Group used the forecastability to adjust historical, timely information, accounts receivable, and overdue receivables. As of December 31, 2022 and 2021, the loss rate methodology is as follows:

	Not past due	Less than 30 days	Less than 60 days	181 days	Total
<u>December 31,</u> <u>2022</u>					
<u>Expected loss</u> <u>rate</u>	<1%	15.60%	16.68%	0%	
Total book value	\$ <u>32,825</u>	\$ <u>67</u>	\$ <u>567</u>	\$ <u>-</u>	\$ <u>33,459</u>
Loss allowance	\$ <u>100</u>	\$ <u>10</u>	\$ <u>95</u>	\$ <u>-</u>	\$ <u>205</u>
	Not past due	Less than 30 days	Less than 60 days	31 to 90 days	Total
<u>December 31,</u> <u>2021</u>					
Expected loss rate	<1%	0%	0%	8.33%	
Total book value	\$ <u>69,005</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,580</u>	\$ <u>17,585</u>
Loss allowance	\$ <u>177</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>215</u>	\$ <u>392</u>

- vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2022		2021	
At January 1	\$	392	\$	285
Provision for impairment	(187)	5,263
Write-offs		-	(5,156
At December 31	\$	<u>205</u>	\$	<u>392</u>

Expected credit impairment benefits (losses) resulting from client contracts and accounts receivable that were recorded in contract assets in 2022 and 2021, respectively, were \$187 and (\$5,263).

(c).Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group' s Finance Department. Group' s Finance Department monitors rolling forecasts of the Group' s

liquidity requirements to ensure it has sufficient cash to meet operational needs.

- ii. The Group 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 Group's position held in money market were NT\$308,730 and NT\$298,386.
- 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	\$ 936,995	\$ 1,940,000
Over 5 years	97,932	516,504
	<u>\$ 1,034,927</u>	<u>\$ 2,456,504</u>

- iv. The table below analyses the Group'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.

	Less than 1 year	Over 1 year
<u>Non-derivative</u>		
<u>financial liabilities</u>		
December 31, 2022		
Contract liabilities	\$ 22,143	\$ -
Notes, accounts payable	7,767	-
Other payables	38,865	-
Lease liabilities	14,395	25,516
Long-term loans (including current portion)	13,766	564,541

	Less than 1 year	Over 1 year
<u>Non-derivative financial liabilities</u>		
December 31, 2021		
Short-term loans	\$ 58,000	\$ -
Contract liabilities	22,062	228
Notes, accounts payable	8,382	-
Other payables	42,647	-
Lease liabilities	14,019	39,094
Long-term loans (including current portion)	7,644	71,580

(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 group's active market.

B. The carrying amounts of the Group' s financial instruments not measured at fair value, including cash and cash equivalents, contract assets, accounts receivable, other receivables, refundable deposits, financial assets at amortized cost, contract liabilities, short-term borrowings, accounts payable, other payables, lease liabilities, long -term borrowings, guarantee deposits received, 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</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 7,228	\$ -	\$ -	\$ 7,228
Derivative instruments	8,410	-	-	8,410
Financial assets at fair value through other comprehensive income				
Equity securities	<u>1,669,682</u>	<u>-</u>	<u>1,375,254</u>	<u>3,044,936</u>
Total	\$ <u>1,685,320</u>	\$ <u>-</u>	\$ <u>1,375,254</u>	\$ <u>3,060,574</u>
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 4,920	\$ -	\$ -	\$ 4,920
Derivative instruments	9,731	-	-	9,731
Financial assets at fair value through other comprehensive income				
Equity securities	<u>964,921</u>	<u>-</u>	<u>1,206,054</u>	<u>2,170,975</u>
Total	\$ <u>979,572</u>	\$ <u>-</u>	\$ <u>1,206,054</u>	\$ <u>2,185,626</u>

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

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

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

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:

	Equity Securities-Unlisted shares	
	2022	2021
At January 1	\$ 1,206,054	\$ 1,278,465
Gains and losses recognised in other comprehensive income	83,703	(41,132)
Effect of exchange rate changes	124,846	(31,279)
Proceeds from capital reduction of financial assets at fair value through profit or loss	(39,349)	-
At December 31	\$ 1,375,254	\$ 1,206,054

F.The Group is in charge of valuation procedures for fair value measurements being categorised 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.

