

【Translation】

Stock Code: 9946

Sanfar Property Limited

Handbook for the 2022 Annual Report

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ONE. LETTER TO SHAREHOLDERS

Dear Shareholders, Ladies and Gentlemen:

I sincerely welcome all shareholders taking the time to attend the shareholders' meeting. On behalf of all my colleagues and the company, I would like to thank all shareholders for your long-term support and trust.

Looking back, in 2022, major economies have raised interest rates in order to curb inflation, and slowed down manufacturing activities significantly; in the face of slowing recovery of global economy and continuous interest rate hikes, the price rise in the housing market has slowed down, and the transaction volume has been reduced; the Company is dedicated to planning new green building materials for environmental protection, the comprehensive introduction of third-party inspection, public inspection, and the introduction of innovative technology and construction methods, making profitable performance with the precise marketing by professional teams.

In 2023, the world has gradually got rid of the shadow of the COVID-19 pandemic and learned about how to coexist with the virus, however, the monetary policy trends of various countries, the Sino-US disputes over science and technology, international geopolitical evolution, the stalemate in the Russian-Ukrainian war, extreme weather and other uncertain factors have a significant impact on the global economy and financial markets, therefore, the Company remains cautious about the trend of the economy, with continuous concern about the uncertainties of economic changes, and takes safety measures to ensure the stability of the Company's operations and maintain healthy operations so as to safeguard the long-term interests of shareholders.

Looking ahead, uncertain factors such as the pending Russia-Ukraine war and the resumption of the Sino-US science and technology war have cast a cloud over the global economy, deepening doubts about the economic outlook, and the global economic and trade growth rate will slow down compared with 2022; Driven by the leading edge of the domestic semiconductor industry process and the improvement of manufacturing capacity, the export momentum is expected to continue, however, the cooling global demand affects the performance of import and export and investment in Taiwan, so the Directorate-General of Budget, Accounting and Statistics, Executive Yuan predicts that Taiwan's economic growth in 2023 is 2.12%, 2.45% more than the economic growth in 2022, and down by 0.33%, due to the effect of interest rate hikes on housing market, mortgage interest rates have approached 2%, coupled with the amendments to the Equalization of Land Rights Act, the pressure of

New Taiwan dollar depreciation, value preservation and anti-inflation of real estate, government's policies, cross-strait geopolitical tensions and other factors, which have resulted in short-term housing market wait-and-see and transaction volume shrinking, however, thanks to the existing housing market supported by rigid demand, housing prices are not easy to fall, the transaction structure of the domestic real estate market has changed from price and volume to volume reduction and price stability. The Company's management team will initiate integrated planning in response to the opportunities and risks of the aforementioned overall trends, and strengthen the maintenance of long-term and stable relationships with suppliers in order to control reasonable costs, integrate marketing precisely, and control constriction progress truly.

The Company will continue to extensively search for appropriate investment opportunities, adjust operating strategies to enhance competitiveness, and strive to substantiate corporate governance and corporate social responsibility to inject ESG concepts into the DNA of corporate culture and integrate them into business strategies as a goal driver for sustainable development. In line with the business philosophy of integrity, mutual assistance, professionalism and responsibility, we will continue to improve the quality and efficiency of the construction projects, and launch products that meet market needs with excellent quality so as to become operationally efficient, and contribute stable profits to all shareholders.

Wish all shareholders good health, all the best and a safe family!!

I. THE 2022 BUSINESS REPORT

(I) Results of the 2022 Business Plan

Unit: NT\$ Thousand

| Item | 2022 | 2021 | Amount increase and |
|-----------------------|-----------|-----------|---------------------|
| Operating income | 2,273,704 | 1,715,968 | 557,736 |
| Gross Profit | 386,993 | 418,717 | (31,724) |
| Total profit and loss | 133,377 | 264,938 | (131,561) |

