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# FOUNDING CONSTRUCTION DEVELOPMENT CORP.

# 2021 ANNUAL REPORT

Published on APRIL 15, 2022

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#### **Overseas Securities Exchange**

N/A

#### **Corporate Website**

http://www.founding.com.tw

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#### I. Letter to Shareholders

Dear shareholders,

below is a summary report on the operation performance of the Company in the past year.

#### 1. Operating Performance in 2021

#### (1) Performance of Business Plans

For the global economy in 2021, although new variants of COVID-19 continued to spread around the world, the pandemic has slowed down with the increase of vaccine coverage, resulting in a significant decrease in the number of serious illnesses and deaths. With the support of monetary easing and fiscal incentives in major countries, global economic and trade activities continue to recover, but the unstable supply chain and rising inflationary pressures keep affecting economic performance. For the domestic economy, the pandemic has been effectively controlled despite its recurrent outbreak. With the continued prosperity of the semiconductor industry, strengthening end demands of the domestic manufacturing industry, and strong private investments, the growth rate of the domestic market has been remarkable.

The domestic housing market, supported by good economic performance, easy monetary policies, low interest environment, and the global inflationary effect after the epidemic, has led to a strong demand for real estate based on the mindset of preserving value. General residential, commercial office, vast area of land, industrial land, etc. are all options for asset allocation. In addition to governmental controls on the housing market, the construction industry is facing significant increases in wages, raw material and land prices, as well as the continuing labor shortage, all of which make it necessary to operate with more caution.

The economic situation, fluctuation of stock markets and regulatory restrictions all have direct impacts on the overall operation of construction companies. Total consolidated revenue for 2021 was NT\$3,772,140 thousand, a decrease of NT\$62,758 thousand over NT\$3,834,898 thousand in 2020. Consolidated net profit was NT\$1,061,935 thousand, an increase of NT\$819,177 thousand over NT\$242,758 thousand in 2020. Facing rigorous market challenges, we will still uphold a conscientious attitude and adjust countermoves at any time in order to create the greatest interests for our shareholders.

#### (2) Budget Implementation

According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company is not required to prepare financial forecasts for 2021.

#### (3) Financial Results and Profitability Analysis

Unit: NT\$ thousand

	2020	2020	+/(-)	+/(-) %
Operating Revenue	3,772,140	3,834,898	(62,758)	(1.64%)
Operating Costs	2,691,369	3,234,290	(542,921)	(16.79%)
Gross Profit	1,080,771	600,608	480,163	79.95%
Operating Expenses	286,715	287,190	(475)	(0.17%)
Net Operating Income	794,056	313,418	480,638	153.35%
Net Profit	1,061,935	242,758	819,177	337.45%
EPS	3.72	0.85	2.87	337.65%

	2021 (consolidated)	2020 (consolidated)
Debt to asset ratio (%)	36.47	46.80
Long-term capital to property, plant and equipment (%)	240.71	203.44
Current ratio (%)	286.52	209.58
Quick ratio (%)	53.51	16.32
Interest Coverage Ratio (x)	103.23	7.55
Return on assets (%)	7.90	1.90
Return on shareholders' equity (%)	13.47	3.28
Ratio of income before tax to paid-in capital (%)	40.21	9.56
Profit margin (%)	28.15	6.33
Adjusted EPS (NT\$)	3.72	0.85

#### (4) Research and Development Status

#### (i) Architectural Design and Planning:

We make cautious assessment on location of products, characteristics of surroundings, consumer requirements and relevant construction regulations in order to produce designs that satisfy the needs of our customers.

#### (ii) Construction Project and Management:

For different cases, we devise the most suitable construction method and project management process in order to improve the quality of our products and reduce construction costs. We monitor construction schedule and cost control to strengthen the competitiveness of our products.

#### (iii) Market Research:

We make analysis and research on the real estate market and use such result as references for product positioning and formulation of marketing strategies to achieve sales targets. Also, we focus on the research of urban renewal and leisure industry with an eye to strengthening the foundation of our business with diverse approaches.

#### 2. Business Plan in 2022

#### (1) Operating Philosophy

The Company upholds the values of honesty, quality and service. With an honest and responsible mind, we design safe, solid, personalized and technologized products under quality assurance requirements during the process, and provide the best customer service as our vocation. We will continue to strengthen our capacity in research and development, innovation, and comprehensive quality improvement with a goal to achieve business sustainability.

#### (2) Anticipated Volume of Sales and Basis

- (i) Sales of Completed Projects: Nan Ke Ming Men, Cosmos Technology, Fu Ding Tech Building, United Tech Building B, Fu Gui Ming Di, Founding Fu-Yi
- (ii) Cases anticipated to finish in 2022 and 2023: United Tech Building A, Founding Yi-Pin, Founding Li Yuan, Star Technology

#### (3) Important Production and Marketing Policies

#### (i) Production Strategy

We undertake land developments based on economic prospects, and actively participate in the bid of government projects for state-owned lands at ideal development locations and projects in prime market areas. Our purpose is to increase land acquisitions, and analyze and follow urban development plans so as to seize market niches. We also make complete programs, strictly select building materials and focus on quality to improve the added value of our products on the basis of site specificity and consumer needs.

In response to the increasing difficulties in acquiring land in prime districts and the needs of the government to develop tourism industry, we have extended business to hotel operation and management, providing new accommodation options for business trips and tourism in anticipation to create additional sources of stable income.

#### (ii) Marketing Strategy

We collect complete real estate information and grasp precise market trends by means of concentrated market investigation and market analysis. We also properly adjust project launch schedule and strategy in accordance with the overall economic situation and regional market demands. We focus on program management and continuously reinforce our financial structure to seek stable business performance rather than a blind pursuit of quantity.

# 3. Future development strategy, impact of external competitive environment, regulatory environment, and macroeconomic environment.

#### (1) Impact of External Competitive Environment

The global economy is strongly recovering as vaccination rates increase and people's lives return to normal. Although consumer momentum has been impacted by the repeated pandemic in the country, it continues to revive

with the implementation of various pandemic prevention measures, accelerated vaccination, and a number of governmental relief and revitalization packages.

As for the housing market, the decline in mortgage rates and the support of capital have resulted in a recovery of the real estate market. Benefited from the huge demand of foreign companies investing in Taiwan and the return of manufacturers, the markets of industrial land and commercial real estate have warmed up. However, the construction industry still faces both rising construction costs and land prices, which might lead to uncertain cost pass-through.

Since the nature of the real estate industry is strongly regional, the competitiveness of individual products and the price comparison effect become relatively obvious among regions. We make effective market segmentation, overall planning and added values of products and accentuate product differentiation through online marketing to elevate competitiveness and profitability with a sound financial control system.

#### (2) Impact of Regulatory Environment

The housing market keeps heating up. In order to cap the rising housing prices, the Central Bank has decided to eliminate the second-home mortgage grace period in hot zones like six cities, Hsinchu city and Hsinchu county, and requested pricing differentiation strategy for mortgage rates. Furthermore, the Ministry of Interior has promoted "Property and Land Tax 2.0" and "Real Value Registry Scheme 2.0", and passed the draft amendment in December 2021, instituting five anti-flipping rules. Some regional governments will impose vacant house tax. Readjustment and control policies of the housing market have been tightened to curb market speculation.

Since changes of regulations have impact on the operation of the construction industry, the company will keep watching and conducting research on legislative changes and will seek countermeasures as soon as possible so that the Company can retain profits and safeguard the interests of our shareholders.

#### (3) Impact of Macroeconomic Environment

The increase of vaccine coverage has led to a significant decrease in the number of serious illnesses and deaths; thus countries are unlikely to re-implement strict pandemic prevention measures, and the global economy is expected to revive. However, there are still many risk factors influencing the current global economy, including variants of COVID-19, Russia-Ukraine War, the global inflation, the rising interest rate, the shrinking of balance sheet, trade and technology conflicts between US and China, and other geopolitical threats.

Buy orders in the domestic real estate market have gradually returned with the palliation of COVID-19 and abundant funds. Benefited from the global semiconductor industry which spurs regional investments of related supply chains, and the rising needs of 5G, IoT, vehicle, high-speed computing and other applications, capital and industries have repatriated to Taiwan successively, and this is relatively optimistic for the prospect of Taiwan's commercial real estate market. On the other hand, the deepening relation between Taiwan and the United States affects Mainland China's political and military threats to Taiwan; cross-strait uncertainties remain high. Inflation, increasing construction costs and interest rates, the effect of government policies on housing market control and the pandemic development will be key points in our watch list.

The future development strategy of the Company will still mainly focus on Build to Order, supplemented by joint construction and urban redevelopment. In terms of locations, it will be more concentrated on CBDs with a primary target on the traditional downtown areas of Taipei City, New Taipei City, and Tainan City, and a secondary target on readjustment areas in those cities. The Company will pursue stable and profitable growth by quality over quantity. As for commercial offices, we will continue to invest in superior areas and products with stable rental income, in expectation of generating more revenue. Also, we are actively investing in the tourism and business travel industries. Even though the hotel industry and its revenue have been deeply affected by the pandemic, and the Company disposed of FUSHIN Hotel, Taipei and FUSHIN Hotel, Taichung in 2021, FUSHIN Hotel is still closely following the development of COVID-19, adjusting operation strategies to reduce damage caused by the pandemic and to optimize operation foundation after the pandemic. In addition to profitable growth, the pursuit of stable growth and sustainability is also at the heart of our business efforts.

We look forward to shareholders' support and advice, and wish everyone good health and all the best.

Sincerely,

LIU, HSIN-HSIUNG Chairman

# I. Company Profile

# **2.1 Date of Incorporation**: April 20<sup>th</sup>, 1991

# 2.2 Company History

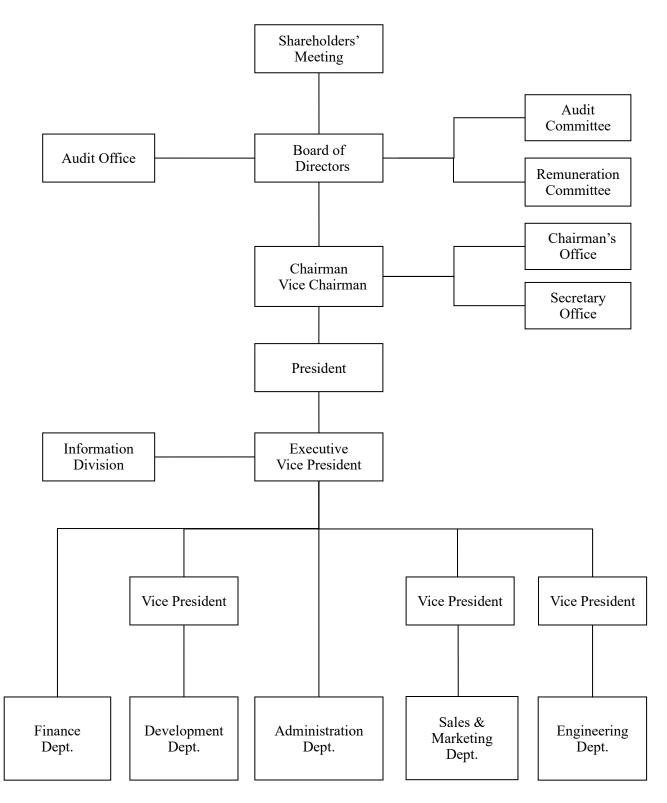
Year	Milestones
1991	Founded on April 20 <sup>th</sup> , 1991 with NT\$60 million capital.
	Projects: Royal Housing, Great Lake Treasure
1993	Projects: Royal Housing II, Great Lake Miracle, Royal Dazhi, Tripod Dazhi
1994	Increased NT \$60 million by cash to reach NT\$120 million of paid-in capital.
	Project: Yang Ming Fuyi
1995	Project: Asia-Pacific Economic Center
1997	Increased NT\$200 million by cash and NT\$12million by earnings to reach NT\$332 million of paid-in capital.
	Approved for public offering by the Securities and Futures Commission of the Ministry of Finance.
	Direct investment in You-Ming Engineering Ltd., and San-Fu Plastics Industrial Corp.
	The Company received the "Ten Outstanding Architecture Award of R.O.C".
	Projects: Asia-Pacific Economic Center 2, International Economic Center
1998	Increased NT\$200 million by cash, NT\$83million by earnings and NT\$1million by employee bonus to reach
	NT\$616 million of paid-in capital.
	Invested NT\$27.1488 million in You-Ming Engineering Ltd, bringing a total investment to NT\$34.3488 million.
	Embarked on vertical integration.
	Project: Centurial Economic Center
1999	Increased NT\$184.8million by earnings and NT\$2.8million by employee bonus to reach NT\$803.6 million of
	paid-in capital.
	Received "Architecture and Investment Industry Identification Mark Certificate" from the Ministry of Interior,
	RO.C. Acquired ISO-9002 Quality Management Systems Certification
	Sold all shares of You-Ming Engineering Ltd.
	Projects: International Star, Centurial Star
2000	Increased NT\$281.26 million by earnings and NT\$4.02 million by employee bonus to reach NT\$1,088.88 million
	of paid-in capital.
2001	Projects: Centurial Treasure, Great Tripod Technology, National Tripod Technology, Apex Technology
2001	Increased NT\$163.332 million by earnings and NT\$5.788 million by employee bonus to reach NT\$1,258 million of paid-in capital.
	Invested NT\$46.8 million in Chien-Chiao Construction Co., Ltd and embarked on vertical integration.
	Sold all shares of San-Fu Plastics Industrial Corp.
	Approved of the Over-The-Counter (OTC) listing application and trading.
	Projects: Asia Technology, Wright Technology, Fute Technology, Top Tripod Technology
2002	Reduced NT\$100million by repurchase and cancellation of treasury shares. Paid-in capital after reduction was
2002	NT\$1,158 million.
2003	Reduced NT\$8 million by repurchase and cancellation of treasury shares. Paid-in capital after reduction was
	NT\$1,150million.
	Projects: Pu Garden, Li Garden
2004	Invested NT\$5 million in Chien-Chiao Construction Co., Ltd, which became a wholly-owned subsidiary of the
	company.
	Projects: Founding Li Garden, Chong-Shan Mandarin
2005	Increased capital by capital surplus to reach NT\$1,184.5 million of paid-in capital.
	Expanded business through diversification by investing a total amount of NT\$47.86 million in Hua-Nano
	Technology Corp.

	Projects: Tripod Garden, Founding Li Garden District, Century Plaza, Century Plaza District, Founding Li Garden II
2006	Increased capital by earnings and capital surplus to reach NT\$1,250 million of paid-in capital.
	Projects: Founding Garden and Villa, Taipei Mandarin, Min-Quan Condominium, Founding Li Garden III
2007	Increased capital by earnings to reach NT\$1,442 million of paid-in capital.
	Sold all shares of Hua-Nano Technology Corp.
	Projects: Wen-De Mandarin, Sun Technology, Founding Yi-Pin
2008	Approved of the Taiwan Stock Exchange listing application and trading (Code-5533).
	Projects: Tripod Plaza, FUSHIN Hotel, Founding Garden Plaza
2009	Reduced NT\$3.72million by repurchase and cancellation of treasury shares. Paid-in capital after reduction was
	NT\$1,659.28million. Increased capital by earnings to reach NT\$1777.75 million of paid-in capital.
	Projects: Dun-Nan Condominium, Scandinavian Parlor, FUSHIN Technology, East Garden Condominium
2010	Grew business through diversification by investing NT\$36 million in FUSHIN Hotel Co., Ltd.
	Increased capital by earnings to reach NT\$1,940.29 million of paid-in capital.
	Projects: Bai-Ji Condominium, Wen-De Technology, FUSHIN Hotel- Taipei, FUSHIN Hotel, Taichung,
	Chong-Zheng Li Garden
2011	Increased capital by earnings to reach NT\$2117.71 million of paid-in capital.
	Chien-Chiao Construction Co., Ltd increased capital by earnings to reach NT\$120 million of paid-in capital.
	Project: United Tech Center
2012	Increased capital by earnings to reach NT\$2269.828 million of paid-in capital.
	Chien-Chiao Construction Co., Ltd increased capital by earnings to reach NT\$144 million of paid-in capital.
	Invested NT\$40 million in FUSHIN Hotel Co., Ltd. (shareholding ratio: 76%)
	Projects: Royal Jade, Jing Garden, FUSHIN Hotel-Tainan
2013	Increased capital by earnings to reach NT\$2431.696 million of paid-in capital.
	Chien-Chiao Construction Co., Ltd increased capital by earnings to reach NT\$150 million of paid-in capital.
	Invested NT\$60 million in FUSHIN Hotel Co., Ltd. (shareholding ratio: 85%)
	Projects: Founding Glion, Royal Condominium
2014	Increased capital by earnings to reach NT\$2556.647 million of paid-in capital.
	FUSHIN Hotel Co. Ltd first reduced capital of NT\$100 million to cover deficits and then increased capital of
	NT\$100 million for operation purposes. Paid-in capital remained the same as NT\$1,600 million. (shareholding
	ratio: 94.375%)
2015	Projects: FUSHIN Hotel NO. 2, Nan Ke Ming Men, Cosmos Technology, Universal Technology, Fu-Yi Tainan
2015	Increased capital by earnings to reach NT\$2713.356 million of paid-in capital.
	FUSHIN Hotel-Taipei earned Five-Star Hotel Distinction.
2016	Project: FUSHIN Hotel-Tainan Branch
2016	Increased capital by earnings to reach NT\$2852.449 million of paid-in capital.
	Established a wholly-owned subsidiary Hsin-Long-Hsing Construction Co. Ltd with a total investment of NT\$20
	million. Projects: Dong Hu Li Yuan, Fu Gui Ming Di
2017	Projects: Fu Ding Tech Building, Jin Lian Xi Zhi Building
2017	Projects: Founding Fu-Yi, United Tech Building B
2019	Projects: Founding Yi-Pin (Nan-Gang), United Tech Building A
	<u> </u>
2020	Projects: Founding Li Yuan(San-Chong), Star Technology, Li Ren Condominium  Hsin-Long-Hsing Construction was renamed Hsin-Long-Hsing Investment with an increased capital by cash to
2021	reach NT\$300 million of paid-in capital, and is wholly-owned by Founding Construction.
	Project: Meditation Garden
	1 TOJOGE INTORIGITORI GALUCII

#### **II.** Corporate Governance Report

#### 3.1 Organization

#### 3.1.1 Organizational Chart



# **3.1.2 Major Corporate Functions**

Department	Functions
Chairman's Office	1. Organizational structure development and operational process planning.
	2. Planning and design of corporate equity and image.
Audit Office	1. Assess the effectiveness of the internal control system and provide
	appropriate improvement suggestions during the audit.
	2. Offer evaluations, analyses and advice on business and operational
	performances.
Information Division	Planning, evaluation and implementation of information system and
	electronization.
Administration Dept.	Procurement and custody of facilities and supplies.
	2. Development and management of human resources and general affairs.
Development Dept.	Data collection, investigation, research, analyses and development of land
	resources and real estate market.
Sales & Marketing Dept.	Market research and marketing execution.
	2. After sales service and matters.
Engineering Dept.	Procurement contracting, construction cost estimating and assessment, and
	project execution planning and management.
Finance Dept.	1. Financial planning, fund movement and management.
	2. Loan application, drawdown and pay-off.
	3. accounting and taxation management.

### **3.2 Directors and Management Team**

### **3.2.1 Directors**

April 12, 2021

Title	Nationality/ Registration Name Gender Flected		Date Elected	Term (vrs)	Date First Elected	Shareh when I		Current Sh	areholding	Spouse of Shareh		Shareho Nom Arrang	inee	Experience ( Education )	Other Position		virectors, or Supervisor within Two Degrees of		Remarks	
	of Place		Age	Liceted	(313)	Liceted	Shares	%	Shares	%	Shares	%	Shares	%	(Education)		Title	Name	Relation	
		Sytain Corp		6/9/2020	3	6/9/2020	25,718,571	9.02%	25,718,571	9.02%										
Chairman	R.O.C	Representative: Liu, Hsin-Hsiung	M 71-80		3	12/14/1992			6,683,941	2.34%	5,446,997	1.91%			Bachelor's Degree President: Chi-Long Construction Co., Ltd.	Chairman: Founding Construction Corp. Director : Syntain Corp.	President Representative Vice Chairman	Liu, Hua-Hsing Liu. Fang-Wen Liu, Min-Liang	Sibling Father- Daughter Father-Son	
		Sytain Corp.		6/9/2020	3	6/9/2020	25,718,571	9.02%	25,718,571	9.02%										
Vice Chairman	R.O.C	Liu, Min-Liang	M 31-40			6/9/2011			7,997,932	2.80%	2,247 ,000	0.79%			Bachelor's Degree	Vice Chairman: Founding Construction & Development Co., Ltd. Director: May-Hsiung Investment Co., Ltd. Owner: Syntain Corp. Supervisor: Fushin Hotel Co., Ltd.	Chairman	Liu, Hsin-Hsiung	Father-Son	
		Sytain Foundation		6/9/2020	3	6/9/2020	940,000	0.33%	940,000	0.33%										
Director	R.O.C	Representative: Liu, Fang-Wen	F 41-50			8/282008			8,398,837	2.94%					Bachelor's Degree Director of May-Hsiung Investment Co., Ltd.	Chairman: May-Hsiung Investment Co., Ltd Supervisor: Syntain Co., Ltd, and Fulongchang Investment Co., Ltd.	Chairman	Liu, Hsin-Hsiung	Father- Daughter	
		Wenrui Investment Ltd		6/9/2020	3	6/6/2014	549,209	0.19%	549,209	0.19%										
Director	R.O.C	Representative: Chiang, Guang-Hui	M 61-70			6/6/2014			888,985	0.31%	428,652	0.15%			College Degree Chief of Ruiyang Sub-District, Neihu	Director: Wen-Rui Investment Ltd. Representative: Wen-De Elderly Long-term Care Center				
Director	R.O.C	Liu, Hua-Hsing	M 61-70	6/9/2020		6/9/2011	4,835,089	1.70%	4,835,089	1.70%	364,028	0.13%			Bachelor's Degree Specialist at Central Trust of China	President of Founding Construction & Development Co., Ltd.	Chairman	Liu, Hsin-Hsiung	Sibling	
Director	R.O.C	Ho, Ming-Hui	M 51-60	6/9/2020	3	4/30/2002	41,855	0.01%	41,855	0.01%	22,555	0.01%			Master's Degree GM in Taihsin Management and Technology Consultant Co., Ltd.	Representative of Fushin Hotel Co., Ltd.				
Independent Director	R.O.C	Lee. Shu-Lan	F 41-50	6/9/2020	3	4/7/2008	13,680	0.00%	13,680	0.00%	721	0.00%			Bachelor's Degree Sales Assistant Manager: Taiwan Securities Co., Ltd.	CFO: EBM Technologies				Director Starting Date: 4/29/2003
Independent Director	R.O.C	Chen, Bo-Yung	M 81-90	6/9/2020	3	4/7/2008	88,563	0.03%	88,563	0.03%	-	-			Master's Degree Vice Chairman: Entie Bank	Director: Top Union Electronics Corp.				
Independent Director	R.O.C	Hung, Lung-Ping	M 61-70	6/9/2020	3	6/9/2020	196,760	0.07%	190,760	0.07%	4,032	0.00%			Bachelor's Degree Manager: Pei-Sheng United Accounting Firm	Manager: Chuan-Hsin Accounting Firm Director: Shan-Hsin Consulting Ltd.				Supervisor (Newly Appointed) on 4/30/2008

#### Major shareholders of the institutional shareholders

Name of Institutional Shareholders	Major Shareholders
Syntain Corporation	Liu, Shu-Hung (30.83%), Liu, Fang-Wen (25.27%), Liu, Min-Liang (24.57%), Liu, Zi-Yan (7.60%), Liao, Shu-Mei (4.87%), Liu, Hsin-Hsiung (3.90%) Liu, En-Fei (1.86%), Huang, Dai-Xuan (0.60%), Liu, Xin-Cheng (0.50%)
Syntain Foundation	Liu, Hsin-Hsiung (30.00%), Liu, Fang-Wen (16.67%), Liu, Min-Liang (16.67%), Liu, Shu-Hung (16.66%) Liu, Hua-Hsing (10.00%), Liu, Hsin-Yi (10.00%)
Wenrui Investment Ltd	Chiang, Guang-Hui (46%), Chiang, Jei (24%), Lin, Shu-Mei (10%), Chiang, Pei (10%), Chiang, Hsin (10%)

#### **Directors**

#### (1) Professional qualifications and independence analysis of directors

Criteria	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Liu, Hsin-Hsiung (Representative of Syntain Corp.)	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company, Positions: President of Chi-Long Construction Co., Ltd., and Director of Syntain Crop. Not been a person of any conditions defined in Article 30 of the Company Law.	N/A	x
Liu, Min-Liang (Representative of Syntain Corp.)	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company. Positions: Director of May-Hsiung Investment Co., Ltd., Owner of Syntain Corp., Director of Hsin-Long-Hsing Investment Co., Ltd., and Supervisor of Fushin Hotel Co., Ltd. Not been a person of any conditions defined in Article 30 of the Company Law.	N/A	x
Liu, Fang-Wen (Representative of Syntain Foundation)	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company. Positions: Director of May-Hsiung Investment Co., Ltd., Supervisor of Syntain Corp., and Fulongchang Investment Co., Ltd. Not been a person of any conditions defined in Article 30 of the Company Law.	N/A	x
Chiang, Guang-Hui (Representative of Wenrui Investment)	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company, Positions: Director of Wenrui Investment, Chief of Ruiyang Sub-District, Neihu, and Representative of Wen-De Elderly Long-term Care Center. Not been a person of any conditions defined in Article 30 of the Company Law.	N/A	x
Liu, Hua-Hsing	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company. Position: Specialist at Central Trust of China. Not been a person of any conditions defined in Article 30 of the Company Law.	N/A	x
Ho, Ming-Hui	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company, Positions: GM in Taihsin Management and Technology Consultant Co., Ltd., and Representative of Fushin Hotel Co., Ltd Not been a person of any conditions defined in Article 30 of the Company Law.	N/A	x
Lee. Shu-Lan	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company. Current Position: CFO of EBM Technologies. Not been a person of any conditions defined in Article 30 of the Company Law.	An independent Director who has met the independence criteria: including but not int limited to whether they, spouses, relatives within the second degree of kinship serve as a director, supervisor or employer of the Company or affiliates; did not serve as a director, supervisor or employer of a Company with which the Company has a specific relationship; the person herself and spouse hold 14,401 shares (0%) of the Company. No remuneration for commercial, legal, financial and accounting services provided to the Company or affiliates in the past two years.	x
Chen, Bo-Yung	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company. Positions: Vice Chairman of Entie Bank, Supervisor and Director of Top Union Electronics Corp. Not been a person of any conditions defined in Article 30 of the Company Law.	An independent Director who has met the independence criteria: including but not int limited to whether they, spouses, relatives within the second degree of kinship serve as a director, supervisor or employer of the Company or affiliates; did not serve as a director, supervisor or employer of a Company with which the Company has a specific relationship; the person holds 88,563 shares (0.03%) of the Company; No remuneration for commercial, legal, financial and accounting services provided to the Company or affiliates in the past two years.	x
Hung, Lung-Ping	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company. Positions: Manager of Pei-Sheng United Accounting Firm, Manager of Chuan-Hsin Accounting Firm, and Director of Shan-Hsin Consulting Ltd. Not been a person of any conditions defined in Article 30 of the Company Law.	An independent Director who has met the independence criteria: including but not int limited to whether they, spouses, relatives within the second degree of kinship serve as a director, supervisor or employer of the Company or affiliates; did not serve as a director, supervisor or employer of a Company with which the Company has a specific relationship; the person himself and spouse hold 194,792 shares (0.07%) of the Company; No remuneration for commercial, legal, financial and accounting services provided to the Company or affiliates in the past two years.	x

Note 1: Professional Qualifications and Experiences: Specify the professional qualifications and experiences of individual director and supervisor. If the person is a member of the Audit Committee with accounting or financial expertise, their accounting or financial background and work experience shall be specified. Also state whether he/she has been a person of any conditions defined in Article 30 of the Company Law.

Company Law.

Note 2: For independent directors, the independence criteria must be specified, including but not int limited to whether they, spouses, relatives within the second degree of kinship serve as a director, supervisor or employer of the Company or affiliates; the proportion of shares held by the independent director, spouses, relatives within the second degree of kinship (or in the name of others); whether the independent director serves as a director, supervisor or employer of a Company with which the Company has a specific relationship (refer to Subparagraphs 5 to 8, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Companies); and the amount of remuneration received for commercial, legal, financial and accounting services provided to the Company or affiliates in the past two years.

#### (2) Diversity and independence of the board of directors

#### A. Diversity

The Company advocates and respects the board diversity policy. To strengthen corporate governance and promote the robust development of the board composition and structure, we believe that the diversity policy will help enhance the overall performance of the Company. Currently the Company is made up of 9 directors, and the board diversity is shown as below:

• Female Directors: 22%; Male Directors: 78%

• Employee Directors: 22%; Independent Directors: 33%

• Age Range and the Number of Directors: over 70-2;  $61\sim70-3$ ;  $51\sim60-1$ ;  $41\sim50-2$ ;  $31\sim40-1$ 

• Term of Office and the Number of Directors: over 10 years-4; 3~9 years-1; less than 3 years-4

• The core competence of the board of directors is shown as below:

Name	Gender	Management	Leadership	Industry Knowledge	Finance & Accounting	Legal	Crisis Management	Risk Management
Liu, Hsin-Hsiung	M	V	V	V		V	V	V
(Representative of Syntain Corp.)								
Liu, Min-Liang	M	V	V	V			V	V
(Representative of Syntain Corp.)								
Liu, Fang-Wen	F	V	V	V	V			
(Representative of Syntain Foundation)								
Chiang, Guang-Hui	M	V	V		V	V		V
(Representative of Wenrui Investment)								
Liu, Hua-Hsing	М	V	V	V	V		V	V
Ho, Ming-Hui	M	V	V				V	V
Lee. Shu-Lan	F				V			
Chen, Bo-Yung	М	V	V		V		V	V
Hung, Lung-Ping	М	V	V		V		V	V

#### B. Independence

The Company is composed of 9 directors, and 3 of whom are independent directors (1/3 of the board of directors). 2 directors are employee directors. The number of directors who have a marital relationship, or who are a relative within the second degree of kinship to any other director of the Company shall not exceed 1/2 of the total number of board of directors. At present, 4 directors of the Company are relatives within the second-degree of kinship to other directors; therefore, the board of directors satisfied the independence requirement.

#### 3.2.2 Management Team

April 11, 2022

Title	Nationality	Name	Gender	Date Elected	Shareh	olding	-			g by Nominee gement	Experience ( Education )	Other Position	Managers W Two I	ho are Spou Degrees of K		Remark(s) (Note)
					Shares	%	Shares	%	Shares	%	, , , ,		Title	Name	Relation	, ,
President	R.O.C	Liu, Hua-Hsing	М	5/1/1994	4,835,089	1.70%	364,028	0.13%			Bachelor's Degree Specialist: Central Trust of China					
Executive VP	R.O.C	Tsao, Lo-Fang	М	1/1/2021	55,307	0.02%	-	-			National Taiwan University VP, Development Dept.					
VP. Sales& Marketing Dept.	R.O.C	Cheng, Jing-Hung	М	10/1/2005	261,661	0.09%	18,637	0.01%			High School Diploma Assistant VP, Sales & Marketing Dept.					
VP. Sales& Marketing Dept.	R.O.C	Mo, Jung-Fa	М	1/1/2007	183,540	0.06%					High School Diploma Assistant VP, Sales & Marketing Dept.					
VP. Engineering Dept.	R.O.C	Su, Yen-Ting	М	1/1/2007	332,678	0.12%					College Degree Assistant VP, Engineering Dept					
Assistant VP Administration Dept.	R.O.C	Liu, Yen-Hui	F	3/1/2004	216,162	0.08%					High School Diploma Assistant VP, Administration Dept.					
Assistant VP Audit Office	R.O.C	Liao, Wan-Ching	F	7/1/2010	145,498	0.05%					Bachelor's Degree Manager, Audit Office					
Assistant VP Development Dept.	R.O.C	Huang, Wen-Chu	F	7/1/2010	100,175	0.04%					Bachelor's Degree Manager, Development Dept.					
Assistant VP Finance Dept.	R.O.C	Cheng, Yen-Fen	F	1/5/2013	162,568	0.06%					Bachelor's Degree Manager, Finance Dept.					
Assistant VP Sales & Marketing Dept.	R.O.C	Hsu, Yang-Ting	М	1/5/2013	120,000	0.04%					National Open University Manager, Sales & Marketing Dept.					
Corporate Governance Officer	R.O.C	Hsu, Wei-Lun	F	3/17/2021	87,700	0.03%					Bachelor's Degree Manager, Finance Dept.					

3.2.3 Where the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto must be disclosed: None

#### 3.3 Remuneration of Directors and Management Team

#### 3.3.1 Remuneration of Directors and Independent Directors

Dec 31, 2021 / Unit: NT\$ thousands

					Remun	eration				Remu	of Total neration		Relevant Rem	uneration Re	eceived by Dir	ectors Who	o are Also I	Employees		1		Remuneration	
Title	Name	Base Comp	ensation (A)	Severano	ee Pay (B)	Directors Compensation(C)		Allowa			+D) to Net ne (%)		onuses, and ances (E)	Severan	rance Pay (F)		ployee Co	mpensation	ı (G)		0+E+F+G) to ncome	from ventures other than subsidiaries or	
Title	rvaine	The company	Companies in the consolidated	The company	Companies in the consolidated	The	Companies in the consolidated	The company	Companies in the consolidated	The company	Companies in the consolidated	The company	Companies in the consolidated	The		The in the consolidated		he pany	conso	nies in the lidated statements	The company	Companies in the consolidated	from the parent company
		company	financial statements	company	financial statements	company	financial statements	company	financial statements	company	financial statements	company	financial statements	company	financial statements	Cash	Stock	Cash	Stock	company	financial statements		
Chairman	Syntain Corp. Representative: Liu, Hsin-Hsiung	1100	1100	12	12	360	360	30	30	0.14	0.14	-	-	-	-	-	-	-	-	0.14	0.14	None	
Vice Chairman	Syntain Corp. Representative: Liu, Hsin-Hsiung	2435	2435	37	37	360	360	30	30	0.27	0.27	-	-	-	-	-	-	-	-	0.27	0.27	None	
Director	Syntain Foundation Representative: Liu, Fang-Wen	-	-	-	-	360	360	30	30	0.04	0.04	-	-	-	-	-	-	-	-	0.04	0.04	None	
Director	Wenrui Investment Representative: Chiang, Guang-Hui	-	-	1	-	360	360	30	30	0.04	0.04	-	-	1	-	1	-	-	-	0.04	0.04	None	
Director	Liu, Hua-Hsing	-	-	1	-	360	360	30	30	0.04	0.04	2741	2741	40	40	275	-	275	-	0.32	0.32	None	
Director	Ho, Ming-Hui	-		-	-	360	360	30	30	0.04	0.04	-	1721	-	87	-	-	-	-	0.04	0.21	None	
Independent Director	Lee, Shu-Lan	-	-	-	-	360	360	136	136	0.05	0.05	-	-	-	-	-	-	-	-	0.05	0.05	None	
Independent Director	Chen, Bo-Yung	-	-	-	-	360	360	30	30	0.04	0.04	-	-	-	-	-	-	-	-	0.04	0.04	None	
Independent Director	Hung, Lung-Ping	-	-	-	-	360	360	137	137	0.05	0.05	-	-	-	-	1	-	-	-	0.05	0.05	None	

<sup>1.</sup> Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The Company evaluates the performance of directors, the level of participation and contribution in the operation of the Company, and references the operational performance of the Company and standards adopted by enterprises of the same industry. The remuneration proposal is discussed and advised by the Remuneration Committee, and later submitted to the Board of Directors for resolutions.

<sup>2.</sup> In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being non-employee consultant: None

#### 3.3.2 Remuneration of the President and Vice Presidents

Dec 31, 2021 / Unit: NT\$ thousands

		Salary (A)		Severance Pay (B)		Bonus and Allowance ©		Employee Compensation (D)				Ratio of Total Comp to Net	Remuneration from	
Title	Title Name Companies in the consolidated financial statements		The company	Companies in the consolidated financial	The company	company Companies in the consolidated financial		company		Companies in the consolidated financial statements		Companies in the consolidated	ventures other than subsidiaries or from the parent company	
					statements		statements	Cash	Stock	Cash Stock			financial statements	
President	Liu, Hua-Hsing	1970	1970	40	40	771	771	275	-	275	-	0.29	0.29	None
Executive VP	Tsao, Lo-Fang	1200	1200	113	113	780	780	200	-	200	-	0.22	0.22	None
VP	Cheng, Jing-Hung	924	924	101	101	866	866	193	-	193	-	0.20	0.20	None
VP	Mo, Jung-Fa	924	924	101	101	570	570	193	-	193	-	0.17	0.17	None
VP	Su, Yen-Ting	1046	1046	21	21	617	617	197	-	197	-	0.18	0.18	None

#### 3.3.3 Managerial officers with the top five highest remuneration amounts

Dec 31, 2021 / Unit: NT\$ thousands

		Salary (A)		Severance Pay (B)		Bonus and Allowance (C)		Employee Compensation (D)				Ratio of Total Comp to Net	Remuneration from	
Title	Name	The company	Companies in the consolidated financial	The company	consolidated The common conso		Companies in the consolidated financial	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated	ventures other than subsidiaries or from the parent company
			statements		statements		statements	Cash	Stock	Cash	Stock		financial statements	
President	Liu, Hua-Hsing	1970	1970	40	40	771	771	275	-	275	-	0.29	0.29	None
VP	Tsao, Lo-Fang	1200	1200	113	113	780	780	200	-	200	-	0.22	0.22	None
VP	Cheng, Jing-Hung	924	924	101	101	866	866	193	-	193	-	0.20	0.20	None
VP	Su, Yen-Ting	1046	1046	21	21	617	617	197	-	197	-	0.18	0.18	None
VP	Mo, Jung-Fa	924	924	101	101	570	570	193	-	193	-	0.17	0.17	None

#### 3.3.4 Distribution of Employee Compensation

Dec 31, 2021 / Unit: NT\$ thousands

	Tid	N	Employee C	ompensation	T + 1	Ratio of Total Amount
	Title	Name	Stock	Cash	Total	to Net Income (%)
	President	Liu, Hua-Hsing				
	Executive VP	Tsao, Lo-Fang				
	VP, Sales& Marketing Dept.	Cheng, Jing-Hung		2,076	2,076	
	VP, Sales& Marketing Dept.	Mo, Jung-Fa				0.20
Executive	VP, Engineering Dept.	Su, Yen-Ting	-			
Officers	Assistant VP, Administration Dept.	Liu, Yen-Hui				
Officers	Assistant VP, Audit Office	Liao, Wan-Ching				
	Assistant VP, Development Dept.	Huang, Wen-Chu				
	Assistant VP, Finance Dept.	Cheng, Yen-Fen				
	Assistant VP, Sales & Marketing Dept.	Hsu, Yang-Ting				
	Officer, Corporate Governance	Hsu, Wei-Lun				

Note: The Corporate Governance Officer was inaugurated on March 17, 2021

#### 3.3.5 Comparison of Remuneration for Directors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, President and Vice Presidents

The ratios of remuneration paid to directors, president and vice presidents of the Company and the companies in the consolidated financial statements in the last two years, to net income were 1.9% and 7.7%, respectively, in 2021 and 2020.

Remuneration of directors, president and vice presidents include salary, allowance, bonus, employee compensation and so on. The Company determines the remuneration based on the position held, education, experience, job tenure and responsibility, and references the standards adopted by enterprises of the same industry. Bonuses awarded to the president, vice president and employees are subject to the results of the company operations, but not to future risks.

#### 3.4 Implementation of Corporate Governance

#### 3.4.1 Operations of the Board of Directors

A total of 9 (A) meetings of the Board of Directors were held in the previous period. The attendance record of director was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)	Remarks
Chairman Representative	Syntain Co., Ltd. Liu, Hsin-Hsiung	9	0	100	
Vice Chairman Representative	Syntain Co., Ltd. Liu, Min-Liang	9	0	100	
Director Representative	Syntain Foundation Liu, Fang-Wen	9	0	100	
Director Representative	Wenrui Investment Chiang, Guang-Hui	9	0	100	
Director	Liu, Hua-Hsing	9	0	100	
Director	Ho, Ming-Hui	9	0	100	
Independent Director	Li, Shu-Lan	9	0	100	
Independent Director	Chen, Po-Yung	9	0	100	
Independent Director	Hung, Lung-Ping	9	0	100	

#### Other mentionable items:

- 1. If any of the following circumstances occurs, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified: None
  - (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.
  - (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.
- 2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: For the Manager and Employee Compensation Distribution Proposal discussed on March 17, 2021, directors Liu, Hua-Hsing and Liu, Min-Liang, then were managers of the Company, and thus recused from the proposal discussion and voting. For the Manager Performance Bonus and Annual Bonus Distribution Proposal discussed on Nov 11, directors Liu, Hua-Hsing and Liu, Min-Liang, then were managers of the Company, and thus recused from the proposal discussion and voting.
- 3. TWSE/TPEx-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out "Implementation Status of Board Evaluations." : The board of directors passed the "Evaluation of the Board of Directors" on August 13, 2020. Accordingly, the Company conducted the evaluation of the board of directors in the beginning of 2021. The evaluation includes the following factors:
  - A. Their grasp of the Company's goals and missions;
  - B. Their recognition of director's (or the functional committee's) duties;
  - C. Their degree of participation in the Company's operations;
  - D. Their management of internal relationships and communications;
  - E. Improvement in the quality of decision making by the Board of Directors;
  - The results of the evaluation of the board of directors for 2021 have met the assessment standards and were reported to the Board of directors on March 17, 2022.
- 4. Measures taken to strengthen the functionality of the board: The Company has established independent director positions, an Audit Committee, and a Remuneration Committee to assist the board in carrying out its monitoring duties. Both committees, with professional teamwork and detachment, periodically report their activities and resolutions to the Board of Directors to help with business decisions.

#### 3.4.2 Operations of the Audit Committee

A total of 7 (A) meetings of the Audit Committee were held in the previous period. The attendance record of independent director was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Lee, Shu-Lan	7	0	100	
Independent Director	Chen, Bo-Yung	7	0	100	
Independent Director	Hung, Lung-Ping	7	0	100	

#### Other mentionable items:

- 1. If any of the following circumstances occurs, the dates of the <u>Audit Committee</u> meetings, sessions, contents of motion, all independent directors' opinions, <u>dissenting opinions</u>, <u>qualified opinions</u> and <u>significant advice of independent directors</u>, resolution of the Audit Committee meetings, and the company's response should be specified: None
  - (1) Matters referred to in Article 14-5 of the Securities and Exchange Act.
  - (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.
- 2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
- 3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.):
  - (1) Communications between the independent directors and the Company's chief internal auditor:
    - A. The independent directors review internal audit reports and audit trail reports on a monthly basis.
    - B. For every attendance at the meetings of the Audit Committee, the Company's chief internal auditor reports to the independent directors, communicates the execution conditions and results, and answers impromptu questions raised by independent directors.
  - (2) Communications between the independent directors and CPAs:
    - A. The Company's CPAs review quarterly corporate financial reports and communicate to the Audit Committee major transactions and other matters required by law and regulations after the review.
    - B. The Company's CPAs execute audit operations on corporate financial reports, and communicate respectively to the Audit Committee the audit plans, risks, key audit matters, execution conditions and results at and after the audit planning stage.
  - (3) The independent directors express no opinions on the matters communicated between themselves, the Company's chief internal auditor and CPAs.