G.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	\$ 1,364,482	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>\$ 1,375,254</u>			
	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument :				
Unlisted shares	\$ 1,206,054	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

H. The Group 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 categorised within Level 3 if the inputs used to valuation models have changed :

	Input	Change	December 31, 2022			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument						
Unlisted shares	discount for lack of marketability	±1%	\$ -	\$ -	\$ 14,229	(\$ 11,134)

	Input	Change	December 31, 2021				
			Recognised in profit or loss		Recognised in other comprehensive income		
			Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets							
Equity instrument							
Unlisted shares	discount for lack of marketability	±1%	\$ -	\$ -	\$ 9,245	(\$ -)	9,242)

(4). Other

The Group's board (representing the shareholders' meeting) approved a resolution authorizing the public auctions of Kwong Fong Plaza on March 9, 2020, and October 23, 2020. Due to the bidding conditions and real estate sales contracts, the Company is still awaiting confirmation from investors as to whether or not the transaction complies with the investor's internal standards and control requirements. In accordance with Article 15 of the Instructions to Bidders (ITB), On July 27, 2020, the Board of Directors decided to switch from a public auction to private negotiations. The successfully negotiated buyer was Cathay Life Insurance Co., Ltd. (henceforth referred to as Cathay Life Insurance). The Group withdrew from management with no sale-leaseback after selling Kwong Fong Plaza to Cathay Life Insurance Co., Ltd.

The Group has hired experts to provide real estate valuation reports and price rationality opinions for the Kwong Fong Plaza disposition case, and has provided the board of directors with the assessment results.

On October 23, 2020, the Group and Cathay Life Insurance signed the real estate purchase agreement and other related contract documents. A total of NT\$4.68 billion (inclusive of tax) was transacted. Both parties shall fulfill their post-sale delivery responsibilities according to the terms of the real estate purchase agreement. The initial handover took place on May 27, 2021, and the shopping mall was officially handed over on July 19 of that same year.

Following the disposal of Kwong Fong Plaza, and despite a short-term decline in the Group's revenue, the disposed shopping center will repay its debts by selling assets for cash. In addition to significantly reducing debts and easing the interest burden, as well as enhancing the financial structure, the Group will have more operating funds to concentrate resources and pursue new investment opportunities. The management team is committed to achieving its original objective of increasing the company's long-term value and ensuring its

sustainable operations. It presents novel concepts, develops proactive strategies, and advances investment plans by drawing on years of experience integrating businesses and activating assets without excessively pursuing rapid expansion. An effective management model that can be promoted to generate benefits is the guiding principle for implementation. Adjustments are made to the revenue structure in an effort to strengthen the financial system and spur the next wave of growth, thereby increasing the company' s profits. Therefore, there is no significant impact on revenues and equity.

B.In response to the impact of Covid-19, the Group 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 Group assessed that Covid-19 did not have a significant impact on the Group'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

1.4 • SEGMENT INFORMATION

(1).General information

Aimed at management, the Group' s operating units are divided into the five reportable departments listed below, based on the products and services offered:

A. Kwong Fong Business Department: Expertly manages the leasing and operations of commercial and residential properties nationwide. This includes office buildings, retail spaces, and homes.

B. Pao Fong Asset Management Department: Real estate development, construction, property management, and the tourism service industry.

C. Kwong Fong Overseas Development Department: Investments in various production businesses and the construction of commercial buildings and national residential houses.

D. Digital Technology department: Information Software Services.

(2).Measurement of segment information

The Group evaluates the performance based on segment revenue and segment net operating profit (loss).

The accounting policies of the reportable operating segments is in a manner consistent with the significant accounting policies provided in Note 4.