The Company's operating income in 2022 increased by 32.50% compared with 2021, the projects of Linkou Lilin Section, Fuduxin 235, Guanghua Section and Qiyang Section have been completed and booked; the increase in operating income was mainly due to the completion of the new construction project in the Linkou Lilin Section and the sale of vacant houses. Continuing the heat of the housing

market for 2021, the resources of labor and materials are in shortage, and the overall transaction volume is tightened in the second half of the year due to the inflation rate hike, on the whole, although the central bank has increased the burden on customers, the rate hike is under control, and housing prices still develop steadily under the influence of factors such as rigid demand for residential houses and high costs pushing up house prices. As the impact of the epidemic gradually faded away, the pace of sharp interest rate hikes in the United States gradually slowed down, the pressure of interest rate hikes in Taiwan gradually went away, the tourism and real estate industries recovered after the bearish information is watered down. The Company maintains a stable proposal, actively sells newly-built houses, and grasps the pulse of operation, it also continues to promote the Company's various plans and creates performance and growth to meet the expectations of shareholders and investors with the vision of "sustainable operation" and "customer satisfaction."

(II) Budget execution

According to the "Regulations Governing the Publication of Financial Forecasts of Public Companies," the company is exempted from the obligation of preparing the 2022 financial forecast.

(III) Financial income and expenditure

Unit: NT\$ Thousand

| Item | 2022 | 2021 |
|--|----------|---------|
| Net operating income | 175,148 | 220,888 |
| Non-operating income and expense | (29,881) | (5,768) |
| Net income before tax of the continuing operating unit | 145,267 | 215,120 |
| Net income | 139,677 | 222,278 |
| Total profit and loss | 133,377 | 264,938 |

(IV) Profitability analysis

| Item | 2022 | 2021 |
|---------------------------------|-----------------------|-------|
| Return on assets (%) | 1.77 | 2.40 |
| Return on Equity (%) | 2.15 | 3.40 |
| Ratio to Paid-in Capital (%) | Operating profit | 5.36 |
| | Net income before tax | 4.45 |
| Net profit rate (%) | 6.14 | 12.95 |
| Basic earnings per share (NT\$) | 0.43 | 0.68 |

(V) Research and Development

1. Key projects development:

Yongshin Section, Cheng-Deh Section, Liujiading Project, Fudu Center Section 18, Shinzuan Section, Shinbon Section Project and Wuquancho Project.

2. Sustainable operation and customer satisfaction:

Adhering to the core concept of the Company's sustainable operation, the concept of sustainability is integrated into construction, starting from the four major aspects of energy conservation and carbon reduction, pollution reduction, increasing green coverage, and purifying the air, the Company treats the ecological environment with forward-looking thinking and values the management and communication with consumers, continues to improve product quality, and launches projects that meet consumer needs and expectations while demonstrating financial and non-financial performance. Implement the vision of sustainable operation with the spirit of “courage, water-friendly, and waterproof.”

3. Market research and development:

Grasp accurate real-price registration and real estate related information, collect statistics on regional land market transaction prices, quantities, and the floorage and prices of housing projects in recent years in order to facilitate the analysis of the favorite products in each district and to grasp the changes in market demand and consumer mentality for reference in product positioning, product design, customer experience, and marketing strategies for increasing sales.

4. Studying construction methods and project management:

Achieve structural safety of buildings, and introduce third-party verification mechanisms to enhance building quality and market value to ensure product advantages and on-site safety through construction quality management, building materials assurance and strict selection of high-quality manufacturers.

Chairman of the Board:
Ting-Chen Chung

Manager: Ting-Chen Chung

Chief Accountant: Huijun
Wang

II. SUMMARY OF 2023 BUSINESS PLAN

Since the end of 2020, the central bank has expanded the credit control over real estate four times, coupled with real estate and land tax and other policies, the government has frequently taken actions to combat housing speculation, on January 10, 2023, the Legislative Yuan passed the Equalization of Land Rights Act, with five major reform priorities, including restrictions on transfer and resale of the agreements on the sale of pre-sale or new-built houses, severe penalties for real estate speculation, the addition of the whistleblowing bonus system, restrictions on the purchase of houses by individuals and legal persons, and declaration for termination of contracts for pre-sale houses, etc., which are expected to impose a greater impact on the real estate market. The monetary policies introduced by central banks around the globe are affected by inflation, countries are moving towards interest rate hikes, as real estate market is more sensitive to interest rate changes, private consumption exports and private investments will grow moderately, with abundant capital; with support from semiconductor industry expansion and due to other factors, the housing market has entered a consolidation and correction stage, and it is possible for the deferred buying volume to bottom out with the gradual determination of interference factors and diluted impact.