# 3.4.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

			Implementation Status	Deviations from "the Corporate Governance
Evaluation Item	Yes	No	Abstract Illustration	Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
Does the company establish and disclose the Corporate     Governance Best-Practice Principles based on "Corporate     Governance Best-Practice Principles for TWSE/TPEx Listed     Companies"?	V		The Company has established the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies".	None
<ol> <li>Shareholding structure &amp; shareholders' rights         <ul> <li>Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?</li> </ul> </li> <li>Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?</li> <li>Does the company establish and execute the risk management and firewall system within its conglomerate structure?</li> <li>Does the company establish internal rules against insiders trading with undisclosed information?</li> </ol>	v v v		<ol> <li>The Company has designated a spokesperson and a deputy spokesperson to handle shareholders' suggestions and litigation and the like.</li> <li>The Company possesses the list of its major shareholders based on the Register of Shareholders provided by the stock transfer agent.</li> <li>The Company has established relevant management operations with its affiliates.</li> <li>The Company has established "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" to forbid insiders trading on undisclosed information.</li> </ol>	
<ol> <li>Composition and Responsibilities of the Board of Directors         <ul> <li>Does the Board develop and implement a diversified policy and specific managerial goal for the composition of its members?</li> </ul> </li> <li>Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</li> <li>Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?</li> <li>Does the company regularly evaluate the independence of CPAs?</li> </ol>	v v	V	<ol> <li>The composition of the board of directors shall be determined by taking diversity into consideration. Board members shall have the necessary knowledge, skill, and experience to perform his/her duties.</li> <li>The company does not establish other functional committees and will conduct a needs assessment when necessary.</li> <li>The company has formulated rules and procedures for evaluating the Board's performance and conducted the evaluation in 2021.</li> <li>The Company self-evaluates the independence of CPAs annually. The evaluation results were submitted to the Board of Directors for deliberation and passed on May 12, 2022.</li> </ol>	None

			Implementation Status	Deviations from "the Corporate Governance
Evaluation Item	Yes	No	Abstract Illustration	Best-Practice Principles for TWSE/TPEx
				Listed Companies" and Reasons
4. Does the company appoint a suitable number of competent personnel and a manager responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to the board meetings and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V		The Company has appointed a managerial officer for corporate governance matters.	None
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has a designated section on its website for stakeholders.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has designated Taishin Securities Co. Ltd. Stock Affairs to deal with shareholder affairs.	None
7. Information Disclosure				
<ol> <li>Does the company have a corporate website to disclose both financial standings and the status of corporate governance?</li> <li>Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</li> </ol>	V		<ol> <li>The Company has set up a corporate website to disclose information regarding the Company's financial standings.</li> <li>The Company has assigned a dedicated unit to handle information collection and disclosure, and has established a spokesman system according to relevant regulations.</li> </ol>	None
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V		(3) The Company has reported, announced, and filed both financial statements and monthly operating status according to relevant regulations.	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the execution of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<ol> <li>The Company has established intact benefits system and compliance procedures for employee rights and wellness, and sustained long-term relationships with investors by spokesperson and those with suppliers. The Company has smooth communication channels with financial institutions, creditors, employees, customers, and suppliers, and discloses sufficient information (e.g., acquisition/disposals of assets, endorsement/guarantee matters) on MOPS for stakeholders' interests.</li> <li>The Company has arranged training programs for directors.</li> <li>Directors' attendance rates are high.</li> </ol>	None

			Implementation Status	Deviations from "the Corporate Governance
Evaluation Item	Yes	No	A 14	Best-Practice Principles for TWSE/TPEx
	Yes	INO	Abstract Illustration	Listed Companies" and Reasons
			(4) The Company has purchased liability insurance for directors and	
			managers.	
0.791				

<sup>9.</sup> Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures: Improved the company website to offer more information on corporate governance.

Note 1: Evaluation of Auditor Independence

Criteria Independence Criteria													
Name	1	2	3	4	5	6	7	8	9	10	11	12	13
I-Chen Lu	V	V	V	V	V	V	V	V	V	V	V	V	V
Yi-Hui Lin	V	V	V	V	V	V	V	V	V	V	V	V	V

#### Independence Criteria:

- 1. The CPA shall not have significant financial interests in the Company.
- 2. The CPA shall avoid any improper relationship with the Company.
- 3. The CPA shall ensure that their assistants be honest, fair and independent.
- 4. The CPA will not audit financial statements of any company where they have served in the previous two years.
- 5. No other act or document shall be made in the name of the CPA.
- 6. The CPA shall not own any share of the Company.
- 7. There shall not be any borrowing or lending of money between the CPA and the Company. However, this will not apply if the client is a financial institution, and the borrowing or lending is part of a normal business relationship.
- 8. The CPA shall not have any co-investment or profit-sharing relationship with the Company.
- 9. The CPA shall not undertake any recurring work for the Company and in exchange receive fixed salaries.
- 10. The CPA shall not be involved in any managerial function of decision-making of the Company.
- 11. The CPA shall not engage in businesses which may deprive it, him or her of independence.
- 12. The CPA shall not be the spouse, or any lineal relative, relative by marriage, or collateral relative within the fourth degree of relationship, of any managerial officer of the Company.
- 13. The CPA shall not receive any commissions in association with its, his or her businesses.

#### 3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

The Remuneration Committee of the Company is composed of three members, including Lee Shu-Lan, Hung, Lung-Ping, and Liu, Chia-Yuan. The Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, and the evaluation of the directors' and executives' compensation.

#### A. Information of Remuneration Committee Members

Criteria Name (Note 1)	Professional Qualification and Experience (Note 2)	Independence Criteria (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director Lee. Shu-Lan	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company. Current Position: CFO of EBM Technologies. Not been a person of any conditions defined in Article 30 of the Company Law.	An independent Director who has met the independence criteria: including but not int limited to whether they, spouses, relatives within the second degree of kinship serve as a director, supervisor or employer of the Company or affiliates; did not serve as a director, supervisor or employer of a Company with which the Company has a specific relationship; the person herself and spouse hold 14,401 shares (0%) of the Company. No remuneration for commercial, legal, financial and accounting services provided to the Company or affiliates in the past two years.	х
Independent Director Hung, Lung-Ping	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company. Positions: Manager of Pei-Sheng United Accounting Firm, Manager of Chuan-Hsin Accounting Firm, and Director of Shan-Hsin Consulting Ltd. Not been a person of any conditions defined in Article 30 of the Company Law.	An independent Director who has met the independence criteria: including but not int limited to whether they, spouses, relatives within the second degree of kinship serve as a director, supervisor or employer of the Company or affiliates; did not serve as a director, supervisor or employer of a Company with which the Company has a specific relationship; the person himself and spouse hold 194,792 shares (0.07%) of the Company; No remuneration for commercial, legal, financial and accounting services provided to the Company or affiliates in the past two years.	х
Other Liu, Chia-Yuan	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the Business of the Company. Positions: CTO of Yang-Ming Marine Transport Corp., and President of All Ocean Transportation Inc. Not been a person of any conditions defined in Article 30 of the Company Law.	Has met the independence criteria: including but not int limited to whether they, spouses, relatives within the second degree of kinship serve as a director, supervisor or employer of the Company or affiliates; did not serve as a director, supervisor or employer of a Company with which the Company has a specific relationship; the person himself and spouse hold 1,867 shares (0%) of the Company; No remuneration for commercial, legal, financial and accounting services provided to the Company or affiliates in the past two years.	

- Note 1: Please specify the relevant work experiences, professional qualifications and the state of independence of each individual member of the remuneration committee.
- Note 2: Professional Qualifications and Experiences: Specify the professional qualifications and experiences of each individual member of the remuneration committee.
- Note 3: Independence Criteria: Specify the independent criteria that the remuneration commit members have met, including but not int limited to whether they, spouses, relatives within the second degree of kinship serve as a director, supervisor or employer of the Company or affiliates; the proportion of shares held by the independent director, spouses, relatives within the second degree of kinship (or in the name of others); whether the independent director serves as a director, supervisor or employer of a Company with which the Company has a specific relationship (refer to Subparagraphs 5 to 8, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Companies); and the amount of remuneration received for commercial, legal, financial and accounting services provided to the Company or affiliates in the past two years.

#### **B.** Attendance of Members at Remuneration Committee Meetings

- (1) There are three members in the Remuneration Committee.
- (2) Term of Office: from August 13, 2020 to June 8, 2023. A total of two (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)	Remarks
Convener	Lee, Shu-Lan	2	0	100	Independent Director
Committee Member	Hung, Lung-Ping	2	0	100	Independent Director
Committee Member	Liu, Chia-Yuan	2	0	100	

#### Other mentionable items:

- 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
- 2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

# 3.4.5 Proposition of Sustainable Development and Deviations from the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies"

			Implementation Status <sup>1</sup>	Deviations from "the Corporate Social Responsibility Best-Practice Principles
Evaluation Item	Yes	No	Abstract Explanation <sup>2</sup>	for TWSE/TPEx Listed Companies" and Reasons
1. Does the company establish the governance structure of sustainable development and exclusively (or concurrently) dedicated first-line managers authorized and supervised by the board to be in charge of proposing such development?		V	The Company has not yet established such managers and the matter is under discussion.	The Company will do so in accordance with the corporate development and government regulations.
Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?		V	The Company has not yet established risk-related management policies or strategies.	The Company has not yet established risk-related management policies or strategies, and will do so in accordance with the corporate development and government regulations.
3. Environmental issues				
(1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(1) The Engineering Department monitors contractors for the following pollution preventions: air pollution, noise pollution, waste pollution and sewage pollution. The Company endeavors to build a "zero-pollution, zero-accident" workplace.	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(2) The Company implements environmental protection policies, and classifies, recycles and reuses waste by the nature in accordance with the waste control regulations of the Environmental Protection Administration. The Company also introduces concepts of green buildings and green building materials to each construction project.	
<ul><li>(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?</li><li>(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in</li></ul>	V		<ul> <li>(3) The Company complies with the air-conditioning temperature limit regulations of the Taipei City Government for office buildings, and at the same time implements smoke-free public places policy in accordance with the Tobacco Hazards Prevention Act.</li> <li>(4) The Company classifies, recycles, and reuses waste by the nature in accordance with the waste control regulations, and also introduces concepts</li> </ul>	
the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?			of green buildings and green building materials to each construction project.  The engineering department has asked the construction company to build a "zero-pollution, zero-accident" workplace.	
4. Social issues (1) Does the company formulate appropriate management policies	v		(1) The Company enacts work rules and relevant human resources management	None

			Implementation Status <sup>1</sup>	Deviations from "the Corporate Social Responsibility Best-Practice Principles
Evaluation Item	Yes	No	Abstract Explanation <sup>2</sup>	for TWSE/TPEx Listed Companies" and Reasons
and procedures according to relevant regulations and the International Bill of Human Rights?			rules in accordance with the Labor Standards Act to protect the rights and interests of its employees, and convenes labor-management conferences for the purpose of enhancing harmony in labor-management relations and creating a win-win vision for both sides.	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		(2) The Company establishes various employee benefits measures in accordance with the Labor Standards Act and other relevant regulations, provides market-competitive benefits as incentives to employees, and issues performance bonuses on a periodic basis to share business profits with its employees.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) The Company implements occupational safety and health measures and provides a safer working environment to our employees through occupational safety and health training. The Company also organizes family trips and various activities for employees from time to time to relieve work pressure and strengthen solidarity among the employees.	None
(4) Does the company provide its employees with career development and training sessions?	V		(4) The Company non-periodically conducts internal and external training programs that match employees' career development objectives.	None
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V		(5) For the marketing and labelling of products and services, the Company has complied with relevant regulations and international principles. The company has set up a toll-free number: 0800-007819 for questions or advice on products or services raised by consumers, and has accepted complaints through email, fax and phone anytime for consumer rights protection.	None
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		(6) Before dealing with suppliers, the Company requests no prohibited and restricted substance in products and during production processes and take note of agreements related to compensation for breach of contract and cancellation of contract.	None
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		V	The Company does not reference such standards or guidelines for reports that disclose non-financial information of the company.	The Company will do so in accordance with the corporate development and government regulations.
6. Describe the difference, if any, between actual practice and the sus Practice Principles for TWSE/TPEx Listed Companies: The Compan			development principles, if the company has implemented such principles based or established sustainable development policies.	n the Sustainable Development Best

<sup>7.</sup> Other useful information for explaining the status of sustainable development practices: None

# 3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

				Implementation Status	Deviations from the "Ethical Corporate
Evaluation Item	Yes No			Abstract Illustration	Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
Establishment of ethical corporate management policies and programs     (1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of	V		(1)	The Company conducts business activities in a fair and transparent manner to avoid making deals with unethical clients.	None
Directors and management towards enforcement of such policy?  (2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2,	V		(2)	The Company formulates work rules for employee trainings sessions, promotes corporate ethical philosophies, and accepts operations of reports and complaints at anytime.	None
Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?  (3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	V		(3)	The company enhances management system and execution against unethical conduct, and penalizes employees that violate rules and regulations according to the seriousness of the violation.	None
2. Fulfill operations integrity policy					
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(1)	The Company conducts business activities in a fair and transparent manner to avoid making deals with unethical clients, and pays special attention to whether suppliers have unethical records.	None
(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?		V	(2)	The Company has not yet established such unit on a full-time or part-time basis. The Audit Office is responsible for executing assessment operations periodically and non-periodically, and reporting to the Board of Directors.	The company will establish a full-time or part-time unit for future corporate development needs.
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and	V		(3)	The company enhances management system and execution against unethical conduct, and penalizes employees that violate rules and	None

				Implementation Status	Deviations from the "Ethical Corporate
Evaluation Item		Yes No		Abstract Illustration	Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
implement it?  (4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management?  Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?			(4)	regulations according to the seriousness of the violation.  The company has set up an audit office to periodically and non-periodically execute assessment operations.	None
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5)	The Company advocates the ethical corporate philosophies and regulations at monthly meetings.	None
<ol> <li>Operation of the integrity channel</li> <li>Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</li> </ol>	V		(1)	The Company has established reporting and punishment systems, and appointed appropriate persons for follow-up.	None
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		(2)	The Company has set up employee reporting procedures, including SOPs for investigations, and relevant post-investigation confidentiality measures.	None
(3) Does the company provide proper whistleblower protection?	V		(3)	The Company is responsible for maintaining the confidentiality of whistleblowers, and never takes retaliation actions against them.	None
Strengthening information disclosure     Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		(1)	The Company has built a corporate website and disclosed ethical corporate management policies on the website.	None

<sup>5.</sup> If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has established "Ethical Corporate Principles"; the practice of which is not significantly different from that of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.

#### 3.4.7 Corporate Governance Guidelines and Regulations

The Company has established "Corporate Social Responsibility Best Practice Principles" in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and published the contents on the Company's website

#### 3.4.8 Other Important Information Regarding Corporate Governance: None.

<sup>6.</sup> Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): None

#### 3.4.9 Internal Control Systems

#### A. Statement of Internal Control System

# Founding Construction Development Corp. Statement of Internal Control System

Date: March 17, 2022

Founding Construction Development Corp. (the "Company") states the following with regard to its internal control system of year 2021 based on the findings of its self-assessment:

- 1. The Company acknowledges that its Board of Directors and management are responsible for establishing, implementing, and maintaining an internal control system. The internal control system has been established and is a process designed to provide reasonable assurance of the effectiveness and efficiency of the Company's operations (including profitability, performance and safeguarding of assets); the reliability, timeliness, and transparency of the Company's reports and statements; and the compliance with applicable laws and regulations.
- 2. Any internal control system has inherent limitations. No matter how thoroughly designed, an effective internal control system can provide only reasonable assurance of accomplishing of the foregoing objectives. Moreover, the effectiveness of the internal control system may be subject to any change of environment or circumstance. Nevertheless, the Company's internal control system contains self-monitoring mechanisms which would enable the Company to take immediate remedial actions in response to any identified deficiency.
- 3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (the "Regulations"). The Regulations identify five key components of internal control during the management control process: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each such component includes several other elements. Please see details in the Regulations.
- 4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- 5. Based on the result of such evaluation, the Company believes that, on December 31, 2021, it has maintained an effective internal control system (which includes the supervision and management of the Company's subsidiaries) that can assure achievement in the foregoing objectives such as operational effectiveness and efficiency, reliability, timeliness, and transparency of reports and statements, and compliance with applicable laws and regulations.
- 6. This statement is an integral part of the annual report and prospectus of the Company and will be made public. Any falsehood, concealment, or other illegality in the content thereof will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- 7. This statement was approved by the Board of Directors on March 17, 2022, with a unanimous consent of all 9 Directors attending the meeting.

Founding Construction Development Corp.

Chairman: LIU HSIN-HSIUNG

President: LIU HUA-HSING

**B.** The Company auditing its internal control system by a CPA shall disclose the CPA audit report: None

#### 3.4.10 Penal Provisions

If there has been any legal penalty against the company and 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, where the result of such penalty could have a material effect on shareholder interests or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

#### 3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

Item	Date	Major resolutions
Shareholders' Mee	ting	
Shareholders' meeting	July 16 2021	<ol> <li>Adoption of the 2020 business report and financial statements.</li> <li>Adoption of the 2020 Profit Distribution Statement</li> <li>Amendments to the Procedures for Acquisition and Disposal of Assets.</li> <li>Amendments to the Rules for Election of Directors</li> </ol>
Board Meeting	L	
Board meeting	Jan 18 2021	<ol> <li>Proposal for bidding land and building.</li> <li>Amendments to the Procedures for Acquisition and Disposal of Assets.</li> </ol>
Board meeting	March 17 2021	<ol> <li>Integration and development of building and land</li> <li>Set up of a corporate governance officer.</li> <li>Proposal of the 2020 distribution of director and employee compensation.</li> <li>Proposal of the 2020 distribution of managerial officer's compensation.</li> <li>Approval of the 2020 business reports.</li> <li>Approval of the 2020 profit distribution.</li> <li>Approval of the 2020 distribution of cash dividend.</li> <li>Issues on the convention of the Shareholders' Meeting</li> <li>Proposal of the distribution ratio of the director and employee compensation.</li> <li>Bank financing</li> <li>Amendments to the Rules for Election of Directors, and the Codes of Ethical Conduct for the Board of Directors and Managers</li> <li>Formulation of the Rules for Inter-affiliate Financial and Business Operation. Amendments to the Organizational Chart of the Audit Committee, the Organizational Chart of the Remuneration Committee, the Rules for the Scope of Responsibility of the Independent Directors, and the Authorization and Deputy System.</li> <li>Submission of the Statement of Internal Control</li> <li>Review of 2021 Audit Fee</li> </ol>
Board meeting	April 29 2021	<ol> <li>Proposal of sales of land and building</li> <li>Amendments to the Internal Control System and the Internal Audit System.</li> </ol>
Board meeting	May 12 2021	<ol> <li>Evaluation of auditor independence.</li> <li>Evaluation of auditor performance.</li> <li>Bank financing</li> </ol>
Board meeting	June 25 2021	<ol> <li>Proposal of sales of land and building.</li> <li>Proposal of the capital increase of the subsidiary.</li> <li>Postponement of the 2021 Shareholders' Meeting.</li> </ol>
Board meeting	July 9 2021	<ol> <li>Proposal of sales of land and building.</li> <li>Proposal of sales of land.</li> </ol>
Board meeting	August 12 2021	1. Bank financing.
Board meeting	Sep 27 2021	<ol> <li>Proposal of the joint development with the land owner.</li> <li>Bank financing.</li> </ol>

Item	Date	Major resolutions
		Proposal of the 2021 distribution of managerial officers' bonus.
		2. Proposal of the 2021 budget and business plans
Doord mooting	Nov 11	3. Bank financing
Board meeting	2021	4. Amendments to the Internal Control System and the Internal Audit System of both the Company
		and the subsidiary.
		5. Proposal of the audit plan of the second half of the year.
Board meeting	Jan 17	1. Proposal for bidding land and building.
Board meeting	2022	2. Bank financing.
		1. Integration and development of building and land.
		2. Proposal of the 2020 distribution of director and employee compensation.
		3. Proposal of the 2020 distribution of managerial officer's compensation.
		4. Approval of the 2020 business reports.
		5. Approval of the 2020 profit distribution.
Board meeting	March 17	6. Approval of the 2020 distribution of cash dividend.
Doard meeting	2022	7. Issues on the convention of the Shareholders' Meeting.
		8. Proposal of the distribution ratio of the director and employee compensation.
		9. Bank financing
		10. Amendments to the Procedures for Acquisition and Disposal of Assets.
		11. Submission of the Statement of Internal Control.
		12. Review of 2022 Audit Fee

Major resolutions at the 2021 Shareholders' Meeting and executions:

- (1) Adoption of the 2020 business report and financial statements. Execution: public announcement and registration were made in accordance with regulations.
- (2) Adoption of the 2020 profit distribution. Execution: The record date of ex-dividend was set to June 20, 2021 and the distribution day was set to July 9, 2021. (cash dividend NT\$0.6 per share)
- (3) Approval of amendments to the "Procedures for Acquisition and Disposal of Assets" Execution: Upload and registration of the contents were completed in accordance with regulations.
- (4) Approval of amendments to the "Rules for Election of Directors" Execution: Amendments were made in accordance with regulations.
- 3.4.12 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None
- 3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D: None
- 3.5 Information Regarding the Company's Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte Touche	I-Chen Lu	2021.1.1~2021.12.31	2,600		2,600	None
Tohmatsu Limited	Yi-Hui Lin	2021.1.1~2021.12.31	2,000	-	2,000	None

- (1) Non-audit fee paid to the accountants, CPA firm, and its associated enterprises accounted for more than 25% of the audit fee: None
- (2) Replaced the CPA firm for auditing and the audit fee paid in the replacing year is less than the audit fee paid in the previous year: None
- (3) The audit fee of the current year is less than the year before by more than 10%: None

#### 3.6 Replacement of CPA: None

2.6.1 Regarding the former CPA: N/A

2.6.2 Regarding the successor CPA: N/A

#### 2.6.3 Reply of the former CPA to Article 10-6-1, and 10-6-2-3: N/A

#### 3.7 Audit Independence

The Company's Chairman, President, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates within the year.

#### 3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

#### 3.8.1 Changes in Shareholding

			021	As of April 11, 2022		
Title	Name	Holding +/(-)	Pledged Holding +/(-)	Holding +/(-)	Pledged Holding +/(-)	
Chairman	Syntain Corp.	-	-	-	(6,000,000)	
Representative of Chairman	Liu, Hsin-Hsiung	-	-	-	-	
Vice Chairman	Syntain Corp.	-	-	-	(6,000,000)	
Representative of Vice Chairman	Liu, Min-Liang	(200,000)	-	-	-	
Director	Syntain Foundation	-	-	-	-	
Representative of Institutional Director	Liu, Fang-Wen	-	-	-	(2,500,000)	
Director	Wenrui Investment	-	-	-	-	
Representative of Institutional Director	Chiang, Guang-Hui	(118,000)	-	-	-	
Director	Liu, Hua-Hsing	-	-	-	-	
Director	Ho, Ming-Hui	-	-	-	-	
Independent Director	Lee, Shu-Lan	-	-	-	-	
Independent Director	Chen, Bo-Yung	-	-	-	-	
Independent Director	Hung, Lung-Ping	(6,000)	-	-	-	
Major Shareholder	May-Hsiung Investment	-	-	(490,000)	-	
President	Liu, Hua-Hsing	-	-	-	-	
Executive Vice President	Tsao, Lo-Fang	-	-	-	-	
Vice President	Cheng, Jing-Hung	-	-	-	-	
Vice President	Mo, Rong-Fa	-	-	-	-	
Vice President	Su, Yan-Ting	-	-	-	-	
Assistant Vice President	Liu, Yen-Hui	-	-	-	-	
Assistant Vice President	Liao, Wan-Jing	-	-	-	-	
Assistant Vice President	Huang, Wen-Chu	-	-	-	-	
Assistant Vice President	Cheng, Yen-Fen	-	-	-	-	
Assistant Vice President	Hsu, Yang-Ting	-	-	-	-	
Corporate Governance Officer	Hsu, Wei-Lun	13,000	-	-	-	

#### 3.8.2 Transfer of Shares

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Managers and Major Shareholders	Shares	Transaction Price (NT\$)
Liu, Min-Liang	Gift	Jan. 8, 2021	Huang, Dai-Xuan	Spouse	200,000	16.10

#### 3.8.3 Shares Pledge with Related Parties: None

#### 3.9 Relationship among the Top Ten Shareholders

April 11, 2022

									Aprii 11, 2022
Name (Note1)	Cur Shareh		Spouse's Shareh		by No	nolding ominee gement	Name and Relat the Compar Shareholders, Relatives With	Remarks	
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Mei-Hsiung Investment Co. Ltd	55,857,212	19.58	-	÷	-	-	-	-	
Representative: Liu, Fang-Wen							Liu, Hsin-Hsiung	Father-Daughter	
Syntain Corp.	25,718,571	9.02	-	-	-	-	-	-	
Representative: Liu, Min-Liang							Liu, Hsin-Hsiung	Father-Son	
Fu-Hsiung Investment	15,790,416	5.54	-	-	-	-	-	-	
Representative: Liu, Yue-Yun							Liu, Hsin-Hsiung	Siblings	
Fu-Long-Chang Investment	11,147,000	3.91	-	-	-	-	-	-	
Representative: Liu, Shu-Hung							Liu, Hsin-Hsiung	Father-Son	
Liu, Fang-Wen	8,398,837	2.94	-	-	-	-	Liu, Hsin-Hsiung	Father-Daughter	
Liu, Min-Liang	7,997,932	2.80	2,247,000	0.79	-	-	Liu, Hsin-Hsiung	Father-Son	
Liu, Shu-Hung	7,972,401	2.79					Liu, Hsin-Hsiung	Father-Son	
Fu-Bang Investment	7,128,000	2.50							
Representative: Liu, Yen-Ling									
Liu, Hsin-Hsiung	6,683,941	2.34	5,446,997	1.91	-	-	Liu, Min-Liang	Father-Son	
Chang-Fu Investment	6,429,555	2.25	-	-	-	-	-	-	
Representative: Lin, Hsiang-Min							-	-	

#### 3.10 Ownership of Shares in Affiliated Enterprises

Unit: shares/ %

Affiliated Enterprises (Note)	Ownership by	the Company		et Ownership by Managers	Total Ownership		
	Shares	%	Shares	%	Shares	%	
Chien Chiao Construction	15,000,000	100%	-	-	15,000,000	100%	
FUSHIN Hotel	15,100,000	94%	900,000	6%	16,000,000	100%	
Hsin-Long-Hsing Investment	30,000,000	100%	-	-	30,000,000	100%	

Note: Long-term equity investment by the Company accounted for under the equity method.

### IV. Capital Overview

# 4.1 Capital and Shares

# 4.1.1 Source of Capital

#### A. Issued Shares

	_	Authoriz	ed Capital	Paid-In	Capital	Remark	K	
Month /Year	Par Value (NT\$)	Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	other
April, 1991	10	6,000,000	60,000,000	6,000,000	60,000,000	Initial Capital	None	-
Sept. 1994	10	12,000,000	120,000,000	12,000,000	120,000,000	Capital increase: NT\$60 million by cash	None	-
July, 1997	10	90,000,000	900,000,000	33,200,000	332,000,000	Capital Increase: NT\$200 million by cash and NT\$12 million by earnings MOF, Tai-Tsai-Cheng(1) -No.53242 (July 3, 1997)	None	-
June, 1998	By cash: 12 By Earnings 10	90,000,000	900,000,000	61,600,000	616,000,000	Capital Increase: NT\$200 million by cash and NT\$84 million by earnings and employee bonus MOF, Tai-Tsai-Cheng(1) -No.45729 (May 25, 1998)	None	-
July 1999	10	90,000,000	900,000,000	80,360,000	803,600,000	Capital Increase: NT\$187.6 million by earnings and employee bonus MOF, Tai-Tsai-Cheng(1) -No.54826 (June 3, 1999)	None	-
June 2000	10	160,000,000	1,600,000,000	108,888,000	1,088,880,000	Capital Increase: NT\$285.28 million by earnings and employee bonus MOF, Tai-Tsai-Cheng(1) -No.43092 (May 18, 2000)	None	-
Sep 2001	10	160,000,000	1,600,000,000	125,800,000	1,258,000,000	Capital Increase: NT\$169.12 million by earnings and employee bonus MOF, Tai-Tsai-Cheng(1) -No.142195 (July 2, 2001)	None	-
Nov 2002	10	160,000,000	1,600,000,000	115,800,000	1,158,000,000	Capital Reduction: NT\$100 million by repurchase and cancellation of treasury shares. MOF, Tai-Tsai-Cheng(3) –No. 0910149111 (Sep 2, 2002) and No.0910156253 (Oct 16, 2002)	None	-
Dec 2003	10	160,000,000	1,600,000,000	115,000,000	1,150,000,000	Capital Reduction: NT\$8 million by repurchase and cancellation of treasury shares. MOF, Tai-Tsai-Cheng(3) –No. 0920155800 (Nov 21, 2003)	None	-
August 2005	10	160,000,000	1,600,000,000	118,450,000	1,184,500,000	Capital Increase: NT\$34.5 million by capital surplus FSC, Jin-Kuan-Cheng(1) - No.0940125009 (June 28,2005)	None	-
August 2006	10	160,000,000	1,600,000,000	125,000,000	1,250,000,000	Capital Increase: NT\$65.5 million by earnings and capital surplus FSC, Jin-Kuan-Cheng (1) - No.0950126365 (June 26,2006)	None	-
August 2007	10	160,000,000	1,600,000,000	144,200,000	1,442,000,000	Capital Increase: NT\$192 million by earnings and employee bonus FSC, Jin-Kuan-Cheng (1) - No.0960032882 (June 28,2007)	None	-

June 2008	10	250,000,000	2,500,000,000	166,300,000	1,663,000,000	Capital Increase: NT\$221 million by earnings and employee bonus FSC, Jin-Kuan-Cheng (1) -No. 0970017707 (April 25, 2008)	None	-
March 2009	10	250,000,000	2,500,000,000	165,928,000	1,659,280,000	Capital Reduction: NT\$3.72 million by repurchase and cancellation of treasury shares. FSC, Jin-Kuan-Cheng (3) -No. 0970070058 (Dec 22, 2009)	None	-
August 2009	10	250,000,000	2,500,000,000	177,775,293	1,777,752,930	Capital Increase: NT\$118,472,930 by earnings and employee bonus FSC, Jin-Kuan-Cheng (FA)-No. 0980033683 (July 7, 2009)	None	-
August 2010	10	250,000,000	2,500,000,000	194,029,781	1,940,297,810	Capital Increase: NT\$162,544,880 by earnings and employee bonus FSC, Jin-Kuan-Cheng (FA)-No. 0990033713 (June 30, 2010)	None	-
August 2011	10	250,000,000	2,500,000,000	211,770,994	2,117,709,940	Capital Increase: NT\$177,412,130 by earnings and employee bonus FSC, Jin-Kuan-Cheng (FA)-No. 1000030070 (June 29, 2011)	None	-
July 2012	10	250,000,000	2,500,000,000	226,982,797	2,269,827,970	Capital Increase: NT\$152,118,030 by earnings and employee bonus FSC, Jin-Kuan-Cheng (FA)-No. 1010028294 (June 26, 2012)	None	-
August 2013	10	250,000,000	2,500,000,000	243,169,643	2,431,696,430	Capital Increase: NT\$161,868,460 by earnings and employee bonus FSC, Jin-Kuan-Cheng (FA)-No. 1020024518 (June 25, 2013)	None	-
August 2014	10	360,000,000	3,600,000,000	255,664,714	2,556,647,140	Capital Increase: NT\$124,950,710 by earnings and employee bonus FSC, Jin-Kuan-Cheng (FA)-No. 1030023894 (June 24, 2014)	None	-
August 2015	10	360,000,000	3,600,000,000	271,335,579	2,713,355,790	Capital Increase: NT\$156,708,650 by earnings and employee bonus FSC, Jin-Kuan-Cheng (FA)-No. 1040024163 (June 26, 2015)	None	-
August 2016	10	360,000,000	3,600,000,000	285,244,944	2,852,449,440	Capital Increase: NT\$141,628,790 by earnings and employee bonus	None	-

# B. Type of Stock

Share Type	Issued Shares (Note: :Listed Shares)	Un-issued Shares	Total Shares	Remarks	
Common Stocks	285,244,944	74,755,056	360,000,000	-	

#### **4.1.2 Status of Shareholders**

April 11, 2022

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	4	34	4,557	46	4,641
Shareholding (shares)	0	151,793	132,507,742	143,038,570	9,546,839	285,244,944
Percentage	0.00%	0.05%	46.45%	50.15%	3.35%	100.00%

#### 4.1.3 Shareholding Distribution Status

April 11, 2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	2,106	548,493	0.19%
1,000 ~ 5,000	1,455	3,212,714	1.13%
5,001 ~ 10,000	371	2,763,271	0.97%
10,001 ~ 15,000	134	1,677,917	0.59%
15,001 ~ 20,000	102	1,809,733	0.63%
20,001 ~ 30,000	109	2,712,274	0.95%
30,001 ~ 40,000	52	1,825,042	0.64%
40,001 ~ 50,001	36	1,659,068	0.58%
50,001 ~ 100,000	89	6,243,594	2.19%
100,001 ~ 200,000	70	10,075,240	3.53%
200,001 ~ 400,000	51	15,162,858	5.32%
400,001 ~ 600,000	14	6,854,079	2.40%
600,001 ~ 800,000	7	4,847,370	1.70%
800,001 ~ 1,000,000	8	6,876,991	2.41%
1,000,001 or over	37	218,976,300	76.77%
Total	4,641	285,244,944	100.00

#### 4.1.4 List of Major Shareholders

April 11, 2022

Shareholder's Name	Shareholding		
Snarenoider's Name	Shares	Percentage	
Mei-Hsiung Investment	55,857,212	19.58	
Syntain Corp.	25,718,571	9.02	
Fu-Hsiung Investment	15,790,416	5.54	

Note: List all shareholders with a stake of 5 percent or greater, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list.

## 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2020	2021	01/01/2022- 04/15/2022 (Note 8)
Market Price per Share (Note 1)			
Highest Market Price	17.75	20	20.15
Lowest Market Price	12.9	15.25	18.55
Average Market Price	15.82	17.18	19.17
Net Worth per Share (Note 2)			
Before Distribution	26.08	29.19	-
After Distribution	25.48	(Note 9)	(Note 9)
Earnings per Share			
Weighted Average Shares (thousand shares)	285,245	285,245	285,245
Earnings Per Share (Note 3)	0.85	3.72	-
Dividends per Share			
Cash Dividends	0.6	1	-
Stock Dividends			
• Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends(Note 4)	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 5)	18.61	4.62	-
Price / Dividend Ratio (Note 6)	26.37	17.18	-
Cash Dividend Yield Rate (Note 7)	3.79%	5.82%	-

#### Notes:

If stock dividends were paid by new shares from capitalization of retained earnings or additional paid-in capital, disclose the market price per share after adjustment in retrospect with the release of the new shares and information on cash dividend.

- 1. Specify the high and low market price of each common share in relevant years, and calculate the average market price of relevant year with reference to the trading value and volume.
- 2. Fill in the information on the basis of the quantity of outstanding shares on the last day of the year, and the resolution of the Shareholders' Meeting for distribution of the year.
- 3. If stock dividends were paid with retroactive adjustment, state the earnings per share before and after adjustment.
- 4. If the issuance of equity securities allowed for the accumulation of undistributed dividends of the year to the year with earnings as a condition for offering, disclose the undistributed dividends accumulated to current period.
- 5. Price / Earnings Ratio = Average Market Price / Earnings per Share
- 6. Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
- 7. Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price
- 8. The net value per share and the earnings per share should be included in the latest seasonal financial report as of the Annual Report printing date, which is audited (reviewed) by the accountant; the remaining columns should be filled in with the data of the current year as of the Annual Report printing date. 2022 Q1 financial reports were not yet completed as of the printing date.
- 9. Yearly earnings for 2021 have not been resolved by the Board of Directors yet.

#### 4.1.6 Dividend Policy and Implementation Status

## A. Dividend Policy

Where the Company has a profit after tax at the end of each fiscal year, the Company shall offset the accumulative losses (including adjustment of retained profits) and set aside a legal capital reserve at 10% of the remaining profits first provided that the amount of accumulated legal capital reserve has not reached the amount of the paid-in capital of the Company, and then set aside or reverse the remains as special reserve in accordance with relevant laws, rules and regulations. With the balance after deductions in the preceding paragraphs together with retained profits from preceding years (including adjustment of retained profits), the Board of Directors are authorized to prepare proposal for profits earnings distribution and adopt a resolution by a majority vote at a meeting of the Board of Directors attended by two-thirds or more of all the Directors to distribute dividends and bonuses in whole or in part in cash, and then report such distribution to the shareholders' meeting. Where distributing surplus profits by issuing new shares in accordance with the preceding paragraph, it shall be adopted by the resolution of the shareholders' meeting in accordance with Article 240 of the Company Act. About the distribution of dividends of the Company, the ratio for dividend in cash shall not be lower than 30% of total distribution.

## **B.** Proposed Distribution of Dividend

The proposal for a cash dividend of NT\$1 per share will be discussed and approved at the annual general shareholders meeting on June 9<sup>th</sup>, 2022.

# 4.1.7 The impact of the stock dividends proposed in the current Shareholders Meeting on the Company's operating performance and earnings per share: N/A

## 4.1.8 Compensation of Employees and Directors

A. Information Relating to Compensation of Employees and Directors in the Articles of Incorporation

The Company shall set aside 0.6% to 3% of the profits (before tax and before compensation distribution to the employees and Directors in any fiscal year) as employee compensation. The Board of Directors may resolve to distribute employee compensation in shares or cash. Employees of parents or subsidiaries of the Company meeting certain specific qualifications may be entitled to receive employee compensation. The Board of Directors may resolve to set aside not more than 2% of such profits for compensation for Directors.

- B. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period
- ①The amount of employee and Director compensation is calculated respectively as 0.6% and 0.28% of the amount of annual profits that might be distributed based on past experience of the Company.
- ② The calculation of the number of shares as employee compensation is determined based on the closing price of the day immediately before the date of the resolutions of the Board of Directors to issue new shares. The amount which is less than the value of one share should be distributed in cash.
- ③ If there is any difference between the actual distributed amount and the assessed figure, it shall be dealt with the rules of changes in accounting estimates and be carried into account for the year in which the resolutions of shareholders' meeting are made.
- C. Distribution of Remuneration Resolved by the Board of Directors

- ① Remuneration to employees and directors paid in cash or with stock dividends. If it is different from the estimated amount of the expense recognition year, the difference amount, cause, and treatment should be disclosed: Proposed remunerations to employees and directors are NT6.911 million and NT\$3.24 million respectively, which are not different from the estimated amount of expense recognition year.
- ② The amount of stock dividends distributed to employees and their ratio to the net income and total remuneration to employees on the only and Individual Financial Report: N/A
- D. Information of 2020 Distribution of Compensation of Employees, and Directors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee, or director compensation, additionally the discrepancy, cause, and how it is treated: The actual employee bonus and remuneration of directors, both paid by cash, were NT\$5.961 million and NT\$3.24 million respectively, and there was no discrepancy between the actual distribution and the recognized amount.
- 4.1.9 Buy-back of Treasury Stock: None

4.2 Bonds: None

4.3 Preferred Stocks: None

4.4 Global Depository Receipts: None

4.5 Employee Stock Options: None

4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

4.7 Financing Plans and Implementation: None

## V. Operational Highlights

#### **5.1 Business Activities**

## **5.1.1 Business Scope**

#### A. Main Business and its Weight

- ① Contracted construction of residential properties, hotels, industrial factories, and commercial buildings for rent, sale, etc.
- ② Interior design and construction.
- ③ Introduction of house rental and sale, and agent service for sales of overseas real estate.
- Operation and management of hotels and catering services.

The Company is mainly engaged in rental and sales of residential properties, hotels, commercial buildings and industrial factories built by construction companies contracted by the Company. The Company has actively participated in hotel operations in recent years, though construction revenue is still the main source of revenue of the Company.

#### B. Current Products (Services)

The main products of the Company are industrial office buildings, residential and commercial buildings, hotels and multi-dwelling units. The Company has also recently undertaken a couple of hotel operations.

#### C. New Products (Services) Planned to be Developed

- ①Reconstruction of old communities: To take active participation in urban renewal programs to accelerate the reconstruction of old communities in prime downtown areas.
- ② Multifunctional business hotels: Mixed-use hotels satisfying the diversified demands of worldwide businesspersons and providing cost-effective options for accommodation and catering services.
- 3 Construction, operation, and management of service apartments.
- (4) Construction of residences and suites near every major science park in Taiwan.

## 5.1.2 Industry Overview

#### A. Current Status and Future Development

In 2021, the real estate market was affected by the economic recovery, inflation, rising prices of manpower and raw materials, and government intervention. In December, 2020, the Central Bank has conducted selective credit controls, the first policy to cap the market speculation; in 2021, it has cut loan-to-value ratios and limited the period of construction commencement to 18 months after land purchase to rein in mortgage and land financing. Yet, the number of ownership transfers in 2021 has reached an 8-year high. The Central Bank has tightened the mortgage conditions which deterred investment in the real estate market; therefore, the housing market demand is shifting toward rigid demands of self-occupied properties.

The outbreak of COVID-19 has been recurrent. Even though the pandemic situation was well under control in Taiwan, it still had a huge impact to both the hotel and F&B industries. The global pandemic is still severe, and entry restrictions applied to foreign tourists have significantly influenced hotels in north region, who will grasp business opportunities only when the COVID-19 pandemic is brought under control and the border is reopened.

#### B. Relevance of Upstream, Midstream and Downstream

The recent development of smart technology has been reflected in applications of construction materials and facilities; the use of environmentally friendly and energy-saving construction materials has greatly improved the quality of architectural buildings to help provide customers with more complete and convenient services to meet the needs of modern life.

The hotel, in conjunction with its upstream suppliers (such as suppliers of food and beverage ingredients, room amenities, hardware and software) and marketing channel partners (such as travel agencies and online booking platforms) provides more comfortable and convenient, exquisite services to improve consumer satisfaction.

## C. Product Trends and Competition

The CB anti-flipping rules and global inflation have attracted youngsters to enter the real estate market, causing a new wave of home purchases. Thus, meeting the market demand and product design requirement is the future trend.

With COVID-19 continuing to spread, many countries have resorted to international border closures which restrict arrivals and departures of travelers around the world, having a knock-on effect on the global tourism industry. Even though there is proper control of the pandemic situation in Taiwan, driving populations for domestic travel with assistance plans from the government, there is still no way to fill the gap left by the loss of foreign travelers. In addition to the on-going promotion of the domestic tourism market, we also hope that the pandemic will soon be brought under control, and the border will be fully opened as soon as possible.

## 5.1.3 Research and Development: None

### 5.1.4 Long-term and Short-term Business Development Plans

#### A. Short-term Business Development Plan

The supply shortage of raw materials, the "Real Value Registry Scheme 2.0", the tighter loan-to-value policy, and five major anti-flipping rules will all cause sales stagnation. To achieve smooth selling processes, we adjust selling strategies to increase the purchase intention of self-occupied customers.

For our accommodation services, we have taken advantages of "5000 Quintuple Stimulus Vouchers", a subsidy program issued by the government, to keep promoting local tour packages in order to stimulate consumption and elevate hotel exposure and reputation. For our catering services, we aim to improve the development of new dishes as well as our services and quality of food and beverage, and avoid using US ractopamine pork to provide customers with quality dining environment and services.

## B. Long-term Business Development Plan

The Company actively searches and develops metropolitan districts with development potentials to build commercial buildings, high-grade residences, business suites and high-quality industrial office buildings in order to offer a diversified portfolio of professional fields and enhance the competitive advantage of the Company.

Once the pandemic slows down and borders of the countries are opened up, we will aim at diversifying into various national markets. We will cooperate with different partners in the tourism industry to strengthen the development of domestic travel market, with an expectation to disperse demands and risks of different markets. With an aging population, we will offer wellness diets and reinforce the uniqueness of food and beverage to enrich customers' dining experience.

#### 5.2 Market and Sales Overview

#### **5.2.1 Market Analysis**

## A. Sales (Service) Region

Projects are mainly located in Greater Taipei Area and Tainan. Major projects in the last three years are listed as follows:

Year	Project	Sales Region	Household numbers	Year of Completion	Building Type
2021	Meditation Garden	WenShan District, Taipei City	40	2024	Condominium
2020	Li Ren Condominium	North District, Tainan City	27	2024	Condominium
2020	Star Technology	Neihu, Taipei City	24	2023	Factory and office building
2020	Founding Li-Yuan	Sang-Chong, New Taipei City	98	2022	Condominium
2019	United Tech Building A	Xizhi, New Taipei City	22	2021	Factory and office building
2019	Founding Yi-Pin	Nangang, Taipei City	64	2023	Condominium

#### B. Market Share

In 2021, the Company sold built and pre-sales houses primarily in the Greater Taipei area and Tainan City. According to the survey of real estate price index made by Cathay Real Estate, the total supply of projects countrywide is about NT\$ 1,300 billion, and the supply of the Company is about NT\$ 8 billion, constituting a market share of approximately 0.61%.

#### C. Future Demand & Supply and Growth of Market

① Supply: The long-term shortage of construction labors and the lack of raw materials caused by the pandemic impact, increase of wages, all play an important part in profit suppression that drives up housing prices. In addition, the scarcity of vacant land in the Greater Taipei Metropolitan Area, and the difficulty of urban renewal and building reconstruction both lead to land deficiency for future development.

Due to the pandemic, plenty of hotels closed permanently, such as The Sherwood Taipei, Imperial Hotel Taipei, Golden China Hotel, Gala Hotel, The Place Yilan, Chateau de Chine Taoyuan, Ambassador Hotel Kaohsiung, Holiday Garden Hotel. Nevertheless, there are still lots of new hotels opening, for instance, Hotel Metropolitan Premier Taipei, Hotel Gracery Taipei, Lanyang Seaview Hotel, Vivir Jiaoxi, The Moment Hotel Yilan by Lakeshore, Lakeshore Hotel Hualien Taroko, Hotelday Sun Moon Lake, Just Sleep Tainan Ten-Drum, InterContinental Kaohsiung, Kaohsiung Marriott Hotel etc. With more and more hotels joining the industry, the oversupply of the domestic hotels renders a very competitive market.

② Demand: At present, most of the consumers in the real estate market are still self-owned home buyers; young generations start to enter the market early for value preservation and anti-inflation purposes. Low-price, small-space products now experience the highest demand in the market.

Affected by the pandemic last year, the number of inbound visitors has fallen sharply by more than 90%. Although the Tourism Bureau offers subsidy programs to promote domestic travel, it is still difficult to compensate for the decline of the international tourism flows. The impact is more severe in Northern Taiwan, and we see a downturn of the overall accommodation demand.