(3). Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows :

Year ended December 31, 2022	Kwong Fong Department	Pao Fong Asset Management Department	Kwong Fong Holdings Department	Digital Technology Department	Adjustments and written- off	Total
Revenue :						
Revenue from external customers	\$ 462	\$ -	\$ -	\$ 248,929	\$ -	\$ 249,391
Revenue from internal customers	-	-	-	33,462	(33,462)	-
Segment revenue	\$ <u>462</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>282,391</u>	(\$ <u>33,462</u>)	\$ <u>249,391</u>
Segment profit (loss)	\$ 97,335	\$ 2,544	\$ 1,492	\$ 25,629	(\$ 1,775)	\$ 125,225
Share of income (loss) of associates and joint ventures accounted for using equity method	4,173	-	-	-	(4,173)	-
Depreciation and amortisation	(7,046)	(291)	-	(16,116)	(5,516)	(28,969)
Segment profit (loss)	<u>94,462</u>	<u>2,253</u>	<u>1,492</u>	<u>9,513</u>	(<u>11,464</u>)	<u>96,256</u>
Segment assets	\$ <u>4,249,974</u>	\$ <u>911,200</u>	\$ <u>1,355,324</u>	\$ <u>228,315</u>	(\$ <u>2,251,212</u>)	\$ <u>4,493,601</u>
Segment liabilities	\$ <u>639,305</u>	\$ <u>78,534</u>	\$ <u>50</u>	\$ <u>127,725</u>	(\$ <u>29,102</u>)	\$ <u>816,512</u>

Note: Excludes the share of profit and loss recognized using the equity method and depreciation and amortization.

Year ended December 31, 2021	Kwong Fong Department	Pao Fong Asset Management Department	Kwong Fong Holdings Department	Discontinued Operations (note2)	Digital Technology Department	Adjustments and written- off	Total
Revenue :							
Revenue from external customers	\$ 364	\$ 17,910	\$ -	\$ 49,221	\$ 218,657	\$ -	\$ 286,152
Revenue from internal customers	-	77	-	-	33,864	(33,941)	-
Segment revenue	\$ 364	\$ 17,987	-	\$ 49,221	\$ 252,521	(\$ 33,941)	\$ 286,152
Segment profit (loss)	\$ 94,123	(\$ 10,077)	\$ 973	(\$ 36,679)	\$ 16,564	(\$ 2,303)	\$ 62,601
Share of income (loss) of associates and joint ventures accounted for using equity method	(4,708)	-	-	-	-	4,708	-
Disposal of discontinuing operations profit after income tax	-	-	-	45,238	-	-	45,238
Depreciation and amortisation	(7,552)	(384)	-	-	(12,538)	(6,101)	(26,575)
Segment profit (loss)	81,863	(10,461)	973	8,559	4,026	(3,696)	81,264
Segment assets	\$ 3,482,610	\$ 1,151,487	\$ 1,113,852	\$ -	\$ 340,145	(\$ 2,212,171)	\$ 3,875,923
Segment liabilities	\$ 75,814	\$ 88,794	\$ 50	\$ -	\$ 232,438	(\$ 732)	\$ 396,364

Note1. Excludes the share of profit and loss recognized using the equity method and depreciation and amortization.

Note2. The suspended unit belongs to Baofeng Asset Management Department.

(4). Reconciliation for segment income (loss)

The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

The profit and loss of department portals in 2022 and 2021 and the profit and loss before deduction of subsequent business departments are adjusted as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
Reportable Segment Profit and Loss	(\$	41,363)(54,646
Non-operating income and expenses		155,105		141,252
Continuing operations profit (loss) before income tax	\$	113,742	\$	86,606

(5). Information on products and services

The main sources of income for external clients include revenue from information software services, booths, labor, leases, and construction. Income breakdown is provided in Note 6 (22).

(6). Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows :

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 249,391	\$ 3,198,158	\$ 286,152	\$ 2,392,403
Discontinued Operations	-	-	(49,221)	-
Total	\$ 249,391	\$ 3,198,158	\$ 236,931	\$ 2,392,403

Non-current assets refer to financial assets measured at fair value through other comprehensive income, real estate, factories and equipment, right-of-use assets, intangible assets, and other non-current assets (excluding deferred income tax assets and refundable deposits).

(7). Major customer information

The following is a summary of the Group' s major clients in 2022 and 2021.