Major international forecasters in 2023 believe that the growth rate of global economy and trade will slow down compared with 2022, further affecting Taiwan's import and export and investment performance. In terms of domestic consumption, under the government's measures for epidemic prevention and control have been greatly relaxed, the willingness to spend abroad has become stronger, however, the rise in prices and the shrinkage of financial assets will make consumption more cautious. On the export side, with the successive increase in domestic high-end production capacity of semiconductors and process leadership, export momentum is expected to continue, however, in view of the continued weakness of global trade expansion, export growth is expected to slow down. In terms of the construction industry, actively engage in factory system integration projects closely related to the semiconductor supply chain. The high cost of steel recently and the supply of concrete materials in shortage cause the construction project cost to go up and the construction progress affected negatively. Since the abundant funds in the market are relatively beneficial to optimize private investment or participate in public construction projects; also, investment opportunities are expected to be released.

Looking at the changes in the global economy, based on the global trend of

coexistence with the epidemic, the epidemic prevention policy has shifted to a model that balances the economy and the epidemic. The Company is optimistic about the profitable environment of Taiwan that include achievement in pandemic prevention, high profitability in the technology industry, and improvement in domestic demand. In addition to focusing on strengthening the core construction business, the company will continue to develop business in Taiwan. At the same time, fully grasp the momentum of domestic consumption and investment driven by domestic and foreign demands, actively expand business opportunities, seek major business opportunities for business expansion, strengthen the asset management business scope, and actively evaluate each investment project, such as, residential buildings, office buildings, leisure resorts, and commercial hotels.

In response to the five major variables such as the spread of the new variant virus, geopolitical risks in Russia and Ukraine, inflation, interest rate hikes and supply chain tensions, which may affect the momentum of future global economic growth, the Company has taken special safety measures to ensure the stability of the Company's operations and maintain the Company's healthy operation. The company focuses on the overall industry market research, with special emphasis on strengthening personnel training, controlling reasonable cost budgets and implementation progress, research and development of new environmentally friendly green building materials, strengthening the quality and brand establishment, and other long-term and stable business development strategies. The company is committed to practicing corporate governance and corporate social responsibility, improving the business management efficiency, enhancing competitiveness, and ensuring profitability to create good business performance continuously.

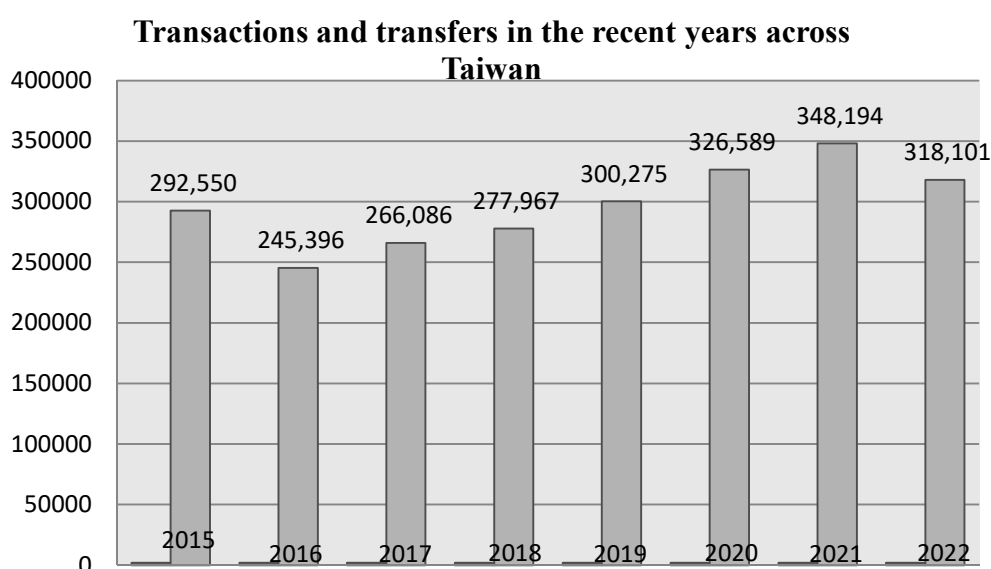
(I) Operational guidelines

1. Land acquisition policy:

The global economy has recovered. With the increase in the popularity of COVID-19 vaccines, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan estimates that Taiwan's external demand will weaken significantly in 2023 due to the weak global terminal demand and the continuous adjustment of inventory in the industrial chain, however, benefiting from the comprehensive relaxation of epidemic prevention controls, the domestic consumption back on track, and the continuous expansion of private consumption, the economic growth of Taiwan is expected to exceed 2.12%. Corresponding to the real estate market, the transaction value of commercial real