③ Growth: The rising costs of raw materials and the manpower shortage have caused housing prices to soar as the market is expected to be bullish. The growth of the commercial real estate market and the amount of real estate transactions both rise, bringing the transaction number to hit a new high.

We hope that the global vaccination can effectively restrain the spread of COVID-19, helping countries to unseal international borders as soon as possible and the tourism industry to re-thrive.

#### D. Competitive Niches

The competitive niches of the Company are as follows:

- ① Development of Lands at Advantageous Locations: The sound land development strategies lay the groundwork for the stable growth of the Company.
- ② Attribute-Based Product Planning: Starting from a human centered approach, the Company designs appropriate, reasonable, convenient and comfortable space for use in response to the trend of aging population and lower birth rate.
- ③ Intelligent Architectural Design: The combination of intelligent building and IoT has become a modern architectural trend. The location, planning, hardware and software facilities, and energy-saving building materials are all the keys to success.
- Strict Management of Construction: The Company strictly monitors the quality of each construction project, effectively controls the construction period, and continues to research and develop new construction techniques and new technologies.
- S Thorough After-Sales Services: The Company proactively maintains good interactions with our customers and provides satisfactory after-sales service at any time.
- ⑤ Sound Financial Management: The Company relies on a stable financial structure, flexible capital deployment and a steady corporate structure for each construction project. With a full grasp of the market trend, the Company is able to devise a large-scale development strategy to take the preemptive opportunities.
- ② In addition to strengthening the advantages of the hotels, the Company will also enhance the maintenance of hotel facilities, improve the overall service quality, and provides guests with a home-away-from-home accommodation and dining experience.

## E. Favorable and Unfavorable Factors of Development Prospect and Countermeasures

#### ① Favorable Factors

Taipei City and New Taipei City offer convenient living and relatively developed infrastructure; therefore, real estates in these districts still remain the prior choice for hedging purposes. The regional economy expands rapidly, serving as a catalyst of the real estate market.

For the tourism aspect, with an increase of the global vaccine coverage, a retaliatory rigid demand for tourism will emerge if borders get unsealed. The success of the pandemic control in Taiwan is expected to attract more tourists, which will benefit the overall operation of the hotel business.

#### ② Unfavorable Factors

Anti-flipping rules, five major policies, and rising costs of both labor and construction materials all have deterred investors. The Central Bank has tightened the loan-to-value ratio, leading to a larger down payment for house buyers.

In the area of tourism industry, as the pandemic is still spreading globally, countries keep tightening border controls, limiting the number of foreign entrants. Only if the pandemic is effectively controlled, the tourism industry can recover its prosperity.

#### ③ Countermeasures of the Company

In the face of the above-mentioned disadvantages, the Company will take relevant countermeasures to strengthen its competitiveness as follows:

- a. Prudently choosing districts for project development;
- b. Emphasizing the quality of construction and shortening the work schedule of construction;
- c. Improving the competitiveness of products;
- d. Designing products targeted at first- and second-time home buyers
- e. Maintaining a safety stock of land;
- f. Increasing the brand value of the Company;
- g. Providing comprehensive customer services;
- h. Strengthening the development of domestic tourism market and employee training to improve the overall quality of hotel services and competitiveness.

## 5.2.2 Important Uses and Production Processes of Main Products

The Company is mainly engaged in the construction of public housing, industrial and commercial buildings, business hotels, tourist hotels and their rental or sales business, and the development of urban renewal projects. The important uses and production processes of main products are as follows:

#### A. Important Uses of Main Products

- ① Industrial and Commercial Buildings: office spaces and buildings;
- ② Public Housing: residences, shops and business suites;
- 3 Hotels: business hotels and tourist hotels.

#### B. Production Processes of Main Products

- ① Market Survey: Conducting routine survey on each factory, residential, built house, and pre-sale house case, and price inquiry of lands and houses.
- ② Land Development: Searching for lands with development value according to the result of market surveys.
- 3 Planning and Design: Positioning new products and designing products based on market surveys;
- Sales Marketing: Pricing products and conducting commission sales or self-sales;
- © Construction: Strictly supervising the contractors' construction in accordance with permit drawings in order to ensure construction quality;
- © Completion and Handover: Obtaining user licenses, assisting customers to complete the procedures of acceptance and transfer of property rights, and ensuring the rights and interests of customers;
- ② After-Sales services: Establishing a customer-oriented professional service and assisting customers in forming administration committees.

## 5.2.3 Supply Status of Main Materials

- (1) Acquisition of Lands: The Company undertakes land development through brokerage relationships, bids of state-owned and private lands, or self-development. Based on the analysis of market surveys, we look for reasonably priced, well-located lands with appreciation potential. Projects will be carried out mainly as Build to Order, combined with joint construction and urban renewal.
- (2) Construction Projects: Construction projects are undertaken by our re-invested subsidiary, Chien-Chiao Construction Co., Ltd, so that we can effectively control the schedule and quality of the projects.
- (3) Construction materials: All construction materials are carefully selected from good domestic and foreign suppliers, and the main bulk of construction materials is mostly supplied by listed companies to ensure the source of supply and the stability of quality.

## 5.2.4 Major Suppliers and Clients

A. Major Suppliers in the Last Two Calendar Years (Please refer to the table on the next page)

Main Suppliers of the Company for Land Projects and Construction Projects:

- ① Land Projects: The Company is a construction company; the transaction counterparties are unspecified individuals or companies, so there is no main fixed supplier.
- ② Construction Projects: After careful evaluation and price negotiation of projects, we select class A constructers to control the project schedule and quality. At present, the reputation and degree of cooperation of our main contractors are excellent, and the quality and progress of their projects are also well controlled.
- B. Major Clients in the Last Two Calendar Years (Please refer to the table on the next page)

In the recent two years, the Company has mainly been operating leasing and selling of residential and industrial office buildings. Most of the transaction counterparties are unspecified individuals or companies, so there is no fixed selling target.

#### 5.2.5 Production in the Last Two Years

Unit: NT\$ thousands

Year	20	20	20	21	
Sales Major Products	Volume	Value	Volume	Value	
Fu Gui Ming Di	-	2,094	-	-	
Founding Fu-Yi	-	68,386	42	22,422	
Founding Yi-Pin	-	597,488	-	289,547	
Asia Technology Tech Park	22	393,482	=	(32,397)	
United Tech	=	502,427	22	561,671	
Li Ren Ming Di	=	1,076	=	23,785	
Founding Li Garden	=	12,674	=	203,072	
Star Technology	=	11,558	=	189,031	
Meditation Garden	=	318,109	=	2,282	
Hou Gang Sec.	=	=	=	726,472	
Pei Po Sec.	-	-	=	603,147	
Other cases	=	454	=	42,864	
Hospitality Service Costs	-	317,808	=	284,506	
Rental Costs	=	6,340	=	6,878	
Total	22	2,231,896	64	2,923,280	

Note 1: Quantity refers to the number of household completed in the stated year.

Note 2: Value refers to the total construction costs in the stated year, including costs of land, construction and capitalized interests.

#### Major Suppliers in the Last Two Calendar Years

Unit:	NT\$	thousands
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	2020				2021			2022 (As of March 31)				
Item	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	1				Mr. Lin (total: 4 people)	716,600	27.20%		-			
2					Hoover Can Industrial Co., Ltd	595,000	22.58%					
	Others	1,881,676	100.00%		Others	1,323,216	50.22%		Others			
	Net Total Supplies	1,881,676	100.00%		Net Total Supplies	1,881,676	100.00%		Net Total Supplies			

Note 1: Major suppliers refer to those commanding 10%-plus share of annual order volume. Note 2: 2022 Q1 financial reports have not been completed as of the publication date of the annual report.

#### Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

	2020				2021			2022 (As of March 31)				
Item	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Taiwan Asset Management Corporation	1,171,418	30.55%		Hsin-Li-Yi Investment	788,596	20.90%		-			
2	Hsin-Li-Yi Investment	1,000,133	26.08%		Tul.Corp.	541,992	14.37%					
	Others	1,663,347	43.37%		Others	2,441,552	64.73%		Others			
	Net Total Sales	3,834,898	100.00%		Net Total Sales	3,772,140	100.00%		Net Total Sales			

Note 1: Major clients refer to those commanding 10%-plus share of annual order volume

Note 2: 2022 Q1 financial reports have not been completed as of the publication date of the annual report.

## **5.2.6** Sales in the Last Two Years

Unit: NT\$ thousands

Doning A Name	20	20	20	)21	Duning Name	20	)20	20	21
Project Name	Quantity	Value	Quantity	Value	Project Name	Quantity	Value	Quantity	Value
Glion	8	203,999	2	59,935	United Tech	-	-	10	687,992
Nan Ke Ming Men	38	191,908	-		Asia Pacific Technology Park (Jin Lian Xi Zhi)	22	1,171,418	-	-
Fu-Yi Tainan			1	21,059	Sun Technology Plaza	-	-	2	585,452
Cosmos Technology	1	105,014	2	223,096	Da-Qian Department Store (TDR)	-	192,742	-	114,772
Universal Technology	2	184,264	5	350,822	Land Sales Revenue	-	1,000,133	-	788,596
Dong Hu Li Yuan	7	239,366	-	-	Other Construction Revenue	-	46,923	-	-
Fu Gui Ming Di	14	128,956	23	278,091	Rental Revenue	-	8,881	-	9,533
Royal Condominium	1	22,365	-	-	Hospitality Service Revenue	-	338,929	-	280,802
Founding Fu-Yi	-	-	25	371,990					
					Total	93	3,834,898		3,772,140

Note: Sales volume and sales value are recorded based on the number of households with operating revenues recognized in the current year and the actual amount of revenues recognized based on contract prices.

#### 5.3 Human Resources

	Year	2020	2021	Data as of April 15, 2022
Number of	Employees	Employees 365		298
Employees	Total	365	315	298
	Average Age	38.48	41.15	41.09
A	Average Years of Service		5.57	5.75
	Ph.D.	0%	0%	0%
	Masters	0.82%	2.22%	1.68%
Education	Bachelor's Degree	64.39%	65.40%	68.12%
	Senior High School	24.93%	23.17%	21.48%
	Below Senior High School	9.86%	9.21%	8.72%

Note: The number specified shall be the information as of the publication date of the annual report.

## **5.4 Environmental Protection Expenditure**

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions):

Disposition Date	Disposition Ref. No.	Articles of Law Violated	Content of Disposition	Fine	Countermeasures
May 6, 2021	11017715	Subparagraph 4, Paragraph 1, Article 9 of Noise Control Act	Department of Environmental Protection	18,000	Machinery noise could not be avoided after review; therefore, the construction progress has been adjusted in accordance with the daily routine of neighbors.

#### 5.5 Labor Relations

#### 5.5.1 Employee Welfare

Provision and Implementation of Employee Benefits, Advanced Studies, Training, and Retirement Plans; Labor-Management Agreement and Measures of Employee Rights Protection

#### A. Employee Benefits

- ① Employee Benefits: The Company has, in accordance with relevant laws, established the Employee Welfare Committee which is responsible for coordinating various employee welfare activities. The Company also allocates funds required for welfare activities in accordance with relevant laws and regulations.
- ② Labor Insurance and Health Insurance: All employees of the Company have enrolled or cancelled insurance policies in accordance with relevant government regulations.
- 3 Employee Training: The Company enables its employees to learn from work and satisfy their high thirst for knowledge.
- Staff Uniform: The Company customizes winter and summer uniforms for employees.
- ⑤ Employee stock bonus plan.
- © Wedding and funeral subsidies, and education scholarships for children
- ② Other Benefits: Bonuses for dragon boat festival, mid-autumn festival, and lunar new year; allowances for personal birthday and childbirth; year-end party giveaways; year-end bonus; and lending of books, magazines and audio-visual materials.

#### B. Retirement Plan and Implementation

The Company makes monthly contributions to the labor retirement reserve funds in accordance with relevant laws and deposits those funds in the labor retirement reserve fund account, and formulates the employee retirement regulation to protect employees' retired lives. The employee retirement regulation and the standards for payment of labor pension are handled in accordance with the worker retirement regulation of the Company.

#### C. Labor-Management Agreement:

The Company sold FUSHIN Hotel, Taipei and signed the sales contract in July 2021; the hotel has leased back until May 31, 2022 and started business contraction after the sale. According to the Article 4 of the "Act for Worker Protection of Mass Redundancy', the business entity shall, at least 60 days prior to the occurrence of the mass redundancy conditions, inform the competent authority and relevant agencies of its redundancy plan. Therefore, the hotel legally convened a labor consultative meeting on March 24, 2022 and submitted the meeting record to the competent authority.

## 5.5.2 Labor Disputes

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including labor inspection results found in violation of the Labor Standards Act, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions): None. The Company will improve consultation with human resources and legal counsels, set out clear labor contracts, ameliorate the working environment, and strengthen the labor-management relationship.

## **5.6 Important Contracts**

Agreement	Counterparty	Period	Major Contents	Restrictions
Long-Term Debt Contract	Chang Hwa Bank, Yong-Chun Branch	2016.05.23-2036.05.23	Collateral: Fushin Hotel- Taipei No. 2	-
Long-Term Debt Contract	First Bank, Ren-Ai Branch	2010.11.23-2025.11.23	Collateral: Fuward Hotel Tainan	-
Long-Term Debt Contract	Hua-Nan Bank, Nan-Neuihu	2018.02.26-2033.07.27	Collateral: Fushin Hotel-Tainan	-
Long-Term Debt Contract	Branch	2020.09.30-2025.09.30	Collateral: 3 <sup>rd</sup> floor of White House Building	-
Long-Term Debt Contract	Taichung Bank, Neihu Branch	2013.04.22-2023.04.22	Collateral: Land on Min-Zu Road Taichung	-
Construction Contract	Chien-Chiao Construction	2017.11-Completion	Contracting: Fu Ding Tech Building	-
Construction Contract	Chien-Chiao Construction	2018.08-Completion	Contracting: Founding Fu-Yi	-
Construction Contract	Chien-Chiao Construction	2019.02-Completion	Contracting: United Technology Building B	-
Construction Contract	Chien-Chiao Construction	2019.04-Completion	Contracting: Founding Yi-Pin	-
Construction Contract	Chien-Chiao Construction	2019.09-Completion	Contracting: United Technology Building A	-
Construction Contract	Chien-Chiao Construction	2020.03-Completion	Contracting: Founding Li Garden	-
Construction Contract	Chien-Chiao Construction	2020.05-Completion	Contracting: Star Technology	-
Construction Contract	Chien-Chiao Construction	2020.08-Completion	Contracting: Li Ren Ming Di	-
Construction Contract	Chien-Chiao Construction	2022.01-Completion	Contracting: Meditation Garden	-
Joint Construction Contract	Mr. Lin	2007.11-Handover	Project: Wen-De Section	-
Urban Renewal Agreement	Mr. Lin (total: 22 people)	2015.09-Completion	Project: Yu-Cheng Section	-
Joint Construction Contract	Mr. Wong (total: 3 people)	2018.07-Handover	Project: Tan-Mei Section	-
Sales Contract	Wei-Yi Co., Ltd	2021.06-Handover	United Technology Building A, Xi Zhi	-
Joint Construction Contract	Tai Tung Communication Co, Ltd Ching Tung	2021.09-Handover	Project: Hsin Gong Sec.	-
Lease Contract	Chunghwa Post Co., Ltd.	2022.03.28-2027.03.28	Fushin Hotel- Taichung	-

## VI. Financial Information

## **6.1 Five-Year Financial Summary**

## 6.1.1 Consolidated Condensed Balance Sheet - Based on IFRS

Unit: NT\$ thousand

Item	Year		Financial Sun	nmary for The	Last Five Year	S	As of March
Tem -		2017	2018	2019	2020	2021	31, 20221
Current assets		8,946,597	9,883,956	9,997,277	9,237,073	8,919,332	-
Property, Plant and Equ	4,869,553	4,813,418	4,936,522	4,706,200	4,152,052	-	
Intangible assets		2,866	1,976	1,194	1,149	825	-
Other assets <sup>2</sup>		31,151	31,900	48,098	37,596	35,107	-
Total assets		13,850,167	14,731,250	14,983,091	13,982,018	13,107,316	-
Current liabilities	Before distribution	2,968,484	4,641,568	5,418,851	4,407,382	3,112,923	ı
Current nationales	After distribution	2,768,813	4,441,897	5,276,229	4,236,235	-	-
Non-current liabilities		3,482,223	2,648,630	2,227,833	2,136,297	1,668,006	-
Total liabilities	Before distribution	6,450,707	7,290,198	7,646,684	6,543,679	4,780,929	-
Total nabilities	After distribution	6,251,036	7,090,527	7,504,062	6,372,532	-	-
Equity attributable to s	hareholders of the parent	7,399,460	7,441,052	7,336,407	7,438,339	8,326,387	1
Capital stock		2,852,450	2,852,450	2,852,450	2,852,450	2,852,450	1
Capital surplus		21,130	21,130	21,130	21,130	21,130	-
D-4-i1i	Before distribution	4,526,846	4,567,472	4,462,827	4,564,759	5,452,807	-
Retained earnings	After distribution	4,327,175	4,367,801	4,320,205	4,393,612	-	-
Other equity interest		(966)	-	-	-	-	-
Treasury stock		-	-	-	-	-	-
Non-controlling interes	st	-	-	-	-	-	-
T-4-1	Before distribution	7,399,460	7,441,052	7,336,407	7,438,339	8,326,387	-
Total equity	After distribution	7,199,789	7,241,381	7,193,785	7,267,192	-	-

#### Notes

<sup>1. 2022</sup> Q1 financial report has not yet been completed as of the printing date of the annual report.

<sup>2.</sup> The figures after distribution as stated shall be the figures determined by the Board Meeting or the Shareholders Meeting of the year.

## 6.1.2 Individual Condensed Balance Sheet - Based on IFRS

Unit: NT\$ thousand

		Financial Summary for The Last Five Years					
	Year		Financial Sun	nmary for The	Last Five Year	S	As of March
Item		2017	2018	2019	2020	2021	31, 20221
Current assets		8,672,320	9,383,330	9,653,878	8,854,654	8,089,436	-
Property, Plant and Eq	4,925,015	4,771,239	4,777,455	4,580,019	4,330,876	-	
Intangible assets		192	128	64	-	-	-
Other assets <sup>2</sup>		187,727	212,944	279,476	255,112	476,234	-
Total assets		13,785,254	14,367,641	14,710,873	13,689,785	12,896,546	-
Current liabilities	Before distribution	2,920,756	4,366,324	5,194,468	4,235,102	3,016,115	-
	After distribution	2,721,085	4,166,653	5,051,846	-	-	-
Non-current liabilities		3,465,038	2,560,265	2,179,998	2,016,344	1,554,044	-
Total liabilities	Before distribution	6,385,794	6,926,589	7,374,466	6,251,446	4,570,159	-
Total habilities	After distribution	6,186,123	6,726,918	7,231,844	6,080,299	-	-
Equity attributable to s	shareholders of the parent	7,399,460	7,441,052	7,336,407	7,438,339	8,326,387	-
Capital stock		2,852,450	2,852,450	2,852,450	2,852,450	2,852,450	-
Capital surplus		21,130	21,130	21,130	21,130	21,130	-
Retained earnings	Before distribution	4,526,846	4,567,472	4,462,827	4,564,759	5,452,807	-
Retained earnings	After distribution	4,327,175	4,367,801	4,320,205	4,393,612	-	-
Other equity interest		(966)	-	-	-	-	-
Treasury stock		-	-	-	-	-	-
Non-controlling intere	est	-	-	-	-	-	-
T-4-1	Before distribution	7,399,460	7,441,052	7,336,407	7,438,339	8,326,387	-
Total equity	After distribution	7,199,789	7,241,381	7,193,785	7,267,192	-	-

## Notes:

<sup>1. 2022</sup> Q1 financial report has not yet been completed as of the printing date of the annual report.

<sup>2.</sup> The figures after distribution as stated shall be the figures determined by the Board Meeting or the Shareholders Meeting of the year.

# ${\bf 6.1.3\ Consolidated\ Condensed\ Statement\ of\ Comprehensive\ Income-Based\ on\ IFRS}$

Unit: NT\$ thousand

Year		As of March				
Item	2017	2018	2019	2020	2021	31, 20221
Operating Revenue	4,236,339	2,265,460	1,631,542	3,834,898	3,772,140	-
Gross Profit	869,330	689,503	479,043	600,608	1,080,771	-
Net Operating Income	506,800	362,013	170,261	313,418	794,056	-
Non-operating Income and Expenses	(118,837)	(88,273)	(55,113)	(40,563)	353,183	-
Net Income before tax	387,963	273,740	115,148	272,855	1,147,239	-
Net Profit/(Loss) from Continued Operations	333,652	234,147	94,338	242,758	1,061,935	-
Loss of Discontinued Operations	-	-	-	-	-	-
Net Profit/(Loss)	333,652	234,147	94,338	242,758	1,061,935	-
Other comprehensive income (net of income tax)	(5,021)	7,117	689	1,797	908	-
Total comprehensive income	328,631	241,264	95,027	244,555	1,062,843	-
Net income attributable to shareholders of the parent company	333,652	234,147	94,338	242,758	1,061,935	_
Net income attributable to non-controlling interests	-	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent company	328,631	241,264	95,027	244,555	1,062,843	-
Comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share	1.17	0.82	0.33	0.85	3.72	-

## Notes:

<sup>1. 2022</sup> Q1 financial report has not yet been completed as of the printing date of the annual report.

# 6.1.4 Individual Condensed Statement of Comprehensive Income -Based on IFRS

Unit: NT\$ thousand

Year		Financial Sur	nmary for The	Last Five Year	s	As of March 31, 2022 <sup>1</sup>
Item	2017	2018	2019	2020	2021	
Operating Revenue	3,779,664	1,911,544	1,085,723	3,508,141	3,568,218	-
Gross Profit	696,664	536,680	282,476	502,748	1,010,684	-
Net Operating Income	437,982	308,889	85,728	307,239	816,084	-
Non-operating Income and Expenses	(51,786)	(38,988)	21,774	(45,080)	325,587	-
Net Income before tax	386,196	269,901	107,502	262,159	1,141,671	-
Net Profit/(Loss) from Continued Operations	333,652	234,147	94,338	242,758	1,061,935	-
Loss of Discontinued Operations	-	-	-	-	-	-
Net Profit/(Loss)	333,652	234,147	94,338	242,758	1,061,935	-
Other comprehensive income (net of income tax)	(5,021)	7,117	689	1,797	908	-
Total comprehensive income	328,631	241,264	95,027	244,555	1,062,843	-
Net income attributable to shareholders of the parent company	-	-	-	-	-	-
Net income attributable to non-controlling interests	-	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent company	-	-	-	-	-	-
Comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share	1.17	0.82	0.33	0.85	3.72	-

#### Notes:

## 6.1.5 Auditors and Audit Opinions

Year	Accounting Firm	CPA	Audit Opinion
2016	Deloitte Touche Tohmatsu Limited Taiwan	Hsieh, Ming-Chong, Lin, Yi-Hui	unqualified opinion
2017	Deloitte Touche Tohmatsu Limited Taiwan	Chi, Rui-Chuan <sup>1</sup> , Lin, Yi-Hui	unqualified opinion
2018	Deloitte Touche Tohmatsu Limited Taiwan	Chi, Rui-Chuan, Lin, Yi-Hui	unqualified conclusion
2019	Deloitte Touche Tohmatsu Limited Taiwan	Lu, I-Chen, Lin, Yi-Hui <sup>2</sup>	unqualified conclusion
2020	Deloitte Touche Tohmatsu Limited Taiwan	Lu, I-Chen, Lin, Yi-Hui	unqualified conclusion
2021	Deloitte Touche Tohmatsu Limited Taiwan	Lu, I-Chen, Lin, Yi-Hui	unqualified conclusion

#### Notes:

- 1. The CPA was changed from Hsieh, Ming-Chong to Chi, Rui-Chuan in 2017
- 2. The CPA was changed from Chi, Rui-Chuan to Lu, I-Chen in in 2019

<sup>1. 2022</sup> Q1 financial report has not yet been completed as of the printing date of the annual report.

## 6.2 Five-Year Financial Analysis

## 6.2.1 Consolidated Financial Analysis – Based on IFRS

	Year		Financial Sun	nmary for The	Last Five Year	'S	As of March
Item <sup>3</sup>		2017	2018	2019	2020	2021	31, 20221
Financial	Debt Ratio	46.57	49.48	51.03	46.80	36.47	-
Structure (%)	Ratio of long-term capital to property, plant and equipment	223.46	209.61	193.74	203.44	240.71	-
	Current ratio	301.38	212.94	184.49	209.58	286.52	-
Solvency (%)	Quick ratio	27.97	14.59	11.12	16.32	53.51	-
	Interest earned ratio (times)	4.15	4.13	2.70	7.55	103.23	-
	Receivables turnover (times)	188.90	40.72	27.50	70.39	78.09	-
	Average collection period	1.93	8.96	13.27	5.18	4.67	-
	Inventory turnover (times)	0.38	0.18	0.12	0.36	0.34	-
Operating	Payables turnover (times)	14.24	5.61	2.04	13.43	14.27	-
performance	Days inventory outstanding	960.52	2027.77	3041.66	1013.88	1073.52	-
	Property, plant and equipment turnover (times)	0.87	0.47	0.33	0.79	0.85	-
	Total assets turnover (times)	0.29	0.15	0.11	0.26	0.27	-
	Return on Assets (%)	3.01	2.12	0.99	1.90	7.9	-
	Return on Equity (%)	4.55	3.15	1.27	3.28	13.47	-
Profitability	Pre-tax income to paid-in capital (%)	13.60	9.59	4.03	9.56	40.21	-
	Profit ratio (%)	7.87	10.33	5.78	6.33	28.15	-
	Earnings per share (NT\$)	1.17	0.82	0.33	0.85	3.72	-
Cash Flow	Cash flow ratio (%)	72.82	0.00	1.91	24.08	24.64	-
	Cash flow adequacy ratio (%)	45.07	33.19	56.17	85.29	146.56	-
	Cash reinvestment ratio (%)	17.53	(1.89)	(0.95)	9.06	5.64	
I arrama a-	Operating leverage	1.17	1.24	1.52	1.28	1.11	-
Leverage	Financial leverage	1.32	1.31	1.65	1.15	1.01	-

- Liabilities to assets ratio: Liabilities were paid-off, resulting in a lower ratio.
- Current Ratio and Quick Ratio: Current liabilities were reduced, resulting in a higher ratio.
- > Interest earned ratio: EBIT were increased and interests were reduced, resulting in a higher interest earned ratio.
- Return on Assets: EBI were increased, and average assets were slightly decreased, resulting in a higher ROA ratio.
- Return on Equity: Net profit was increased, resulting in a higher ROE ratio.
- Pre-tax income to paid-in capital: The housing market heated up; therefore pre-tax income was increased, resulting in a higher ratio.
- Profit Ratio and Earnings per share: The housing market heated up, resulting in a higher profit ratio and EPS.
- Cash flow adequacy ratio: the average net cash inflow from operating activities in the last 5 years was increased, and both average capital expenditures and increases in inventory were both reduced, resulting in a higher cash flow adequacy ratio.
- Cash reinvestment ratio: Cash inflows from operating activities were decreased and cash outflows from investing activities were increased, resulting in a lower cash reinvestment ratio.

Note 1: 2022 Q1 financial report has not yet been completed as of the printing date of the annual report.

Note 2: The figures are truncated to 2 decimal places.

Note 3: The equations for calculations to be disclosed at the end of this statement are shown below:

- 1. Financial Structure:
  - (1) Liabilities to assets ratio = total liabilities/total assets.
  - (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment.
- 2. Solvency:
  - (1) Current ratio = current assets/current liabilities.
  - (2) Quick ratio = (current assets inventory prepayments)/current liabilities.
  - (3) Interest earned ratio = EBIT/interest expenses.
- 3. Operating Performance:
  - (1) Receivables turnover (including account receivables and note receivables from operation) = net sale/the balance of average receivables

in each period (including account receivables and note receivables from operation)

- (2) Average collection period= 365/receivable turnover.
- (3) Inventory turnover = cost of goods sold/average inventory.
- (4) Payables turnover (including account payables and note payables from operation) = net sale/the balance of average payables in each period (including account payables and note payables from operation)
- (5) Days inventory outstanding = 365/inventory turnover.
- (6) Property, plant, and equipment turnover = net sale/net average property, plant, and equipment.
- (7) Total assets turnover = net sale/total average assets.

#### 4. Profitability:

- (1) Return on Assets (ROA) = [net income + interest expense x (1 tax rate)]/average total assets.
- (2) Return on Equity (ROE) = net income/total average equity.
- (3) Profit ratio = net income/net sales.
- (4) Earnings per share = (income attributable to the shareholders of the parent company dividend of preferred shares)/weighted average quantity of outstanding shares. (Note 4)

#### 5. Cash Flow:

- (1) Cash flow ratio = net cash flows from operation/current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operation in the last 5 years/(capital expenditures + increase in inventory + cash dividend) in the last 5 years.
- (3) Cash reinvestment ration = (net cash flow from operation cash dividend)/(gross property, plant, and equipment + long-term investment + other non-current assets + working capital). (Note 5)

#### 6. Leverage:

- (1) Operational leverage = (net operating income variable operating cost and expense)/operating income (Note 6).
- (2) Financial leverage = operating income/(operating income interest expenses).

Note 4: Pay attention to the following in measurement with the aforementioned equation of the earnings per share in the calculation:

- 1. Based on the weighted average quantity of common shares, not the outstanding quantity of shares at the end of the year.
- 2. Consider the period of circulation for transactions with the offering of new shares for raising capital or repurchase of treasury shares in the calculation of the weighted average quantity of outstanding shares.
- 3. If there is capitalization of retained earnings or capitalization of additional paid-in capital into new shares, make adjustment in the calculation of earnings per share of the previous year and on semi-annual basis in retrospect of the increase in the size of capital irrespective of the period of capitalization.
- 4. If the preferred shares are unconvertible accumulative preferred shares, the dividend of the year (released or not) shall be deducted from net income, or added to net loss after tax. If the preferred shares are not accumulative, and there is the net income, dividends for preferred shares shall be deducted from net income. If there is net loss, no adjustment is necessary.

Note 5: Pay attention to the following in the measurement of cash flow in the analysis:

- 1. Net cash flow from operation is the net cash inflow from operation as presented in the statement of cash flows.
- 2. Capital expenditure shall be the cash outflow from annual capital investment.
- 3. The increase of inventory is only included in the calculation when the balance at the ending of the period is greater than the balance at the beginning of the period. If there is a decrease of inventory at year end, calculate on the basis of zero.
- 4. Cash dividends include the cash dividends for common shares and preferred shares.
- 5. Gross property, plant, and equipment are the total property, plant, and equipment before accumulated depreciations.

Note 6: Issuers shall classify operating costs and expenses by purpose of use as fixed or variable. If estimation or subjective judgment is involved, make sure it is rational and consistent.

Note 7: If the stock issued by the Company bears no face value, or the face value is not NT\$10/share, the calculation of the aforementioned ratio to paid-in capital shall be based on the ratio of the equity attributable to the parent company of the balance sheet.

## 6.2.2 Individual Financial Analysis – Based on IFRS

			Financial Sun	nmary for The	Last Five Year	·s	As of March
Item <sup>3</sup>	Year	2017	2018	2019	2020	2021	31, 20221
Financial	Debt Ratio	46.32	48.21	50.12	45.66	35.43	-
Structure (%)	Ratio of long-term capital to property, plant and equipment	220.59	209.61	199.19	206.43	228.13	-
	Current ratio	296.92	214.90	185.84	209.07	268.20	-
Solvency (%)	Quick ratio	17.41	9.42	5.65	10.10	25.32	-
	Interest earned ratio (times)	4.15	4.14	2.65	7.7	138.96	-
	Receivables turnover (times)	392.32	48.87	26.14	164.17	197.51	-
	Average collection period	0.93	7.46	13.96	2.22	1.84	-
	Inventory turnover (times)	0.35	0.16	0.08	0.34	0.32	-
Operating	Payables turnover (times)	10.84	5.21	1.63	14.39	11.71	-
performance	Days inventory outstanding	1042.85	2281.25	4562.50	1073.52	1140.62	-
	Property, plant and equipment turnover (times)	0.76	0.40	0.22	0.75	0.80	-
	Total assets turnover (times)	0.26	0.13	0.07	0.24	0.26	-
	Return on Assets (%)	3.03	2.15	1.00	1.93	8.03	-
	Return on Equity (%)	4.55	3.15	1.27	3.28	13.47	-
Profitability	Pre-tax income to paid-in capital (%)	13.53	9.46	3.76	9.19	40.02	-
	Profit ratio (%)	8.82	12.24	8.68	6.92	29.76	-
	Earnings per share (NT\$)	1.17	0.82	0.33	0.85	3.72	-
	Cash flow ratio (%)	70.44	0.00	0.00	26.23	22.61	-
Cash Flow	Cash flow adequacy ratio (%)	38.16	29.00	50.51	89.89	147.58	-
	Cash reinvestment ratio (%)	16.74	(1.92)	(1.99)	9.70	4.97	-
Leverage	Operating leverage	1.18	1.29	1.99	1.27	1.09	-
Leverage	Financial leverage	1.38	1.38	4.13	1.14	1.01	-

- Liabilities to assets ratio: Liabilities were paid-off, resulting in a lower ratio.
- Current Ratio and Quick Ratio: Current liabilities were reduced, resulting in a higher ratio.
- > Interest earned ratio: EBIT were increased and interests were reduced, resulting in a higher interest earned ratio.
- Receivables turnover, and Average collection period: Net sales was increased and account receivables was reduced, resulting in a higher receivable turnover ratio.
- Return on Assets: EBI were increased, and average assets were slightly decreased, resulting in a higher ROA ratio.
- Return on Equity: Net profit was increased, resulting in a higher ROE ratio.
- Pre-tax income to paid-in capital: The housing market heated up; therefore pre-tax income was increased, resulting in a higher ratio.
- Profit ratio and EPS: The housing market heated up, resulting in a higher profit ratio and EPS.
- Cash flow adequacy ratio: the average net cash inflow from operating activities in the last 5 years was increased, and both average capital expenditures and increases in inventory were reduced, resulting in a higher cash flow adequacy ratio.
- Cash reinvestment ratio: Cash inflows from operating activities were decreased and cash outflows from investing activities were increased, resulting in a lower cash reinvestment ratio.

Note 1: 2022 Q1 financial report has not yet been completed as of the printing date of the annual report.

Note 2: The figures are truncated to 2 decimal places.

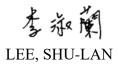
Note 3: The equations for calculations are the same as those in 6.2.1 Consolidated Financial Analysis – Based on IFRS

March 17, 2022

## **Audit Committee Report**

**Re: General Shareholders Meeting 2022** 

The Board of Directors has submitted the Company's 2021 annual business report, financial report and profit distribution proposal, among which the financial report has been entrusted to the certified public accountants of Deloitte Touche Tohmatsu Limited Taiwan for auditing to generate an audit report. The audit committee has verified the above-mentioned business report, financial report and profit distribution proposal. No discrepancy is found and the committee hereby presents the report in accordance with Article 14 of the "Securities and Exchange Act" and Article 219 of the "Company Act" for your approval.



Convener of the Audit Committee Founding Construction Development Corp.

- **6.4 Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report:** Please refer to page 59-117 of the annual report.
- 6.5 Individual Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report: Please refer to page 118-172 of the annual report.
- 6.6 Insolvency that occurs in the Company and Affiliates in the previous year until the date of report publication: None

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

## 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Year	2021	2020	Difference		
Item	2021	2020	Amount	%	
Current Assets	8,919,332	9,237,073	(317,741)	(3.44)	
Fixed Assets	4,152,052	4,706,200	(554,148)	(11.77)	
Other Assets	35,932	38,745	(2,813)	(7.26)	
Total Assets	13,107,316	13,982,018	(874,702)	(6.26)	
Current Liabilities	3,112,923	4,407,382	(1,294,459)	(29.37)	
Long-term Liabilities	1,668,006	2,136,297	(468,291)	(21.92)	
Total Liabilities	4,780,929	6,543,679	(1,762,750)	(26.94)	
Capital stock	2,852,450	2,852,450	-	-	
Capital surplus	21,130	21,130	-	-	
Retained Earnings	5,452,807	4,564,759	888,048	19.45	
Total Stockholders' Equity	8,326,387	7,438,339	888,048	11.94	

Analysis:

Current liabilities: were decreased by NT\$1,294,459 thousand due to reductions of short-term bills payable and current portions of long-term borrowings. Non-current liabilities: were decreased by NT\$ 468,291 thousand due to reductions of long-term borrowings.

## 7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Year	2021	2020	Difference			
Item	2021	2020	Amount	%		
Gross Sales	3,772,140	3,834,898	(62,758)	(1.64)		
Less: Sales Returns	-	-	-	-		
Sales Allowances	-	-	-	-		
Net Sales	3,772,140	3,834,898	(62,758)	(1.64)		
Cost of Sales	(2,691,369)	(3,234,290)	(542,921)	(16.79)		
Gross Profit	1,080,771	600,608	480,163	79.95		
Operating Expenses	(286,715)	(287,190)	(475)	(0.17)		
Net Operating Income	794,056	313,418	480,638	153.35		
Non-operating Income and Expenses	353,183	(40,563)	393,746	970.70		
Income Before Tax	1,147,239	272,855	874,384	320.46		
Tax Benefit (Expense)	(85,304)	(30,097)	55,207	183.43		
Net Profit for the Year	1,061,935	242,758	819,177	337.45		

Analysis:

- (1) Gross sales, cost of Sales, gross profit, operating income, tax expenses: The housing market heated up, so relevant figures of profitability were all increased, and the marginal profit from the deposal of construction land and inventory was higher, resulting in a higher increasing rate of gross profit, net operating income and tax expenses.
  - Non-operating income and expenses: The Company sold FUSHIN Hotel, Taipei, resulting in an increase of the value.
- Income before tax, net profit for the year: Both net operating income and non-operating income were increased, resulting in rebounds of pre- and post-tax income.

  (2) Sales forecast and basis of estimation: The Company's products are factories, office and residential buildings, and we expect to sell 26 factories and 128 residences in 2022. The estimated sales volume was based on the Company's operational strategies, goals, budget, the macroeconomic environment and historical sales data.
- (3) Potential influence on future business finance and response: The operating result of the Company varies depending on the change of the macroeconomic conditions. The Company endeavors to improve financial structures, operating performance and profitability, and aims to reduce average collection days and accounts receivable days and raise ROE and profit ratio.

#### 7.3 Analysis of Cash Flow

## 7.3.1 Cash Flow Analysis for the Current Year

- A. Operating Activities: The Company continues current construction projects, and adjusts its inventories according to the production and sale conditions. The construction inventory and advanced payments of land and buildings have both decreased, resulting in a cash inflow from operating activities.
- B. Investing Activities: The Company disposed of fixed assets and gained cash dividends from the subsidiary, resulting in a cash inflow from investing activities.
- C. Financing Activities: Repayments of short-term borrowings have increased due to the completion and handover of properties. Principals of long-term borrowings have also been repaid, resulting in a cash outflow from financing activities.

## 7.3.2 Remedy for Cash Deficit and Liquidity Analysis: N/A

### 7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents,	plents Flow from Operating Estimated Ca		Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)		
Beginning of Year (1)	Activities (2)	Outflow (Inflow) (3)	(1)+(2)-(3)	Investment Plans	Financing Plans	
543,299	1,240,622	(1,357,246)	426,675	-	-	

### 7.4 Major Capital Expenditure Items: None

# 7.5. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

## 7.5.1 Investment Policy:

- A. To vertically-integrate resources and control the construction quality, the company invested in Chien-Chiao Construction Co. Ltd., to create the greatest investment synergy.
- B. To pursue corporate sustainability, the company has extended business to hotel operation and management, in anticipation to generate additional sources of stable income.

#### 7.5.2 Main Causes for Profits or Losses:

The Company recognized the investment profit of NT\$47,927 thousand of the subsidiary, Chien-Chiao Construction, the investment loss of NT\$67,248 thousand of the subsidiary, FUSHIN Hotel, the investment loss of NT\$7,252 thousand of the subsidiary Hsin-Long-Hsing Investment; Chien-Chiao Construction recognized the investment loss of NT\$3,189 thousand of FUSHIN Hotel. Chien-Chiao Construction's net profit of the year was NT\$17,274 thousand. Partial completion of prior-period construction is on sales in the current period and sales revenue thereof is recognized as investment revenue in accordance with the percentage-of-completion method. Hotel operation is getting tough due to the impact of the Covid-19 pandemic, the net loss of FUSHIN Hotel is NT\$56,735 thousand.

#### 7.5.3 Improvement Plans

The Company upholds a cautious stance in terms of investment, and constantly reviews the financial situations and operational performance of subsidiaries to get the latest information in order to adjust operation strategies and focus.

#### 7.5.4 Investment Plans for the Coming Year: None

#### 7.6 Analysis of Risk Management

# 7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

The Company periodically assesses interest rates of bank loans, and stays closely in touch with banks to understand the trend in interest rates in order to fight for more preferential interest rates if needed.

The Company is in a domestic demand industry; changes in foreign exchange rates do not have a great impact on the Company.

Inflation at present does not have a great impact on the Company.

# 7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

- A. The Company does not have high-risks, high-leverage investments, lending or endorsement guarantees, or derivatives transactions.
- B. The Company can offer collaterals for financing of subsidiaries, Chien-Chiao Construction and FUSHIN Hotel to help get a lower interest rate, and will adopt the Company's operational procedures for endorsement and guarantees if needed.

## 7.6.3 Future Research & Development Projects and Corresponding Budget

The Company combines architecture with technology and environmental protection, building a living environment that meets modern living safety standards.

# 7.6.4 Effects of and Response to Changes in International and Domestic Policies and Regulations Relating to Corporate Finance and Sales

The Company pays attention to and evaluates changes in international and domestic policies and regulations at any time. Three real estate administration acts were executed on July 1<sup>st</sup>, 2021, including full disclosure of address details; filing, management and real-time registration of pre-sale house contracts. The government also increases the penalties for fictitious selling price registration with an eye to ensuring full transparency in real estate information. The Ministry of the Interior passed the amendments to the Equalization of Land Rights Act, and Real Estate Broking Management Act in December 2021; the contents include restrictions on contract transfer and resale of both per-sale and newly built houses, punishment for market speculations, declaration and registration of pre-sale house contract cancellation, control over private/public transactions, and formulation of whistleblower bounty programs. The objective of these five measures is to deter bogus transactions and market speculations, in anticipation of a rational market with reasonable prices.

# 7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

Land is one of the raw materials for the construction industry. The shrinking supply of land makes it necessary to develop projects through urban renewal, integrated structure, joint construction, and superficies. The recent development of intelligence technology is also being used for construction materials and equipment, and we also see markets fully adjusted to the tremendous improvement of environmentally friendly and energy-saving construction materials. The well-developed network of internet information, on the other hand, provides customers with more integrated and diversified services.

# 7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures: None

#### 7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None

#### 7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None

- 7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None
- 7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None
- 7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights: None
- 7.6.12 Litigation or Non-litigation Matters: None

### 7.6.13 Other Major Risks

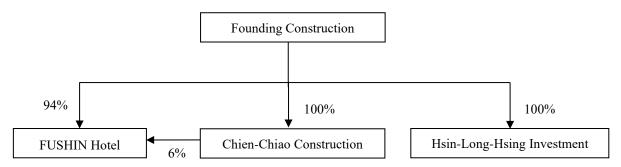
In order to implement the management of information security, the Company has enacted the "Regulation for Computer Control" and its related operating guidelines, based on which we execute the information work plan. We have also set up the "Information Security Self-Checklist" to strictly manage the use and security maintenance of data, built firewall, and controlled and recorded the access right of personnel to reduce the information security risk of the Company.