	Year ended December 31, 2022	Year ended December 31, 2021
	<u>Revenue</u> Digital Technology Department	<u>Revenue</u> Pao Fong Asset Management Department
A	\$ 64,539	\$ 90,736
B	15,151	-
C	10,978	-
D	5,793	9,341
E	3,983	-
F	3,894	-
G	-	22,963
H	-	13,337

Kwong Fong Industries Corporation and Subsidiaries
Loans to others
December 31, 2022

Table 1

Expressed in thousands of TWD

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	Mdb's Digital Technology Co., Ltd.	Other receivables	Yes	\$ 100,000	\$ 100,000	\$ 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 and Subsidiaries
Provision of endorsements and guarantees to others
December 31, 2022

Table 2

Expressed in thousands of TWD

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 and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2022

Table 3

Expressed in thousands of shares/thousands of TWD

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	Note 4
"	Agricultural Bank of China Co., Ltd.		"	35,800	377,827	0.01%	377,827	Note 5
"	Bank of Communications Co., Ltd.		"	10,800	190,961	0.01%	190,961	Note 6
"	Industrial and Commercial Bank of China Co., Ltd.		"	7,300	115,565	0.00%	115,565	Note 7
"	Union Bank of Taiwan Special Shares		"	1,700	87,890	0.04%	87,890	Note 8
"	Yulon Finance Corporation Special Shares		"	401	20,170	0.07%	20,170	Note 9
"	Asia Cement co., ltd.		"	3,300	135,300	0.09%	135,300	Note 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 Limited	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	Note 11
"	Fubon Financial Holdings Special Shares		"	505	30,502	0.00%	30,502	Note 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	
Mdb's 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 and Subsidiaries
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2022

Table 4

Expressed in thousands of shares/thousands of TWD

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,			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	\$,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.

Note 4. It was absorbed and merged by Mdbs Digital Technology Co., Ltd. on June 1, 2022.

Kwong Fong Industries Corporation and Subsidiaries
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%

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:

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

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

7. 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.
8. The evaluation model used in the value of stock right evaluation report is generally used where it is appropriate.
9. Evaluate the applicability and validity of the key assumptions used in the value of stock right evaluation report.
10. 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	6(13)				
3110	Capital stock		1,853,422	44	1,853,422	53
	Capital surplus	6(14)				
3200	Capital surplus		43,767	1	43,786	2
	Retained earnings	6(15)				
3310	Appropriated as legal capital		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	6(16)				
3400	Other equity interest		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>\$ 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).Share 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 \$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 2022 and 2021 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 2021 was \$221,113 and \$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 \$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, 2022 and 2021, 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 2000 and October 2007 respectively. As of December 31, 2022, 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>Items affecting profit or loss</u>	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</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 \$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, \$22,044 was recovered. The deposit of \$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 \$8,380 and \$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 \$72 and \$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, 2022 and 2021 were \$721 and \$3,104, respectively.

(12).Provision

	Onerous Contracts	
	2022	2021
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).Share Capital

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 \$250,250 due to the disposal of assets in 2021.

- E. The appropriations of 2021 and 2020 earnings were proposed by the Board of Directors on May 5, 2022 and July 1, 2021, respectively, when approved by shareholders. Details are 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 shareholders 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.	\$ 46	\$ -

D. Payables to related parties

	December 31, 2022	December 31, 2021
Kwong Fong Holdings Limitd	\$ 3,632	\$ 3,686

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.	\$ -	\$ 77

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.	\$ 30,000	\$ -

ii. Interest income

Year ended December 31,	Year ended December 31,
----------------------------	----------------------------

		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
	\$ 14,080	\$ 11,188
Lease liabilities	\$ 17,535	\$ 21,543

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 : NTD	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 : NTD	10,625	3.549	37,708
<u>Non-monetary items</u>			
USD : NTD	\$ 40,239	27.68	1,113,802
HKD : NTD	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 the 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		
	Degree of variation	Sensitivity analysis	
		Effect on profit or loss	Effect on the 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 \$0 and \$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 \$13,623 and \$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	(\$ 530,222)	\$ 155,018

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 \$4,242 and \$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 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 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		Collateral
	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 11.4% ('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)

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

(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
thousands of TWD

Expressed in

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

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
thousands of TWD

Expressed in

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
shares/thousands of TWD

Expressed in 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
shares/thousands of TWD

Expressed in 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
Specified Otherwise)

(Amounts in Thousands of NTD/USD, Unless

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%