estate was TWD132.5 billion and the transaction value of land and surface rights was TWD 176.7 billion, both down from last year and hit a four-year low. Affected by the Amendments to the Equalization of Land Rights Act, the real estate market atmosphere has changed, all contractors must be cautious in the face of the government's policy of curbing housing prices, except for the uncertain market atmosphere, under the pressure of maintaining high costs of labor and building materials, they will be more cautious about the assessment before land purchase. It is estimated that the land transaction volume will be reduced to NTD 150 billion yuan in 2023, and the price and purchase of commercial real estate will remain stable with slowly rising interest rates, stable economic development, and the permit system for individuals and legal persons to purchase residential buildings under the Amendments to the Equalization of Land Rights Act, under which it is expected to import the funds of high-asset groups into the commercial real estate market. In terms of the investment market, the government's restrictions on the transfer of pre-sale houses in the future have suppressed short-term speculation, and the market has returned to rigid demand such as self-occupation and long-term property purchase, conducive to the long-term sound and positive development of the housing market.

According to the statistics of the Ministry of the Interior, in 2022, the number of buildings sold and transferred nationwide was 318,000, and in 2021, about 348,000, with an annual growth rate of -8.6%, putting an end to the upward trend for five consecutive years since 2016, and indicating that the purchasing power of the existing housing market has shrunk.



Source: Statistics Department of the Ministry of the Interior

The company's plan is mainly to comply with market supply and demand, analyze the trend of housing prices, and prudently develop and acquire land in response to the market movement. For land acquisition strategies, the development is laid out from north to south. The government continues to offer policy incentives for the reconstruction of the old and condemned buildings. Based on thinking of development and innovation to select the land lot alongside the transportation route for developing diversified business opportunities, focusing on the commercial development value of good areas. For the hard demand in secondary-tier cities, the land purchase policy focuses on the local forward-looking plans, investment in key industries, rail economy, and urban and rural construction. The investment in the secondary cities is emerging in response to the government's urban plan. Therefore, the top-choice area for investment is carefully selected; also, the focus of investment is shifted to the joint construction market or the large-scale building purchase in the downtown area. The company aims for innovative thinking, planning, operation, added value, and continuing generation of stable long-term profit.

The real estate market in Taiwan enjoys a long history, even if affected by geopolitical factors and adjustments to inventory in the industry externally, and faced with challenge of the Amendments to the Equalization of Land Rights Act internally, there is a lot of rigid demand for self-occupation and long-term property purchase in a relatively low-interest environment. Although the United States has undergone a financial turmoil caused by Silicon Valley Bank (SVB) this year, the market speculates that the Fed will continue to raise interest rates to avoid inflation. FED has raised interest rates by 0.25% in February 2023, and the interest rate has been raised to the range of 4.5-4.75% according to policies; Taiwan's rediscount rate has also reached 1.75%, a seven-year high, and the market expects the central bank will adopt moderate tightening policies to curb inflation. It will be conducive to the long-term sound and positive development of the housing market in Taiwan.

The Company's operating policy focuses on operating risks and government policies in addition to benefits. Due to the optimization and simplification of tax considerations, the constant amendment of the related construction law and policies, the company remains conservative and careful in land purchase investment evaluation in order to maintain a stable operation.

2. Launching products that meet market demand:

The company actively grasps the changes in market trends, plans with active marketing strategies, and actively completes land preparations in order to cautiously launch new projects that meet market demand. Plan core products,

design to meet customer needs, strengthen delicate and intimate planning, continuously improve the quality of design and construction, and enhance product competitiveness in order to become the market leader. The residential property buyers and first-time homeowners remain the dominants in the market. The company will have the positioning and direction of subsequent land acquisitions assessed more carefully; also, it will base the development on the needs of the market with a focus on the rezoning of areas, major public construction development areas, and 1~ 3 rooms projects to meet the future of the region and to fulfill the needs of residential property buyers and first-time homeowners.