7.7 Other Important Matters: None

## VIII. Special Disclosure

## **8.1 Summary of Affiliated Companies**

- A. Consolidated Business Report of Affiliates
  - (1) Organization Chart of Affiliates



## (2) Basic Information of Affiliates

				Unit: NT\$ thousand
Name of Enterprise	Date of Incorporation	Address	Paid-In Capital	Principal Business or Products
Chien-Chiao Construction Co., Ltd	April 15, 1993	5F-5, No. 294, Sec. 1, Dunhua S. Rd., Daan Dist., Taipei City	NT\$150,000	Architecture and Civil Engineering
FUSHIN Hotel Co., Ltd.	June 17, 2010	No. 128, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	NT\$160,000	Hotel Management and F&B
Hsin-Long-Hsing Investment Co, Ltd	Sept 5, 2016	5F-8, No. 294, Sec. 1, Dunhua S. Rd., Daan Dist., Taipei City	NT\$300,000	General Investment

- (3) Information on the shareholders if construed as having control and in joint holding with the subsidiaries: None.
- (4) The industries covered by the group enterprises: Construction and Hospitality
- (5) Directors, Supervisors and President of Affiliates

N. CF.	m' d	Name or	Shareholding	
Name of Enterprise	Title	Representatives	shares	%
Chien-Chiao Construction Co., Ltd	Chairman and President	Wang, Yang-Chong	Representative of Founding Construction's institutional shareholder. Total shares holding: 15 million shares.	100%
FUSHIN Hotel Co., Ltd.	Co., Chairman Director Liu, Shu-Hung Liu, Fang-Wen Liu, Chi-Wen Director Chang, Chien-Chen Supervisor Supervisor Supervisor Chen, Wen-Siu		Representative of both Founding Construction's and Chien-Chiao's institutional shareholder. Total shares holding:15.1 million shares and 0.9 million shares respectively.	Founding Construction: 94% Chien-Chiao Construction: 6%
Hsin-Long-Hsing Investment Co, Ltd	Chairman Supervisor	Liu, Shu-Hung Hsieh, Chia-Lin	Representative of Founding Construction's institutional shareholder. Total shares holding: 30 million shares.	100%

## (5) Opearting Results of Individual Affiliate

(3) Opening in	esans of marvia	aar 7 tririnate					Unit: NT\$	thousand
Name of Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income /Loss	Net Income	EPS
Chien-Chiao Construction Co., Ltd	NT\$150,000	729,018	468,130	260,888	973,438	32,114	17,275	1.15
FUSHIN Hotel Co., Ltd.	NT\$160,000	649,591	559,091	90,500	283,835	(80,148)	(56,735)	(3.55)
Hsin-Long-Hsing Investment Co, Ltd	NT\$300,000	292,633	-	292,633	-	(203)	(7,252)	(0.24)

B. Consolidated Financial Reports of Affiliates: Please refer to page 59-117.

C. Operating Reports of Affiliates: None

8.2 Private Placement Securities in the Most Recent Years: None

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None

8.4 Special Notes: None

8.5 Situations with Major Impacts on Shareholder Equity or Share Prices of the Company as specified in Subparagraph 2, Paragraph 3 of Article 36 of the law in the most recent year to the date this Report was printed, if applicable, and elaborate one-by-one: None

DECLARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF AFFILIATES

The companies that are required to be included in the consolidated financial statements of affiliates

as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of

Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of

Affiliated Enterprises are the same as those included in the consolidated financial statements of parent

company and its subsidiary prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be

disclosed in the consolidated financial statements of affiliates is included in the consolidated financial

statements of the parent company and its subsidiary. Consequently, we do not prepare a separate set

of consolidated financial statements of affiliates.

Very truly yours,

Company Name: Founding Construction

Development Corp.

Responsible person: Liu Hsin-Hsiung

March 17, 2022

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# Deloitte.

# 勤業眾信

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## **Independent Auditors' Report**

To: Founding Construction Development Corp.

## **Audit opinion**

We have audited the accompanying consolidated financial statements of Founding Construction Development Corp. and its subsidiaries (the "Founding Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Founding Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Founding 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 Founding Group's consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Founding Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

## Key Audit Matters I

The Founding Group's assets are mainly composed of lands, properties, and buildings from the inventory, the investment property, and the property, plant and equipment with the carrying amounts of NT\$7,215,983 thousand (excluding the food and beverage inventory of NT\$3,785 thousand), NT\$1,773,852 thousand, and NT\$2,358,237 thousand, respectively, representing 87% of the total assets as of December 31, 2021. The inventories are buildings and land held for sale and construction in progress, while the investment properties are properties for rent and properties held by the Group. Because the situations of the domestic real estate market supply, natural disasters, government policies, and economic conditions significantly impact the values of properties, the assessment of the properties inevitably contains uncertainty, and so the risk of individual assets being improperly evaluated exists. Therefore, the subsequent valuation of the assets has been deemed as one of the key audit matters for the year. Please refer to Notes 4(6), (7), (8), (9), 5, 10, 15, and 17 of the financial statements for relevant information on the inventory, the investment property, and the property, plant and equipment.

The main audit procedures performed on the specific levels in respect of the above-mentioned key audit matter for the audit of the year are as follows:

- 1. We test the samples and review the appraisal materials performed by the external experts in the most recent two years (related appraisal reports, etc.), and we understand the trends of the development in the domestic real estate market to identify any potential indication of impairment in lands, properties, and buildings from the inventory, the investment property, and the property, plant and equipment.
- 2. Management evaluates asset impairments based on the information finished by experts; therefore, we evaluate the independence and the adequacy of the experts and we understand whether or not the assumptions and measures adopted during evaluations of the external experts are reasonable.
- 3. We evaluate the recoverable amounts of the lands, properties, and buildings from the inventory, the investment property, and the property, plant and equipment, and the reasonableness thereof, including whether the applied net fair values are based on the current bid prices or the latest transaction prices less sale costs, or we evaluate the reasonability of each important assumption

of the value-in-use.

## Key Audit Matters II

The sales of real estate are recognized after the construction projects were actually completed and handed over, and the registration of property right was finished. The appropriateness of the timing of the sales revenue recognition is material to the consolidated financial statements for the year. The sales of real estate recognized with uncompleted handover and registration of property right are expected to exist; therefore, the timing of the sales revenue recognition has been deemed as one of the key audit matters for the year. Please refer to Note 4 (13) of the financial statements for relevant information on the sales revenues.

The main audit procedures performed on the specific levels in respect of the above-mentioned key audit matter for the audit of the year are as follows:

- 1. We evaluate the designs of the relevant operating procedures for sales revenue recognition and the appropriateness of execution, and we select samples to test the situation of effectively ongoing operations during the year of its significant control operations.
- 2. For the details of the recognized real estate sales revenue for the year, we select samples and examine their corresponding evidences of the real estate handover and the registration of property right to verify the appropriateness of the classification under real estate sales revenue.

#### **Other Matters**

We have also audited the parent company only financial statements of Founding Construction Development Corp. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unqualified opinion for your reference.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Founding 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 Founding Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for

overseeing the Founding 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 Founding Group's internal control.
- 3. Evaluate the appropriateness of accounting policies adopted 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 Founding 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 Founding Group to cease to continue as a going concern.
- 5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Founding 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 opinion to the Founding Group.

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 Founding Group's consolidated financial statements for the year ended December 31, 2021 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.

Deloitte & Touche

CPA CPA

LU I-CHEN LIN YI-HUI

Financial Supervisory Commission Financial Supervisory Commission Approval

Approval Document Ref. Document Ref.

No. FSC Sheng-Zi 1080321204 No. FSC Sixth-Zi 0940161384

# Founding Construction Development Corp. and Subsidiaries

Consolidated Balance Sheets December 31, 2021 and 2020 Unit: NT\$ thousands

		December 31, 2	021	December 31, 2020		
Code	ASSETS	Amount	%	Amount	%	
	CURRENT ASSETS				-	
1100	Cash and cash equivalents (Note 6)	\$ 1,011,814	8	\$ 519,169	4	
1110	Financial assets at fair value through profit or loss - current (Notes 7	((,000		2.056		
1150	and31) Notes receivable	66,882	-	2,856	-	
1170	Accounts receivable (Notes 9 and 25)	16,560 11,463	-	68,585	-	
1170	Finance lease receivables, net-current	4,915	- -	-	- -	
1220	Current tax assets (Note 27)	-	_	304	_	
130X	Inventories (Notes 10 and 33)	7,219,768	55	8,437,459	60	
1410	Prepayments (Note 13)	33,585	-	80,017	1	
1460	Non-current assets held for sale (Notes 11 and 33)	339,932	3	-	-	
1476	Other financial assets - current (Notes 14 and 33)	206,888	2	121,831	1	
1479	Other current assets	7,525		6,852		
11XX	Total current assets	8,919,332	68	9,237,073	<u>66</u>	
	NON-CURRENT ASSETS					
1517	Financial assets at fair value through other comprehensive income - non-			40.000		
1,600	current (Notes 8 and 31)	4,104	- 10	10,032	- 21	
1600 1755	Property, plant and equipment (Notes 15 and 33) Right-of-use assets (Note 16)	2,365,881 12,319	18	4,272,840 10,455	31	
1760	Investment properties, net (Notes 17 and 33)	1,773,852	14	422,905	3	
1801	Computer software, net	825	-	1,149	-	
1840	Deferred tax assets (Note 27)	10,452	_	10,386	_	
194D	Long-term finance lease receivables, net	15,625	-	· -	-	
1920	Refundable deposits	4,926	<del>-</del>	17,178	<del>_</del>	
15XX	Total non-current assets	4,187,984	32	4,744,945	34	
1XXX	Total assets	<u>\$ 13,107,316</u>	<u>100</u>	\$ 13,982,018	<u>100</u>	
Code	LIABILITIES AND EQUITY					
	CURRENT LIABILITIES					
2100	Short-term borrowings (Notes 18 and 33)	\$ 2,297,230	18	\$ 2,628,410	19	
2110	Short-term bills payable (Notes 18 and 33)	214 422	-	845,910	6	
2130 2150	Contract liabilities - current (Notes 10 and 25) Notes payable	314,433	2	315,817 46,706	2	
2170	Accounts payable (Note 19)	7,522 137,289	1	185,588	1	
2219	Other payables (Note 20)	103,005	1	111,474	1	
2230	Current tax liabilities (Note 27)	36,042	-	4,522	-	
2250	Provisions - current (Note 21)	2,977	-	2,977	-	
2280	Lease liabilities - current (Note 16)	9,985	-	2,854	-	
2320	Current portion of long-term borrowings (Notes 18 and 33)	144,996	1	212,499	2	
2399	Other current liabilities	59,444	1	50,625	1	
21XX	Total current liabilities	3,112,923	24	4,407,382	32	
	NON-CURRENT LIABILITIES					
2540	Long-term borrowings (Notes 18 and 33)	1,622,090	12	2,114,795	15	
2580	Lease liabilities - non-current (Note 16)	27,419	-	7,760	-	
2640	Net defined benefit liabilities - non-current (Note 22)	11,081	-	12,318	-	
2645	Guarantee deposits	7,416	<u>-</u>	1,424	1.5	
25XX	Total non-current liabilities	1,668,006	12	2,136,297	15	
2XXX	Total liabilities	4,780,929	<u>36</u>	6,543,679	<u>47</u>	
	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 24)					
	Capital stock					
3110	Ordinary shares	2,852,450	<u>22</u>	2,852,450		
2210	Capital surplus	• • • • •		••••		
3210	Shares premium	20,894	-	20,894	-	
3220 3200	Treasury shares transactions Total capital surplus	$\frac{236}{21,130}$	<del>-</del>	236 21,130		
3200	Retained earnings	21,130	<del></del>	21,130		
3310	Legal reserve	972,814	8	948,358	7	
3320	Special reserve	966	-	966	-	
3350	Unappropriated earnings	4,479,027	<u>34</u>	3,615,435	26	
3300	Total retained earnings	5,452,807	34 42 64	4,564,759	$ \begin{array}{r}     \underline{26} \\     \underline{33} \\     \underline{53} \end{array} $	
31XX	Total equity attributable to owners of the company	8,326,387	64	7,438,339	53	
3XXX	Total equity	8,326,387	64	7,438,339	53	
	Total liabilities and equity	<u>\$ 13,107,316</u>	<u>100</u>	<u>\$ 13,982,018</u>	<u>100</u>	

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

Chairman: Liu Hsin-Hsiung Manager: Liu Hua-Hsing Accounting Officer: Cheng Yen-Fen

# Founding Construction Development Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income For the years ended December 31, 2021 and 2020

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

		2021		2020				
Code		Amount	%	Amount	%			
	OPERATING REVENUE							
4200	(Notes 25 and 38)	Φ 0.522		Φ 0.001				
4300	Rental revenue	\$ 9,533	-	\$ 8,881	-			
4410	Hospitality service revenue	280,802	8	338,929	9			
4500	Construction revenue	3,481,805	92	3,487,088	91			
4000	Total operating		<u></u>					
	revenue	3,772,140	<u>100</u>	3,834,898	<u>100</u>			
	OPERATING COSTS (Notes 10 and 26)							
5300	Rental costs	( 6,878)	-	( 6,340)	-			
5410	Hospitality service cost	( 284,506)	(7)	( 317,808)	(8)			
5500	Construction costs	$(\underline{2,399,985})$	( <u>64</u> )	$(\underline{2,910,142})$	( <u>76</u> )			
5000	Total operating costs	$(\underline{2,691,369})$	( <u>71</u> )	(_3,234,290)	( <u>84</u> )			
5900	Gross Profit	1,080,771	29	600,608	16			
6000	OPERATING EXPENSES							
	(Note 26)	(286,715)	(8)	(287,190)	(8)			
6900	Net Operating Income	794,056	21	313,418	8			
	NON-OPERATING INCOME AND EXPENSES (Note 26)							
7100	Interest income	238	_	217	_			
7010	Other income	17,329	-	16,378	-			
7020	Other gains and losses	346,838	9	( 15,547)	-			
7050	Finance costs	$(\underline{}11,222)$		(41,611)	( <u>1</u> )			
7000	Total non-operating							
	income and expenses	353,183	9	(40,563)	(1)			
	expenses			(	()			
7900	Net income before tax	1,147,239	30	272,855	7			
7950	Income tax expense (Note 27)	(85,304)	(2)	(30,097)	(1)			
8200	NET PROFIT FOR THE YEAR	1,061,935	_ 28	242,758	6			
(Continued on the next page)								

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		2021		2020		
Code		Amount	%	Amount	%	
	OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 27)					
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans	\$ 1,135	_	\$ 2,246	_	
8349	Income tax relating to items that will not be reclassified subsequently to	* 2,200		¥ 2,2 .0		
8300	profit or loss Other comprehensive income for the year, net of	(227)		(449)	<u> </u>	
	income tax	908		1,797		
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,062,843		<u>\$ 244,555</u>	<u>6</u>	
	EARNINGS PER SHARE (Note 28) From continuing operations					
9710 9810	Basic Diluted	\$ 3.72 \$ 3.72		\$ 0.85 \$ 0.85		

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

Chairman: Liu Hsin-Hsiung Manager: Liu Hua-Hsing Accounting Officer: Cheng Yen-Fen

## Founding Construction Development Corp. and Subsidiaries

Consolidated Statements of Changes in Equity For the years ended December 31, 2021 and 2020 Unit: NT\$ thousands

	<del>-</del>		EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
		Capital stock		Capital surplus		Retained earnings			
Code		Shares (In			Treasury shares			Unappropriated	
	<u> </u>	Thousands)	Ordinary shares	Shares premium	transactions	Legal reserve	Special reserve	earnings	Total equity
A1	Balance as of January 1, 2020	285,245	\$ 2,852,450	\$ 20,894	\$ 236	\$ 938,925	\$ 966	\$ 3,522,936	\$ 7,336,407
	Appropriation and distribution of earnings for 2019								
B1	Legal reserve	-	-	-	-	9,433	-	( 9,433)	-
B5	Cash dividends to								
	shareholders	-	-	-	-	-	-	( 142,623)	( 142,623)
D1	Consolidated net income for 2020	-	-	-	-	-	-	242,758	242,758
D3	AFTER-TAX OTHER COMPREHENSIVE INCOME								
	for 2020	<del>_</del>	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	1,797	<u> </u>
D5	Total comprehensive income in 2020	<del>_</del>	<del>_</del>	<del>_</del>	<del>_</del>	<del>_</del>	<del>_</del>	244,555	244,555
<b>Z</b> 1	Balance as of December 31, 2020	285,245	2,852,450	20,894	236	948,358	966	3,615,435	7,438,339
	Appropriation and distribution of earnings for 2020								
B1	Legal reserve	-	-	-	-	24,456	-	( 24,456)	-
B5	Cash dividends to								
	shareholders	-	-	-	-	-		( 171,147)	( 171,147)
Q1	Disposal of investments in equity instruments at FVTOCI	-	-	-	-	-	-	( 3,648)	( 3,648)
D1	Consolidated net income for 2021	-	-	-	-	-	-	1,061,935	1,061,935
D3	AFTER-TAX OTHER COMPREHENSIVE INCOME for 2021	<del>_</del>	<u>=</u>		<del>_</del>	<del>-</del>	<u>-</u> _	908	908
D5	Total comprehensive income in 2021	<del>_</del>	<del>_</del>	<del>_</del>	<del>_</del>	<del>_</del>	<del>_</del>	1,062,843	1,062,843
<b>Z</b> 1	Balance as of December 31, 2021	<u>285,245</u>	<u>\$ 2,852,450</u>	\$ 20,894	<u>\$ 236</u>	<u>\$ 972,814</u>	<u>\$ 966</u>	<u>\$ 4,479,027</u>	<u>\$ 8,326,387</u>

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

Chairman: Liu Hsin-Hsiung Manager: Liu Hua-Hsing Accounting Officer: Cheng Yen-Fen

# Founding Construction Development Corp. and Subsidiaries

# Consolidated Statements of Cash Flows For the years ended December 31, 2021 and 2020

Code			2021		2020
	CASH FLOWS FROM OPERATING ACTIVITIES				
A10000	Income before income tax for the year	\$ 1,147,239		\$	272,855
A20010	Adjustments for:				
A20100	Depreciation expenses	90,599			88,486
A20200	Amortization expenses	438			595
A20400	Loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or				
	loss		5,327	(	436)
A20900	Finance costs		11,222		41,611
A21200	Interest income	(	238)	(	217)
A21300	Dividend income	(	2,470)	(	163)
A22500	Gain on disposal of property, plant				
	and equipment	(	352,212)	(	286)
A23100	Disposal of financial instruments at fair value through profit or				
	loss	(	1,888)	(	392)
A29900	Loss on sublease of right-of-use	(	1,000)	(	3,2)
112//00	assets		4,334		_
A23700	Loss on write-downs of		.,22 .		
	inventories		3,773		13,959
A30000	Changes in operating assets and liabilities		- 7		- ,
A31130	Notes receivable	(	16,560)		_
A31150	Accounts receivable	(	57,122	(	28,213)
A31200	Inventories		41	(	991,257
A31230	Prepayments		46,432		33,658
A31240	Other current assets	(	673)		1,997
A31250	Other financial assets	(	85,057)	(	20,694)
A32125	Contract liabilities – current	(	1,384)		300,702)
A32130	Notes payable	(	39,184)		1,000)
A32150	Accounts payable	(	48,299)		15,962)
A32180	Other payables	(	6,331)	(	9,713
A32230	Other current liabilities	(	8,819		6,676
A32240	Net defined benefit liabilities -		0,017		0,070
A32240	non-current	(	102)	(	1,069)
A33000	Cash generated from/(used in)	(	102)	(	1,007
A33000	operations		820,948		1,091,673
A33500	Income taxes paid	(	53,772)	(	30,072)
AAAA	Net cash generated from operating	(	55,114)	(	30,072)
	activities		767,176		1,061,601

(Continued on the next page)

Code	a nom the previous page)	2021	2020
	CASH FLOWS FROM INVESTING		
	ACTIVITIES		
B00100	Acquisition of financial assets at fair		
	value through profit or loss	(\$ 405,547)	(\$ 10,068)
B00020	Disposal of financial assets at fair value	2 200	
D00020	through other comprehensive income	2,280	-
B00030	Proceeds from capital reduction of		
	financial assets at fair value through	660	
B00200	other comprehensive income Disposal of financial assets at fair value	000	-
D00200	through profit or loss	337,421	10,459
B02700	Purchase of property, plant and	337,421	10,439
D02700	equipment	( 53,254)	( 5,600)
B02800	Proceeds from disposal of property,	( 33,231)	( 3,000)
202000	plant and equipment	1,753,190	286
B03800	Decrease in refundable deposits	12,208	5,124
B04500	Purchase of intangible assets	(114)	( 550)
B05400	Purchase of investment properties	-	(11,076)
B06100	Decrease in finance lease receivables	996	-
B07500	Interest received	201	217
B07600	Dividends received from others	2,470	<u> 163</u>
BBBB	Net cash generated from/(used in)		
	investing activities	1,650,511	( <u>11,045</u> )
	CASH FLOWS FROM FINANCING		
	ACTIVITIES		
C00100	Increase in short-term borrowings	930,900	1,044,860
C00200	Decrease in short-term borrowings	( 1,262,080)	( 1,730,910)
C00500	(Decrease) Increase in short-term bills	(1,202,000)	(1,750,510)
	payable	( 845,910)	314,571
C01600	Proceeds from long-term borrowings	300,000	227,000
C01700	Repayments of long-term borrowings	( 860,207)	(645,852)
C03000	Increase (Decrease) in guarantee		
	deposits received	5,992	( 891)
C04020	Payments of lease liabilities	( 9,944)	(2,909)
C04500	Dividends paid to owners of the		
	Company	(171,147)	( 142,623)
C05600	Interest paid	(12,646)	(44,641)
CCCC	Net cash used in financing	( 1.005.040)	( 001 205)
	activities	(1,925,042)	( <u>981,395</u> )
EEEE	INCREASE IN CASH AND CASH		
DEEE	EQUIVALENTS FOR THE YEAR	492,645	69,161
E00100	CASH AND CASH EQUIVALENTS,	772,073	07,101
200100	BEGINNING OF YEAR	519,169	450,008
E00200	CASH AND CASH EQUIVALENTS, END		
	OF YEAR	\$ 1,011,814	<u>\$ 519,169</u>

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

Chairman: Liu Hsin-Hsiung Manager: Liu Hua-Hsing Accounting Officer: Cheng Yen-Fen

### Founding Construction Development Corp. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

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

### 1. Company History

Founding Construction Development Corp. ("Founding Co." or "the Company") was incorporated in Taipei City in April 1991, mainly engaged in appointments and management of contractors to build public housing developments and commercial buildings for leasing and selling, trading of construction materials and machines, designs and constructions of interior decoration, etc.

The Company's shares were listed on the Taiwan Stock Exchange (TWSE) in April, 2008.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

### 2. Date and Procedures of Authorization of Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 17, 2022.

### 3. Application of New and Amended Standards and Interpretations

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

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC will not have a significant effect on the consolidated company's accounting policies.

b. IFRSs endorsed by the FSC with effective date starting 2022

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 1)
Amendment to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendment to IAS 16 "Property, Plant and Equipment - Proceeds before	January 1, 2022 (Note 3)
Intended Use"	
Amendment to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

- Note 1. Amendment to IFRS 9 is effective to exchanges of a financial liability or modifications of terms incurred during the annual periods beginning on or after January 1, 2022. Amendment to IAS 41 "Agriculture" is effective to fair value measurements for annual periods beginning on or after January 1, 2022. Amendment to IFRS 1 "First-time Adoption of IFRS" is retrospectively effective for annual periods beginning on or after January 1, 2022.
- Note 2. The Company shall apply this amendment to business combinations for which the acquisition date is beginning on or after January 1, 2022.
- Note 3. The Company shall apply this amendment to the property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 4. The amendment shall be applied to contracts for which the Company has not yet fulfilled all its obligations on or after January 1, 2022.

As of the date the accompanying consolidated financial statements were authorized for issue, the consolidated company continues in evaluating the impact on its financial position and financial performance as a result of the amendment of the other standards or interpretations, and no significant impact will be caused.

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

	Effective Date Issued by IASB
New, Revised or Amended Standards and Interpretations	(Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets	To be determined
between an Investor and its Associate or Joint Venture"	
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—	January 1, 2023
Comparative Information"	
Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendment to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendment to IAS 12 "Deferred Tax related to Assets and Liabilities arising	January 1, 2023 (Note 4)
from a Single Transaction"	

- Note 1. Unless stated otherwise, the aforementioned New, Revised or Amended Standards and Interpretations are effective for annual periods beginning on or after their respective effective dates.
- Note 2. The Company shall apply this amendment prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 3. This amendment is effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period.
- Note 4. The amendment applies to transactions occurring after January 1, 2022, except for the recognition of deferred income tax on temporary differences in leases and decommissioning obligations on January 1, 2022.
- 1) Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendment clarifies whether or not a liability to be classified as non-current, the consolidated company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the consolidated company will exercise that right. The amendment also clarifies that, if the right to defer settlement is subject to compliance with specified conditions, the consolidated company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendment stipulates that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the consolidated company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the consolidated company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

### 2) Amendment to IAS 1 "Disclosure of Accounting Policies"

This amendment prescribes that the consolidated company shall apply the concept of materiality in making decisions about the disclosure of accounting policy information. Accounting policy information is material if, when considered together with other information included in the consolidated company's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. This amendment also clarifies that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed by the consolidated company.
- The consolidated company's accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial.
- Not all accounting policy information relating to material transactions, other events or conditions is

itself material.

Moreover, this amendment gives examples to explain that it is likely to consider accounting policy information material to the financial statements if that information relates to material transactions, other events or conditions and the accounting policy:

- a) Has changed during the reporting period by the consolidated company, and this change results in a material change on information of the financial statements;
- b) Was chosen properly by the consolidated company from alternatives permitted by IFRS;
- Was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS Standard that specifically applies;
- d) Relates to an area for which the disclosure the consolidated company is required to make significant judgments and assumptions; or
- e) Involves complex accounting treatment, and users of the consolidated company's financial statements would otherwise not understand the relating transactions, other events or conditions.

### 3) Amendment to IAS 8 "Definition of Accounting Estimates"

This amendment defines accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". The accounting policy applicable to the consolidated company may require items in financial statements to be measured at monetary amounts that cannot be observed directly and must instead be estimated. Therefore, an input or a measurement technique has to be used to develop an accounting estimate to achieve this goal. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

Besides the above-mentioned impact, as of the date the accompanying consolidated financial statements were authorized for issue, the consolidated company continues in evaluating the impact on its financial position and financial performance as a result of the amendment of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

### 4. Summary of Significant Accounting Policies

### a. 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, relevant regulations, and IFRSs endorsed and issued into effect by FSC.

#### b. Basis of Preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the related inputs are observable and based on the significance of the related inputs, are described as follows:

- 1) Level 1 inputs: They refer to quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
- 2) Level 2 inputs: They refer to inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- 3) Level 3 inputs: They refer to unobservable inputs for the asset or liability.

### c. Standards for Classification of Current and Noncurrent Assets and Liabilities

#### Current assets include:

- 1) Assets held for trading purposes,
- 2) Assets expected to be realized within 12 months after the balance sheet date; and
- 3) Cash and cash equivalents, excluding those that are restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

### Current liabilities include:

- 1) Obligations incurred for trading purposes,
- 2) Obligations expected to be settled within 12 months from the balance sheet date, and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not listed above are classified as non-current.

The consolidated company is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the construction-related assets and liabilities.

#### d. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries). Operating income (loss) of subsidiaries acquired or disposed of during the period are included in the consolidated statements of other comprehensive income from the effective dates of acquisitions or up to the effective dates of disposals. Adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the consolidated company. When preparing the consolidated financial statements, all intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the consolidated company's ownership interests in subsidiaries that do not result in the consolidated company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the consolidated company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or collected is directly recognized in equity and attributed to the owners of the Company.

Refer to Note 12 and Table 6 for detailed information on subsidiaries, including percentages of ownership and main businesses.

### e. Foreign Currency

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

Monetary items denominated in foreign currencies are translated at the rates prevailing on each date of balance sheets. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

### f. Inventories

Inventories comprise properties under construction and properties held for sale. Properties under construction and properties held for sale are initially recorded at acquisition cost. Costs of properties under construction include costs of construction land of unfinished construction, construction costs and related borrowing costs. Upon completion of construction, the costs of the portion sold are then recognized as operating costs for the proportion of the selling price when revenue is recognized for the sales of real estate.

Properties held for sale are stated at the lower of cost or net realizable value. Comparing costs with net realizable

value is based on individual item.

### Food and beverage inventory

Inventories are raw materials. Inventory is stated at the lower of cost or net realizable value. Comparing costs with net realizable value is based on individual item. The cost of inventory is computed using the weighted average cost method.

Net realizable value represents the estimated selling price of inventories less the estimated cost of completion and the estimated cost necessary to make the sale.

### g. Property, Plant and Equipment

Property, plant and equipment are recognized at cost, and then measured at cost less accumulated depreciation and accumulated impairment.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are classified to the appropriate categories of property, plant and equipment and subject to depreciation when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is separately calculated using the straight-line method over the useful life of each significant part. The consolidated company at least reviews the estimated useful lives, residual values and depreciation method at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Upon disposal of property, plant and equipment, the difference between the net sales proceeds and the carrying amount of the asset is recognized in profit or loss.

### h. Investment Properties

Investment property is properties held to earn rental and/or for capital appreciation, including properties that are under construction for the above stated purposes. Investment property also includes land held for future use that is currently undetermined.

Self-owned investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of investment properties is recognized using the straight-line method.

Investment property is recognized as inventory at its carrying amount at the date when it is ready for sale.

Property recorded as inventory is recognized as investment property at its carrying amount when it was rented under an operating lease.

Upon disposal of investment properties, the difference between the net sales proceeds and the carrying amount of the asset is recognized in profit or loss.

### i. Impairment of Property, Plant and Equipment and Right-of-use Assets

On each balance sheet date, the consolidated company assesses whether there is any indication that the property, plant and equipment and right-of-use assets might have suffered an impairment loss. If any such indication exists, the consolidated company estimates the recoverable amount of the asset. When it is not possible to estimate the recoverable amount of an individual asset, the consolidated company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

An impairment loss on inventories and property, plant and equipment related to the contracts with customers shall be recognized in accordance with the applicable standards of inventory impairment and the above-

mentioned principles. Then, the impairment loss is recognized to the extent that the carrying amount of the assets related to contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the direct costs related to providing those goods or services. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount, less any amount of amortization or depreciation, that would have been determined had no impairment loss been recognized on the asset in prior years. A reversal of an impairment loss is recognized in profit or loss.

### j. Non-current assets held for sale

Non-current assets are classified as available-for-sale when their carrying values are expected to be recovered primarily through a sale transaction rather than continued use. Non-current assets that meet this classification must be available for immediate sale in their current conditions, and this sale must be highly probable. When there is a plan by the appropriate level of management to commit to the sale of the asset, and this sale transaction is expected to be completed within one year from the classification date, it qualifies for a sale as highly probable.

#### k. Financial Instruments

Financial assets and liabilities shall be recognized in the consolidated balance sheet when the consolidated company becomes a party to the contractual provisions of the instruments.

While financial assets and liabilities are initially recognized, transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of those financial assets and financial liabilities that are not measured at fair value through profit or loss. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

#### 1) Financial assets

Regular way transactions of financial assets are recognized and derecognized on a settlement date basis.

### a) Category of measurement

Financial assets held by the consolidated company are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

### i. Financial asset at FVTPL

Financial asset at FVTPL includes the financial assets mandatorily required to be measured at FVTPL. Financial assets mandatorily required to measure at FVTPL include investments in equity instruments that are not designated as FVTOCI, and investments in debt instruments that do not meet the criteria of amortized cost or FVTOCI.

Financial asset measured at FVTPL is measured at fair value, and any dividends or interests from such financial assets are recognized in other revenues. Any remeasurement gain or loss on such financial assets is recognized in other gain or loss. Fair value is determined in the manner described in Note 31.

### ii. Financial asset measured at amortized cost

The consolidated company's investments in financial assets that meet the following two conditions are subsequently measured at amortized cost:

- (a) Within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) The contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets measured at amortized cost, including cash and cash equivalents, notes receivable measured at amortized cost, accounts receivable, other

financial assets, and refundable deposits, are measured at the carrying amount determined by the effective interest method less any impairment loss. Any foreign exchange gain/loss is recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- (a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- (b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Credit-impaired financial assets are those where the issuer or debtor has experienced major financial difficulties, defaults, the debtor is likely to file for bankruptcy or other financial restructuring, or disappearance of an active market for the financial assets due to financial difficulties.

### iii. Investments in equity instruments at FVTOCI

On initial recognition, the consolidated company may make an irrevocable election to designate investments in equity instruments as at FVTOCI if the equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are measured at fair value and subsequently measured at fair value with gain or loss arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the consolidated company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

### b) Impairment of financial assets

On each date of balance sheets, the consolidated company evaluates a loss allowance for financial assets at amortized cost (including notes receivable and accounts receivable) based on expected credit loss.

The loss allowances for notes receivable and accounts receivable are recognized at an amount equal to lifetime expected credit losses. Other financial assets are first evaluated whether or not the credit risk has increased significantly since initial recognition. If it has not increased significantly, a loss allowance is recognized at an amount equal to expected credit loss within 12 months. If it has increased significantly, a loss allowance is recognized at an amount equal to expected credit loss over the expected life.

Expected credit losses are the weighted average credit losses resulting from a risk of default events as the weight. Expected credit losses within 12 months represent the expected credit losses resulting from possible default events of a financial instrument within 12 months after the reporting date. Expected credit loss over the expected life represent the expected credit losses resulting from all possible default events of a financial instrument over the expected life.

An impairment loss of all financial assets is recognized with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce its carrying amount.

### c) Derecognition of financial assets

The consolidated company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset are extinguished, or when it transfers the financial asset and

substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

#### 2) Financial liabilities

#### a) Subsequent measurement

Except in the following situation, all financial liabilities are subsequently measured at amortized cost using effective interest method:

### Financial Guarantee Contract

Financial guarantee contracts issued by the consolidated company and not measured at fair value through profit or loss are measured at the higher of an allowance loss reflecting its expected credit loss and the amortized amount, subsequently to the original recognition.

### b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including liabilities of any transferred non-cash asset or afforded liabilities, is recognized in profit or loss.

#### 1. Provisions

Provisions are measured at the best estimate of the expenditures required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at the discounted cash flows of the consideration required to settle the present obligation

### m. Revenue Recognition

The consolidated company identifies performance obligations in customer contracts allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

### 1) Revenue from sale of goods

Revenue from sale of goods comes from the sales of real estate. The consolidated company recognizes the revenue when the customer has the right to set the price and use of the commodities respectively and is mainly responsible for resale once the property is handed over, and the registration of property right is finished.

### 2) Guest-room revenue and food and beverage revenue

Guest-room revenue and food and beverage revenue are recognized upon the actual service delivery.

Guest-room revenue and food and beverage revenue are measured at the fair value of the transaction price negotiated between the consolidated company and the buyer in consideration of commercial and volume discounts. However, receivables from sales of goods maturing within one year or less may not be valued at fair value according to the imputed interest rate when the discrepancy between their fair value and their value at maturity is small and transactions of sales occur frequently.

#### 3) Rental revenue

Revenue from lease is recognized when a property is actually used in lease, provided that it is probable the economic benefits will flow to the consolidated company and the amount of revenue can be measured reliably.

### n. Leases

At the inception of a contract, the consolidated company assesses whether the contract is, or contains, a lease.

### 1) The consolidated company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the consolidated company subleases the right-of-use asset, it determines the classification of the sublease based on the right-of-use asset (rather than the underlying asset). However, if the head lease is a short-term lease for which the consolidated company is subject to the recognition exemption, the sublease is classified as an operating lease.

Under a finance lease, lease payments include fixed payments. The net lease investment is measured as the sum of the present value of the lease payments receivable and the non-guaranteed residual value, plus the original direct cost; it is expressed as a finance lease receivable. Financing income is allocated to each accounting period to reflect the fixed rate of return available in each period on the unexpired net lease investment of the consolidated company.

After lease-related incentives are deducted, the rental income from operating lease is recognized on a straight-line basis over the term of the lease. The initial direct costs arising from acquisition of operating leases is added to the carrying amount of the underlying assets; and an expense is recognized for the lease on a straight line basis over the lease term. The lease negotiations processed with lessees are treated as new leases from the effective date of the lease modification.

Variable lease payments that do not depend on indices or rates are recognized as income in the period in which they are incurred.

When a lease includes both land and building elements, the consolidated company assesses the classification of each element separately as a financial or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the lease payments can be allocated reliably between the two elements, each element is accounted for separately in accordance with its lease classification. If the lease payments cannot be allocated reliably between the two elements, the entire lease is generally classified as a finance lease unless it is clear that both elements meet the standards of operating leases; in which case, the entire lease is classified as an operating lease.

### 2) The consolidated company as lessee

The consolidated company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are measured initially at cost, which comprises the initial measurement of lease liabilities. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of remeasurement. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the consolidated company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense allocated over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the consolidated company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

### o. Borrowing Costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### p. Government Subsidies

Government grants are not recognized until there is reasonable assurance that the consolidated company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the consolidated company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated company with no future related costs are recognized in profit or loss in the period in which they become receivable.

### q. Employee Benefits

### 1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

#### 2) Post-Retirement Benefits

Payments of defined contribution retirement plans are recognized as an expense when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service costs, net interest and remeasurements) under the defined benefit retirement plans are determined using the Projected Unit Credit Method. Service costs (including current service costs), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, including actuarial gain or loss and the return on plan assets (less interest), is recognized in other comprehensive income and other equity in the period in which they occur, and will not be subsequently reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit retirement plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

#### r. Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

### 1) Current income tax

According to the Income Tax Law of the ROC, an additional income tax on unappropriated earnings was surcharged in the year approved by the shareholders' meeting.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

#### 2) Deferred income tax

Deferred income tax is calculated on temporary differences between the carrying amounts of the recorded assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences while deferred tax assets are recognized as it is very likely that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the consolidated company is able to control the timing of the reversal of the temporary difference and it is very likely that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment and equity are only recognized to the extent that it is very likely that there will be sufficient taxable profit against which to utilize the benefit of the temporary differences that are expected to reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed on each date of balance sheets and it is reduced to the extent that it is no longer very likely that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets not originally recognized are also reviewed on each date of balance sheets, and their carrying amount is increased to the extent that it is very likely that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, and this tax rates is based on the tax rates and tax laws that have been enacted or substantively enacted on the date of balance sheet. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated company expects to recover or settle the carrying amount of its assets and liabilities on the date of balance sheet.

#### 3) Current and deferred income tax

Current and deferred income taxes are recognized in profit or loss, unless when they relate to items that are recognized in other comprehensive income or directly recorded in equity, the current and deferred income tax are separately recognized in other comprehensive income or directly recorded in equity.

### 5. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

In the application of the consolidated company's accounting policies, the management is required to make judgments, estimates and assumptions based on historical experience and other relevant factors for the items that are not readily apparent from other sources. Actual results may differ from these estimates.

The consolidated company takes into account the economic impact of the COVID-19 outbreak in its critical accounting judgments and the management will consistently review the estimations and underlying assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

### Key Sources of Estimation and Assumption Uncertainty

Impairment loss of land, property, and building of inventory, investment properties, and property, plant and equipment

Land, property, and building of inventory, investment properties, and property, plant and equipment are stated at the lower of cost or net realizable value so the consolidated company must use judgments and estimates to determine their net realizable value at the end of each reporting period. This valuation is subject to significant changes because its estimation basis is the future product demand within a specific time horizon.

Please refer to Notes 10, 15, and 17 for the carrying amounts of land, property, and building of inventory, investment properties, and property, plant and equipment as of December 31, 2021 and 2020.

### 6. Cash and Cash Equivalents

Cash on hand and working capital Bank Deposits

December 31, 2021	December 31, 2020
\$ 4,472	\$ 4,100
1,007,342	515,069
\$ 1,011,814	\$ 519,169

### 7. Financial Instruments at Fair Value Through Profit or Loss

		December 31, 2021	December 31, 2020		
Financial assets - current		_			
Financial asset designation as at FVTPL					
Domestic listed (OTC) securities	\$	58,411	\$ -		
Fund beneficiary certificates		8,471	2,856		
	\$	66,882	\$ 2,856		

### 8. Financial Assets at Fair Value Through Other Comprehensive Income

	December 31, 2021		December 31, 2020		
Non-Current					
Investments in equity instruments at FVTOCI					
Unlisted stocks	\$	4,104	\$	10,032	

### 9. Accounts Receivable

	D	December 31, 2021	December 31, 2020		
Accounts receivable from Operating businesses Less: Allowance for Bad Debts	\$	11,463	\$	68,585	
	\$	11,463	\$	68,585	

### Accounts receivable

The payment terms granted by the consolidated company for their customers are generally 60 days. When determining the collectability of accounts receivable, the consolidated company takes any change of credit quality from the invoice date of account receivables to the balance sheet date into consideration. Because past experiences show that overdue accounts receivable for over one year are unable to be recovered, the consolidated company recognizes 100% of the accounts receivable overdue for over one year as allowance for bad debts. The accounts receivable overdue between 181 days and one year shall be estimated as the uncollectible amounts by referring to the previous payment delay records of the counterparty and analyzing its finance condition.

The consolidated company writes off accounts receivable when there is information indicating that the debtor is experiencing in severe financial difficulty and there is no realistic prospect of recovery. The consolidated company continues to engage in enforcement activity to attempt to recover the receivables due. Recoveries made from such activities are recognized in profit or loss.

The consolidated company's loss allowance for accounts receivable based on the provision matrix are as follows:

### December 31, 2021

		past due - 30 days	101	265 days	Over	ono Hoon	Total
	10	so days	101 -	365 days	Over	one year	 Total
Expected credit loss rate		0%		0%		100%	
Total carrying amount	\$	11,463	\$	-	\$	-	\$ 11,463
Allowance for loss (lifetime expected							
credit losses)		-		-		-	-
Costs after amortization	\$	11,463	\$		\$	-	\$ 11,463

### December 31, 2020

	Not	t past due -					
	1	80 days	181	- 365 days	Ove	r one year	 Total
Expected credit loss rate		0%		0%		100%	
Total carrying amount	\$	68,585	\$	-	\$	-	\$ 68,585
Allowance for loss (lifetime expected							
credit losses)		_					 
Costs after amortization	\$	68,585	\$		\$	_	\$ 68,585

No accounts receivable are pledged by the consolidated company as collateral for borrowings.

### 10. Inventories

### a. Details of inventories are as follows:

	Dec	cember 31, 2021	December 31, 2020
Buildings and land held for sale	\$	2,252,909	\$ 2,308,767
Construction in progress		4,963,074	6,125,555
Food and beverage inventory		3,785	 3,137
	\$	7,219,768	\$ 8,437,459

For the years ended December 31, 2021 and 2020, the cost of goods sold related to construction inventory amounted to \$2,399,985 thousand and \$2,910,142 thousand, respectively, and the cost of goods sold related to food and beverage inventory amounted to \$284,506 thousand and \$317,808 thousand, respectively.

Cost of goods sold containing losses on inventory valuation amounted to \$3,773 thousand and \$13,959 thousand, respectively, was recognized for the years ended December 31, 2021 and 2020.

As of December 31, 2021 and 2020, inventories of \$4,963,074 thousand and \$6,125,555 thousand, respectively, are expected to be recovered after more than 12 months.

Please refer to Note 33 for information about the amount of inventories pledged by the consolidated company as collateral for borrowings.

### b. Buildings and land held for sale and contract liability – current

	December 31, 2021	December 31, 2020
Land of Founding Glion	\$ -	\$ 10,814
Property of Founding Glion	-	38,221
Land of Cosmos Technology	37,393	139,497
Property of Cosmos Technology	51,765	213,953
Land of Universal Technology	-	95,462
Property of Universal Technology	-	115,250
Land of Nan Ke Ming Men	47,319	47,319
Property of Nan Ke Ming Men	94,506	94,197
Land of Founding Fu Yi	215,094	-
Property of Founding Fu Yi	140,705	-
Land of United Tech	222,274	-
Property of United Tech	276,218	-
Land of Zhong Lu Sec.	56,446	56,446
Property of Zhong Lu Sec.	10,420	10,420
Land of Fu Gui Ming Di	26,842	107,902
Property of Fu Gui Ming Di	42,747	171,834
Land of Bao An Sec.	10,494	10,494
Land of Asia Pacific Technology Park	338,811	338,811
Property of Asia Pacific Technology Park	681,875	644,302
Land of Sun Technology Plaza	-	135,483
Property of Sun Technology Plaza	 <u>-</u>	78,362
	\$ 2,252,909	\$ 2,308,767

	December 31, 2021		December 31, 2020		
Contract liability of Founding Glion –	\$		\$ 7.601		
current		-	5,681		
Contract liability of Universal Technology  – current		-	53,357		
Contract liability of Fu Gui Ming Di – current		9,164	19,636		
Contract liability of Sun Technology Plaza  – current		_	109,953		
Contract liability of Nan Ke Ming Men – current		15,200	-		
Contract liability of Founding Fu Yi – current		30,096	_		
Contract liability of United Technology –		20,030			
current		39,352	-		
	\$	93,812	\$ 188,627		

# c. Construction in progress and contract liability – current

December 31, 2021

		Construction in		Contract
	Construction in	Progress -		liabilities –
Construction Project	Progress - Land	Project	Total	current
Fu-Yi Tainan NO.2	\$ 104,495	\$ 23,886	\$ 128,381	\$ -
Wen De Sec.	21,124	-	21,124	-
Jian Kang Sec.	7,072	-	7,072	-
Founding Yi Pin	1,294,095	582,352	1,876,447	220,621
United Tech	401,072	622,913	1,023,985	-
Bei Shan Sec.	15,205	-	15,205	-
Asia Pacific Technology Park	532	-	532	-
Star Technology (was originally				
Tam Mei Sec.)	328,916	197,640	526,556	-
Yi Min Sec.	1,496	-	1,496	-
Ren Ai Sec.	4,430	-	4,430	-
Hua Xing Sec.	9,888	-	9,888	-
Ai Lan Sec.	520	-	520	-
Pei Po Sec.	589	4	593	-
Hou Gang Sec.	476	165	641	-
Li Ren Sec.	-	5,984	5,984	-
Meditation Garden (formerly				
Xing An sec.)	318,585	1,806	320,391	-
Xin Gong Sec.	5,719	-	5,719	-
Xin Feng Sec.	-	745	745	-
Hou De Sec.	-	183	183	-
Founding Li Garden	662,901	301,860	964,761	-
Fu Xing Sec.	476	-	476	-
Shi Jian Sec.	36,837	-	36,837	-
Chang Chun Sec.	143	-	143	-
Wu Gu Wang Sec.		10,965	10,965	
	\$ 3,214,571	\$ 1,748,503	\$ 4,963,074	\$ 220,621

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			С	onstruction in				ontract
		truction in		Progress -			liał	oilities –
Construction Project	Progr	ess - Land		Project		Total	c	urrent
Fu-Yi Tainan NO.2 (was								
originally Li Ren Sec.)	\$	104,495	\$	8,733	\$	113,228	\$	-
Wen De Sec.		21,124		-		21,124		-
Jian Kang Sec.		7,072		-		7,072		-
Founding Yi Pin		1,251,258		336,580		1,587,838		127,190
United Tech		834,111		820,911		1,655,022		-
Bei Shan Sec.		15,205		-		15,205		-
Asia Pacific Technology Park		482,670		54,490		537,160		-
Star Technology (was originally								
Tam Mei Sec.)		328,897		46,226		375,123		-
Yi Min Sec.		1,496		-		1,496		-
Ren Ai Sec.		4,430		-		4,430		-
Hua Xing Sec.		9,888		-		9,888		-
Ai Lan Sec.		520		-		520		-
Xin Feng Sec.		-		745		745		-
Hou De Sec.		-		183		183		-
Founding Li Garden (was								
originally Wu Gu Wang Sec.)		662,901		158,344		821,245		-
Founding Fu Yi		417,828		238,720		656,548		-
Fu Xing Sec.		476		=		476		-
Chang Chun Sec.		143		=		143		-
Meditation Garden (formerly								
Xing An sec.)		318,109		=		318,109		-
	\$	4,460,623	\$	1,664,932	\$	6,125,555	\$	127,190
Capitalization of interest is as follo	ows:							
1				2021			2020	
Total amount of interest expense		\$		84	1,520	\$		111,541
Current capitalized construction is	nterest	\$		73	3,298	\$		69,930
Capitalization interest rate				1.56%~1.			1.59	%~1.90%
Year-end accumulated amount of							/	3/0
capitalized construction interest		\$		120	),245	\$		100,978

### 11. Non-current assets held for sale

	Dece	mber 31, 2021
Land available-for-sale	\$	133,477
Property available-for-sale		206,455
	\$	339,932

On Dec 30, 2021, the Company and Chunghwa Post Co., Ltd signed a sales contract of land and property located on Lot 6, 1st Subsection, Chong Qing Section, Central District, Taichung. The transaction amount is NT\$633,000 thousand. There is no impairment when it is measured at the lower of book value and fair value less costs of sales.