3. Diversified development strategy:

The Company continues to operate steadily and expands diversification, engages in architectures, construction, commercial real estate, etc. and creates values through innovation. Therefore, in addition to combining architecture and music, the company also strives to construct products different from other builders, exercise synergy in operation, and create brand value. In terms of the future development strategy, in addition to working towards homogeneous industry cooperation with hotel buildings and tourism industry or the commercial and office buildings lease market, the company will actively assess the investment in other new businesses, continue to increase income, and develop towards stable growth of profit.

4. Diversified fund sources:

It is getting difficult to obtain funds in the market due to increasingly stringent financial policies. The company operates steadily. In terms of fund planning and investment planning, the company has adopted multiple channels to plan capital and financial stability, consider capital scale, capital timing, and capital risk, strengthen capital and financial structure, and reduce capital costs. In addition to working capital, the company has managed to stabilize its long-term capital by raising funds in the capital/finance market in order to respond to changing market factors.

(II) Expected sales volume and the basis of estimation

| Item | Total sales amount | Project location | Scheduled commencement date/completion date |
|----------------------------|--------------------|--------------------------------------|--|
| Urban subcenter Project 18 | NT\$8.0 billion | Hsinchuang District, New Taipei City | Construction to be started in 2023Q3 (projected) |

| | | | |
|-------------------|-----------------|------------------------------------|---|
| Shinzuan section | NT\$3.5 billion | Central West District, Tainan City | Construction to be started in 2023 Q4 (projected) |
| Liujiding 528 | NT\$1.5 billion | Yongkang District, Tainan City | Construction to be completed in 2023 Q4 (projected) |
| Yongshin 181 | NT\$1.5 billion | Yongkang District, Tainan City | Construction to be completed in 2023 Q4 (projected) |
| Cheng-Deh section | NT\$9.7 billion | Renwu District, Kaohsiung City | Construction to be completed in 2025 Q1 (projected) |
| Shinbon Section | NT\$6.0 billion | Chenzhen District, Kaohsiung City | Planning in progress |
| Wuquancho | NT\$5.2 billion | Lingya District, Kaohsiung City | Planning in progress |

(III) Important production and sales policies

1. Based on a solid and professional foundation for land development, fully grasp the source of land information, and actively look for landowners with the intention to cooperate on building and development, and expand the resources from high-quality land reserves after market survey, planning, careful assessment and screening by professional architects.
2. Products are designed towards humanity and diversification. Carefully assess regional consumption patterns, utilize market designs (such as basement lighting and ventilation, brand materials, large elevators, complete public facilities, and beautiful landscapes) to create valuable, exquisite, and practical products that meet market demand.
3. Adopt advanced architectural technology and construction approaches, cooperate with renowned design teams, exercise the design material selection and construction management functions, and achieve the goal of cost control, upgraded construction efficiency, and high quality.
4. Launch the product positioning needed by the market, add more flexible elements to the products by taking advantage of the company's existing music advantages, utilize diversified marketing channels to enhance service quality, and establish a trusted and trusted company brand image respected by consumers.
5. Practice ESG spirit and corporate social responsibility, earn the recognition of customers, investors and public with excellent quality and customer service, establish an excellent quality reputation and display unique brand style, and deepen brand value and enhance customer loyalty.

III. FUTURE DEVELOPMENT STRATEGIES

(I) Product positioning strategies

1. Look for regional land with competitive advantages, maintain market awareness at all times, and truly grasp information about land and local sales for facilitating land acquisition and competitive development plans. Exercise the design material selection and construction management functions, conduct detailed and accurate local market research and analysis, carefully select locations with development potential, and meet customer needs with diversified products; also, respond to the changes in the industry and market demand structure, timely adjust types of products and output to enter other types of real estate market.
2. Planning: Extensively collect the characteristics of property design and planning in each country, value the fire protection marks, green buildings, building materials marks, smart building marks, and earthquake-resistant building mark in the public place, and add energy-saving, water-saving, ecological, carbon reduction, and environmental protection concept; also, plan the company's recognizable building style to improve the quality of architecture and the image of the company.