Please refer to Note 33 for information about the amount of non-current assets held for sale pledged by the consolidated company as collateral for borrowings.

### 12. Subsidiaries

a. Subsidiaries included in the consolidated financial statements

The entities of the consolidated financial statements are as follows:

			_	of Ownership	
			and Votii	ng Rights	
Name of Investor			December	December	
Company	Name of Subsidiary	Business Nature	31, 2021	31, 2020	Remark
Founding Co.	Chien-Chiao Construction Co., Ltd. (the "Chien- Chiao Co.")	Operations and investments of undertaken civil construction, building works, and related businesses as main businesses	100%	100%	(1)
Founding Co.	FUSHIN Hotel Co., Ltd. (the "FUSHIN Hotel Co.")	Businesses in restaurant and general hotel as main businesses	94.375%	94.375%	(1)
Founding Co.	Hsin-Long-Hsing Investment Co., Ltd. (the "Hsin-Long-Hsing Co.")	General investment business	100%	100%	(1) \( (2)
Chien-Chiao Co.	FUSHIN Hotel Co., Ltd. (the "FUSHIN Hotel Co.")	Businesses in restaurant and general hotel as main businesses	5.625%	5.625%	(1)

Remarks:

- (1) Its financial statements are audited by certified public accountants
- (2) Hsin-Long-Hsing Construction Co., Ltd. was registered as Hsin-Long-Hsing Investment Co., Ltd. on June 17, 2021.
- b. Subsidiary not included in the consolidated financial statements: None.

### 13. Prepayments

	De	ecember 31, 2021	 December 31, 2020
Current			
Prepayment on decoration of model house	\$	-	\$ 7,597
Tax overpaid retained for offsetting the future			
tax payable		1,225	46,508
Prepayment for purchases		10,933	14,912
Others		21,427	 11,000
	\$	33,585	\$ 80,017

## 14. Other Financial Assets—Current

	Dece	mber 31, 2021	D	ecember 31, 2020
Restricted assets (Note 33)	\$	120,565	\$	96,331
Security deposit of landlord		86,323		25,500
	\$	206,888	\$	121,831

### 15. Property, Plant and Equipment

	Land	Buildings and Property	Transportatio n Equipment	Office Equipment	Operating Equipment	Construction and Other Equipment	Total
Cost							
Balance as of January							
1, 2020	\$1,556,849	\$3,207,730	\$ 29,140	\$ 3,888	\$ 15,761	\$ 7,053	\$4,820,421
Addition	-	4,704	-	-	290	4,164	9,158
Disposal	-	-	( 4,650)	-	( 60)	-	( 4,710)
Balance as of December 31, 2020	\$1,556,849	\$3,212,434	\$ 24,490	\$ 3,888	<u>\$ 15,991</u>	<u>\$ 11,217</u>	\$4,824,869

(Continued on the next page)

### (Continued from the previous page)

	Land	Buildings and Property	Transportatio n Equipment	Office Equipment	Operating Equipment	Construction and Other Equipment	Total
Accumulated depreciation and impairment Balance as of January 1, 2020 Depreciation expenses Disposal Balance as of	\$ - - -	\$ 430,053 76,001	\$ 28,377 619 ( 4,650)	\$ 3,888	\$ 10,921 1,200 ( 60)	\$ 4,531 1,149	\$ 477,770 78,969 ( 4,710)
December 31, 2020	<u>\$</u>	<u>\$ 506,054</u>	<u>\$ 24,346</u>	<u>\$ 3,888</u>	<u>\$ 12,061</u>	<u>\$ 5,680</u>	<u>\$ 552,029</u>
Net carrying amount as of December 31, 2020	<u>\$1,556,849</u>	<u>\$2,706,380</u>	<u>\$ 144</u>	<u>\$ -</u>	<u>\$ 3,930</u>	<u>\$ 5,537</u>	<u>\$4,272,840</u>
Cost Balance as of January 1, 2021 Addition Disposal Reclassification to Inventory Reclassification to Non-current assets held for sale (Note) Reclassification to Investment Properties Balance as of December 31, 2021	\$1,556,849 33,481 ( 437,796) ( 85,768) ( 133,476) ( 3,346) \$ 929,944	\$3,212,434 13,357 (1,157,212) (67,315) (265,163) (2,330)	\$ 29,490 6,050 ( 3,250)	\$ 3,888	\$ 15,991 184 ( 8,428) - - - - - \$ 7,747	\$ 11,217 181 ( 6,445) - - - - - \$ 4,953	\$4,824,869 53,253 ( 1,613,131) ( 153,083) ( 398,639) ( 5,676)
Accumulated depreciation and impairment Balance as of January 1, 2021 Depreciation expenses Disposal	\$ - -	\$ 506,054 72,095 ( 199,152 )	\$ 24,346 1,051 ( 3,250)	\$ 3,888	\$ 12,061 982 ( 6,406)	\$ 5,680 1,228 ( 3,346)	\$ 552,029 75,356 ( 212,154 )
Reclassification to Inventory Reclassification to Non-current assets held for sale (Note)	-	( 14,463) ( 58,707)	-	-	-	-	( 14,463) ( 58,707)
Reclassification to Investment Properties		( 349)					( 349)
Balance as of December 31, 2021	<u> </u>	\$ 305,478	\$ 22,147	\$ 3,888	\$ 6,637	\$ 3,562	\$ 341,712
Net carrying amount as of December 31, 2021	<u>\$ 929,944</u>	<u>\$1,428,293</u>	<u>\$ 5,143</u>	<u>\$ -</u>	<u>\$ 1,110</u>	<u>\$ 1,391</u>	<u>\$2,365,881</u>

Property, plant and equipment of the consolidated company are depreciated by straight-light method using the estimated useful lives as follows:

Buildings and Property	
Main property	3 to 50 years
Decoration and partitioning project	11 years
Transportation Equipment	5 to 6 years
Office Equipment	
Computer peripherals and communication equipment	1 to 6 years
Others	4 to 6 years
Operating Equipment	
Cutlery and utensils of hotels	1 to 7 years
Bedroom supplies and electrical appliances of hotels	1 to 5 years
Construction and Other Equipment	
Construction equipment	6 years
Monitoring and security equipment	6 years
Others	1 to 6 years

Please refer to Note 33 for information about the amount of property, plant and equipment pledged by the consolidated company as collateral for borrowings.

Note: The Company has sold FUSHIN Taichung and has signed a contract; therefore, the relevant assets have been reclassified to non-current assets held for sale. Please refer to Note 11 for relevant information.

#### Lease Arrangements **16.**

#### Right-of-use assets a.

ragin of ase assets		December 31, 2021		December 31, 2020
Carrying amount of right-of-use assets Buildings	\$	12,319	\$	10,455
		2021		2020
Addition of right-of-use assets	\$	36,063	\$	<u>-</u>
Depreciation expense of right-of-use				
assets	Φ.	0.265	Φ.	2.155
Buildings	\$	8,365	\$	3,177
Loss on sublease of right-of-use assets	¢.	4 224	¢.	
(recorded in other gains and losses)	\$	4,334	\$	=

In addition to the above-mentioned additions, recognized depreciation expenses, and sublease, there was no significant impairment of the right-of-use assets of the consolidated company for the years ended December 31, 2021, and 2020.

#### b. Lease liabilities

	D	December 31, 2021		December 31, 2020
Carrying amount of lease liabilities				
Current	\$	9,985	\$	2,854
Non-Current	\$	27,419	\$	7,760

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2021	December 31, 2020
Buildings	1.70%~2.20%	1.80%~2.20%

#### Major lease activities and terms c.

The consolidated company leases several buildings for office use with lease terms of 1.5 to 4.08 years. The consolidated company does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

#### Other lease information d.

		2021	2020
Expenses relating to short-term leases	\$	6,331	\$ 885
Expenses relating to low-value asset	\$		\$
leases		1,118	1,238
Total cash (outflow) for leases	(\$	18,107)	\$ 5,289)

The consolidated company has elected to apply the recognition exemption to venue rentals which qualify as short-term leases and certain assets which qualify as low-value asset lease, and thus, did not recognize rightof-use assets and lease liabilities for these leases.

### 17. Investment Properties

		December 31, 2021	December 31, 2020		
Net carrying amount of each category	<u>-</u>				
Investment property- land	\$	1,571,429	\$	263,283	
Investment property- property		202,423		159,622	
	\$	1,773,852	\$	422,905	

		Investment property- land		Investment property - property		Total
Cost		property imme		property property		10.00
Balance as of January 1, 2020	\$	369,870	\$	234,306	\$	604,176
Addition		2,253		8,823		11,076
Transferred from inventory		83,906		93,536		177,442
Reclassified to inventory	(	192,746)	(	159,759)	(	352,505)
Transferred out (Note)	`	<del>-</del>	(	8,500)	Ì	8,500)
Balance as of December 31, 2020	\$	263,283	\$		\$	431,689
Accumulated depreciation and impairment						
Balance as of January 1, 2020	\$	-	\$	23,895	\$	23,895
Depreciation expenses		-		6,340		6,340
Reclassified to inventory		-	(	21,244)	(	21,244)
Transferred out (Note)		-	(	207)	Ì	207)
Balance as of December 31, 2020	\$	_	\$	8,784	\$	8,784
Net carrying amount as of December 31, 2020	\$	263,283	\$	159,622	\$	422,905
Cost						
Balance as of January 1, 2021 Reclassified from property, plant	\$	263,283	\$	168,406	\$	431,689
and equipment		3,346		2,330		5,676
Transferred from inventory		1,334,527		83,444		1,417,971
Reclassified to inventory	(	29,727 )	(	36,352)	(	66,079 )
Balance as of December 31, 2021	\$	1,571,429	\$		\$	1,789,257
Accumulated depreciation and impairment						
Balance as of January 1, 2021	\$	-	\$		\$	8,784
Depreciation expenses		-		6,878		6,878
Reclassified from property, plant				2.40		• 40
and equipment		-		349		349
Reclassified to inventory	_	<u> </u>	(_	606)	(	606)
Balance as of December 31, 2021	\$		\$	15,405	\$	15,405
Net carrying amount as of						
December 31, 2021	\$	1,571,429	\$	202,423	\$	1,773,852

Note: The consolidated company took back house removal compensation paid in the previous years amounted to \$8,500 thousand, and it reversed the accumulated depreciation recognized in the previous years amounted to \$207 thousand to other income for the year ended December 31, 2020.

The fair values of the consolidated company's investment properties were \$1,947,867 thousand and \$685,783 thousand as of December 31, 2021 and December 31, 2020, respectively. The fair values as of December 31, 2020 was referred to the evidences of market transaction prices of similar properties rather than an independent and qualified professional appraiser. The fair values as of December 31, 2021 were referred to the evidences of market transaction prices of similar properties by Chen's Real Estate Appraiser Firm, an independent appraiser company, on the balance sheet date of 2021.

The consolidated company's investment properties are depreciated by straight-light method using the estimated useful lives as follows:

Investment property - property

Main property 5 to 51 years
Decoration and partitioning project 5 to 26 years

The maturity analysis of operating lease payments receivable from the investment properties for the years ended December 31, 2021 and 2020 is as follows:

	 December 31, 2021	December 31, 2020
Less than 1 year	\$ 33,790	\$ 4,820
1-5 years	50,377	5,317
	\$ 84,167	\$ 10,137

The consolidated company held freehold interests in all of its investment properties. Please refer to Note 33 for the amount of investment properties pledged by the consolidated company as collateral for borrowings.

### 18. Borrowings

### a. Short-term borrowings

	1	December 31, 2021	 December 31, 2020
Secured borrowings (Note 33)			
- Bank loans	\$	2,267,230	\$ 2,628,410
Unsecured loans			
- Line of credit		30,000	 -
	\$	2,297,230	\$ 2,628,410
		_	
Interest rate range			
- Secured loans		$1.52\% \sim 2.07\%$	$1.35\% \sim 2.10\%$
- Unsecured loans		1.65%	-
Loan maturity date		$110.03.14 \sim 114.11.18$	$110.03.23 \sim 112.11.11$

Please refer to Note 33 for information about the construction inventories pledged by the consolidated company as collateral for short-term borrowings.

### b. Short-term bills payable

	December 31, 2021		December 31, 2020
Commercial paper payable	\$	-	\$ 846,000
Less: Discount on short-term bills payable		- (	90)
	\$	-	\$ 845,910

Outstanding short-term bills payable were as follows:

Guarantee/ Promissory Institutions	Nominal Amount		count nount	(	Carrying Value	Interest rate range	Collateral	•	e Carrying Value of Collateral
Commercial paper payable	 Amount	All	lount	_	varue	Tate range	Collateral	_	Onateral
Shanghai Commercial &							Cosmos		
Savings Bank, Ltd.	\$ 370,000	(\$	25)	\$	369,975	1.668%	Technology	\$	353,450
							Asia Pacific		
Mega Bills Finance Co.,							Technology		
Ltd. (MBF)	380,000	(	48)		379,952	1.688%	Park	\$	983,113
Ta Ching Bills Finance							Universal		
Corporation	 96,000	(	<u>17</u> )		95,983	1.688%	Technolo-gy	\$	210,712
	\$ 846,000	( \$	90)	\$	845,910				

Please refer to Note 33 for information about the properties held for sale and construction inventories pledged by the consolidated company as collateral for short-term bills payable.

### c. Long-term borrowings

	Dec	ember 31, 2021	December 31, 2020		
Secured borrowings (Note 33)	'-			_	
Bank loans (1)	\$	1,767,086	\$	2,327,294	
Less: Current portion matured in 1 year	(	144,996)	(	212,499)	
Long-term borrowings	\$	1,622,090	\$	2,114,795	

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-,	In	itial loan principal	Deceml	ber 31, 2021	Decemb	per 31, 2020
Hua Nan Bank	Total loan amount:	\$150,000 thousand	\$	115,997	\$	145,184
Nan-Neihu	Borrowing period:	2020.09.30~2025.09.30				
-secured loans	Interest rate range:	1.49%				
	Repayment Method	: evenly split into a total of 60				
		installments on a monthly basis.				
Hua Nan Bank	Total loan amount:	\$368,000 thousand		302,591		326,915
Nan-Neihu	Borrowing period:	2018.02.26~2033.02.26				
-secured loans	Interest rate range:	1.62%				
	Repayment Method	: Interests paid monthly in the first				
		twelve months; starting the 13th				
		month, a total of 168 installments				
		on a monthly basis.				
Hua Nan Bank	Total loan amount:	\$100,000 thousand		80,012		86,193
Nan-Neihu	Borrowing period:	2018.07.27~2033.07.27				
-secured loans	Interest rate range:	1.62%				
	Repayment Method	: evenly split principal and				
		interest into a total of 180				
		installments on a monthly basis.				
First Bank Jen-	Total loan amount:	\$80,000 thousand		28,764		35,691
Ai	Borrowing period:	2010.11.23 ~ 2025.11.23				
-secured loans	Interest rate range:	1.55%				
	Repayment Method	: Interests paid monthly in the first				
		thirty-six months; starting the				
		37th month, evenly split into a				
		total of 144 installments on a				
		monthly basis.				
Land Bank of	Total loan amount:	\$982,000 thousand		-		576,370
Taiwan Xi-Zhi	Borrowing period:	2013.09.16~2028.09.16				
- secured loans	Interest rate range:	1.49%				
	Repayment Method	: Interests paid monthly in the				
		first year; one year later, evenly				
		split into a total of 168				
		installments on a monthly basis.				
Bank of Taiwan	Total loan amount:	\$274,000 thousand		117,680		138,757
Chien-Kuo	Borrowing period:	2012.07.02~2027.07.02				
- secured loans	Interest rate range:	1.625%				
	Repayment Method	: Interests paid monthly in the				
		first two years; two years later,				
		evenly split into a total of 156				
		installments on a monthly basis.				
Taichung Bank	Total loan amount:	\$11,000 thousand		1,852		3,135
Nei-Hu	Borrowing period:	2013.04.22~2023.04.22				
- secured loans	Interest rate range:	1.51%				
	Repayment Method	: Interests paid monthly in the first				
		year; one year later, evenly split				
		into a total of 108 installments on				
		a monthly basis.				

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	In	itial loan principal	Decem	ber 31, 2021	December 31, 2020		
Chang Hwa	Total loan amount:	\$960,000 thousand	\$	832,594	\$	883,243	
Bank Yung-	Borrowing period:	2016.05.23~2036.05.23					
Chun	Interest rate range:	1.55%					
- secured loans	Repayment Method	: Interests paid monthly in the first					
		three years; annuity method					
		applied three years later, evenly					
		split principal into a total of 204					
		installments on a monthly basis.					
Taiwan	Total loan amount:	\$65,000 thousand		22,226		23,806	
Cooperative	Borrowing period:	2018.07.20~2033.07.20					
Bank	Interest rate range:	1.7%					
- secured loans	Repayment Method	: Interests paid monthly in the first					
		two years; two years later, evenly					
		split into a total of 156					
		installments on a monthly basis.					
Chang Hwa	Total loan amount:	\$31,000 thousand		-		31,000	
Bank	Borrowing period:	2017.12.25~2037.12.25					
<ul> <li>secured loans</li> </ul>	Interest rate range:	1.45%					
	Repayment Method	: Interests paid monthly in the first					
		two years; two years later, evenly					
		split principal and interest into a					
		total of 216 installments on a					
		monthly basis.					
Chang Hwa	Total loan amount:	\$77,000 thousand		77,000		77,000	
Bank Yung-	Borrowing period:	2020.07.01~2035.07.01					
Chun	Interest rate range:	1.45%					
- secured loans	Repayment Method	: Interests paid monthly in the first					
		two years; two years later, evenly					
		split principal and interest into a					
		total of 156 installments on a					
CTDC	Tr. 4.1.1	monthly basis.		100 270			
CTBC	Total loan amount:	\$653,000 thousand		188,370		-	
Corporate	Borrowing period:	2021.08.02~2023.08.02 1.60%					
Banking - secured loans	Interest rate range: Repayment Method						
- Secured toalls	Kepayment Method	. Bunet repayment	\$	1,767,086	\$	2,327,294	
			J	1,/0/,000	D	<u> 4,521,254</u>	

Please refer to Note 33 for information about the property, plant and equipment and investment properties pledged by the consolidated company as collateral for long-term borrowings.

### 19. Accounts payable

The average payment term of accounts payable is 30 days  $\sim$  60 days. The consolidated company has conducted financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

Accounts payable classified as construction retainage payable for construction contracts were \$33,375 thousand and \$22,153 thousand as of December 31, 2021 and 2020, respectively. Construction retainage, which is interest free, will be paid for each construction contract at the end of the construction retainage period. This retainage period is the consolidated company's normal operating cycle, which generally exceeds one year.

### 20. Other Liabilities

	 December 31, 2021	 December 31, 2020
Current		
Other payables		
Payable for salary and bonus	\$ 40,280	\$ 40,848
Payable for remuneration of directors	3,240	3,240
Payable for employees' compensation	7,151	6,321
Interest payable	5,658	7,082
Tax payable	16,986	12,469
Payable for engineering compensation		
payable (Note)	4,750	15,600
Others	24,940	25,914
	\$ 103,005	\$ 111,474

Note: The consolidated company has accrued \$15,600 thousand of case-by-case engineering compensation for the year ended December 31, 2020. In July 2021, an agreement has been reached to revise the case-by-case engineering compensation amounted to \$12,990 thousand. Thus, \$2,610 thousand was transferred to other income and \$8,240 thousand was paid at the same time.

### 21. Provisions

	Decemb	per 31, 2021	December 31, 2020		
Current					
Employee Benefits	<u>\$</u>	2,977	\$	2,977	

Provisions for employee benefits are accrued for short-term compensated absences to which employees are entitled. The Company shall measure the expected cost of accumulating compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period, and it shall recognize such cost when the employees render service that increases their entitlement to future compensated absences.

### 22. Post-Retirement Benefit Plans

### a. Defined contribution plans

Founding Co., Chien-Chiao Co., FUSHIN Hotel Co., and Hsin-Long-Hsing Co. of the consolidated company adopted a pension plan under the Labor Pension Act, which is a government-managed defined contribution plan. The Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' individual pension accounts of Bureau of Labor Insurance.

### b. Defined benefit plans

Founding Co. and Chien-Chiao Co. of the consolidated company adopted the government-managed defined benefit plan under the Labor Standards Act. Pension of an employee is paid based on an employee's length of service and average monthly salary for the six-month period prior to retirement. These companies contribute an amount equal to 2% of total monthly salaries of the employees to their respective pension funds (the Funds), which are deposited at the Bank of Taiwan by the Labor Pension Fund Supervisory Committee in their name. Before the end of each year, if the assessed amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, these companies are required to fund the differences in one appropriation that before the end of March of the next year. The Funds are administered by the Bureau of Labor Funds, Ministry of Labor; as such, the consolidated company does not have any right to intervene in the investments of the Funds.

The amounts of the defined benefit plans recorded in the consolidated balance sheet were as follows:

	December 31, 2021		December 31, 2020
Present value of defined benefit obligation	\$ 45,854	\$	45,651
Fair value of plan assets (	34,773)	(	33,333)
Contribution deficit (surplus)	11,081		12,318
Defined benefit liability, net	\$ 11,081	\$	12,318

wovements in the net defined benefit	I	Present value of defined benefit obligation	I	Fair value of plan assets		Defined benefit liability (asset), net
January 1, 2020	\$	45,667	(\$	30,034)	\$	15,633
Service cost		006				006
Current service cost		886	,	-		886
Interest expense (revenue)		285	(	191)		94
Recognized in profit and loss		1,171	(	<u>191</u> )		980
Remeasurement:						
Return on plan assets						
(excluding amounts included in			,	4.050		4.050
net interest expense)		-	(	1,059)	(	1,059)
Actuarial loss (gain) - changes		0.5				2.5
in demographic assumption		25		-		25
Actuarial loss (gain) - changes		720				720
in finance assumption		720		-		720
Actuarial loss (gain) -	,	1.022			,	1.022.)
experience adjustment	(	1,932)			(	1,932)
Recognized in other	(	1 107 )	(	1.050	,	2.246.)
comprehensive income	(	1,187)		1,059)		2,246)
Contributions from employer	Ф	45.651	(	2,049)	(	2,049)
December 31, 2020	\$	45,651	(_\$	33,333)	\$	12,318
January 1, 2021	\$	45,651	(_\$_	33,333)	\$	12,318
Service cost						
Current service cost		706		-		706
Interest expense (revenue)		171	(	127)		44
Recognized in profit and loss		877	(	127)		750
Remeasurement:						
Return on plan assets						
(excluding amounts included in						
net interest expense)		-	(	461)	(	461)
Actuarial loss (gain) - changes						
in demographic assumption		734		-		734
Actuarial loss (gain) - changes	,	202			,	202)
in finance assumption	(	202 )		-	(	202)
Actuarial loss (gain) -	,	1.206)			,	1.206)
experience adjustment	(	1,206)			(	1,206)
Recognized in other	(		(	461	,	1 125 \
comprehensive income	(	674)	(	461)	(	1,135
Contributions from employer	Ф.	45.054	(	852)	(	852)
December 31, 2021	\$	45,854	(_\$	34,773)	\$	11,081

The amount of the defined benefit plans were recognized in profit or loss by functions as follows:

	 2021	 2020
General and administrative expenses	\$ 750	\$ 980

Through the pension plan under the R.O.C. Labor Standards Act, the consolidated company is exposed to the following risks:

1) Investment risk: The Bureau of Labor Funds, Ministry of Labor, invests the pension funds in domestic and foreign equity and debt securities, bank deposits, etc through self-operation and entrusted operation. The investment is conducted at the discretion of or under the mandated management. However, the return generated by plan assets of the consolidated company shall not be less than the proceeds calculated by the interest rate on a two-year term deposit at the local banks.

- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the consolidated company's present value of the defined benefit obligation were carried out by qualified actuaries. The material assumptions of the measurement date were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.375%~0.5%	0.375%
Expected growth rate of salary	2%	2%

Assuming reasonable and probable changes were incurred to each material actuarial assumption and all other assumptions were held constant, the present value of the defined benefit obligation would increase (decrease) for the amounts as follows:

	Decem	1ber 31, 2021	December 31, 2020
Discount rate			
Increased by 0.25%	( \$	619) (\$	720)
Decreased by 0.25%	\$	636 \$	740
Expected growth rate of salary			
Increased by 0.25%	\$	615 \$	715
Decreased by 0.25%	(\$	603) (\$	700)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

		December 31, 2021	December 31, 2020	
Expected contribution amount in 1 year	\$	862	\$ !	940
Average maturity period of the defined	,	_		
benefit obligation		4.7~7.3 years	5.7~8.1 years	

### 23. Maturity Analysis of Assets and Liabilities

The consolidated company classified the assets and liabilities of its construction operations as current and non-current in accordance with the length of the operating cycle of these constructions. The amounts that are expected to be recovered or settled within one year and beyond one year from the balance sheet date are listed as follows:

December 31, 2021	 Within 1 Year	Beyond 1 Year		 Total
Assets				
Cash and Cash Equivalents	\$ 1,011,814	\$	-	\$ 1,011,814
Financial assets at fair value through profit				
or loss - current	66,882		-	66,882
Notes receivable	16,560		-	16,560
Accounts receivable	11,463		-	11,463
Finance lease receivables, net- current	4,915		-	4,915
Inventory - Buildings and land held for sale	2,252,909		-	2,252,909
Inventory - Construction in progress	-		4,963,074	4,963,074
Inventory - Food and beverage inventory	3,785		-	3,785
Non-current assets held for sale	339,932		-	339,932
Prepayments	33,585		-	33,585
Other Financial Assets—Current	206,888		-	206,888
Other current assets	7,525		-	7,525
	\$ 3,956,258	\$	4,936,074	\$ 8,919,332

(Continued on the next page)

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T : 1992	_	Within 1 Year	1	Beyond 1 Year		Total
<u>Liabilities</u> Short-term borrowings	\$	1,012,670	\$	1,284,560	\$	2,297,230
Contract liabilities – current		314,433		-		314,433
Notes payable		7,522		-		7,522
Accounts payable		137,289		-		137,289
Other payables		103,005		-		103,005
Current tax liabilities		36,042		-		36,042
Provisions - current		2,977		-		2,977
Lease liabilities - current		9,985		-		9,985
Long-term borrowings matured in one year		144,996		-		144,996
Other current liabilities		59,444		-		59,444
	\$	1,828,363	\$	1,284,560	\$	3,112,923
December 31, 2020		Within 1 Year	I	Beyond 1 Year		Total
Assets						
Cash and Cash Equivalents Financial assets at fair value through profit	\$	519,169	\$	-	\$	519,169
or loss - current		2,856		-		2,856
Accounts receivable		68,585		-		68,585
Current tax assets		304		-		304
Inventory - Buildings and land held for sale		2,308,767		-		2,308,767
Inventory - Construction in progress		-		6,125,555		6,125,555
Inventory - Food and beverage inventory		3,137		-		3,137
Prepayments		80,017		-		80,017
Other Financial Assets—Current		121,831		-		121,831
Other current assets		6,852		<u>-</u>		6,852
	\$	3,111,518	\$	6,125,555	\$	9,237,073
<u>Liabilities</u>	Ф	420,200	ф	2 100 210	Ф	2 (20 410
Short-term borrowings	\$	438,200	\$	2,190,210	\$	2,628,410
Short-term bills payable		845,910		-		845,910
Contract liabilities – current		315,817		-		315,817
Notes payable		46,706		-		46,706
Accounts payable		185,588		-		185,588
Other payables		111,474		-		111,474
Current tax liabilities		4,522		-		4,522
Provisions - current		2,977		-		2,977
Lease liabilities - current		2,854		-		2,854
Long-term borrowings matured in one year Other current liabilities		212,499		-		212,499
Other current natinities	•	50,625 2,217,172	•	2,190,210	•	50,625 4,407,382
	\$	2,217,172	\$	2,190,210	\$	4,407,382

# 24. Equity

# a. Capital stock

### Ordinary shares

	 December 31, 2021	 December 31, 2020
Authorized shares (in thousands)	360,000	360,000
Authorized capital stock	\$ 3,600,000	\$ 3,600,000
Issued and fully paid shares (in thousands)	285,245	285,245
Issued capital stock	\$ 2,852,450	\$ 2,852,450

# b. Capital surplus

	December 31, 2021	December 31, 2020
To offset a deficit, to be distributed as cash		
dividends or stock dividends		
Additional paid-in capital	\$20,894	\$20,894
Treasury shares transactions	236	236
	\$ 21,130	\$ 21,130

Such capital surplus may be used to offset a deficit or to be distributed as cash dividends or stock dividends; however, the stock dividends have a limitation up to a certain percentage of the paid-in capital per year.

### c. Retained earnings and dividend policy

According to Founding Co.'s earnings distribution policy in Articles of Incorporation, the Company shall make appropriations from its net income (less any deficit), if any, to pay the taxes in compliance with the laws, offset its accumulated losses, set aside a legal reserve at 10% of the remaining earnings, and then set aside or reverse a special reserve in accordance with the relevant laws or regulations. Of the remainder, together with any unappropriated earnings of prior years, shall be proposed by the Board of Directors as a plan for the distribution of the remaining undistributed earnings, and the shareholders shall resolve such plan in the shareholders' meeting for distribution of dividends to shareholders. Cash dividends of the Company shall not be lower than 30% of total dividends. For the policies on employees' compensation and remuneration of directors, which is stipulated in the Company's Articles of Incorporation, please refer to Note 26(7).

According to Article 237 of the Company Act, after-tax surplus profits shall first set aside 10% of said profits as legal reserve, unless legal reserve equals to the paid-in capital. Legal reserve may be used to offset deficit. If the company has no deficit and the legal reserve has exceeded 25% of the company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019 had been approved in Founding Co.'s shareholders' meetings on July 16, 2021 and June 9, 2020, respectively, and they were as follows:

	 Appropriation of Earnings		 Dividends P	er S	Share (\$)	
	 2020		2019	2020		2019
Legal reserve	\$ 24,456	\$	9,433	\$ - ;	\$	-
Cash dividends	171,147		142,623	0.6		0.5

The appropriations of earnings and dividends per share for the year ended December 31, 2021 had been proposed by the Founding Co.'s board of directors on March 17, 2022, and they were as follows:

	 Appropriation of Earnings	Dividends Per Share (\$)
Legal reserve	\$ 106,284	\$ -
Cash dividends	285,245	1.0

The appropriations of earnings for the year ended December 31, 2021 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 9, 2022.

### 25. Revenue

	2021	2020
Rental revenue	\$ 9,533	\$ 8,881
Hospitality service revenue	280,802	338,929
Construction revenue	3,481,805	3,487,088
	\$ 3,772,140	\$ 3,834,898

### a. Explanation of customer contracts

### Construction revenue

Penalties for delay of construction are specified in the Construction Department's real estate construction

contracts, and the consolidated company considers previous contracts with similar terms and scales to estimate the transaction price based on the most likely amount.

### b. Contract balances

	 December 31, 2021	 December 31, 2020
Accounts receivable (Note 9)	\$ 28,023	\$ 68,585
Contract liabilities - current (Note 10) Property under construction	\$ 314,433	\$ 315,817

The changes in the contract asset and liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment without other significant changes.

### 26. Net Income from Continuing Operation

Components of profit/(loss) from continuing operation are as follows:

### a. Other income

	 2021	 2020
Dividend income	\$ 2,470	\$ 163
Income from grants (Note 36)	13,857	15,112
Others	1,002	1,103
	\$ 17,329	\$ 16,378

### b. Other gains and losses

		2021		2020
Net foreign exchange gain	\$	13	\$	110
Gain on disposal of property, plant and				
equipment		352,212		286
Gain on disposal of financial assets at				
FVTPL		1,888		392
(Loss) Gain on fair value changes of				
financial assets at FVTPL	(	5,327)		436
Loss on sublease of right-of-use assets	(	4,334 )		-
Income (Loss) in engineering				
compensation (Note 20)		2,610	(	15,600)
Others	(	224)	(	1,171)
	\$	346,838	(\$	15,547)

Note: Gain on disposal of property, plant and equipment was generated from the sales of FUSHIN Taipei in October, 2021.

### c. Finance costs

		2021	2020
Interest on bank loans	(\$	83,806) (\$	111,284 )
Interest on lease liabilities	(	714 ) (	257)
Less: Amounts included in the co	ost of		
required assets		73,298	69,930
	(\$	11,222) (\$	41,611)

Refer to Note 10(3) for information about capitalized interest.

### d. Depreciation and amortization

			2021		2020
	Property, plant and equipment	\$	75,356	\$	78,969
	Right-of-use assets		8,365		3,177
	Investment Properties		6,878		6,340
	Intangible assets		438		595
		\$	91,037	\$	89,081
	Depreciation expenses by function				
	Operating costs	\$	79,510	\$	83,408
	Operating expenses		11,089		5,078
		\$	90,599	\$	88,486
	Amortization expenses by function				
	Operating costs	\$	171	\$	237
	Operating expenses		267		358
		\$	438	\$	595
			2021		2020
	Rental cost generated	\$	2021 6,878	\$	2020 6,340
	· ·	\$		\$	
f.	Rental cost generated  Employee benefits expense	\$	6,878	\$	6,340
f.	Employee benefits expense	\$		\$	
f.	Employee benefits expense  Post-Retirement Benefits (Note 22)	<u>\$</u>	6,878	<u>\$</u>	6,340
f.	Employee benefits expense		6,878		6,340
f.	Employee benefits expense  Post-Retirement Benefits (Note 22)  Defined contribution plans		6,878 2021 9,863		6,340 2020 10,348
f.	Employee benefits expense  Post-Retirement Benefits (Note 22) Defined contribution plans Defined benefit plans  Short-term employee benefits		6,878 2021 9,863 750		2020 10,348 980
f.	Employee benefits expense  Post-Retirement Benefits (Note 22) Defined contribution plans Defined benefit plans  Short-term employee benefits (salary, incentive, bonus, etc.)	\$	9,863 750 10,613 231,077	\$	2020 10,348 980 11,328 241,537
f.	Employee benefits expense  Post-Retirement Benefits (Note 22) Defined contribution plans Defined benefit plans  Short-term employee benefits		9,863 750 10,613		2020 10,348 980 11,328
f.	Employee benefits expense  Post-Retirement Benefits (Note 22) Defined contribution plans Defined benefit plans  Short-term employee benefits (salary, incentive, bonus, etc.) Total employee benefit expenses  By function	\$	6,878  2021  9,863 750 10,613  231,077 241,690	\$	2020 10,348 980 11,328 241,537 252,865
f.	Employee benefits expense  Post-Retirement Benefits (Note 22) Defined contribution plans Defined benefit plans  Short-term employee benefits (salary, incentive, bonus, etc.) Total employee benefit expenses  By function Operating costs	\$	6,878  2021  9,863 750 10,613  231,077 241,690	\$	2020 10,348 980 11,328 241,537 252,865
f.	Employee benefits expense  Post-Retirement Benefits (Note 22) Defined contribution plans Defined benefit plans  Short-term employee benefits (salary, incentive, bonus, etc.) Total employee benefit expenses  By function	\$	6,878  2021  9,863 750 10,613  231,077 241,690	\$	2020 10,348 980 11,328 241,537 252,865

### g. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates of no less than 0.6% and no higher than 3% for employees' compensation and no higher than 2% for remuneration of directors of net profit before tax. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 17, 2022 and March 17, 2021, respectively, were as follows:

### Accrual rates

	2021	2020	
Employees' compensation	 0.60%	 2.20%	
Remuneration of directors	0.28%	1.19%	
Amount			
	 2021	 2020	
	Cash	Cash	
Employees' compensation	\$ 6,911	\$ 5	5,961
Remuneration of directors	3,240	3	3,240

If there is a change in the amounts after the consolidated financial statements are authorized for issue, the

differences are recorded as a change in the accounting estimate and adjusted in the accounts in the following year.

There was no difference between the actual amount paid of employees' compensation and remuneration of directors and the amount recognized in the parent company only financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the consolidated company's board of directors for the years ended December 31, 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

### 27. Income Tax

b.

a. The major components of income tax expense recognized in profit and loss account

Major components of income tax expense are as follows	Maior	r components	of income	tax expense are	e as follows
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Major components of income tax expense	are as follows	2021		2020
Current income tax				
In respect of the current year	\$	39,381	\$	7,048
Land value increment tax		45,700		22,047
Surcharges on unappropriated earnings	3	317		633
Adjustments for prior years		199	(	1,188)
		85,597		28,540
Deferred income tax				
In respect of the current year	(	293)		1,557
Income tax expenses recognized in profit				
or loss	\$	85,304	\$	30,097
A reconciliation of accounting profit and c	urrent income	tax expense is as fol 2021	lows:	2020
Profit before income tax from continuing		_		
operations	\$	1,147,239	\$	272,855
Income tax expenses from profit before income tax calculated at the statutory rate  Tax effect of adjusting items:  Loss (gain) not considered in determining taxable income  Gain on land sold exempt from	\$	229,448	\$	54,571
income tax	(	190,001)	(	51,192)
Other non-taxable income	(	3,125)	*	3,176)
Others		2,766	(	12,177)
Surcharges on unappropriated earnings		317	(	633
Land value increment tax		45,700		22,047
Unrecognized loss carryforward and		- ,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
deductible temporary differences		-		20,579
Income tax expenses from previous years				
adjusted for current period		199	(	1,188)
Income tax expenses recognized in profit				
or loss	\$	85,304	\$	30,097
Income tax recognized in other comprehen  Deferred income tax In respect of the current year	asive income	2021		2020
A				
<ul> <li>Actuarial gain (loss) of defined</li> </ul>				

## c. Current tax assets and liabilities

	Decer	mber 31, 2021	December 31, 2020		
Current tax assets Tax refund receivable	\$		\$	304	
Current tax liabilities Income tax payable	\$	36,042	\$	4,522	

### d. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

### <u>2021</u>

Deferred tax assets		Opening Balance		1 0 1		Recognized in other comprehensive income		Closing Balance	
Temporary differences							_	_	
Property, Plant and									
Equipment	\$	3,173	\$	-	\$	-	\$	3,173	
Deferred selling and									
marketing expenses		4,749		313		_		5,062	
Defined benefit									
retirement plans		2,464	(	20)	(	227)		2,217	
	\$	10,386	\$	293	(	227)	\$	10,452	

### <u>2020</u>

<del></del>	C	Opening		ecognized profit and		ognized in other orehensive	Closing
Deferred tax assets	E	Balance		loss	iı	ncome	Balance
Temporary differences				<u> </u>			 _
Property, Plant and							
Equipment	\$	382	\$	2,791	\$	=	\$ 3,173
Right-of-use assets		1,615	(	1,615)		=	=
Deferred selling and							
marketing expenses		4,762	(	13)		=	4,749
Loss carryforward		2,507	(	2,507)		-	-
Defined benefit							
retirement plans		3,126	(	213)	(	449)	2,464
_	\$	12,392	(\$	1,557)	(\$	449)	\$ 10,386

# e. Amounts of loss carryforward and deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheet

	Dece	ember 31, 2021	December 31, 2020		
Loss carryforward					
Expired in 2024	\$	10,049	\$	12,008	
Expired in 2025		8,835		8,835	
Expired in 2030		90,353		90,353	
Expired in 2031		70,578		<u>-</u>	
	\$	179,815	\$	111,196	
Deductible temporary differences					
losses on impairment	\$	10,049	\$	20,049	
Non-leaving pay		1,106		2,977	
	\$	11,155	\$	23,026	

### f. Income tax assessments

Founding Co. and its subsidiaries' latest annual income tax return of a profit-seeking enterprise have been assessed by the tax authorities, and the assessed years were as follows:

	Assessed Year
Founding Co.	2019
Chien-Chiao Co.	2019
FUSHIN Co.	2019
Hsin-Long-Hsing Co.	2020

### 28. Earnings Per Share

		Unit: dollar/share		
Basic EPS	2021	2020		
	\$ 3.72 \$	0.85		
Diluted EPS	\$ 3.72 \$	0.85		

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations are as follows:

Net Income For The Year	2021		2020
Net Profit to calculate basic and diluted EPS		-	
	\$ 1,061,935	\$	242,758

#### Shares

	2021	Unit: shares in thousands 2020
Weighted average number of ordinary shares		
used in the computation of basic earnings per		
share	285,245	285,245
Effect of dilutive potential ordinary share:		
Employees' compensation	436	421
Weighted average number of ordinary shares	_	
outstanding used in the computation of		
dilutive earnings per share	285,681	285,666

If the consolidated company offered to settle the employees' compensation in cash or shares, the consolidated company presumes that the entire amount of the employees' compensation would be settled in shares and includes the potential shares that bear dilutive effect in the weighted average number of shares outstanding to calculate the diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

#### 29. Non-Cash Transactions

For the years ended December 31, 2021 and 2020, the consolidated company conducted the following non-cash transactions investments and financing activities.

- a. The consolidated company transferred property, plant and equipment into inventories, resulting in a decrease of \$138,620 thousand in property, plant and equipment and an increase of the same amount in inventories for the year ended December 31, 2021.
- b. The consolidated company transferred property, plant and equipment into investment properties, resulting in a decrease of \$5,327 thousand in property, plant and equipment and an increase of the same amount in investment properties for the year ended December 31, 2021.

- c. The consolidated company transferred property, plant and equipment into non-current assets held for sale, resulting in a decrease of \$339,932 thousand in property, plant and equipment and an increase of the same amount in non-current assets held for sale for the year ended December 31, 2021.
- d. The consolidated company transferred investment properties into inventories, resulting in a decrease in investment properties and equipment, and an increase in inventories, amounted to \$65,473 thousand and \$331,261 thousand, respectively, for the years ended December 31, 2021 and 2020.
- e. The consolidated company transferred lease inventories into investment properties, resulting in a decrease of \$1,417,971 thousand in inventories and an increase of \$177,442 thousand in investment properties, respectively, for the years ended December 31, 2021 and 2020.
- f. Prices of property, plant and equipment obtained include prepayment for equipment and equipment payables, and their adjustments are as follows:

	2021		2020
Acquisitions of property, plant and equipment	\$ 53,254	\$	9,158
Decrease in prepayment for equipment (recorded in other non-current assets -			
others) Increase in equipment payables	-	(	3,330)
(recorded in other payables)	<u>-</u>	(	228)
	\$ 53,254	\$	5,600

### 30. Capital Risk Management

The consolidated company conducts capital risk management to ensure that each entity of the group would continue as a going concern with the premise of optimizing the balances of debt and equity, and to maximize shareholders' equity.