(II) Construction / cost control strategies

1. Accurate construction planning and detailed construction progress planning, adoption of new construction approaches and professional construction technologies, refined structural design and careful selection of building materials, careful selection of excellent and cooperative contractors, rigorous construction quality control, and precise construction operations, in addition to reducing building materials loss, controlling idling building materials, repair and maintenance of construction equipment, and controlling of construction costs, the most important task is to ensure the safety and health of each worksite.
2. In order to expand the business reach and disperse business risks, the focus is on developing business scope by upholding flexible and anti-risk thinking to have the major cities in northern, central, and southern Taiwan included in the development area and to form vertical management and mutual support of personnel in order to effectively control the construction progress, to reduce operating costs, and to ensure the company's profitability.
3. Promote objective-oriented strategic management. In addition to internal training, the company shall also arrange regular education and training by professional consultants to help employees obtain professional knowledge, reduce costs, shorten the construction period, and improve the overall quality of

work.

(III) Product marketing/price strategies

1. With the changes in the global economy last year, in order to curb inflation, taking the lead in accelerating global interest rate hikes, the United States has brought more uncertainties, however, due to the lack of labor and the constantly rising prices for raw materials, the real estate market is in a state of price stability and volume contraction, unless market consumers no longer hold the wait-and-see attitude. Therefore, in the long run, the Company believes that real estate will rise in the future, but at present, multiple influencing factors have caused the market to suspend sales, but it will still grow steadily in the long run.
2. In the case of dangerous and elderly buildings and urban renewal project, as costs go up and the integration time is prolonged, it is relatively easy to sell self-built houses, moreover, it will be the current trend to launch housing replacement products that meet market demand, reflect the product prices corresponding to reasonable costs, and set prices recognized by consumers with reference to changes in prices in the peripheral markets.
3. The Company will continue to pay attention to relevant law and regulations, taxation, government policies, and market developments, carefully evaluate the future development of the region, continue to operate steadily with good locations and product advantages, and reduce the risk of market impact.
4. Keep an eye on changes in the real estate market from time to time, grasp relevant market information, keep a sharp eye for market prices, adjust the current prices, while mastering the information on financing, laws, regulations and other information, respond to the continuous changes in the environment, accurately grasp the market pulse and the sales opportunity, and prepare for decision-making.

(IV) Management system

Strengthen internal control, budget management, and corporate governance operations; also, strive to have all operations computerized, and improve management processes and refine internal control so that the company can still be able to improve work and operation efficiency through strengthening personnel job functions and integrating internal and external resources while the company's sales are still growing.

(V) Customer service strategies

1. Dedicated customer service department: Take sustainable service as our mission, and provide better services with careful and considerate design so to help customers feel honored and warm courtesy in order to enhance service

competitiveness, and build the Company's brand and trust in the minds of consumers.

2. Dedicated legal department: Strengthen case studies of relevant law and regulations, prevent possible disputes in advance, provide regular sales education and training, and explain in details the rights and obligations of customers at the time of making house sales in order to reduce the possibility of property sale disputes.

IV. IMPACTS OF THE EXTERNAL COMPETITIVE ENVIRONMENT, REGULATORY ENVIRONMENT, AND THE OVERALL BUSINESS ENVIRONMENT

(1) External competitive environment:

It is pointed out at the meeting of the Executive Yuan in 2023 themed forecast of the overall economic situation in 2023, this year's global economic growth rate is challenged by multiple downside risks such as the continuation of international inflation and pressure of interest rate hikes, the Ukraine-Russia war, China's economic slowdown, the resurgence of the Sino-US science and technology dispute, and the increasing impact of climate change. The number of projects launched in 6 cities (Taipei City/New Taipei City/Taoyuan City/Hsinchu County and City/Taichung City/Kaohsiung City), housing prices and sales slowed down.

In order to curb short-term speculation in real estate, the Ministry of Finance implemented the integration of real estate and land tax 2.0 since July 2021; with amendments to the special law of the Land Act, the Equalization of Land Rights Act on the third deliberation on January 10, 2023, aimed at guiding the normal development of the real estate market by taking actions, so as to achieve the four major goals of preventing speculation in the housing market, preventing tax evasion, preventing the flood of funds in the housing market, justice of residence and high-quality housing.

The government continues to step up its efforts to tackle speculation in housing, and has recently seen a decline in speculators and hoarders, which will accelerate competition in the inter-industry market; In the face of adverse factors, the Company strengthens the professional ability of its team, develops products that meet the needs of consumers, and makes all preparations to cope with the diversified and changing environment. We will continue to strengthen quality control, establish the Company's brand and perform good after-sales services to

enhance competitiveness.

(II) Regulatory environment:

For the construction law, taxation, and government policies, a dedicated department of the Company is to closely observe any change in law and policies. In addition to having the planning and construction operations complied with construction-related law and regulations, the company has also responded to taxation changes in advance to ensure shareholder interests and rights.

(III) Macroeconomy environment:

Continuing the impact on the overall economic development in 2022, the globe will also be under new pressures in 2023 - continuous economic downturn, high inflation, shortage of manpower... How to respond to these pressures will demand prompt solution for enterprises.

In 2022, it was expected to continue to recover the global economy, however, the outbreak of military conflict between Russia and Ukraine in the first quarter led to a sharp rise in the prices for global energy and raw materials, and China adopted strict lockdown measures due to the outbreak of the epidemic in various provinces and cities, devastating the global supply chain. Fed has raised interest rates rapidly since March to curb inflation; in Taiwan, the number of the confirmed cases has begun to increase since the second quarter; and the international economy has been affected by the Russian-Ukrainian war and China's measures for epidemic prevention and control, the demand of the United States, Europe and China has declined significantly, Taiwan's export growth has slowed down, and investments made by manufacturers have turned conservative; fortunately, the impact of the epidemic has gradually faded away, the relevant government has gradually adopted more liberal policies, domestic consumption and related industries have performed better, so that the economic support has shifted from export sales to domestic demand, and the overall performance will not fluctuate too much.

At the end of 2022, people's lives gradually returned to normal, and the global economy continued to recover. According to data released by the International Monetary Fund (IMF), the global economic growth rate in 2022 was 3.4%, and is estimated to be only 2.9% this year; countries accounting for about one-third of the global economy will experience GDP contraction for two consecutive quarters this year or next year, and the economic outlook is full of uncertainty. Global

inflation is expected to fall from 8.8% in 2022 to 6.6% this year and further to 4.3% next year. However, it is still higher than the pre-pandemic (2017-2019) level of about 3.5%.

In 2022, due to the high rise in international freight rates, persistent global supply chain bottlenecks, geopolitical risks and extreme weather pushing up international prices for raw materials, the annual inflation rate was 2.95%, a 14-year high. In the first quarter, the Board of Directors and Supervisors of the Central Bank of the Republic of China estimated the inflation rate of about 2% in 2023, predicted the annual growth rate of the consumer price index (CPI) and core CPI of 2.09%, and estimated Taiwan's economic growth rate of 2.21% in 2023.

Central banks in the United States, Europe and other major central banks raised interest rates simultaneously to expand the global economic slowdown, affecting global financial stability and aggravating global economic downside risks; In addition, the impact of the US-China dispute on the development of globalization, extreme weather, the ongoing war between Russia and Ukraine, and the energy crisis in European will affect the prices for bulk commodity and increase the uncertainty of global inflation. In recent months, with the slowdown of the impact of the domestic epidemic, epidemic prevention measures have been gradually relaxed, the unemployment rate has continued to decline, the number of the employed has increased slightly, and private consumption has continued to recover; However, due to the decline in global terminal demand and the continuous destocking by manufacturers, Taiwan's exports have been negative for several months, also affecting the willingness of private investment.

In 2022, although inflation triggers the demand for investment value preservation, high costs support housing prices, etc., given that the economic situation became increasingly conservative, monetary policy turned tight, policies for control over housing market increased, the domestic epidemic broke out in the second quarter, cross-strait relations went tense, etc., the suppression of the bearish environment led to the cooling of the domestic real estate market in 2022, and the transaction structure changed from price and volume in 2021 to volume reduction and price stability. The number of building transactions and transfers in Taiwan fell from 348,200 in 2021 to 320,000, a decrease of 8.64%, varying considerably from the growth of 6.62% in 2021, showing a reversal after five consecutive years of positive growth; According to the data on the annual growth rate of trading volume in 6 cities in 2022, Taipei City decreased by 7.4%, New Taipei City

decreased by 11.9%, Taoyuan City decreased by 6.2%, Taichung City increased by 2%, Tainan City decreased by 13.7%, Kaohsiung City decreased by 17.3%. Last year, the housing market faced a lot of bearish shocks, coupled with the rapid price surge in the short term, which was one of the important factors for sudden frozen buying. Based on the average price performance of pre-sold houses in 6 cities in 2022, housing prices are growing, especially the strong growth rate in central and southern Taiwan, Top 1 is Kaohsiung City at a rate of 30.0%, followed by Taichung City and Kaohsiung City 24.1%, Taoyuan City 18.1%, New Taipei City 13.6%, and Taipei City 9.7%; In the market, it is expected to remain hot in the south and moderate in the north.