The consolidated company's capital structure consists of the consolidated company's net debt (which is borrowings less cash and cash equivalents) and equity (which are share capital, capital surplus, retained earnings, and other equity items).

The consolidated company is not subject to any other external capital requirements.

The key management of the consolidated company reviews the capital structure and considers the costs and risks involved in different capital structures when there are new construction projects and operational fund needs. Based on recommendations of the key management, the consolidated company will balance its overall capital structure through financing. Generally, the Group adopts the conservative risk management strategy.

### 31. Financial Instruments

a. Information on Fair value - Financial Instruments not Measured at Fair Value

Except for long-term borrowings as below, management of the consolidated company believes the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

The hierarchy of the above-mentioned fair value measurement was as follows:

December 31, 2021

	Carrying Value	Level 1	Level 2	Level 3	Total
Financial liabilities	 				
Financial liabilities					
measured at amortized					
cost:					
- Long-term borrowings	\$ 1,622,090	\$ -	\$ 1,597,376	\$	\$ 1,597,376

December	31	2020
December	21,	2020

	Carrying Value	Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities					
measured at amortized					
cost:					
- Long-term borrowings	\$ 2,114,795	\$ -	\$ 2,092,307	\$ -	\$ 2,092,307

The above-mentioned fair value measurements of Level 2 are determined using discounted cash flow analysis by the borrowing rate.

b. Information on Fair value - Financial instruments measured at fair value on a recurring basis

### Fair Value Hierarchy

### December 31, 2021

·		Level 1	_	Level 2		Level 3		Total	
Financial asset at FVTPL				_					
Domestic listed (OTC) securities	\$	58,411	\$	-	\$	-	\$	58,411	
Fund beneficiary certificates		8,471		-				8,471	
	\$	66,882	\$		\$		\$	66,882	
Financial Assets at Fair Value Through Other Comprehensive Income Domestic non-listed (non-OTC) securities									
- Equity investments	\$		\$		\$	4,104	\$	4,104	
December 31, 2020	_	Level 1	_	Level 2	_	Level 3	_	Total	
Financial asset at FVTPL Fund beneficiary certificates	\$	2,856	\$		\$		\$	2,856	
Financial Assets at Fair Value Through Other Comprehensive Income Domestic non-listed (non-OTC) securities									
- Equity investments	\$		\$	<u>-</u>	\$	10,032	\$	10,032	

There was no transfer between Levels 1 and Level 2 for the years ended December 31, 2021 and 2020.

### c. Categories of Financial Instruments

	December 31, 2021		December 31, 2020		
Financial assets					
Financial asset at FVTPL					
Designated to be measured at FVTPL	\$	66,882	\$	2,856	
Financial assets at amortized cost (Note					
1)		1,251,651		726,763	
Financial Assets at Fair Value Through					
Other Comprehensive Income					
Investments in equity instruments		4,104		10,032	
Financial liabilities					
Financial liabilities at amortized cost					
(Note 2)		4,268,877		6,096,397	

- Note 1. The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other financial assets, refundable deposits, etc.
- Note 2. The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable, other payable, long-term borrowings, guarantee deposits, etc.

### d. Financial risk management objectives and policies

The consolidated company's major financial instruments included equity investments, accounts receivable, accounts payable, borrowings, etc. The consolidated company's Finance division provides services to each unit of the business, coordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the consolidated company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

### 1) Market risk

The consolidated company's operating activities exposed it primarily to the financial risks of changes in interest rates (see paragraph (i) below).

The consolidated company's management methods and assessment methods of the risk exposure to market risks of financial instruments remain unchanged.

#### a) Interest rate risk

The consolidated company is exposed to interest rate risk because entities in the consolidated company borrow funds at both fixed and floating interest rates. Please refer to Paragraph 3 below for explanation of management on liquidity risk in the notes about financial assets and liabilities of floating interest rates.

### Sensitivity analysis

The sensitivity analysis below was determined based on the consolidated company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If the interest rate had been 0.1% higher/lower and all other variables were held constant, the consolidated company's pre-tax/after-tax profit for the year ended December 31, 2021 would decrease/increase by \$4,064 thousand and \$3,251 thousand, respectively. The consolidated company's pre-tax/after-tax profit for the year ended December 31, 2020 would decrease/increase by \$5,802 thousand and \$4,641 thousand, respectively, mainly because the consolidated company was exposed to risks from borrowings with variable interest rates and assets with variable interest rates.

### b) Other price risk

The consolidated company was exposed to equity price risk through its investments on equity securities of listed and OTC companies and its fund beneficiary certificates.

### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the consolidated company's pre-tax/after-tax other comprehensive income for the year ended December 31, 2021 would have increased/decreased by \$3,344 thousand and \$2,675 thousand, respectively. The consolidated company's pre-tax/after-tax other comprehensive income for the year ended December 31, 2020 would have increased/decreased by \$143 thousand and \$114 thousand, respectively.

### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a

financial loss to the Group. As of the end of the reporting period, the consolidated company's maximum exposure to credit risk due to failure to discharge an obligation by the counterparties and due to financial loss from financial guarantee provided by the consolidated company arises from:

The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet

The consolidated company reviews the recoverable amount of each individual account receivable on the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes that the consolidated company's credit risk has been significantly reduced.

#### 3) Liquidity risk

The consolidated company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the consolidated company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

#### a) Liquidity and interest rate risk table for non-derivative financial liabilities

The analysis of the consolidated company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods was drawn up based on the undiscounted cash flows (including principal and estimated interest) of financial liabilities from the earliest date on which the consolidated company can be required to repay. Therefore, bank borrowings that the consolidated company may be required to repay immediately are listed in the table below at the earliest term disregard the probability of instantly exercising such right by the bank. The analysis of the maturities of other non-derivative financial liabilities is prepared in accordance with the agreed repayment date.

Decem	her	4	1 7	( )	17 1
Decem	-	J.	1. 4	v	$\sim$ 1

	]	Less than 1 year	2 - 3 years		4 to 5 years	6+ years	Total
Non-derivative financial		•	•	_		-	
<u>liabilities</u>							
Non-interest-bearing							
liabilities	\$	178,920	\$ -	5	-	\$ -	\$ 178,920
Floating interest rate							
instruments		1,177,086	1,320,063		848,502	961,408	4,307,059
Lease liabilities		9,985	18,334		9,085	<u> </u>	37,404
	\$	1,365,991	\$ 1,338,397	5	857,587	\$ 961,408	\$ 4,523,383

Additional information about the maturity analysis for lease liabilities:

	Less than	1-5	5-10	10-15	15-20	20+
	1 year	years	years	years	years	years
Lease liabilities	\$ 10,571	\$ 28,157	\$ -	\$ -	\$ -	\$ -

#### December 31, 2020

L	ess than 1		2 - 3		4 to 5		6+		Total
	year		years		years		years		Total
\$	328,241	\$	-	\$	-	\$	-	\$	328,241
	661,881		2,768,647		489,205		1,356,928		5,276,661
	2,854		5,408		2,352		-		10,614
\$	992,976	\$	2,774,055	\$	491,557	\$	1,356,928	\$	5,615,516
	\$	\$ 328,241 661,881 2,854	year  \$ 328,241 \$ 661,881 2,854	year     years       \$ 328,241 \$ -       661,881 2,768,647 2,854 5,408	year     years       \$ 328,241 \$ - \$       661,881 2,768,647 2,854 5,408	year     years     years       \$ 328,241 \$ - \$ -     661,881 2,768,647 489,205 2,854 5,408 2,352	year     years     years       \$ 328,241 \$ - \$ - \$       661,881 2,768,647 2,854 5,408 2,352	year         years         years         years           \$ 328,241 \$ - \$ - \$ - \$ -         661,881 2,768,647 489,205 1,356,928 2,854 5,408 2,352 -	year         years         years         years           \$ 328,241 \$ - \$ - \$ - \$         - \$           661,881 2,768,647 2,854 5,408 2,352         2,352

Additional information about the maturity analysis for lease liabilities:

	Less than	1-5	5-10	10-15	15-20	20+
	1 year	years	years	years	years	years
Lease liabilities	\$ 3,051	\$ \$8,023	\$ -	\$ -	\$ -	\$ -

In consideration of the consolidated company's financial position, the management does not believe that it is probable that the banks will exercise their rights to demand immediate settlement.

#### b) Financing facilities

	Dec	cember 31, 2021	Dec	ember 31, 2020
Unsecured bank overdraft amount (reviewed annually)				
- Amount used	\$	30,000	\$	-
- Amount unused		156,000		180,000
	\$	186,000	\$	180,000
Secured bank overdraft amount				
- Amount used	\$	4,034,316	\$	5,801,704
- Amount unused		3,778,164		3,318,386
	\$	7,812,480	\$	9,120,090

#### 32. Related Party Transactions

In preparing the consolidated financial statements, all transactions, account balances, income and expenses between the Company and its subsidiaries (which are the Company's related parties) have been eliminated in full and are not disclosed in this note accordingly.

## Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2021 and 2020 was as follows:

	 2021	2020
Short-term employee benefits	\$ 22,623	\$ 19,907
Post-Retirement Benefits	1,012	1,025
Shareholder-based payments	1,851	1,119
	\$ 25,486	\$ 22,051

The remuneration of directors and other members of key management personnel, as determined by the remuneration committee, was based on the individual performance and market trends.

#### 33. Pledged Assets

The following assets of the consolidated company were provided for financial institution borrowings and performance guarantee of goods as collateral, and each of their carrying amounts is as follows:

	Summary	December 31, 2021	December 31, 2020
Construction			 <u>.                                      </u>
inventory			
<ul> <li>Buildings and</li> </ul>	Cosmos Technology	\$ 89,158	\$ 353,450
land held for sale			
	Universal Technology	-	210,712
	Nan Ke Ming Men	141,825	141,516
	Zhong Lu Sec.	66,866	66,866
	Fu Gui Ming Di	69,589	279,736
	Land of Bao An Sec.	10,494	10,494
	Asia Pacific Technology	1,020,686	983,113
	Park		
	Founding Fu Yi	355,799	-
	United Tech	498,492	-
(Continued on the ne	xt page)		

(Continued from the previous page)

	Summary	December 31, 2021	December 31, 2020
Construction			
inventory			
- Construction in	Founding Yi Pin	1,876,447	1,587,838
progress			
	Asia Pacific Technology	532	537,160
	Park		
	United Tech	1,023,985	1,655,022
	Founding Li Garden	964,761	821,245
	Founding Fu Yi	-	656,548
	Star Technology (was	526,556	375,123
	originally Tam Mei Sec.)		
	Fu-Yi Tainan NO.2	128,381	113,228
	Hou Gang Sec.	641	-
	Meditation Garden		
	(formerly Xing An sec.)	320,391	-
Property, plant and	Land	896,463	1,543,116
equipment	Buildings and Property	1,417,635	2,678,431
Other Financial	Reserve account and	120,565	96,331
Assets—Current	trust account		
Non-current assets	FUSHIN Taichung	339,932	-
held for sale			
Investment	Land	935,283	223,570
Properties			
	<b>Buildings and Property</b>	181,932	147,638
		\$ 10,986,413	\$ 12,481,137

As of December 31, 2021 and 2020, the carrying amounts of freehold land and buildings pledged as collateral for the consolidated company's borrowings are as the above-mentioned table. The freehold land and buildings were pledged as collateral for bank borrowings, and the consolidated company is unable to use the pledged assets as collateral for other borrowings or to sell to other enterprises.

#### 34. Significant Contingent Liabilities and Unrecognized Contract Commitments

Except for those described in other notes, significant commitments and contingencies of the consolidated company on the date of balance sheet were as follows:

- a. According to Article 513 of the Civil Code, "when the contract of hire of work is for the construction of a building or other works on land or for vital repairs on such building or works, the undertaker in accordance with the remuneration of the relation of hire of work on the real property of the proprietor upon which the work is done, may demand the proprietor to register a right of mortgage." Hence, the construction company that undertakes Founding Co's construction project holds the right of mortgage over the construction in progress.
- b. The consolidated company entered into contracts with contractors undertaking outsourced works. The contracts with unclosed construction projects were amounted to \$782,520 thousand, and the amounts of \$324,964 thousand were paid as of December 31, 2021.
- c. Commodity Voucher issued by FUSHIN Hotel Co., one of the consolidated companies, adopts the performance guarantee provided by Sunny Bank amounted to \$20,611 thousand as of December 31, 2021

#### 35. Significant Subsequent Events

The disposal of the land and the building of Fu Ding Tech Building in New Taipei City to Voltronic Power Technology Corp. was approved by the Company's board of directors on Jan 17th , 2022. The transaction amount was \$1,398,000 thousand.

#### 36. Others

FUSHIN Hotel Co. was affected by the global pandemic of COVID-19 resulting in a significant decrease in hospitality service revenue for the years ended December 31, 2021 and 2020. Although the domestic outbreaks slow down and the government successively loosens the policies, many countries still adopt enclosed management, and the global economic situation continues to tighten while consumption patterns are also transforming. Schedules for FUSHIN Hotel Co. to be recovered to its normal operation remain uncertain.

Due to impacts of the pandemic, FUSHIN Hotel Co. has successively applied for the government grants of salary and operating funds. Recognized income from grants amounted to \$13,857 thousand and \$15,112 thousand for the years ended December 31, 2021 and 2020.

#### 37. Supplementary Disclosures

- a. significant transactions and b. invested companies:
  - 1) Financing provided to others. (Not applicable)
  - 2) Endorsements/guarantees provided. (Table 1)
  - 3) Marketable securities held. (Table 2)
  - 4) Marketable securities acquired or disposed of at costs or prices accumulated at least NT\$300 million or 20% or greater of the paid-in capital. (Not applicable)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% or greater of the paid-in capital. (Not applicable)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% or greater of the paid-in capital. (Not applicable)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% or greater of the paid-in capital. (Table 3)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% or greater of the paid-in capital. (Table 4)
  - 9) Trading in derivative instruments. (Not applicable)
  - 10) Others: Business relationships and situations and amounts of significant transactions of Inter-company. (Table 5)
  - 11) Information on investees. (Table 6)
- c. Information on investments in mainland China
  - 1) Information on any investee in mainland China, showing the name, principal business activities, paidin capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Not applicable)
  - 2) Significant transactions directly or indirectly through third region with investee companies in mainland China, and their prices, terms of payment, unrealized gain or loss. (Not applicable)
    - a) Purchase amount and percentage, and the ending balance and percentage of the related payables.
    - b) Sales amount and percentage, and the ending balance and percentage of the related receivables.
    - c) Property transaction amounts and the resulting gain or loss.
    - d) Ending balances and the purposes of endorsements/guarantees or collateral provided.
    - e) The maximum remaining balance, ending balance, range of interest rate and total amount of current interest of financing facilities.
    - f) Other transactions having a significant impact on profit or loss or financial position for the period, such as provision or receipt of service.

#### d. Information of major shareholders

List of all shareholders with ownership of 5 % or greater showing the names and the number of shares and percentage of ownership held by each shareholder: (Table 7)

#### 38. Segment Information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. In compliance with the Financial Accounting Standard No. 41 "Disclosures of operating segments," the reportable segments of the consolidated company are as follows:

Architecture segment

Construction segment

Hospitality segment

#### Segment revenue and operation results

Analysis of revenues and operation results by segment of the consolidated company's continuing operation was as follows:

	 Segment	Rever	nue		Segment R	evenu	ie
	2021		2020		2021		2020
Architecture segment	\$ 3,490,410	\$	3,447,863	\$	1,014,939	\$	501,527
Construction segment	928		48,106	(	1,709)		3,287
Hospitality segment	 280,802		338,929		67,541		95,794
Total continuing							
operation	\$ 3,772,140	\$	3,834,898		1,080,771		600,608
Operating expenses				(	286,715 ) (		287,190)
Interest income					238		217
Net foreign exchange							
gain					13		110
Company's general							
revenue					379,971		17,492
Company's general							
expense				(	11,483 ) (		16,771)
Loss on sublease of							
right-of-use assets				(	4,334)		-
Finance costs				(	11,222) (		41,611)
Profit/(loss) before							
income tax from				_		_	
continuing operations				\$	1,147,239	\$	272,855

Segment revenues reported above were all generated by transactions with external customers.

Segment profit represents the profits made by each segment, excluding the general and administrative costs of headquarters and remuneration of directors that shall be amortized, share of profit of associates using equity method, rental revenue, interest income, gain (loss) on disposal of property, plant and equipment, gain (loss) on disposal of investment, net foreign exchange gain (loss), gain or loss on valuation of financial instruments, finance costs, and income tax expenses. Such measurement amounts are provided to the chief business decision makers to allocate resources to segments and to evaluate their performance.

#### ENDORSEMENTS/GUARANTEES PROVIDED

For the Year Ended December 31, 2021

**Unit: NT\$ thousands/ Foreign Currency Dollars** 

Code (Note 1)	Endorser/guarantor Company Name	Endorsee/guar Company Name	Relationship (Note 2)	Limits on Endorsement/ Guarantee for Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed with Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent for Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries for Parent (Note 4)	Mainland China	Remarks
									Statements (%)		,	,	(Note 4)	
1	Chien-Chiao Co.	Founding Co.	3	\$ 1,109,000	\$ 109,612	\$ 109,612	\$ 109,612	\$ 109,612	42.02	\$ 260,888	N	Y	N	

- Note 1. Explanation of the code column as follows:
  - 1. Number 0 represents issuer
  - 2. Investee companies are numbered in order starting from "1" by company.
- Note 2. The types of relationship between the endorser/guarantee and the endorsee/guarantor are as follows, please label the number:
  - 1. A company having business relationship with another.
  - 2. A subsidiary directly holding more than 50% of ordinary share equity.
  - 3. An investee company of which the parent company and its subsidiaries holding more than 50% of ordinary share equity.
  - 4. A parent company of which the subsidiary directly or indirectly holds more than 50% of ordinary share equity.
  - 5. A company that is mutually protected under contractual requirements based on the needs of the contractor.
  - 6. A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
- Note 3. The aggregate endorsement/guarantee limit of Chien-Chiao Construction Co., Ltd. shall not exceed 100% of the net equity of company. Endorsement/guarantee limit for a single enterprise shall not exceed 40% of the current net equity. The aggregate limit for the company of which 100% of the voting rights directly and indirectly held by the company shall not exceed 100% of the current net equity. The aggregate limit for a business partner endorsement/guarantee shall not exceed the total amount of transactions with the Company in the most recent year (the purchase or sales amount between the two parties, whichever is higher).
  - According to the above mentioned regulations, the aggregate limit for a single enterprise endorsement/guarantee of Chien-Chiao Construction Co., Ltd. equals the net equity amounted to \$260,888 thousand, and the aggregate limit for a business partner endorsement/guarantee is \$1,109,000 thousand.
- Note 4. Listed (OTC) parent company endorsed/guaranteed for the subsidiaries, subsidiaries endorsed/guaranteed for the listed (OTC) parent company, or endorsement/guarantee for entities in Mainland China shall fill in "Y".

## MARKETABLE SECURITIES HELD AT YEAR END

**December 31, 2021** 

**Unit: NT\$ thousands** 

Name of Holding	e of Holding Type and Name of Marketable Relationship with the Ending Ba							
Company	Security	Issuer of Marketable Security	Name of Account	Shares (unit)	Carrying Value	Percentage of ownership (%)	Market Value, Net	Remarks
Founding Construction Development Corp.	Beneficiary certificates Mega Global Fund	No	Financial assets at fair value through profit or loss - current	73,733.33	\$ 3,222	-	\$ 3,222	
	Shin Kong Taiwan Fu-Kuei Fund Stock	No	or loss - current	83,668	5,249	-	5,259	
	GREATFORCE BIOCHEM TECH CO., LTD.	No	Financial assets at fair value through other comprehensive income - non-current	500,000	-	1.84	-	Non-listed (Non-OTC) company
					\$ 8,471		\$ 8,471	
Chien-Chiao	Stock					]		
Construction Co., Ltd.	Chao-Teng Hydropower Engineering Co., Ltd.	No	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,104	-	\$ 6,824	Non-listed (Non-OTC) company
	GREATFORCE BIOCHEM TECH CO., LTD.	No	"	500,000	-	1.84	-	"
					\$ 4,104		\$ 6,824	
Hsin-Long-Hsing	Stock							
Investment Co., Ltd.	Yang Ming Marine Transport Corporation	No	Financial assets at fair value through profit or loss - current	200,000	\$ 24,200	0.01	\$ 24,200	Listed (OTC) company
	Tungho Steel Corporation	No	"	134,000	8,991	0.02	8,991	<i>"</i>
	Yeong Guan Energy Technology Group Company Ltd.	No	"	100,000	6,300		6,300	
	Chilisin Electronics Corporation	No	"	200,000	18,920	0.08	18,920	"
					\$ 58,411		\$ 58,411	

## TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OR GREATER OF THE PAID-IN CAPITAL

For the Year Ended December 31, 2021

**Unit: NT\$ thousands** 

				Transaction Details			Terms and Reasons of Abnormal Transaction		Notes/Accounts Receivable (Payable)		
Buyer/Seller	Counterparty	Relationship	Purchase/ Sales	Amount	% to Total Purchases or Sales	Payment Terms	Unit Price	Payment Terms	Balance	% to Total Notes/Accounts Receivable (Payable)	Remarks
Founding Co.	Chien-Chiao Co.	Subsidiary	Purchases (undertaking contracted projects amounted to \$4,142,000 thousand)	\$ 1,109,000	42%	in compliance with the payment term of the contracts		in compliance with the payment term of the contracts	\$ 15,750  Accounts payable	100%	
Chien-Chiao Co.	Founding Co.	Parent company	Sales (undertaking contracted projects amounted to \$4,142,000 thousand)	972,148	100%	in compliance with the payment term of the contracts		in compliance with the payment term of the contracts		100%	

Note: The above transactions were eliminated in preparing the consolidated financial statements.

## RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OR GREATER OF THE PAID-IN CAPITAL

**December 31, 2021** 

**Unit: NT\$ thousands** 

The companies that record such transactions as receivables	Counterparty	Relationship	Balance of receivables from related parties	Turnover rate		A ation talzan	Amount received of receivables from related parties after the balance sheet date	Allowance for Bad Debts
Chien-Chiao Co.	Founding Co.	Parent company	\$ 231,400	4.56 times	\$ -	_	\$ 87,150	\$ -

Note: The above transactions were eliminated in preparing the consolidated financial statements.

## RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES

For the Year Ended December 31, 2021

**Unit: NT\$ thousands** 

				Transaction Details			
Code (Note 1)	Name of Trader	Counterparty of Trade	Relationship with Trader (Note 2)	Accounts	Amount	Terms and Conditions	Percentage of total consolidated revenue or total consolidated assets (Note 3)
0	Founding Co.	Chien-Chiao Co.	1	Notes payable	\$	Progress payment	0.12%
					15,75	requested based on the	
	7 1: 6				0	project status	4.650/
0	Founding Co.	Chien-Chiao Co.	1	Accounts payable	215,650	~ · ·	1.65%
						requested based on the	
	F 1: C	FUGUINI II 4 1 C	1	D 4 1	70.426	project status	2.000/
0	Founding Co.	FUSHIN Hotel Co.	I	Rental revenue	78,436	1	2.08%
1	Chien-Chiao Co.	Faunding Co	2	Construction costs	917,817	terms of contract	24.33%
1	Chien-Chiao Co.	Founding Co.	<u> </u>	Construction costs	917,817	Progress payment requested based on the	24.33%
						project status	
						project status	

- Note 1. Information on business transactions between the parent and subsidiaries shall be indicated in the code column as follows:
  - (1) Parent company is "0."
  - (2) The subsidiaries are numbered in order starting from "1."
- Note 2. Trader's relationship with the following three categories (just mark the category number):
  - (1) The parent to subsidiary.
  - (2) Subsidiary to the parent.
  - (3) Between subsidiaries.
- Note 3. On whether to calculate the percentage of transaction amount to the consolidated total revenue or total assets, the percentage of transaction amount to the ending balance of the consolidated total assets shall be calculated if a transaction account belongs to the assets and liabilities account, whereas the percentage of accumulated transaction amount to the consolidated total revenue shall be calculated if a transaction account belongs to the profit and loss account.

#### RELEVANT INFORMATION OF INVESTEE COMPANY (NAME, LOCATION, ETC)

For the Year Ended December 31, 2021

**Unit: NT\$ thousands** 

				Initial inves	stment amount	Held as	of the end of the	he period	Current profit or	Investment gain	
Investor Company	Investee company	Location	Main businesses	Ending Balance of the Current Period	Ending Balance of the Previous Period	Shares	Ratio %	Carrying Value	loss of the	(loss) recognized in the current period	Remarks
Founding Co.	Chien-Chiao Co.	5F-5 No. 294, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City	business of buildings and civil construction	\$ 51,800	\$ 51,800	15,000,000	100	\$ 42,026	\$ 17,274	\$ 47,927	Note 1
Founding Co.	FUSHIN Hotel Co.	No. 128, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	Restaurant businesses - general hotel businesses	151,000	151,000	15,100,000	94.375	127,115	( 56,735)	( 67,248 )	Note 2
Founding Co.	Hsin-Long-Hsing Co.	5F-8 No. 294, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City	General investment business	300,000	20,000	30,000,000	100	292,633	( 7,252)	( 7,252 )	Note 4
Chien-Chiao Co.	FUSHIN Hotel Co.	No. 128, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	Restaurant businesses - general hotel businesses	9,000	9,000	900,000	5.625	5,093	( 56,735)	( 3,189 )	Note 3

- Note 1. From January 1 to December 31, 2021, Founding Co. recognized incomes of Chien-Chiao Construction Co., Ltd. amounted to \$17,274 thousand and an increase of realized gross profit amounted to \$30,653 thousand.
- Note 2. From January 1 to December 31, 2021, Founding Co. recognized losses of FUSHIN Hotel Co., Ltd. amounted to \$53,544 thousand, less effects from application of IFRS 16 amounted to \$13,067 thousand and amortization on losses of sublease amounted to \$637 thousand.
- Note 3. From January 1 to December 31, 2021, Chien-Chiao Co. recognized losses of FUSHIN Hotel Co., Ltd. amounted to \$3,191 thousand, plus effects from application of IFRS 16 amounted to \$2 thousand.
- Note 4. In July 2021, Founding Co. increased its investment in Hsin-Long-Hsing Investment Co., Ltd. by \$280,000 thousand.

#### **Founding Construction Development Corp.**

## Information on Major Shareholders December 31, 2021

	Shares			
Shareholder's name	Number of Shares	Percentage of Shares		
Mei-Hsiung Investment Co., Ltd.	56,347,212	19.75%		
Syntain Co., Ltd.	25,718,571	9.01%		
Fu-Long-Chang Investment Co., Ltd.	17,783,000	6.23%		
Fu-Hsiung Investment Co., Ltd.	15,299,416	5.36%		

- Note 1. Information on major shareholders in this table is provided by Taiwan Depository & Clearing Corporation according to information on shareholders holding at least 5% or greater of ordinary shares and preferred shares (including treasury shares) that have been issued and delivered without physical registration by the Company on the last business day at the end of the current quarter. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.
- Note 2. If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. For a shareholder who declares its shareholdings as an insider holding more than 10% of shares in accordance with the Securities and Exchange Act, such shareholding information shall include shares held by the shareholder and those delivered to the trust over which the shareholder has the right to determine the use of trust property. For information on declaration of shareholdings by insiders, please visit the Market Observation Post System.

## Deloitte.

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## **Independent Auditors' Report**

To: Founding Construction Development Corp.

#### **Audit Opinion**

We have audited the accompanying parent company only financial statements of Founding Construction Development Corp., which comprise the parent company only balance sheets as of December 31, 2021 and 2020, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of Founding Construction Development Corp. as of December 31, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Founding Construction Development Corp. 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 that, in our professional judgment, were of most significance in our audit of Founding Construction Development Corp.'s parent company only financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for Founding Construction Development Corp.'s parent company only financial statements for the year ended December 31, 2021 are stated as follows:

#### Key Audit Matters I

The Company's assets are mainly composed of lands, properties, and buildings from the inventory, the investment property, and the property, plant and equipment with the carrying amounts of NT\$7,313,084 thousand, NT\$4,207,063 thousand, and NT\$116,963 thousand, respectively, representing 90% of the total assets as of December 31, 2021. The inventories are buildings and land held for sale and construction in progress, while the investment properties are properties for rent and properties held by the Company. Because the situations of the domestic real estate market supply, natural disasters, government policies, and economic conditions significantly impact the values of properties, the assessment of the properties inevitably contains uncertainty, and so the risk of individual assets being improperly evaluated exists. Therefore, the subsequent valuation of the assets has been deemed as one of the key audit matters for the year. Please refer to Notes 4(4), (6), (7), (8), 5, 8, 11, and 13 of the financial statements for relevant information on the above-mentioned assets.

The main audit procedures performed on the specific levels in respect of the above-mentioned key audit matter for the audit of the year are as follows:

- 1. We test the samples and review the appraisal materials performed by the external experts in the most recent two years (related appraisal reports, etc.), and we understand the trends of the development in the domestic real estate market to identify any potential indication of impairment in lands, properties, and buildings from the inventory, the investment property, and the property, plant and equipment.
- 2. Management evaluates asset impairments based on the information finished by experts; therefore, we evaluate the independence and the adequacy of the experts and we understand whether or not the assumptions and measures adopted during evaluations of the external experts are reasonable.
- 3. We evaluate the recoverable amounts of the lands, properties, and buildings from the inventory, the investment property, and the property, plant and equipment, and the reasonableness thereof, including whether the applied net fair values are based on the current bid prices or the latest transaction prices less sale costs, or we evaluate the reasonability of each important assumption of the value-in-use.

#### Key Audit Matters II

The sales of real estate are recognized after the construction projects were actually completed and handed over, and the registration of property right was finished. The appropriateness of the timing of the sales revenue recognition is material to the consolidated financial statements for the year. The sales of real estate recognized with uncompleted handover and registration of property right are expected to exist; therefore, the timing of the sales revenue recognition has been deemed as one of the key audit matters for the year. Please refer to Note 4(11) of the financial statements for relevant information on the sales revenues.

The main audit procedures performed on the specific levels in respect of the above-mentioned key audit matter for the audit of the year are as follows:

- 1. We evaluate the designs of the relevant operating procedures for sales revenue recognition and the appropriateness of execution. We also select samples to test the situation of effectively ongoing operations during the year of its significant control operations.
- 2. For the details of the recognized real estate sales revenue for the year, we select samples and examine their corresponding evidences of the real estate handover and the registration of property right to verify the appropriateness of the classification under real estate sales revenue.

## Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing Founding Construction Development Corp.'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 Founding Construction Development Corp. or to cease operations, or has no realistic alternative but to do so.

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

#### Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 Founding Construction Development Corp.'s internal control.
- 3. Evaluate the appropriateness of accounting policies adopted 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 Founding Construction Development Corp.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Founding Construction Development Corp. to cease to continue as a going concern.
- 5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Founding Construction Development Corp. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our opinion to Founding Construction Development Corp.

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 Founding Construction Development Corp.'s parent company only financial statements for the year ended December 31, 2021 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.

Deloitte & Touche

LU I-CHEN, CPA

LIN YI-HUI, CPA

Financial Supervisory Commission

Approval Document Ref.

Financial Supervisory Commission Approval

Document Ref.

No. FSC Sheng-Zi 1080321204 No. FSC Sixth-Zi 0940161384

March 17, 2022

## **Founding Construction Development Corp.**

Parent Company Only Balance Sheet December 31, 2021 and 2020 Unit: NT\$ thousands

		December 31, 2	2021	December 31, 2020		
Code	ASSETS	Amount	%	Amount	%	
	CURRENT ASSETS					
1100	Cash and cash equivalents (Note 6)	\$ 543,299	4	\$ 292,132	2	
1110	Financial assets at fair value through profit or loss - current (Note 7)	8,471	-	2,856	-	
1150	Notes receivable	16,560	-	10.741	-	
1170 1197	Accounts receivable (Note 21)	830 638	-	18,741 624	-	
1197	Finance lease receivables, net - current (Note 28) Current tax assets (Note 23)	038	_	304	-	
130X	Inventories (Notes 8 and 29)	7,313,084	57	8,376,286	61	
1410	Prepayments (Note 9)	12,633	-	50,331	1	
1476	Other financial assets - current (Note 29)	186,277	2	106,794	1	
1479	Other current assets	7,644	<del>_</del>	6,586	<del>_</del>	
11XX	Total current assets	<u>8,089,436</u>	63	8,854,654	65	
	NON CURRENT ACCETO					
1550	NON-CURRENT ASSETS	461 774	2	220.041	1	
1550 1600	Investments accounted for using the equity method (Note 10) Property, plant and equipment (Notes 11 and 29)	461,774 122,428	3	228,041 97,885	1	
1755	Right-of-use assets (Note 12)	1,385	-	2,309	-	
1760	Investment properties, net (Notes 13 and 29)	4,207,063	33	4,479,825	33	
1840	Deferred tax assets (Note 23)	10,321	-	10,247	-	
194D	Long-term finance lease receivables, net (Note 28)	1,828	-	2,466	-	
1920	Refundable deposits	2,311	<del>-</del>	14,358		
15XX	Total non-current assets	4,807,110	37	4,835,131	35	
			100	A 40 400 TO T	100	
1XXX	Total assets	<u>\$ 12,896,546</u>	<u> 100</u>	<u>\$ 13,689,785</u>	<u> 100</u>	
Code	LIABILITIES AND EQUITY					
Code	CURRENT LIABILITIES  CURRENT LIABILITIES					
2100	Short-term borrowings (Notes 14 and 29)	\$ 2,212,730	17	\$ 2,573,910	19	
2110	Short-term bills payable (Note 14)		-	845,910	6	
2130	Contract liabilities - current (Note 21)	314,433	2	315,817	2	
2150	Notes payable	90	-	571	-	
2160	Notes payable to related parties (Note 28)	15,750	-	48,300	-	
2170	Accounts payable (Note 15)	83	-	1,933	-	
2180	Accounts payable to related parties (Notes 15 and 28)	215,650	2	154,224	1	
2230	Current tax liabilities (Note 23)	34,328	-	2 166	-	
2280 2219	Lease liabilities - current (Note 12) Other payables (Notes 16 and 28)	2,214 59,625	- 1	2,166 65,717	- 1	
2250	Provisions-current (Note 17)	1,106	-	1,106	-	
2320	Current portion of long-term borrowings (Notes 14 and 29)	141,010	1	209,201	2	
2399	Other current liabilities	19,096		16,247		
21XX	Total current liabilities	3,016,115	23	4,235,102	31	
2.500	NON-CURRENT LIABILITIES			< 2.45		
2580	Lease liabilities - non-current (Note 12)	4,133	- 10	6,347	- 15	
2540 2640	Long-term borrowings (Notes 14 and 29)	1,526,850	12	1,986,287	15	
2645	Net defined benefit liabilities –non-current(Note 18) Guarantee deposits	10,428 12,633	-	11,624 12,086	-	
25XX	Total non-current liabilities	1,554,044	12	2,016,344	15	
201111	Town non surrent monitors		<u> </u>	2,010,511		
2XXX	Total liabilities	4,570,159	<u>35</u>	6,251,446	<u>46</u>	
					·	
	EQUITY (Note 20)					
2110	Capital stock	2 0 5 2 4 5 0		2 0 7 2 4 7 2	-	
3110	Ordinary shares	2,852,450	22	2,852,450	21	
3210	Capital surplus	20.804		20.804		
3210	Shares premium Treasury shares transactions	20,894 236	-	20,894 236	_	
3200	Total capital surplus	$\frac{230}{21,130}$	<u> </u>	21,130	<del></del>	
5200	Retained earnings	21,150		21,130		
3310	Legal reserve	972,814	8	948,358	7	
3320	Special reserve	966	-	966	-	
3350	Unappropriated earnings	4,479,027	<u>35</u>	3,615,435	<u>26</u>	
3300	Total retained earnings	5,452,807	35 43 65	4,564,759	$ \begin{array}{r}     26 \\     \hline     33 \\     \hline     54 \end{array} $	
3XXX	Total equity	8,326,387	<u>65</u>	7,438,339	54	
	Total liabilities and equity	\$ 12,896,546	100	\$ 13,689,785	100	
	Total habilities and equity	<u>v 12,070,340</u>	<u>100</u>	<u>\$\psi\$ 15,007,700</u>	<u>100</u>	

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

Manager: Liu Hua-Hsing Accounting Officer: Cheng Yen-Fen Chairman: Liu Hsin-Hsiung

## **Founding Construction Development Corp.**

# Parent Company Only Statements of Comprehensive Income For the years ended December 31, 2021 and 2020 Unit: NT\$ thousands, except for earnings per share (in NT\$)

		2021		2020		
Code		Amount	%	Amount	%	
	OPERATING REVENUE					
4200	(Notes 21 and 28)	Φ 06.413	2	Φ (5.05.6	2	
4300	Rental revenue	\$ 86,413	2	\$ 67,976	2	
4500 4000	Construction revenue Total operating	3,481,805	<u>98</u>	3,440,165	<u>98</u>	
4000	revenue	3,568,218	100	3,508,141	100	
	20,02200					
	OPERATING COSTS (Notes 8 and 28)					
5300	Rental costs	( 75,802)	(2)	( 80,826)	( 2)	
5500	Construction costs	(2,481,732)	(70)	(2,924,567)	(84)	
5000	Total operating costs	(2,557,534)	$(\underline{72})$	(3,005,393)	(86)	
5900	Gross Profit	1,010,684	28	502,748	14	
6000	Operating expenses (Note 22)	(194,600)	(5)	(195,509)	(5)	
6900	Net Operating Income	816,084	23	307,239	9	
	NON-OPERATING INCOME					
7100	AND EXPENSES (Note 22)	102		107		
7100 7010	Interest income Other income	193 361	-	197 1,757	-	
7010	Other gains and losses	359,881	10	( 15,564)	-	
7050	Finance costs	( 8,275)	-	( 39,128)	( 1)	
7070	Shares of profits of	( 0,273)		( 37,120)	( 1)	
, 0 , 0	subsidiaries, associates					
	and joint ventures					
	accounted for using the					
	equity method	( <u>26,573</u> )	$(\underline{}\underline{})$	7,658	<del>_</del>	
7000	Total non-operating					
	income and	225 507	0	( 45,000)	( 1)	
	expenses	325,587	9	(45,080)	(1)	
7900	Net income before tax for the					
	year	1,141,671	32	262,159	8	
7950	Income tax expense (Note 23)	$(\underline{79,736})$	(2)	(19,401)	( <u>1</u> )	
8200	NET INCOMEFOR THE					
	YEAR	1,061,935	30	242,758	7	
(Contin	ued on the next page)					
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		2021		2020			
Code		Ar	nount	%	Aı	nount	%
8310	OTHER COMPREHENSIVE INCOME/(LOSS) Items that will not be reclassified subsequently to profit or loss						
8311	Remeasurement of defined benefit plans	\$	1,094	_	\$	203	-
8330	Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity						
8349	method Income tax relating to items that will not be reclassified subsequently to		33	-	,	1,635	-
8300	profit or loss Other comprehensive income for the year, net of income tax	(	<u>219</u> ) 908	<del>_</del>	(	41) 1,797	
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,0	062,843		<u>\$ 2</u>	244,555	<u>7</u>
9710 9810	EARNINGS PER SHARE (Note 24) Basic Diluted	<u>\$</u> \$	3.72 3.72		<u>\$</u> \$	0.85 0.85	

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

Chairman: Liu Hsin-Hsiung Manager: Liu Hua-Hsing Accounting Officer: Cheng Yen-Fen

## **Founding Construction Development Corp.**

# Parent Company Only Statements of Changes in Equity For the years ended December 31, 2021 and 2020 Unit: NT\$ thousands

		Capit	al stock	Capital	surplus		Retained earnings		
Code	_	Shares (In		~1	Treasury shares		~	Unappropriated	
A1	Balance as of January 1, 2020	Thousands) 285,245	Ordinary shares \$ 2,852,450	Shares premium \$ 20,894	transactions \$ 236	Legal reserve \$ 938,925	Special reserve 966	earnings \$ 3,522,936	Total equity \$ 7,336,407
Al	Appropriation and distribution of earnings for 2019	203,243	\$ 2,632,430	\$ 20,074	<b>\$</b> 230	\$ 736,723	\$ 700	\$ 3,322,730	φ 7,330, <del>1</del> 07
B1 B5	Legal reserve Cash dividends to	-	-	-	-	9,433	-	( 9,433)	-
	shareholders	-	-	-	-	-	-	( 142,623)	( 142,623)
D1	Net income for 2020	-	-	-	-	-	-	242,758	242,758
D3	AFTER-TAX OTHER COMPREHENSIVE INCOME for 2020	<del>-</del>		<del>-</del>	=	=	<del>-</del>	1,797	1,797
D5	Total comprehensive income in 2020	<del>-</del>	<del>-</del>	<del>-</del>	<del>-</del>	<u>-</u>	<del>-</del>	<u>244,555</u>	244,555
<b>Z</b> 1	Balance as of December 31, 2020	285,245	2,852,450	20,894	236	948,358	966	3,615,435	7,438,339
B1 B5	Appropriation and distribution of earnings for 2020 Legal reserve Cash dividends to	-	-	-	-	24,456	-	( 24,456)	-
	shareholders	-	-	-	-	-	-	( 171,147)	( 171,147)
Q1	Disposal of investments in equity instruments at FVTOCI	-	-	-	-	-	-	( 3,648)	( 3,648)
D1	Net income for 2021	-	-	-	-	-	-	1,061,935	1,061,935
D3	AFTER-TAX OTHER COMPREHENSIVE INCOME for 2021		<u>-</u>			=	<del>-</del>	908	908
D5	Total comprehensive income in 2021	<del>_</del>			<del>_</del>		<del>-</del>	1,062,843	1,062,843
<b>Z</b> 1	Balance as of December 31, 2021	<u>285,245</u>	<u>\$ 2,852,450</u>	\$ 20,894	<u>\$ 236</u>	<u>\$ 972,814</u>	<u>\$ 966</u>	<u>\$ 4,479,027</u>	<u>\$ 8,326,387</u>

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

Chairman: Liu Hsin-Hsiung Manager: Liu Hua-Hsing Accounting Officer: Cheng Yen-Fen

## **Founding Construction Development Corp.**

## Parent Company Only Statements of Cash Flows For the years ended December 31, 2021 and 2020 Unit: NT\$ thousands

Code			2021		2020
	CASH FLOWS FROM OPERATING ACTIVITIES				
A10000	Net income before tax for the year	\$	1,141,671	\$	262,159
A20010	Adjustments for:		,		,
A20100	Depreciation expenses		78,637		82,538
A20200	Amortization expenses		-		64
A20400	Net gain on fair value changes of				
	financial assets and liabilities at				
	fair value through profit or loss	(	575)	(	436)
A20900	Finance costs		8,275		39,128
A21200	Interest income	(	193)	(	197)
A22300	Shares of profits of subsidiaries,				
	associates and joint ventures				
	accounted for using the equity				
	method		26,573	(	7,658)
A22500	Gain on disposal of property, plant				
	and equipment		-	(	286)
A22700	Gain on disposal of investment				
	properties	(	351,934)		-
A23100	Net gain on disposal of financial				
	assets	(	4,884)	(	392)
A23700	Loss on write-downs of inventories		3,773		13,959
A30000	Changes in operating assets and				
	liabilities				
A31130	Notes receivable	(	16,560)		-
A31150	Accounts receivable		17,911		5,255
A31200	Inventories	(	153,938)		1,001,511
A31230	Prepayments		37,698		33,256
A31240	Other current assets	(	1,058)		1,448
A31250	Other financial assets	(	79,483)	(	20,896)
A32125	Contract liabilities – current	(	1,384)	(	300,702)
A32130	Notes payable	(	481)	(	1,550)
A32140	Notes payable - related parties	(	32,550)	(	1,313)
A32150	Accounts payable	(	1,850)	(	10,320)
A32160	Accounts payable - related parties		61,426		5,674
A32180	Other payables	(	6,426)		19,607
A32230	Other current liabilities		2,849		13,435
A32240	Net defined benefit liabilities - non-				
	current	(	102)	(_	1,068)
A33000	Cash generated from/(used in) operations		727,395		1,133,216
A33500	Income taxes paid	(	45,397)	(_	21,988)
AAAA	Net cash generated from operating		604.633		4.44.650
	activities	_	681,998		1,111,228

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Code	L. 19.	2021	2020		
	CASH FLOWS FROM INVESTING				
	ACTIVITIES				
B00100	Acquisition of financial assets at fair				
	value through profit or loss	(\$ 118,493)	(\$ 10,068)		
B00200	Disposal of financial assets at fair value				
	through profit or loss	118,337	10,459		
B02700	Purchase of property, plant and				
	equipment	( 41,342)	-		
B02800	Proceeds from disposal of property, plant				
	and equipment	1,788,693	286		
B03800	Decrease in refundable deposits	12,047	6,657		
B05400	Purchase of investment properties	( 11,546)	( 431)		
B06000	Decreases in finance lease receivables	686	686		
B07500	Interest received	131	90		
B07600	Dividends received from subsidiaries	18,000	30,000		
BBBB	Net cash generated from investing	1.500.510	25 (50		
	activities	1,766,513	37,679		
	CACHELOWCEDOM FINANCING				
	CASH FLOWS FROM FINANCING ACTIVITIES				
C00100	Increase in short-term borrowings	751,300	835,560		
C00200	Decrease in short-term borrowings	( 1,112,480)	( 1,501,310)		
C00500	(Decrease) Increase in short-term bills	( 1,112,100)	( 1,001,010)		
	payable	( 845,910)	314,571		
C01600	Proceeds from long-term borrowings	300,000	170,000		
C01700	Repayments of long-term borrowings	( 827,628)	( 665,852)		
C03000	Increase (Decrease) in guarantee deposits	, ,	, ,		
	received	547	(1,249)		
C04020	Payments of lease liabilities	(2,331)	( 2,446)		
C04500	Dividends paid to owners of the				
	Company	(171,147)	( 142,623)		
C05400	Acquisition of ownership interests in				
	subsidiaries	(280,000)	-		
C05600	Interest paid	( <u>9,695</u> )	(36,045)		
CCCC	Net cash used in financing activities	$(\underline{2,197,344})$	$(\underline{1,029,394})$		
FFFF	NET DIODE AGE DI CAGILAND CAGIL				
EEEE	NET INCREASE IN CASH AND CASH	251 167	110.512		
	EQUIVALENTS FOR THE YEAR	251,167	119,513		
E00100	CASH AND CASH EQUIVALENTS,				
L00100	BEGINNING OF YEAR	292,132	172,619		
	DESIGNICO OF TEAM	<u></u>			
E00200	CASH AND CASH EQUIVALENTS, END				
	OF YEAR	\$ 543,299	\$ 292,132		
			<del></del>		

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

Chairman: Liu Hsin-Hsiung Manager: Liu Hua-Hsing Accounting Officer: Cheng Yen-Fen

#### Founding Construction Development Corp.

Notes to Parent Company Only Financial Statements
For the years ended December 31, 2021 and 2020
(Amounts are in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

#### 1. Company History

Founding Construction Development Corp. ("the Company") was incorporated in Taipei City in April 1991, mainly engaged in appointments and management of contractors to build public housing developments and commercial buildings for leasing and selling, trading of construction materials and machines, designs and constructions of interior decoration, etc.

The Company's shares were listed on the Taiwan Stock Exchange (TWSE) in April, 2008.

The parent company only financial statements are presented in the Company's functional currency, the New Taiwan dollar.

#### 2. Date and Procedures of Authorization of Financial Statements

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on March 17, 2022.

#### 3. Application of New and Amended Standards and Interpretations

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

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC will not have a significant effect on the Company's accounting policies.

b. IFRSs endorsed by the FSC with effective date starting 2022

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 1)
Amendment to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendment to IAS 16 "Property, Plant and Equipment - Proceeds before	January 1, 2022 (Note 3)
Intended Use"	
Amendment to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

- Note 1. Amendment to IFRS 9 is effective to exchanges of a financial liability or modifications of terms incurred during the annual periods beginning on or after January 1, 2022. Amendment to IAS 41 "Agriculture" is effective to fair value measurements for annual periods beginning on or after January 1, 2022. Amendment to IFRS 1 "First-time Adoption of IFRS" is retrospectively effective for annual periods beginning on or after January 1, 2022.
- Note 2. The Company shall apply this amendment to business combinations for which the acquisition date is beginning on or after January 1, 2022.
- Note 3. The Company shall apply this amendment to the property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 4. The amendment shall be applied to contracts for which the Company has not yet fulfilled all its obligations on or after January 1, 2022.

As of the date the accompanying parent company only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the amendment of the other standards or interpretations, and no significant impact will be caused.

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

New, Revised or Amended Standards and Interpretations	(Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets	To be determined
between an Investor and its Associate or Joint Venture"	
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—	January 1, 2023
Comparative Information"	
Amendment to IAS 1 "Classification of Liabilities as Current or Non-	January 1, 2023
current"	
Amendment to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendment to IAS 12 "Deferred Tax related to Assets and Liabilities arising	January 1, 2023 (Note 4)
from a Single Transaction"	

- Note 1. Unless stated otherwise, the aforementioned New, Revised or Amended Standards and Interpretations are effective for annual periods beginning on or after their respective effective dates.
- Note 2. The Company shall apply this amendment prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 3. This amendment is effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period.
- Note 4. The amendment applies to transactions occurring after January 1, 2022, except for the recognition of deferred income tax on temporary differences in leases and decommissioning obligations on January 1, 2022.
- 1) Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendment clarifies whether or not a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendment also clarifies that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendment stipulates that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

#### 2) Amendment to IAS 1 "Disclosure of Accounting Policies"

This amendment prescribes that the Company shall apply the concept of materiality in making decisions about the disclosure of accounting policy information. Accounting policy information is material if, when considered together with other information included in the Company's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. This amendment also clarifies that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed by the Company.
- The Company's accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial.
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

Moreover, this amendment gives examples to explain that it is likely to consider accounting policy information material to the financial statements if that information relates to material transactions, other events or conditions and the accounting policy:

- a) Has changed during the reporting period by the Company, and this change results in a material change on information of the financial statements;
- b) Was chosen properly by the Company from alternatives permitted by IFRS;
- c) Was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS Standard that specifically applies;
- d) Relates to an area for which the disclosure the Company is required to make significant judgments and assumptions; or
- e) Involves complex accounting treatment, and users of the Company's financial statements would otherwise not understand the relating transactions, other events or conditions.

#### 3) Amendment to IAS 8 "Definition of Accounting Estimates"

This amendment defines accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". The accounting policy applicable to the Company may require items in financial statements to be measured at monetary amounts that cannot be observed directly and must instead be estimated. Therefore, an input or a measurement technique has to be used to develop an accounting estimate to achieve this goal. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

Besides the above-mentioned impact, as of the date the accompanying financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the amendment of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

#### 4. Summary of Significant Accounting Policies

#### a. Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### b. Basis of Preparation

The accompanying parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the related inputs are observable and based on the significance of the related inputs, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When the Company prepares the parent company only financial statements, it adopts the equity method for investment in subsidiaries. In order to make the current year's profit and loss, other comprehensive income/(loss), and equity in the parent company only financial statements the same as the current year's profit and loss, other comprehensive income/(loss), and equity attributable to the owners of the company in the Company's consolidated financial report, certain differences in accounting treatment between the parent company only basis and the consolidated basis are adjusted for "investments accounted for using the equity method", "shares of profits and losses of subsidiaries, associates, and joint ventures accounted for using the equity method", and "shares of other comprehensive income/(loss) of subsidiaries, associates, and joint ventures accounted for using

the equity method" and related equity items.

c. Standards for Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- 1) Assets held for trading purposes,
- 2) Assets expected to be realized within 12 months after the balance sheet date; and
- 3) Cash and cash equivalents, excluding those that are restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Obligations incurred for trading purposes,
- 2) Obligations expected to be settled within 12 months from the balance sheet date, and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not listed above are classified as non-current.

The Company is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the construction-related assets and liabilities.

#### d. Inventories

Inventories comprise properties under construction and properties held for sale. Properties under construction and properties held for sale are initially recorded at acquisition cost. Costs of properties under construction include costs of construction land of unfinished construction, construction costs and related borrowing costs. Upon completion of construction, the costs of the portion sold are then recognized as operating costs for the proportion of the selling price when revenue is recognized for the sales of real estate. Properties held for sale are stated at the lower of cost or net realizable value. Comparing costs with net realizable value is based on individual item. Net realizable value represents the estimated selling price of inventories less the estimated cost of completion and the estimated cost necessary to make the sale.

#### e. Investment in Subsidiaries

The Company's investments in subsidiaries accounted for using the equity method

Subsidiaries refer to the entities over which the Company has control.

Under the equity method, the investment is initially recognized at cost, and the carrying value after the acquisition date will increase or decrease with the Company's share of the subsidiary's profit and loss and other comprehensive income/(loss), and profit distribution. Besides, changes in other equity of subsidiaries that the Company can be entitled are recognized based on the percentage of ownership.

When the Company's share of loss of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues to recognize losses based on shareholding.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years.

Unrealized profit or loss resulting from downstream transactions between the Company and subsidiaries is eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between the Company and subsidiaries are recognized in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

#### f. Property, Plant and Equipment

Property, plant and equipment are recognized at cost, and then measured at cost less accumulated depreciation and accumulated impairment.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are classified to the appropriate categories of property, plant and equipment and subject to depreciation when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is separately calculated using the straight-line method over the useful life of each significant part. The Company at least reviews the estimated useful lives, residual values and depreciation method at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Upon disposal of property, plant and equipment, the difference between the net sales proceeds and the carrying amount of the asset is recognized in profit or loss.

#### g. Investment Properties

Investment property is properties held to earn rental and/or for capital appreciation, including properties qualified to the definition of investment property and is under progress in construction. Investment property also includes land held for future use that is currently undetermined.

Self-owned investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of investment properties is recognized using the straight-line method

Investment property is recognized as inventory at its carrying amount at the date when it is ready for sale.

Property recorded as inventory is recognized as investment property at its carrying amount when it was rented under an operating lease.

Upon disposal of investment properties, the difference between the net sales proceeds and the carrying amount of the asset is recognized in profit or loss.

#### h. Impairment of Property, Plant and Equipment and Right-of-use Assets

On each balance sheet date, the Company assesses whether there is any indication that the property, plant and equipment and right-of-use assets might have suffered an impairment loss. If any such indication exists, the Company estimates the recoverable amount of the asset. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

An impairment loss on inventories and property, plant and equipment related to the contracts with customers shall be recognized in accordance with the applicable standards of inventory impairment and the above-mentioned principles. Then, the impairment loss is recognized to the extent that the carrying amount of the assets related to contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the direct costs related to providing those goods or services. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cashgenerating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount, less any amount of amortization or depreciation, that would have been determined had no impairment loss been recognized on the asset in prior years. A reversal of an impairment loss is recognized in profit or loss.

#### i. Financial Instruments

Financial assets and liabilities shall be recognized in the parent company only balance sheet when the Company becomes a party to the contractual provisions of the instruments.

While financial assets and liabilities are initially recognized, transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of those financial assets and financial liabilities that are not measured at fair value through profit or loss. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

#### 1) Financial assets

Regular way transactions of financial assets are recognized and derecognized on a settlement date basis.

#### a) Category of measurement

Financial assets held by the Company are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

#### i. Financial asset at FVTPL

Financial asset measured at FVTPL includes the financial assets mandatorily required to be measured at FVTPL. Financial assets mandatorily required to measure at FVTPL include investments in equity instruments that are not designated as FVTOCI, and investments in debt instruments that do not meet the criteria of amortized cost or FVTOCI.

Financial asset measured at FVTPL is measured at fair value, and any dividends or interests from such financial assets are recognized in other revenues. Any remeasurement gain or loss on such financial assets is recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

#### ii. Financial asset measured at amortized cost

The Company's investments in financial assets that meet the following two conditions are subsequently measured at amortized cost:

- (a) Within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) The contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets measured at amortized cost, including cash and cash equivalents, notes receivable measured at amortized cost, accounts receivable, other financial assets, and refundable deposits, are measured at the carrying amount determined by the effective interest method less any impairment loss. Any foreign exchange gain/loss is recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- (a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- (b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Credit-impaired financial assets are those where the issuer or debtor has experienced major financial difficulties, defaults, the debtor is likely to file for bankruptcy or other financial

restructuring, or disappearance of an active market for the financial assets due to financial difficulties.

#### iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI if the equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are measured at fair value and subsequently measured at fair value with gain or loss arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### b) Impairment of financial assets

On each date of balance sheets, the Company evaluates a loss allowance for financial assets measured at amortized cost (including accounts receivable) and for finance lease receivables based on expected credit loss.

The loss allowances for accounts receivable and finance lease receivables are recognized at an amount equal to lifetime expected credit losses. Other financial assets are first evaluated whether or not the credit risk has increased significantly since initial recognition. If it has not increased significantly, a loss allowance is recognized at an amount equal to expected credit loss within 12 months. If it has increased significantly, a loss allowance is recognized at an amount equal to expected credit loss over the expected life.

Expected credit losses are the weighted average credit losses resulting from a risk of default events as the weight. Expected credit losses within 12 months represent the expected credit losses resulting from possible default events of a financial instrument within 12 months after the reporting date. Expected credit losses over the expected life represent the expected credit losses resulting from all possible default events of a financial instrument over the expected life.

An impairment loss of all financial assets is recognized with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce its carrying amount.

#### c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset are extinguished, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

#### 2) Financial liabilities

#### a) Subsequent measurement

Except in the following situation, all financial liabilities are subsequently measured at amortized cost using effective interest method:

#### Financial Guarantee Contract

Financial guarantee contracts issued by the Company and not measured at fair value through profit or loss are measured at the higher of an allowance loss reflecting its expected credit loss and the amortized amount, subsequently to the original recognition.

#### b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including liabilities of any transferred non-cash asset or afforded liabilities, is recognized in profit or loss.

#### j. Provisions

Provisions are measured at the best estimate of the expenditures required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at the discounted cash flows of the consideration required to settle the present obligation

#### k. Revenue Recognition

The Company identifies performance obligations in customer contracts, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

#### 1) Revenue from sale of goods

Revenue from sale of goods comes from the sales of real estate. The Company recognizes the revenue when the customer has the right to set the price and use of the commodities respectively and is mainly responsible for resale once the property is handed over, and the registration of property right is finished.

#### 2) Rental revenue

Revenue from lease is recognized when a property is actually used in lease, provided that it is probable the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

#### 1. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

#### 1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company subleases the right-of-use asset, it determines the classification of the sublease based on the right-of-use asset (rather than the underlying asset). However, if the head lease is a short-term lease for which the Company is subject to the recognition exemption, the sublease is classified as an operating lease.

Under a finance lease, lease payments include fixed payments. The net lease investment is measured as the sum of the present value of the lease payments receivable and the non-guaranteed residual value, plus the original direct cost; it is expressed as a finance lease receivable. Financing income is allocated to each accounting period to reflect the fixed rate of return available in each period on the unexpired net lease investment of the Company.

After lease-related incentives are deducted, the rental income from operating lease is recognized on a straight-line basis over the term of the lease. The initial direct costs arising from acquisition of operating leases is added to the carrying amount of the underlying assets; and an expense is recognized for the lease on a straight line basis over the lease term. The lease negotiations processed with lessees are treated as new leases from the effective date of the lease modification.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a financial or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the lease payments can be allocated reliably between the two elements, each element is accounted for separately in accordance with its lease classification. If the lease payments cannot be allocated reliably between the two elements, the entire lease is generally classified as a finance lease unless it is clear that both elements meet the standards of operating leases; in which case, the entire lease is classified as an operating lease.

#### 2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are measured initially at cost, which comprises the initial measurement of lease liabilities. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of remeasurement. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense allocated over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

#### m. Borrowing Costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### n. Employee Benefits

#### 1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

#### 2) Post-Retirement Benefits

Payments of defined contribution retirement plans are recognized as an expense when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service costs, net interest and remeasurements) under the defined benefit retirement plans are determined using the Projected Unit Credit Method. Service costs (including current service costs), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, including actuarial gain or loss and the return on plan assets (less interest), is recognized in other comprehensive income and other equity in the period in which they occur, and will not be subsequently reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit retirement plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

#### o. Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

#### 1) Current income tax

According to the Income Tax Law of the ROC, an additional income tax on unappropriated earnings was surcharged in the year approved by the shareholders' meeting.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

#### 2) Deferred income tax

Deferred income tax is calculated on temporary differences between the carrying amounts of the recorded assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are recognized as it is very likely that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax asset is reviewed on each date of balance sheets and it is reduced to the extent that it is no longer very likely that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets not originally recognized are also reviewed on each date of balance sheets, and their carrying amount is increased to the extent that it is very likely that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, and this tax rates is based on the tax rates and tax laws that have been enacted or substantively enacted on the date of balance sheet. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities on the date of balance sheet.

#### 3) Current and deferred income tax

Current and deferred income taxes are recognized in profit or loss, unless when they relate to items that are recognized in other comprehensive income or directly recorded in equity, the current and deferred income tax are separately recognized in other comprehensive income or directly recorded in equity.

#### 5. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions based on historical experience and other relevant factors for the items that are not readily apparent from other sources. Actual results may differ from these estimates.

Management will consistently continue to review estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment. If an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of estimate amendment and future periods.

Key Sources of Estimation and Assumption Uncertainty

Impairment loss of land, property, and building of inventory, investment properties, and property, plant and equipment

Land, property, and building of inventory, investment properties, and property, plant and equipment are stated at the lower of cost or net realizable value so the Company must use judgments and estimates to determine their net realizable value at the end of each reporting period. This valuation is subject to significant changes because its estimation basis is the future product demand within a specific time horizon.

Please refer to Notes 8, 11, and 13 for the carrying amounts of land, property, and building of inventory, investment properties, and property, plant and equipment as of December 31, 2021 and 2020.

#### Cash and Cash Equivalents

	 December 31, 2021	December 31, 2020
Cash on hand and working capital	\$ 222	\$ 233
Bank Deposits	 543,077	291,899
	\$ 543,299	\$ 292,132

#### 7. Financial Instruments at Fair Value Through Profit or Loss

	Dece	ember 31, 2021	December 31, 2020
Financial assets - current		_	_
Financial asset designation as at FVTPL			
Fund beneficiary certificates	\$	8,471	\$ 2,856

#### 8. **Inventories**

#### a. Details of inventories are as follows:

	I	December 31, 2021	December 31, 2020
Buildings and land held for sale	\$	2,406,200	\$ 2,396,488
Construction in progress		4,906,884	5,979,798
	\$	7,313,084	\$ 8,376,286

Cost of goods sold related to inventories amounted to \$2,481,732 thousand and \$2,924,567 thousand, respectively, was recognized for the years ended December 31, 2021 and 2020.

Cost of goods sold containing losses on inventory valuation amounted to \$3,773 thousand and \$13,959 thousand, respectively, was recognized for the years ended December 31, 2021 and 2020.

As of December 31, 2021 and 2020, inventories of \$4,906,884 thousand and \$5,979,798 thousand, respectively, are expected to be recovered after more than 12 months.

Please refer to Note 29 for information about the amount of inventories pledged by the Company as collateral for borrowings.

#### b. Buildings and land held for sale and contract liability – current

-	 December 31, 2021	December 31, 2020
Land of Founding Glion	\$ -	\$ 10,814
Property of Founding Glion	-	40,012
Land of Cosmos Technology	37,393	139,497
Property of Cosmos Technology	61,121	228,014
Land of Universal Technology	-	95,462
Property of Universal Technology	-	120,642
Land of Nan Ke Ming Men	47,319	47,319
Property of Nan Ke Ming Men	99,085	98,775
Land of Zhong Lu Sec.	12,898	12,898
Property of Zhong Lu Sec.	3,502	3,502
Land of Fu Gui Ming Di	26,843	107,902
Property of Fu Gui Ming Di	44,633	179,415
Land of Bao An Sec.	10,494	10,494
Land of Asia Pacific Technology Park	338,811	338,811
Property of Asia Pacific Technology Park	716,085	749,085
Land of Sun Technology Plaza	-	135,483
Property of Sun Technology Plaza	-	78,363
Land of Founding Fu Yi	\$ 215,094	\$ -
Property of Founding Fu Yi	145,853	-
Land of United Tech	222,274	-
Property of United Tech	424,795	-
	\$ 2,406,200	\$ 2,396,488

(Continued on the next page)

## (Continued from the previous page)

	December 31, 2021	December 31, 2020
Contract liability of Founding Glion -		
current	\$ -	\$ 5,681
Contract liability of Universal Technology –		
current	-	53,357
Contract liability of Fu Gui Ming Di –		
current	9,164	19,636
Contract liability of Sun Technology Plaza –		
current	-	109,953
Contract liability of Nan Ke Ming Men –		
current	15,200	-
Contract liability of Founding Fu Yi –		
current	30,096	-
Contract liability of United Technology –		
current	 39,352	 <u>-</u>
	\$ 93,812	\$ 188,627

## c. Construction in progress and contract liability – current

December 31, 2021

		Construction in		Contract
	Construction in	Progress -		liabilities –
Construction Project	Progress - Land	Project	Total	current
Fu-Yi Tainan NO.2	\$ 104,495	\$ 26,055	\$ 130,550	\$ -
Wen De Sec.	21,124	-	21,124	-
Jian Kang Sec.	7,072	-	7,072	-
Founding Yi Pin	1,215,381	603,568	1,818,949	220,621
United Tech	401,072	626,602	1,027,674	-
Bei Shan Sec.	13,766	-	13,766	-
Star Technology (was originally				
Tam Mei Sec.)	328,916	205,910	534,826	-
Yi Min Sec.	1,496	-	1,496	-
Xin Feng Sec.	-	745	745	-
Hou De Sec.	-	183	183	-
Founding Li Garden	662,901	305,849	968,750	-
Fu Xing Sec.	476	-	476	-
Chang Chun Sec.	143	-	143	-
Pei Po Sec.	589	4	593	-
Hou Gang Sec.	476	165	641	-
Xin Gong Sec.	5,719	-	5,719	-
Shi Jian Sec.	36,837	_	36,837	-
Meditation Garden (formerly Xing				
An sec.)	318,585	1,806	320,391	-
Li Ren Sec.	-	5,984	5,984	-
Wu Gu Wang Sec.		10,965	10,965	
	\$ 3,119,048	\$ 1,787,836	\$ 4,906,884	\$ 220,621

December 31, 2020

			C	Construction in		Contract
	Con	struction in		Progress -		liabilities –
Construction Project	Prog	gress – Land		Project	Total	 current
Fu-Yi Tainan NO.2 (was		_				
originally Li Ren Sec.)	\$	104,495	\$	8,254	\$ 112,749	\$ -
Wen De Sec.		21,124		-	21,124	-
Jian Kang Sec.		7,072		-	7,072	-
Founding Yi Pin		1,172,545		356,858	1,529,403	127,190
United Tech		834,112		802,627	1,636,739	-
Bei Shan Sec.		13,766		-	13,766	-
Asia Pacific Technology Park		482,137		54,490	536,627	-
Star Technology (was originally						
Tam Mei Sec.)		328,897		16,898	345,795	-
Yi Min Sec.		1,496		-	1,496	-
Xin Feng Sec.		-		745	745	-
Hou De Sec.		-		183	183	-
Founding Li Garden (was						
originally Wu Gu Wang Sec.)		662,901		113,742	776,643	-
Founding Fu Yi		417,828		260,900	678,728	-
Fu Xing Sec.		476		-	476	-
Chang Chun Sec.		143		-	143	-
Meditation Garden (formerly						
Xing An sec.)		318,109			318,109	 
	\$	4,365,101	\$	1,614,697	\$ 5,979,798	\$ 127,190

Information on the capitalization of interest is as follows:

	2021	2020			
Total amount of interest expense	\$ 81,573	\$	109,058		
Current capitalized construction interest	\$ 73,298	\$	69,930		
Capitalization interest rate Accumulated amount of capitalized	1.56%~1.69%		1.59%~1.90%		
construction interest, end	\$ 120,245	\$	100,978		

## 9. Prepayments

	 December 31, 2021	 December 31, 2020
Current		
Tax overpaid retained for offsetting the future		
tax payable	\$ -	\$ 40,535
Prepayment for purchases	219	659
Prepaid commission	11,700	289
Others	714	8,848
	\$ 12,633	\$ 50,331

## 10. Investments accounted for using the equity method

#### Investment in subsidiaries

	December 31, 2021	December 31, 2020
Chien-Chiao Construction Co., Ltd.	\$ 42,026	\$ 13,793
FUSHIN Hotel Co., Ltd.	127,115	194,363
Hsin-Long-Hsing Investment Co., Ltd.	292,633	19,885
	\$ 461,774	\$ 228,041

The Company's proportion of ownership and voting rights of subsidiaries as of the balance sheet date are as follows:

Name of Subsidiary	December 31, 2021	December 31, 2020
Chien-Chiao Construction Co., Ltd.	100%	100%
FUSHIN Hotel Co., Ltd.	94.375%	94.375%
Hsin-Long-Hsing Investment Co., Ltd. (Note)	100%	100%

Note: Hsin-Long-Hsing Construction Co., Ltd. was registered as Hsin-Long-Hsing Investment Co., Ltd. on June 17, 2021.

Please refer to Table 5 for the Company's details of indirectly invested subsidiaries.

Gain (loss) on investments under equity method, premium amortization of investment, and unrealized gross profit are as follows:

						2021			_
	i	Initial nvestment		Investment gain (loss)	(	Current realized (unrealized)			Accumulated unrealized gross
Investee company		cost		recognized		gross profit		Total	profit
Chien-Chiao Construction									
Co., Ltd.	\$	51,800	\$	17,274	\$	30,653	\$	47,927 (	\$ 218,865)
FUSHIN Hotel Co., Ltd.		151,000	(	67,248)		-	(	67,248 ) (	6,102)
Hsin-Long-Hsing									
Investment Co., Ltd.		300,000	(	7,252)			(	7,252)	<u> </u>
	\$	502,800	(\$	57,226)	\$	30,653	( \$	26,573 ) (	\$ 224,967)

						2020				
	i	Initial nvestment		Investment gain (loss)	(	Current realized (unrealized)				Accumulated unrealized gross
Investee company		cost		recognized		gross profit		Total	_	profit
Chien-Chiao Construction										
Co., Ltd.	\$	51,800	\$	25,378	\$	7,099	\$	32,477	(\$	249,518)
FUSHIN Hotel Co., Ltd.		151,000	(	24,831)		-	(	24,831)	(	6,102)
Hsin-Long-Hsing										
Construction Co., Ltd.		20,000		12		_		12		<u>-</u>
	\$	222,800	\$	559	\$	7,099	\$	7,658	(\$	255,620)

Except for Hsin-Long-Hsing Investment Co., Ltd., whose financial statements for the year ended December 31, 2020 are not audited by the Certified Public Accountants, investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments entitled by the Company were calculated based on financial statements audited by the Certified Public Accountants. However, management believes that there shall be no material adjustment from the financial statements of the above subsidiary if its financial statements are audited by the Certified Public Accountants.

The above-mentioned subsidiaries are included in the consolidated financial statements for the years ended December 31, 2021 and 2020.

## 11. Property, plant and equipment

	Land	Buildings and Property	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
Cost Balance as of January 1, 2020 Addition	\$ 75,633	\$ 32,982	\$ 11,511	\$ 3,428	\$ 738 431	\$ 124,292 431
Disposal	-		( 4,650)	-		( 4,650)
Balance as of December 31, 2020	\$ 75,633	<u>\$ 32,982</u>	<u>\$ 6,861</u>	<u>\$ 3,428</u>	<u>\$ 1,169</u>	<u>\$ 120,073</u>

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	Land	Buildings and Property	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
Accumulated depreciation and impairment Balance as of January 1, 2020 Depreciation expenses Disposal	\$ - - -	\$ 10,501 638	\$ 11,505 6 ( 4,650)	\$ 3,428	\$ 739 88	\$ 26,172 666 ( 4,650)
Balance as of December 31, 2020	<u>\$ -</u>	<u>\$ 11,139</u>	<u>\$ 6,861</u>	\$ 3,428	<u>\$ 760</u>	<u>\$ 22,188</u>
Net carrying amount as of December 31, 2020	<u>\$ 75,633</u>	<u>\$ 21,843</u>	<u>\$</u>	<u>\$</u>	<u>\$ 409</u>	<u>\$ 97,885</u>
Cost Balance as of January 1, 2021 Addition Reclassification	\$ 75,633 33,481 ( 4,531)	\$ 32,982 1,811 ( 11,258)	\$ 6,861 6,050	\$ 3,428	\$ 1,169 - -	\$ 120,073 41,342 ( 15,789 )
Balance as of December 31, 2021	<u>\$ 104,583</u>	<u>\$ 23,535</u>	<u>\$ 12,911</u>	\$ 3,428	<u>\$ 1,169</u>	<u>\$ 145,626</u>
Accumulated depreciation and impairment Balance as of January 1, 2021 Depreciation expenses Reclassification Balance as of December 31,	\$ - - -	\$ 11,139 917 ( 901)	\$ 6,861 908	\$ 3,428	\$ 760 86	\$ 22,188 1,911 ( 901)
2021	<u>\$</u>	<u>\$ 11,155</u>	\$ 7,769	\$ 3,428	<u>\$ 846</u>	<u>\$ 23,198</u>
Net carrying amount as of December 31, 2021	<u>\$ 104,583</u>	<u>\$ 12,380</u>	<u>\$ 5,142</u>	\$	<u>\$ 323</u>	<u>\$ 122,428</u>

Property, plant and equipment of the Company are depreciated by straight-light method using the estimated useful lives as follows:

Buildings and Property	
Main property	3 to 50 years
Decoration and partitioning project	11 years
Transportation Equipment	5 to 6 years
Office Equipment	
Computer peripherals and communication equipment	4 to 6 years
Others	6 years
Miscellaneous equipment	5 to 6 years

Please refer to Note 29 for information about the amount of property, plant and equipment pledged by the Company as collateral for borrowings.

## 12. Lease Arrangements

## a. Right-of-use assets

	December 31, 2021				December 31, 2020		
Carrying amount of right-of-use assets Buildings	\$		1,385	\$		2,309	
		2021			2020		
Depreciation expenses of right-of-use assets Buildings	\$		924	\$		1,046	

In addition to the above-mentioned depreciation expenses, there was no significant impairment of the right-of-use assets of the Company for the years ended December 31, 2021, and 2020.

## b. Lease liabilities

	December 31, 2021			December 31, 2020		
Carrying amount of lease liabilities						
Current	\$	2,214	\$	2,166		
Non-Current	\$	4,133	\$	6,347		

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2021	December 31, 2020		
Buildings	2.2%	2.2%		

#### c. Major lease activities and terms

The Company leases several buildings for office use with lease terms of 1.5 to 3.75 years. The Company does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

#### d. Other lease information

		2021	2020
Expenses relating to short-term leases	\$	399	\$ 567
Expenses relating to low-value asset leases	\$	160	\$ 159
Total cash (outflow) for leases	(\$	3,056)	\$ 3,385)

The Company has elected to apply the recognition exemption to venue rentals which qualify as short-term leases and certain assets which qualify as low-value asset lease, and thus, did not recognize right-of-use assets and lease liabilities for these leases.

#### 13. Investment Properties

	De	cember 31, 2021	December 31, 2020		
Net carrying amount of each category	-				
Investment property- land	\$	2,334,941	\$	1,549,173	
Investment property - property		1,872,122		2,930,652	
	\$	4,207,063	\$	4,479,825	

		Investment property- land	In	vestment property - property		Total
Cost		_				
Balance as of January 1,						
2020	\$	1,630,563	\$	3,491,000	\$	5,121,563
Addition		=		1,349		1,349
Transferred from inventory		79,256		93,536		172,792
Reclassified to inventory	(	160,646)	(	148,493)	(	309,139)
Balance as of December 31,		_	'			
2020	\$	1,549,173	\$	3,437,392		\$4,986,565
			1		-	
Accumulated depreciation						
and impairment Balance as of January 1,						
2020	\$		\$	445,541	\$	445,541
Depreciation expenses	Ψ	_	Ψ	80,826	Ψ	80,826
Reclassified to inventory		_	(	19,627)	(	19,627)
Balance as of December 31,	-	<u>-</u>	'	19,027	'	19,021
2020	•		•	506,740	•	506,740
2020	φ		Φ	300,740	Ф	300,740
Net carrying amount as of						
December 31, 2020	\$	1,549,173	\$	2,930,652	\$	4,479,825
December 31, 2020	φ	1,349,173	φ	2,930,032	ψ	7,479,623

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		Investment property- land	In	vestment property - property		Total
Cost		_		_		
Balance as of January 1,						
2021	\$	1,549,173	\$	3,437,392	\$	4,986,565
Addition		-		11,546		11,546
Disposal	(	437,796)	(	1,202,073 )	(	1,639,869)
Transferred from inventory		1,334,527		83,444		1,417,971
Reclassified to inventory	(	110,963)	(	92,920)	(	203,883)
Balance as of December 31,						
2021	\$	2,334,941	\$	2,237,389	\$	4,572,330
Accumulated depreciation and impairment Balance as of January 1, 2021 Depreciation expenses Disposal	\$	- - -	(	\$506,740 75,802 203,108)	\$	506,740 75,802 203,108)
Reclassified to inventory		-	Ì	14,167)	Ì	14,167)
Balance as of December 31, 2021	\$	_	\$	365,267	\$	365,267
Net carrying amount as of						
December 31, 2021	\$	2,334,941	\$	1,872,122	\$	4,207,063

The fair values of investment properties were \$5,162,424 thousand and \$5,794,921 thousand as of December 31, 2021 and 2020, respectively. The fair values as of December 31, 2020 was referred to the evidences of market transaction prices of similar properties rather than an independent and qualified professional appraiser. The fair values as of December 31, 2021 were referred to the evidences of market transaction prices of similar properties by Chen's Real Estate Appraiser Firm, an independent appraiser company, on the balance sheet date of 2021.

The investment properties are depreciated by straight-light method using the estimated useful lives as follows: Investment property - property

Main property	5 to 51 years
Decoration and partitioning project	5 to 26 years

The maturity analysis of operating lease payments receivable from the investment properties for the years ended December 31, 2021 and 2020 is as follows:

	Dece	mber 31, 2021	December 31, 2020
Year 1	\$	87,999 \$	113,510
Year 2		84,222	112,071
Year 3		66,786	111,418
Year 4		58,114	109,029
Year 5		57,600	108,857
Over 5 years		186,457	357,314
	\$	541,178 \$	912,199

The Company held freehold interests in all of its investment properties. Please refer to Note 29 for the amount of investment properties pledged by the Company as collateral for borrowings.

## 14. Borrowings

## a. Short-term borrowings

	December 31, 2021	December 31, 2020		
Secured borrowings (Note 29) - Bank loans	\$ 2,212,730	\$ 2,573,910		
Interest rate range - Secured loans	1.52%~2.07%	1.35%~2.10%		
Loan maturity date	2022.03.14~2025.11.18	2021.03.31~2023.11.11		

Please refer to Note 29 for information about the construction inventories pledged by the Company as collateral for short-term borrowings.

## b. Short-term bills payable

1 2	December	31, 2021	December 31, 2020
Commercial paper payable	\$	- \$	846,000
Less: Discount on short-term bills payable		<u>-</u> (	90)
	\$	- \$	845,910

Outstanding short-term bills payable were as follows:

## December 31, 2020

Guarantee/ Promissory	Nominal	D	iscount	Carrying	Interest			The Carrying Value of
Institutions	Amount	A	mount	Value	rate range	Collateral	_	Collateral
Commercial paper								
<u>payable</u>								
Shanghai Commercial &						Cosmos		
Savings Bank, Ltd.	\$ 370,000	(\$	25)\$	369,975	1.668%	Technology	\$	367,511
Mega Bills Finance Co.,						Asia Pacific		
Ltd. (MBF)	380,000	(	48)	379,952	1.688%	Technology Park		1,087,896
Ta Ching Bills Finance						Universal		
Corporation	96,000	(	17)	95,983	1.688%	Technology		216,104
	\$ 846,000	(\$	90)\$	845,910			\$	1,671,511

Please refer to Note 29 for information about the properties held for sale and construction inventories pledged by the Company as collateral for short-term bills payable.

## c. Long-term borrowings

	December 31, 2021			December 31, 2020
Secured borrowings (Note 29)				
Bank loans (1)	\$	1,667,860	\$	2,195,488
Less: Current portion matured in 1 year	(	141,010)	(	209,201)
Long-term borrowings	\$	1,526,850	\$	1,986,287

## 1) The Company's borrowings include:

, 1		Initial loan principal	Dec	cember 31, 2021	De	cember 31, 2020
Hua Nan Bank	Total loan amount:	\$150,000 thousand	\$	115,997	\$	145,184
Nan-Neihu	Borrowing period:	$2020.09.30 \sim 2025.09.30$				
- secured loans	Interest rate range:	1.49%				
	Repayment Method	: Evenly split into a total of 60 installments on				
		a monthly basis.				
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	1 187	Initial loan principal	D	ecember 31, 2021	Ε	December 31, 2020
Hua Nan Bank	Total loan amount:	\$368,000 thousand	\$	302,591	\$	326,915
Nan-Neihu	Borrowing period:	$2018.02.26 \sim 2033.02.26$				
- secured loans	Interest rate range:	1.62%				
	Repayment Method	l: Interests paid monthly in the first twelve				
		months; starting the 13th month, a total of				
		168 installments on a monthly basis.				
Hua Nan Bank	Total loan amount:	\$100,000 thousand		80,012		86,193
Nan-Neihu	Borrowing period:	$2018.07.27 \sim 2033.07.27$				
<ul> <li>secured loans</li> </ul>	Interest rate range:	1.62%				
	Repayment Method	: evenly split principal and interest into a total				
		of 180 installments on a monthly basis.				
First Bank Jen-	Total loan amount:	\$80,000 thousand		28,764		35,691
Ai	Borrowing period:	2010.11.23 ~ 2025.11.23				
<ul> <li>secured loans</li> </ul>	Interest rate range:	1.55%				
	Repayment Method	: Interests paid monthly in the first thirty-six				
		months; starting the 37th month, evenly split				
		into a total of 144 installments on a monthly				
		basis.				
Land Bank of	Total loan amount:	\$982,000 thousand		-		576,370
Taiwan Xi-	Borrowing period:	2013.09.16~2028.09.16				
Zhi	Interest rate range:	1.49%				
<ul> <li>secured loans</li> </ul>	Repayment Method	: Interests paid monthly in the first year; one				
		year later, evenly split into a total of 168				
		installments on a monthly basis; early				
		settlement in October 2021.				
Bank of Taiwan	Total loan amount:	\$274,000 thousand		117,680		138,757
Chien-Kuo	Borrowing period:	2012.07.02~2027.07.02				
<ul> <li>secured loans</li> </ul>	Interest rate range:	1.625%				
	Repayment Method	: Interests paid monthly in the first two years;				
		two years later, evenly split into a total of 156				
		installments on a monthly basis.		4.050		2 42 5
Taichung Bank	Total loan amount:	\$11,000 thousand		1,852		3,135
Nei-Hu	Borrowing period:	2013.04.22~2023.04.22				
<ul> <li>secured loans</li> </ul>	Interest rate range:	1.51%				
	Repayment Method	: Interests paid monthly in the first year; one				
		year later, evenly split into a total of 108				
Chana Han	T-4-11	installments on a monthly basis.		922 504		002 242
Chang Hwa	Total loan amount:	\$960,000 thousand		832,594		883,243
Bank Yung- Chun	Borrowing period: Interest rate range:	2016.05.23~2036.05.23 1.55%				
<ul><li>secured loans</li></ul>	_	: Interests paid monthly in the first three years;				
- secured loans	Repayment Method	annuity method applied three years later,				
		evenly split principal into a total of 204				
CTBC	Total loan amount:	installments on a monthly basis. \$653,000 thousand		188,370		
Corporate	Borrowing period:	2021.08.02~2023.08.02		100,3/0		-
Banking	Interest rate range:	2021.08.02~2023.08.02 1.6%				
<ul><li>– secured loans</li></ul>	Repayment Method					
secured mails	repayment ivietilou	Dance repayment	\$	1,667,860	\$	2,195,488
			ψ	1,007,000	Ψ	4,173,400

Please refer to Note 29 for information about the property, plant and equipment and investment properties pledged by the Company as collateral for long-term borrowings.

## 15. Accounts payable

The average payment term of accounts payable is  $30 \text{ days} \sim 60 \text{ days}$ . The Company has conducted financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

#### 16. Other Liabilities

	 December 31, 2021	December 31, 2020
Current		
Other payables		
Payable for salary and bonus	\$ 15,357	\$ 14,087
Payable for remuneration of directors	3,240	3,240
Payable for employees' compensation	6,911	5,961
Interest payable	5,494	6,914
House tax payable	11,400	10,500
Business tax payable	3,104	-
Payable for engineering compensation		
payable (Note)	4,750	15,600
Others	9,369	9,415
	\$ 59,625	\$ 65,717

Note: The Company has accrued \$15,600 thousand of case-by-case engineering compensation for the year ended December 31, 2020. In July 2021, an agreement has been reached to revise the case-by-case engineering compensation amounted to \$12,990 thousand. Thus, \$2,610 thousand was transferred to other income and \$8,240 thousand was paid at the same time.

#### 17. Provisions

	December 31, 2021		December 31, 2020		
Current					
Employee Benefits	\$	1,106	\$	1,106	

Provisions for employee benefits are accrued for short-term compensated absences to which employees are entitled. The Company shall measure the expected cost of accumulating compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period, and it shall recognize such cost when the employees render service that increases their entitlement to future compensated absences.

#### 18. Post-Retirement Benefit Plans

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act, which is a government-managed defined contribution plan. The Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' individual pension accounts of Bureau of Labor Insurance.

#### b. Defined benefit plans

The Company adopted the government-managed defined benefit plan under the Labor Standards Act. Pension of an employee is paid based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of total monthly salaries of the employees to their respective pension funds (the Funds), which are deposited at the Bank of Taiwan by the Labor Pension Fund Supervisory Committee in their name. Before the end of each year, if the assessed amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, these companies are required to fund the differences in one appropriation that before the end of March of the next year. The Funds are administered by the Bureau of Labor Funds, Ministry of Labor; as such, the Company does not have any right to intervene in the investments of the Funds.

The amounts of the defined benefit plans recorded in the parent company only balance sheet were as follows:

		December 31, 2021	December 31, 2020
Present value of defined benefit obligation	\$	33,923	\$ 34,115
Fair value of plan assets	(	23,495) (	 22,491)
Contribution deficit (surplus)		10,428	11,624
Defined benefit liability, net	\$	10,428	\$ 11,624

Movements in the net defined benefit liability were as follows:

	defii	ent value of ned benefit bligation	Fair	value of plan assets	Defined benefit liability (asset), net		
January 1, 2020	\$	32,805	(\$	19,910)	\$	12,895	
Service cost							
Current service cost		588		-		588	
Interest expense (revenue)		205	(	126)		79	
Recognized in profit and loss		793	(	126)		667	
Remeasurement:							
Return on plan assets (excluding amounts included in net							
interest expense)		-	(	720)	(	720)	
Actuarial loss (gain) - changes							
in demographic assumption		18		-		18	
Actuarial loss (gain) - changes		40.7				40.	
in finance assumption		485		-		485	
Actuarial loss (gain) -		1.4				1.4	
experience adjustment		14				14	
Recognized in other		517	(	720 )	(	202 )	
comprehensive income		517		720)		203)	
Contributions from employer	Φ.	24 115	(\$	1,735)	(	1,735)	
December 31, 2020	\$	34,115	( 2	22,491)	\$	11,624	
January 1, 2021	\$	34,115	(\$	22,491)	\$	11,624	
Service cost	Ψ	34,113	( Ψ	22,471	Ψ	11,024	
Current service cost		465		_		465	
Interest expense (revenue)		128	(	86)		42	
Recognized in profit and loss		593	(	86)		507	
Remeasurement:							
Return on plan assets (excluding amounts included in net							
interest expense)		-	(	309)	(	309)	
Actuarial loss (gain) - changes							
in demographic assumption		478		-		478	
Actuarial loss (gain) - changes							
in finance assumption	(	202)		-	(	202)	
Actuarial loss (gain) -							
experience adjustment	(	1,061)			(	1,061	
Recognized in other							
comprehensive income	(	785)	(	309)	(	1,094)	
Contributions from employer			(	609)	(	609)	
December 31, 2021	\$	33,923	(	23,495)	\$	10,428	

The amount of the defined benefit plans were recognized in profit or loss by functions as follows:

	2021	2020
General and administrative expenses	\$ 507	\$ 667

Through the pension plan under the R.O.C. Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The Bureau of Labor Funds, Ministry of Labor, invests the pension funds in domestic and foreign equity and debt securities, bank deposits, etc through self-operation and entrusted operation. The investment is conducted at the discretion of or under the mandated management. However, the return generated by plan assets of the Company shall not be less than the proceeds calculated by the interest rate on a two-year term deposit at the local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined

- benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the Company's present value of the defined benefit obligation were carried out by qualified actuaries. The material assumptions of the measurement date were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.5%	0.375%
Expected growth rate of salary	2%	2%

Assuming reasonable and probable changes were incurred to each material actuarial assumption and all other assumptions were held constant, the present value of the defined benefit obligation would increase (decrease) for the amounts as follows:

	Decem	December 31, 2020	
Discount rate			
Increased by 0.25%	( \$	401) (\$	485)
Decreased by 0.25%	\$	412 \$	499
Expected growth rate of salary			_
Increased by 0.25%	\$	399 \$	483
Decreased by 0.25%	(\$	391 ) (\$	472)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	 December 31, 2021	 December 31, 2020	
Expected contribution amount in 1 year	\$ 614	\$	622
Average maturity period of the defined	 _		
benefit obligation	4.7 years	5.7 years	

### 19. Maturity Analysis of Assets and Liabilities

The Company classified the assets and liabilities of its construction operations as current and non-current in accordance with the length of the operating cycle of these constructions. The amounts that are expected to be recovered or settled within one year and beyond one year from the balance sheet date are listed as follows:

December 31, 2021	 Within 1 Year	Beyond 1 Year		 Total
Assets				
Cash and Cash Equivalents	\$ 543,299	\$	-	\$ 543,299
Financial assets at fair value through profit				
or loss - current	8,471		-	8,471
Notes receivable	16,560		-	16,560
Accounts Receivable	830		-	830
Finance lease receivables, net-current	638		-	638
Inventory - Buildings and land held for sale	2,406,200		-	2,406,200
Inventory - Construction in progress	-		4,906,884	4,906,884
Prepayments	12,633		-	12,633
Other Financial Assets - Current	186,277		-	186,277
Other current assets	7,644		<u>-</u>	7,644
	\$ 3,182,552	\$	4,906,884	\$ 8,089,436

(Continued on the next page)

## (Continued from the previous page)

December 31, 2021	Within 1 Year	Е	Beyond 1 Year	Total
<u>Liabilities</u>	 _			_
Short-term borrowings	\$ 958,170	\$	1,254,560	\$ 2,212,730
Contract liabilities - current	314,433		-	314,433
Notes payable	90		_	90
Other receivables - related parties	15,750		_	15,750
Accounts payable	83		_	83
Accounts payable - related parties	215,650		_	215,650
Current tax liabilities	34,328		_	34,328
Lease liabilities - current	2,214		-	2,214
Other payables	59,625		-	59,625
Provisions - current	1,106		-	1,106
Long-term borrowings matured in one year	141,010		-	141,010
Other current liabilities	19,096		-	19,096
	\$ 1,761,555	\$	1,254,560	\$ 3,016,115

December 31, 2020	Within 1 Year	Beyond 1 Year		 Total
ASSETS	_	_	_	 
Cash and Cash Equivalents	\$ 292,132	\$	-	\$ 292,132
Financial assets at fair value through profit				
or loss - current	2,856		-	2,856
Accounts Receivable	18,741		-	18,741
Finance lease receivables, net- current	624		-	624
Current tax assets	304		-	304
Inventory - Buildings and land held for sale	2,396,488		-	2,396,488
Inventory - Construction in progress	-		5,979,798	5,979,798
Prepayments	50,331		-	50,331
Other Financial Assets - Current	106,794		-	106,794
Other current assets	6,586		-	6,586
	\$ 2,874,856	\$	5,979,798	\$ 8,854,654
<u>Liabilities</u>				
Short-term borrowings	\$ 383,700	\$	2,190,210	\$ 2,573,910
Short-term bills payable	845,910		-	845,910
Contract liabilities - current	315,817		-	315,817
Notes payable	571		-	571
Other receivables - related parties	48,300		-	48,300
Accounts payable	1,933		-	1,933
Accounts payable - related parties	154,224		-	154,224
Lease liabilities - current	2,166		-	2,166
Other payables	65,717		-	65,717
Provisions - current	1,106		-	1,106
Long-term borrowings matured in one year	209,201		-	209,201
Other current liabilities	 16,247			16,247
	\$ 2,044,892	\$	2,190,210	\$ 4,235,102

## 20. Equity

## a. Capital stock

## Ordinary shares

	 December 31, 2021	December 31, 2020
Authorized shares (in thousands)	360,000	360,000
Authorized capital stock	\$ 3,600,000	\$ 3,600,000
Issued and fully paid shares (in thousands)	285,245	285,245
Issued capital stock	\$ 2,852,450	\$ 2,852,450

#### b. Capital surplus

	 December 31, 2021	December 31, 2020
To offset a deficit, to be distributed as cash		
dividends or stock dividends		
Additional paid-in capital	\$ 20,894	\$ 20,894
Treasury shares transactions	236	 236
	\$ 21,130	\$ 21,130

Such capital surplus may be used to offset a deficit or to be distributed as cash dividends or stock dividends; however, the stock dividends have a limitation up to a certain percentage of the paid-in capital per year.

#### c. Retained earnings and dividend policy

According to the Company's earnings distribution policy in Articles of Incorporation, the Company shall make appropriations from its net income (less any deficit), if any, to pay the taxes in compliance with the laws, offset its accumulated losses, set aside a legal reserve at 10% of the remaining earnings, and then set aside or reverse a special reserve in accordance with the relevant laws or regulations. Of the remainder, together with any unappropriated earnings of prior years, shall be proposed by the Board of Directors as a plan for the distribution of the remaining undistributed earnings, and the shareholders shall resolve such plan in the shareholders' meeting for distribution of dividends to shareholders. Cash dividends of the Company shall not be lower than 30% of total dividends. For the policies on employees' compensation and remuneration of directors, which is stipulated in the Company's Articles of Incorporation, please refer to Note 22(8).

According to Article 237 of the Company Act, after-tax surplus profits shall first set aside 10% of said profits as legal reserve, unless legal reserve equals to the paid-in capital. Legal reserve may be used to offset deficit. If the company has no deficit and the legal reserve has exceeded 25% of the company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019 had been approved in the Company's shareholders' meetings on July 16, 2021 and June 9, 2020, respectively, and they were as follows:

	Appropriation	Earnings	Dividends Per Share (\$)				
	2020		2019		2020		2019
Legal reserve	\$ 24,456	\$	9,433	\$	-	\$	-
Cash dividends	171,147		142,623		0.6		0.5

The appropriations of earnings and dividends per share for the year ended December 31, 2021 had been proposed by the Company's board of directors on March 17, 2022, and they were as follows:

	Appropr	iation of Earnings	I	Dividends Per Share (\$)
Legal reserve	\$	106,284	\$	-
Cash dividends		285,245		1.0

The appropriations of earnings for the year ended December 31, 2021 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 9, 2022.

#### 21. Revenue

		2020		
Rental revenue	\$	86,413	\$	67,976
Construction revenue		3,481,805		3,440,165
	\$	3,568,218	\$	3,508,141

#### a. Explanation of customer contracts

#### Construction revenue

Penalties for delay of construction are specified in the real estate construction contracts, and the Company considers previous contracts with similar terms and scales to estimate the transaction price based on the most likely amount.

#### b. Contract balances

	December 31, 2021			December 31, 2020		
Accounts Receivable	\$	830	\$	18,741		
Contract liabilities - current (Note 8)		_	'			
Property under construction	\$	314,433	\$	315,817		

The changes in the contract asset and liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment without other significant changes.

## 22. Net Income from Continuing Operation

a.	Interest income				
			2021		2020
	Bank deposits	\$	114	\$	86
	Others		79		111
		\$	193	\$	197
b.	Other income				
			2021		2020
	Remuneration of directors income	\$	240	\$	1,210
	Others		121		547
		\$	361	\$	1,757
c.	Other gains and losses				
С.	other gams and resses		2021		2020
	Net gain on disposal of financial assets	\$	4,884	\$	392
	Gain on fair value changes of financial assets				
	at FVTPL		575		436
	Gain on disposal of property, plant and				
	equipment		-		286
	Gain on disposal of investment properties		351,934		-
	Income (Loss) in engineering compensation				
	(Note 16)		2,610	(	15,600)
	Others	(	122	) (	1,078)
		\$	359,881	(_\$	15,564)

Note: Gain on disposal of property, plant and equipment was generated from the sales of FUSHIN Taipei in October, 2021.

#### d. Finance costs

		2021	2020
Interest on bank loans	(\$	81,315) (\$	108,702)
Imputed interest on deposits	(	92) (	143)
Interest on lease liabilities	(	166) (	213)
Less: Amounts included in the cost of			
required assets		73,298	69,930
-	(\$	8,275 ) (\$	39,128)

Refer to Note 8(3) for information about capitalized interest.

#### e. Depreciation and amortization

	2021	2020
Property, plant and equipment	\$ 1,911	\$ 666
Right-of-use assets	924	1,046
Investment Properties	75,802	80,826
Intangible assets	-	64
Total	\$ 78,637	\$ 82,602

Depreciation expenses by function				
Operating costs	\$	75,802	\$	80,826
Operating expenses	·	2,835		1,712
1 0 1	\$	78,637	\$	82,538
Amortization expenses by function				
Operating costs	\$	-	\$	-
Operating expenses		-		64
	\$	_	\$	64
f. Operating expenses directly related to inve	estmant nnananti			
f. Operating expenses directly related to inve	estinent property	2021		2020
Rental cost generated	\$	75,802	\$	80,826
Temar cost generated	Ψ	75,002	Ψ	00,020
g. Employee benefits expense				
		2021		2020
Post-Retirement Benefits (Note 18)				
Defined contribution plans	\$	2,231	\$	1,663
	\$	2,231 507	\$	1,663 667
Defined contribution plans Defined benefit plans	\$	2,231	\$	1,663
Defined contribution plans Defined benefit plans Short-term employee benefits (salary,	\$	2,231 507 2,738	\$	1,663 667 2,330
Defined contribution plans Defined benefit plans  Short-term employee benefits (salary, incentive, bonus, etc.)		2,231 507 2,738 58,210		1,663 667 2,330 60,780
Defined contribution plans Defined benefit plans Short-term employee benefits (salary,	\$	2,231 507 2,738	\$	1,663 667 2,330
Defined contribution plans Defined benefit plans  Short-term employee benefits (salary, incentive, bonus, etc.)  Total employee benefit expenses		2,231 507 2,738 58,210		1,663 667 2,330 60,780
Defined contribution plans Defined benefit plans  Short-term employee benefits (salary, incentive, bonus, etc.) Total employee benefit expenses  By function	<u>\$</u>	2,231 507 2,738 58,210 60,948		1,663 667 2,330 60,780 63,110
Defined contribution plans Defined benefit plans  Short-term employee benefits (salary, incentive, bonus, etc.)  Total employee benefit expenses		2,231 507 2,738 58,210	\$	1,663 667 2,330 60,780

#### h. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates of no less than 0.6% and no higher than 3% for employees' compensation and no higher than 2% for remuneration of directors of net profit before tax. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 17, 2022 and March 17, 2021, respectively, were as follows:

Accrual rates		
	2021	2020
Employees' compensation	0.60%	 2.20%
Remuneration of directors	0.28%	1.19%
Amount		
	2021	2020
	 Cash	Cash
Employees' compensation	\$ 6,911	\$ 5,961
Remuneration of directors	3,240	3,240

If there is a change in the amounts after the parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and adjusted in the accounts in the following year.

There was no difference between the actual amount paid of employees' compensation and remuneration of directors and the amount recognized in the parent company only financial statements for the years ended December 31, 2020 and 2019.

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

## 23. Income Tax

## a. Income tax recognized in profit or loss

Major components of income tax expense	are as follows:			
		2021		2020
Current income tax		_	'	
In respect of the current year	\$	34 329	\$	

In respect of the current year \$ 34,329 \$ Land value increment tax 45,700 21,988
Adjustments for prior years - ( 50)

Deferred income tax

In respect of the current year ( 293) ( 2537)

In respect of the current year ( 293) ( 2,537)

Income tax expenses recognized in profit or loss \$ 79,736 \$ 19,401

A reconciliation of accounting profit and current income tax expense is as follows:

		2021	2020		
Profit before income tax from continuing operations	\$	1,141,671	\$	262,159	
Income tax from profit before income tax		_		_	
calculated at the statutory rate	\$	228,334	\$	52,432	
Tax effect of adjusting items:					
Gain on land sold exempt from income tax	. (	190,001)	(	50,891)	
Loss (gain) on investments under equity					
method		5,315	(	1,531)	
Others	(	9,612)	(	2,547)	
Land value increment tax		45,700		21,988	
Income tax expenses from previous years					
adjusted for current period		<u>-</u>	(	50)	
Income tax expenses recognized in profit or					
loss	\$	79,736	\$	19,401	

## b. Income tax recognized in other comprehensive income:

	2021		2020	
Deferred income tax				
In respect of the current year				
- Remeasurement of defined benefit plans	\$	219	\$	41

## c. Current tax assets and liabilities

	Decen	nber 31, 2021	December 31, 2020		
Current tax assets Tax refund receivable	\$	- \$	304		
Current tax liabilities Income tax payable	\$	34,328 \$	-		

#### d. Deferred tax assets

The movements of deferred tax assets were as follows:

## 2021

Deferred tax assets	Openi	ng Balance	Recognized in acce profit and loss		Recognized in other comprehensive income		Closing Balance	
Temporary differences	-	_						
Defined benefit								
retirement plans	\$	2,325	(\$	20)	\$	219	\$	2,086
Losses on idle asset								
valuation		3,173		-		-		3,173
Deferred selling and								
marketing expenses		4,749		313		<u> </u>		5,062
	<u>\$</u>	10,247	\$	<u>293</u>	\$	219	<u>\$</u>	10,321

## 2020

Deferred tax assets	Openii	ng Balance		gnized in t and loss	compr	zed in other rehensive come	Closing Balance		
Temporary differences									
Defined benefit									
retirement plans	\$	2,579	(\$	213)	( \$	41)	\$	2,325	
Losses on idle asset									
valuation		382		2,791		-		3,173	
Right-of-use assets		28	(	28)		-		-	
Deferred selling and									
marketing expenses		4,762	(	13)		<u> </u>		4,749	
	\$	7,751	\$	2,537	( \$	41)	\$	10,247	

e. Amounts of deductible temporary differences for which no deferred tax assets have been recognized in the parent company only balance sheet

	Г	December 31, 2021	December 31, 2020			
Deductible temporary differences						
Losses on impairment	\$	10,049	\$	10,049		
Non-leaving pay		1,106		1,106		
	\$	11,155	\$	11,155		

## f. Income tax assessments

The Company's annual income tax return of a profit-seeking enterprise have been assessed by the tax authorities for the years before 2019.

## 24. Earnings Per Share

	2021	Unit: NT\$ per share 2020				
Basic EPS	\$	3.72	\$	0.85		
Diluted EPS	\$	3.72	\$	0.85		

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations are as follows:

## Net Income For The Year

	 2021	 2020
Net profit to calculate basic and diluted EPS	\$ 1,061,935	\$ 242,758

2021	Unit: shares in thousands 2020
285,245	285,245
436	421
285.681	285,666
	285,245

If the Company offered to settle the employees' compensation in cash or shares, the Company presumes that the entire amount of the employees' compensation would be settled in shares and includes the potential shares that bear dilutive effect in the weighted average number of shares outstanding to calculate the diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

#### 25. Non-Cash Transactions

For the years ended December 31, 2021 and 2020, the Company conducted the following non-cash transactions investments and financing activities.

- a. The Company transferred inventories into investment properties, resulting in a decrease of \$1,417,971 thousand in inventories and an increase of \$172,792 thousand in investment properties, respectively, for the years ended December 31, 2021 and 2020.
- b. The Company transferred investment properties into inventories, resulting in a decrease in investment properties and an increase in inventories, amounted to \$189,716 thousand and \$289,512 thousand, respectively, for the years ended December 31, 2021 and 2020.
- c. The Company transferred property, plant and equipment into inventories, resulting in a decrease of \$14,888 thousand in property, plant and equipment and an increase of the same amount in inventories for the year ended December 31, 2021.

#### 26. Capital Risk Management

The Company conducts capital risk management to ensure that each entity of the group would continue as a going concern with the premise of optimizing the balances of debt and equity, and to maximize shareholders' equity.

The Company's capital structure consists of net debt (which is borrowings less cash and cash equivalents) and equity (which are share capital, capital surplus, retained earnings, and other equity items).

The Company is not subject to any other external capital requirements.

The key management of the Company reviews the capital structure and considers the costs and risks involved in different capital structures when there are new construction projects and operational fund needs. Based on recommendations of the key management, the Company will balance its overall capital structure through financing. Generally, the Group adopts the conservative risk management strategy.

#### 27. Financial Instruments

a. Information on Fair value - Financial Instruments not Measured at Fair Value

Except for long-term borrowings as below, management of the Company believes the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

The hierarchy of the above-mentioned fair value measurement was as follows:

Decen	aher	2 1	20	121	ı
Decen	nner	• • • • • • • • • • • • • • • • • • •	1. 2.0	JZ. I	ı

<u> </u>		Carrying Value	Level 1			Level 2	_	Level 3		Total		
<u>Financial liabilities</u> Financial liabilities measured												
at amortized cost:												
- Long-term borrowings	\$	1,526,850	\$		_	\$	1,503,534	\$		- \$	1,503,534	
<u>December 31, 2020</u>		Carrying										
		Value		Level 1			Level 2		Level 3		Total	
Financial liabilities			_		_			_				
Financial liabilities measured												
at amortized cost:	Ф	1 006 207	¢			¢	1 062 505	¢		¢	1 062 505	
- Long-term borrowings	Φ	1,986,287	Ф		_	Φ	1,962,595	Φ		<u> </u>	1,962,595	

The above-mentioned fair value measurements of Level 2 are determined using discounted cash flow analysis by the borrowing rate.

b. Information on fair value - financial instruments measured at fair value on a recurring basis

#### Fair Value Hierarchy

#### December 31, 2021

El I I I I I I I I I I I I I I I I I I I	-	Level 1		Level 2		Level 3	_	Total		
Financial asset at FVTPL Fund beneficiary certificates	<u>\$</u>	8,471	\$ -		<u>\$</u>		\$	8,471		
<u>December 31, 2020</u>		Level 1		Level 2		Level 3		Total		
Financial asset at FVTPL	=	Level 1	_	Level 2		Level 3	-	10141		
Fund beneficiary certificates	\$	2,856	\$	-	\$	-	\$	2,856		

There was no transfer between Levels 1 and Level 2 for the years ended December 31, 2021 and 2020.

#### c. Categories of financial instruments

	 December 31, 2021	December 31, 2020			
<u>Financial assets</u> Financial asset at FVTPL					
Designated to be measured at FVTPL	\$ 8,471	\$	2,856		
Financial assets at amortized cost (Note 1)	749,277		432,025		
<u>Financial liabilities</u> Financial liabilities at amortized cost (Note 2)	4,158,913		5,874,851		

- Note 1. The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other financial assets, refundable deposits, etc.
- Note 2. The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable, other payable, long-term borrowings, guarantee deposits, etc.

## d. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, accounts receivable, accounts payable, lease liabilities, and borrowings, etc. The Company's Finance division provides services to each unit of the business, coordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude

of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

#### 1) Market risk

The Company's operating activities exposed it primarily to the financial risks of changes in interest rates (see paragraph (i) below).

The Company's management methods and assessment methods of the risk exposure to market risks of financial instruments remain unchanged.

#### a) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates. Please refer to Paragraph 3 below for explanation of management on liquidity risk in the notes about financial assets and liabilities of floating interest rates.

#### Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If the interest rate had been 0.1% higher/lower and all other variables were held constant, the Company's pre-tax/after-tax profit for the year ended December 31, 2021 would decrease/increase by \$3,881 thousand and \$3,104 thousand, respectively. The Company's pre-tax/after-tax profit for the year ended December 31, 2020 would decrease/increase by \$5,615 thousand and \$4,492 thousand, respectively, mainly because the Company was exposed to risks from borrowings with variable interest rates and assets with variable interest rates.

#### b) Other price risk

The Company was exposed to equity price risk through its fund beneficiary certificates.

#### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the Company's pre-tax/after-tax other comprehensive income for the year ended December 31, 2021 would have increased/decreased by \$424 thousand and \$339 thousand, respectively. The Company's pre-tax/after-tax other comprehensive income for the year ended December 31, 2020 would have increased/decreased by \$143 thousand and \$114 thousand, respectively.

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As of the end of the reporting period, the Company's maximum exposure to credit risk due to failure to discharge an obligation by the counterparties arises from:

- a) The carrying amount of the respective recognized financial assets as stated in the parent company only balance sheet.
- b) The amount of contingent liabilities generated from financial guarantees that the Company provided.

The Company reviews the recoverable amount of each individual account receivable on the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes that the Company's credit risk has been significantly reduced.

## 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, for the Company's available unutilized short-term bank loan facilities, please refer to below (2) explanation of financing facilities.

#### a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

D 1	2 1	2021
December	i	70171
December	$\mathcal{I}$	, 2021

<u>December 31, 2021</u>	Less than 1 vear		2 - 3 years		4 to 5 years	6+ years			Total
Non-derivative financial liabilities							<i>y</i> ==		
Lease liabilities	\$	2,214	\$	3,114	\$ 1,019	\$	-	\$	6,347
Non-interest-bearing liabilities		251,063		_	_		_		251,063
Floating interest rate									
instruments		1,117,664		1,273,416	832,379		889,001		4,112,460
	\$	1,370,941	\$	1,276,530	\$ 833,398	\$	889,001	\$	4,369,870

Additional information about the maturity analysis for lease liabilities:

	L	ess than	1-5	5-10	10-15	1	5-20	20+
		1 year	 years	years	years		years	years
Lease liabilities	\$	2,331	\$ 4,251	\$ _	\$ -	\$	-	\$ _

#### December 31, 2020

	L	ess than 1 year	2-3 years		4 to 5 years		6+ years		Total
Non-derivative financial liabilities				-		•			
Lease liabilities	\$	2,166	\$	3,995	\$	2,352	\$	-	\$ 8,513
Non-interest-bearing									
liabilities		253,518		-		-		-	253,518
Floating interest rate									
instruments		603,133		2,754,061		469,662		1,251,153	5,078,009
	\$	858,817	\$	2,758,056	\$	472,014	\$	1,251,153	\$ 5,340,040

Additional information about the maturity analysis for lease liabilities:

	Less than	1-5	5-10	10-15	15-20	20+
	1 year	years	years	years	years	years
Lease liabilities	\$ 2,331	\$ 6,583	\$ -	\$ -	\$ -	\$ -

In consideration of the Company's financial position, the management does not believe that it is probable that the banks will exercise their rights to demand immediate settlement.

#### b) Financing facilities

December 31, 2021			December 31, 2020
\$	-	\$	-
	156,000		180,000
\$	156,000	\$	180,000
\$	3,880,590	\$	5,615,398
	3,735,390		3,277,192
\$	7,615,980	\$	8,892,590
	\$ \$ \$	\$ \frac{156,000}{\$ \frac{156,000}{3,880,590}}\$\$	\$\frac{156,000}{\$\\$ 156,000} \\$\$ \$\frac{3,880,590}{3,735,390} \\$\$

## 28. Related Party Transactions

a. Names and relationships of related parties

Name of rela	1	Relationship wi	ith the Company
Chien-Chiao Construction	Co., Ltd. (the "Chien-	Investee accounted for us	ing the equity method
Chiao Construction")			
FUSHIN Hotel Co., Ltd. (tl	ne "FUSHIN Hotel")	<i>"</i>	
Hsin-Long-Hsing Investme	nt Co., Ltd. (the		
"Hsin-Long-Hsing Inves	stment")	"	
Operating revenue			
Lina Itama	Name of malated montry	2021	2020

b. C

Line Items	Name of related party	 2021	 2020
Rental revenue	Chien-Chiao Construction	\$ 57	\$ 1,776
Rental revenue	FUSHIN Hotel	 78,436	59,188
		\$ 78,493	\$ 60,964

The status of the related party, FUSHIN Hotel, leased the buildings from the Company for the years ended December 31, 2021 and 2020 is as follows:

<u>2021</u>

					Rental
Lessee	Leased Premises	Lease Term	Rental charged per lease term	_	revenue
FUSHIN Hotel	The buildings at	2012.06.01~	\$820 thousand per month with rental relief for	\$	7,025
	No. 14, Shifu	2022.02.28	the first two months of decoration period,		
	Road, Central	(Note 1)	subject to be adjusted by the price index		
	District, Taichung		announced by the Directorate-General of		
	City		Budget, Accounting and Statistics, Executive		
			Yuan starting in the sixth year. 12 checks issued		
			at a time and cashed monthly (Note 2)		
//	The buildings at	2013.06.01~	\$3,620 thousand per month, and subject to be		27,558
	No. 128, Sec. 1,	2021.10.31	annually adjusted by the price index announced		
	Datong Rd., Xizhi	(Note 1)	by the Directorate-General of Budget,		
	Dist., New Taipei		Accounting and Statistics, Executive Yuan on		
	City		the basis of the rental of the previous year		
			starting in the sixth year. 12 checks issued at a		
	TEL 1 '11'	2016.04.01	time and deposited monthly (Note 2)		20.555
"	The buildings at	2016.04.01~	\$2,400 thousand per month with rental relief for		20,555
	No. 152, Sec. 1,	2031.03.31	the first six months of decoration period, subject		
	Datong Rd., Xizhi		to be adjusted by the price index announced by		
	Dist., New Taipei		the Directorate-General of Budget, Accounting and Statistics, Executive Yuan starting in the		
	City		sixth year. 12 checks issued at a time and cashed		
			monthly (Note 2)		
<i>"</i>	Ground floor at	2013.06.01~	\$740 thousand per month, and subject to be		6,340
"	No. 28, Sec. 2,	2028.05.31	annually adjusted by the price index announced		0,540
	Zhongyi Rd., West	2020.03.31	by the Directorate-General of Budget,		
	Central Dist.,		Accounting and Statistics, Executive Yuan on		
	Tainan City		the basis of the rental of the previous year		
			starting in the sixth year. 12 checks issued at a		
			time and deposited monthly (Note 2)		
<i>"</i>	The buildings at	2014.09.01~	\$1,900 thousand per month, and subject to be		16,271
	No. 336,	2029.08.31	annually adjusted by the price index announced		
	Chenggong Rd.,		by the Directorate-General of Budget,		
	North Dist., Tainan		Accounting and Statistics, Executive Yuan on		
	City		the basis of the rental of the previous year		
			starting in the sixth year. 12 checks issued at a		
			time and deposited monthly (Note 2)		
<i>"</i>	1F., No. 126, Sec.	2019.10.01~	\$60 thousand per month; 12 checks issued at a		687
	1, Datong Rd.,	2025.09.30	time and deposited monthly (Note 2)		
	Xizhi Dist., New				
	Taipei City				
				\$	78,436

## <u>2020</u>

Lessee	Leased Premises	Lease Term	Rental charged per lease term	Rental revenue
FUSHIN Hotel	The buildings at No. 14, Shifu Road, Central District, Taichung City	2012.06.01~ 2027.05.31	\$820 thousand per month with rental relief for the first two months of decoration period, subject to be adjusted by the price index announced by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan starting in the sixth year. 12 checks issued	\$ 5,062
"	The buildings at No. 128, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	2013.06.01~ 2028.05.31	at a time and cashed monthly (Note 2) \$3,620 thousand per month, and subject to be annually adjusted by the price index announced by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on the basis of the rental of the previous year starting in the sixth year. 12 checks issued at a time and deposited monthly (Note 2)	22,345
//	The buildings at No. 152, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	2016.04.01~ 2031.03.31	\$2,400 thousand per month with rental relief for the first six months of decoration period, subject to be adjusted by the price index announced by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan starting in the sixth year. 12 checks issued at a time and cashed monthly (Note 2)	14,807
"	Ground floor at No. 28, Sec. 2, Zhongyi Rd., West Central Dist., Tainan City	2013.06.01~ 2028.05.31	\$740 thousand per month, and subject to be annually adjusted by the price index announced by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on the basis of the rental of the previous year starting in the sixth year. 12 checks issued at a time and deposited monthly (Note 2)	4,569
n	The buildings at No. 336, Chenggong Rd., North Dist., Tainan City	2014.09.01~ 2029.08.31	\$1,900 thousand per month, and subject to be annually adjusted by the price index announced by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on the basis of the rental of the previous year starting in the sixth year. 12 checks issued at a time and deposited monthly (Note 2)	11,719
//	1F., No. 126, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	2019.10.01~ 2025.09.30	\$60 thousand per month; 12 checks issued at a time and deposited monthly (Note 2)	\$ 59,188

Note 1. FUSHIN Taipei and FUSHIN Taichung were sold in 2021 and 2022, respectively, so the lease term has been changed.

Note 2. FUSHIN Hotel Co. was affected by the global pandemic of COVID-19 resulting in a significant decrease in hospitality service revenue for the years ended December 31, 2021, and 2020. Thus, the Company negotiated rental reduction with FUSHIN Hotel Co. for the years ended December 31, 2021, and 2020, which was amounted \$28,440 thousand and \$52,140 thousand, respectively.

## c. Contracting out of construction

Details of the names of the construction contracted out to the Company's related parties, their total contract price, and their amounts sent for payment approval upon acceptance for the years ended December 31, 2021 and 2020 are as follows:

Name of related party	Project Name	Year scheduled for completion		Construction contract price	Payment application upon acceptance as of December 31, 2021		Payment application upon acceptance as of December 31, 2020
Chien-Chiao	United Tech B Building	2021	\$	685,000	\$ 525,000	\$	345,000
Construction	United Tech A Building	2022	•	745,000	525,000	•	285,000
	Founding Yi Pin	2022		615,000	393,500		173,500
	Fu Gui Ming Di	2019		207,000	207,000		207,000
	Asia Pacific Technology	2020		622,000	622,000		589,500
	Park B Building Asia Pacific Technology	2020		614,300	614,300		614,300
	Park A Building	2021		200.000	200.000		100.000
	Founding Fu Yi	2021		200,000	200,000		180,000
	Founding Li Garden	2022		550,000	173,000		-
	Star Technology	2023		555,000	156,000		-
	Fu-Yi Tainan NO.2 (was	2024	_	170,000	20,000		
	originally Li Ren						
	Sec.)						
			\$	4,963,300	\$ 3,435,800	\$	2,394,300

Payment methods of contracting out of construction were as below:

Construction Project	Payment method
United Tech B Building	The construction cost shall be paid during the periods of which the estimate at completion based on the projects, and the final payment shall be made after all the work is completed and qualified with formal acceptance. Sight check issued for 50% of the price, and postdated check of one month issued for the other 50%.
United Tech A Building	Ditto
Founding Yi Pin	Ditto
Fu Gui Ming Di	Ditto
Asia Pacific Technology Park B Building	Ditto
Asia Pacific Technology Park A Building	Ditto
Founding Fu Yi	Ditto
Founding Li Garden	Ditto
Star Technology	Ditto
Fu-Yi Tainan NO.2 (was originally Li Ren Sec.)	Ditto

The transaction terms of the above-mentioned subcontracting to related parties has no material abnormality.

## d. Purchase (including investment in properties)

Name of related party		2021	2020		
Chien-Chiao Construction	\$	1,109,000	\$	1,045,220	

## e. Notes payable (excluding loans to related parties)

Name of related party		December 31, 2021	December 31, 2020		
Chien-Chiao Construction	\$	15,750	\$	48,300	

## f. Accounts payable

Name of related party	De	cember 31, 2021	December 31, 2020
Chien-Chiao Construction	\$	215,650	\$ 146,420
Hsin-Long-Hsing Construction		-	7,804
	\$	215,650	\$ 154,224

The outstanding amount of payables - related parties is not collateralized.

#### g. Other payables

Name of related party	 December 31, 2021	 December 31, 2020
FUSHIN Hotel	\$ 210	\$ 251

#### h. Guarantee deposits

Name of related party	December 31, 2021	December 31, 2020			
FUSHIN Hotel	\$ 6,365	\$	11,005		

#### i. Others

Accounts	Name of related party	2021		 2020
Operating expenses	FUSHIN Hotel	\$	2,454	\$ 3,045

## j. Sublease agreement

#### Sublease of finance lease

In the fourth quarter of 2019, the Company transferred the office assets originally recorded as right-of-use assets under finance leases to FUSHIN Hotel with the net investment amounted to \$3,851 thousand on the beginning date of lease and the lease term of 6 years. The balance of finance lease receivables amounted to \$2,446 thousand as of December 31, 2021. No loss allowance of finance lease was recognized for the year ended December 31, 2021. A write-down of right-of-use asset costs amounted to \$8,628 thousand and accumulated depreciation amounted to \$958 thousand on the beginning date of lease. Differences were recognized under long-term investment using equity method and amortized through lease terms amounted to \$1,432 thousand as of December 31, 2021.

### k. Endorsements/guarantees

Endorsements/guarantees provided		
Name of related party	 December 31, 2021	 December 31, 2020
Chien-Chiao Construction	\$ 109,612	\$ 109,612

#### 1. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2021 and 2020 was as follows:

	 2021	 2020
Short-term employee benefits	\$ 20,901	\$ 18,216
Share-based payment	1,851	1,119
Post-Retirement Benefits	886	895
	\$ 23,638	\$ 20,230

The remuneration of directors and other members of key management personnel, as determined by the remuneration committee, was based on the individual performance and market trends.

#### 29. Pledged Assets

The following assets were provided for financial institution or vendor payments as collateral, and each of their carrying amounts is as follows:

	Summary	 December 31, 2021	December 31, 2020			
Construction inventory						
- Buildings and land	Cosmos Technology	\$ 98,514	\$	367,511		
held for sale	Universal Technology	-		216,104		
	Nan Ke Ming Men	146,404		146,094		
	Fu Gui Ming Di	71,476		287,317		
	Land of Bao An Sec.	10,494		10,494		

(Continued on the next page)

	Summary	December 31, 2021	December 31, 2020
	Asia Pacific Technology Park	\$ 1,054,896	\$ 1,087,896
	United Tech B Building	647,069	-
	Founding Fu Yi	360,947	-
- Construction in	Founding Yi Pin	1,818,949	1,529,403
progress	Asia Pacific Technology Park	-	536,627
	United Tech A Building	1,027,674	1,636,739
	Founding Li Garden	968,750	776,643
	Founding Fu Yi	-	678,728
	Star Technology (was		
	originally Tam Mei Sec.)	534,826	345,795
	Fu-Yi Tainan NO.2	130,550	112,749
	Hou Gang Sec.	641	=
	Meditation Garden (formerly		
	Xing An sec.)	320,391	-
Property, plant and	Land	71,101	71,101
equipment	Buildings and Property	10,847	11,261
Other Financial	Reserve account and trust		
Assets—Current	account	99,954	81,294
Investment Properties	Land	1,698,795	1,500,258
	Buildings and Property	 1,848,075	 2,915,788
		\$ 10,920,353	\$ 12,311,802

#### 30. Significant Contingent Liabilities and Unrecognized Contract Commitments

Except for those described in other notes, significant commitments and contingencies of the Company on the date of balance sheet were as follows:

- a. According to Article 513 of the Civil Code, "when the contract of hire of work is for the construction of a building or other works on land or for vital repairs on such building or works, the undertaker in accordance with the remuneration of the relation of hire of work on the real property of the proprietor upon which the work is done, may demand the proprietor to register a right of mortgage." Hence, the construction company that undertakes the Company's construction project holds the right of mortgage over the construction in progress.
- b. The Company entered into contracts amounted to \$4,142,000 thousand with contractors of undertaking outsourced works and the amounts of \$2,614,500 thousand were paid as of December 31, 2021.

#### 31. Significant Subsequent Events

The disposal of the land and the building of Fu Ding Tech Building in New Taipei City to Voltronic Power Technology Corp. was approved by the Company's board of directors on Jan 17<sup>th</sup>, 2022. The transaction amount was \$1,398,000 thousand.

## 32. Supplementary Disclosures

- a. significant transactions and b. invested companies:
  - 1) Financing provided to others. (Not applicable)
  - 2) Endorsements/guarantees provided. (Table 1)
  - 3) Marketable securities held. (Table 2)
  - 4) Marketable securities acquired or disposed of at costs or prices accumulated at least NT\$300 million or 20% or greater of the paid-in capital. (Not applicable)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% or greater of the paid-in capital. (Not applicable)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% or greater of the paid-in capital. (Not applicable)

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% or greater of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% or greater of the paid-in capital. (Table 4)
- 9) Trading in derivative instruments. (Not applicable)
- 10) Information on investees. (Table 5)

#### c. Information on investments in mainland China

- 1) Information on any investee in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Not applicable)
- 2) Significant transactions directly or indirectly through third region with investee companies in mainland China, and their prices, terms of payment, unrealized gain or loss. (Not applicable)
  - a) Purchase amount and percentage, and the ending balance and percentage of the related payables.
  - b) Sales amount and percentage, and the ending balance and percentage of the related receivables.
  - c) Property transaction amounts and the resulting gain or loss.
  - d) Ending balances and the purposes of endorsements/guarantees or collateral provided.
  - e) The maximum remaining balance, ending balance, range of interest rate and total amount of current interest of financing facilities.
  - f) Other transactions having a significant impact on profit or loss or financial position for the period, such as provision or receipt of service.

## d. Information of major shareholders

List of all shareholders with ownership of 5 % or greater showing the names and the number of shares and percentage of ownership held by each shareholder: (Table 6)

#### 33. Segment Information

Founding Construction Development Corp. has provided the operating segments disclosure in the consolidated financial statements for the year ended December 31, 2021.

#### ENDORSEMENTS/GUARANTEES PROVIDED

For the Year Ended December 31, 2021

Unit: NT\$ thousands/ Foreign Currency Dollars

		Endorsee/guara	intee						Ratio of				Endorsement/	
Code (Note 1)	Endorser/guarantor Company Name	Company Name	Relationship (Note 2)	Limits on Endorsement/ Guarantee for Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed with Collateral	Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/	Endorsement/ Guarantee Given by Parent for Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries for Parent (Note 4)	Guarantee Given for Companies in Mainland China (Note 4)	Remarks
1	Chien-Chiao Co.	Founding Co.	3	\$ 1,109,000	\$ 109,612	\$ 109,612	\$ 109,612	\$ 109,612	42.02	\$ 260,888	N	Y	N	

- Note 1. Explanation of the code column as follows:
  - 1. Number 0 represents issuer
  - 2. Investee companies are numbered in order starting from "1" by company.
- Note 2. The types of relationship between the endorser/guarantee and the endorsee/guarantor are as follows, please label the number:
  - 1. A company having business relationship with another.
  - 2. A subsidiary directly holding more than 50% of ordinary share equity.
  - 3. An investee company of which the parent company and its subsidiaries holding more than 50% of ordinary share equity.
  - 4. A parent company of which the subsidiary directly or indirectly holds more than 50% of ordinary share equity.
  - 5. A company that is mutually protected under contractual requirements based on the needs of the contractor.
  - 6. A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
- Note 3. The aggregate endorsement/guarantee limit of Chien-Chiao Construction Co., Ltd. shall not exceed 100% of the net equity of company. Endorsement/guarantee limit for a single enterprise shall not exceed 40% of the current net equity. The aggregate limit for the company of which 100% of the voting rights directly and indirectly held by the company shall not exceed 100% of the current net equity. The aggregate limit for a business partner endorsement/guarantee shall not exceed the total amount of transactions with the Company in the most recent year (the purchase or sales amount between the two parties, whichever is higher).
  - According to the above mentioned regulations, the aggregate limit for a single enterprise endorsement/guarantee of Chien-Chiao Construction Co., Ltd. equals the net equity amounted to \$260,888 thousand, and the aggregate limit for a business partner endorsement/guarantee is \$1,109,000 thousand.
- Note 4. Listed (OTC) parent company endorsed/guaranteed for the subsidiaries, subsidiaries endorsed/guaranteed for the listed (OTC) parent company, or endorsement/guarantee for entities in Mainland China shall fill in "Y".

# Founding Construction Development Corp. and Subsidiaries

## MARKETABLE SECURITIES HELD AT YEAR END

**December 31, 2021** 

Name of Holding	Type and Name of Marketable	Relationship with the			Ending B	alance		
Company	Security	Issuer of Marketable Name of Account Security		Shares (unit)	Carrying Value	Percentage of ownership (%)	Market Value, Net	Remarks
Founding Construction Development Corp.	Beneficiary certificates Mega Global Fund	No	Financial assets at fair value through profit or loss - current	73,733.33	\$ 3,222	-	\$ 3,222	
	Shin Kong Taiwan Fu-Kuei Fund	No	"	83,668	5,249	-	5,249	
	Stock GREATFORCE BIOCHEM TECH CO., LTD.	No	Financial assets at fair value through other comprehensive	500,000	<u> </u>	1.84		Non-listed (Non-OTC) company
			income - non-current		<u>\$ 8,471</u>		<u>\$ 8,471</u>	
Chien-Chiao	Stock							
Construction Co., Ltd.	Chao-Teng Hydropower Engineering Co., Ltd.	No	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,104	-	\$ 6,824	Non-listed (Non-OTC) company
	GREATFORCE BIOCHEM TECH CO., LTD.	No	"	500,000	\$ 4,104	1.84	\$ 6,824	"
					<u>φ 4,104</u>		ψ 0,024	
Hsin-Long-Hsing Investment Co., Ltd.	Stock Yang Ming Marine Transport Corporation	No	Financial assets at fair value through profit or loss - current	200,000	\$ 24,200	0.01	\$ 24,200	Listed (OTC) company
	Tungho Steel Corporation	No	//	134,000	8,991	0.02	8,991	<i>"</i>
	Yeong Guan Energy Technology Group Company Ltd.	No	"	100,000	6,300	0.09	6,300	"
	Chilisin Electronics Corporation	No	"	200,000	18,920	0.08	18,920	"
	Corporation				\$ 58,411		<u>\$ 58,411</u>	

## TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OR GREATER OF THE PAID-IN CAPITAL

## For the Year Ended December 31, 2021

				Details			sons of Abnormal saction	Notes/Accounts R			
Buyer/Seller	Counterparty	Relationship	Purchase/ Sales	Amount	% to Total Purchases or Sales	Payment Terms	Unit Price Payment Term		Balance	% to Total Notes/Accounts Receivable (Payable)	Remarks
Founding Co.	Chien-Chiao Co.	Subsidiary	Purchases (undertaking contracted projects amounted to \$4,142,000	\$ 1,109,000	42%	in compliance with the payment term of the contracts	No abnormality	with the	Notes payable \$ 15,750 Accounts payable 215,650	99% 100%	
Chien-Chiao Co.	Founding Co.	Parent company	thousand) Sales (undertaking contracted projects amounted to \$4,142,000 thousand)	972,148	100%	in compliance with the payment term of the contracts	No abnormality	in compliance with the payment term of the contracts	Notes receivable 15,750 Accounts Receivable 215,650	100%	

## INVESTEE COMPANY'S TOTAL RECEIVABLES OF RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OR GREATER OF THE PAID-IN CAPITAL

**December 31, 2021** 

The companies that record such transactions as receivables	Counterparty	Relationship	Balance of receivables Turnover from related rate parties			Amount Action taken		received of from related r the balance et date	Allowance for Bad Debts
Chien-Chiao Co.	Founding Co.	Parent company	\$ 231,400	4.56 times	\$ -	_	\$	87,150	\$ -

## RELEVANT INFORMATION OF INVESTEE COMPANY (NAME, LOCATION, ETC)

## For the Year Ended December 31, 2021

				Initial invest	ment amount	Held as o	of the end of the	ne period		Investment gain	
Investor Company	Investee company	Location	Main businesses	Ending Balance of the Current Period	Ending Balance of the Previous Period	Shares	Ratio %	Carrying Value	Current profit or loss of the investee company	(loss) recognized in the current period (Note)	Remarks
Founding Co.	Chien-Chiao Co.	5F-5 No. 294, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City	business of buildings and civil construction	\$ 51,800	\$ 51,800	15,000,000	100	\$ 42,026	\$ 17,274	\$ 47,927	Note 1
Founding Co.	FUSHIN Hotel Co.	No. 128, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	Restaurant businesses - general hotel businesses	151,000	151,000	15,100,000	94.375	127,115	( 56,735)	( 67,248)	Note 2
Founding Co.	Hsin-Long-Hsing Co.	5F-8 No. 294, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City	General investment business	300,000	20,000	30,000,000	100	292,633	( 7,252)	( 7,252)	Note 4
Chien-Chiao Co.	FUSHIN Hotel Co.	No. 128, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	Restaurant businesses - general hotel businesses	9,000	9,000	900,000	5.625	5,093	( 56,735)	( 3,189)	Note 3

- Note 1. From January 1 to December 31, 2021, Founding Co. recognized incomes of Chien-Chiao Construction Co., Ltd. amounted to \$17,274 thousand and an increase of realized gross profit amounted to \$30,653 thousand.
- Note 2. From January 1 to December 31, 2021, Founding Co. recognized losses of FUSHIN Hotel Co., Ltd. amounted to \$53,544 thousand, plus effects from application of IFRS 16 amounted to \$13,067 thousand and amortization on losses of sublease amounted to \$637 thousand.
- Note 3. From January 1 to December 31, 2021, Chien-Chiao Co. recognized losses of FUSHIN Hotel Co., Ltd. amounted to \$3,191 thousand, plus effects from application of IFRS 16 amounted to \$2 thousand.
- Note 4. In July 2021, Founding Co. increased its investment in Hsin-Long-Hsing Investment Co., Ltd. by \$280,000 thousand.

#### **Information on Major Shareholders**

December 31, 2021

Shareholder's name	Shares	
	Number of Shares	Percentage of Shares
Mei-Hsiung Investment Co., Ltd.	56,347,212	19.75%
Syntain Co., Ltd.	25,718,571	9.01%
Fu-Long-Chang Investment Co., Ltd.	17,783,000	6.23%
Fu-Hsiung Investment Co., Ltd.	15,299,416	5.36%

- Note 1. Information on major shareholders in this table is provided by Taiwan Depository & Clearing Corporation according to information on shareholders holding at least 5% or greater of ordinary shares and preferred shares (including treasury shares) that have been issued and delivered without physical registration by the Company on the last business day at the end of the current quarter. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.
- Note 2. If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. For a shareholder who declares its shareholdings as an insider holding more than 10% of shares in accordance with the Securities and Exchange Act, such shareholding information shall include shares held by the shareholder and those delivered to the trust over which the shareholder has the right to determine the use of trust property. For information on declaration of shareholdings by insiders, please visit the Market Observation Post System.