Looking forward to 2023, the global economy continues to recover, however, variables such as the spread of new variants of the virus, geopolitical risks in Russia and Ukraine, inflation, interest rate hikes and supply chain bottlenecks may inhibit global economic growth. The market predicts that the monetary policies of central banks around the globe should be tightened as a principle, and the trend of interest rate hikes has not slowed down, therefore, the increasing burden of mortgage loans on the general public will make them more or less conservative in the total price or schedule of housing purchases, affecting the performance of housing market prices. In the future, the market may be affected, and we must pay attention to the subsequent impact on the prices of the housing market. On the other hand, in the face of the downward rigidity of housing prices due to the rise in construction costs, coupled with the inflationary pressure highlighting the preservation of real estate, although the government continues to increase its efforts to crack down on housing speculation, the housing market information is more open and transparent, so that the real estate market has produced positive benefits in the four major aspects, *i.e.* industry, supply, demand and price, a good opportunity for self-occupancy and long-term property buyers to buy houses. The company will continue to observe governmental policy trends, interest rates and economic conditions; The land purchase plan moves towards the areas with three major advantages of transportation construction, industrial development and demographic dividend. It will also appropriately expand investment cases to achieve long-term stable profit growth.

Chairman of the Board:
Ting-Chen Chung

Manager: Ting-Chen Chung

Chief Accountant: Huijun
Wang

Two. Company profile

I. DATE OF INCORPORATION: SEPTEMBER 20, 1993

II. COMPANY HISTORY

| Time | Reason |
|------|--|
| 2009 | The private placement of 28,319,974 shares for a total capital stock of NT\$700 million were issued in 2009. |
| 2010 | The sale of “Longshui” project in Kaohsiung was completed in 2010. The “Shin-Fu Park” project No. 1 and No. 2 in New Taipei City were launched and sold completely. A capital increase in cash for NT\$300 million has resulted in a cumulative capital stock of NT\$1 billion. |
| 2011 | Work with Taiwan Sugar Corporation to build a low-rise villa, the construction of the “President New World” project and “President House” project started. In response to organizational adjustments and professional division of labor for strengthening the core competitiveness of the company, the board of directors approved on March 10 to have the audio-video business group with a value of NT\$17,529 thousand transferred to the 100% owned subsidiary - Jingo International Records Co., Ltd. in exchange for 1,500 thousand shares of Jingo International Records Co., Ltd. A capital increase in cash for NT\$600 million has resulted in a cumulative capital stock of NT\$1.6 billion. |
| 2012 | The “Shin-Fu Park NO.1” project was completed with the license obtained accordingly. The construction of “NY Pu-Zhi” project in New Taipei City and “Chi-Yen Section” in Taipei City had started. Jingo Technology Co., Ltd. was officially renamed “Sanfar Property Limited.” Re-election of the 10th Board of Directors and Supervisors Donated to establish the “Kaohsiung Social Welfare and Charity Foundation.” |
| 2013 | The “Sanfar Enterprise Group Employees Welfare Savings Trust Committee was established. Taiwan Stock Exchange approved the company’s transfer from a “TPEX-listed company” to a “TWSE-listed company” on September 17. Hsinchuang “Lily Pavilion” project, “President House” project in Kaohsiung and “Cultural Peace” project were completed with licenses obtained and houses delivered. |
| 2014 | Xin Zhuang “Literature Garden” project and “Sanfar Prosperity” project in |

| Time | Reason |
|------|--|
| | <p>Kaohsiung were completed with licenses obtained and houses delivered.</p> <p>Co-organized “Sanfar Education Cup National New Year Souvenir Baking Contest” event.</p> <p>The 1st 2014 Kaohsiung City New Building Construction Quality Golden Award - Excellence Award</p> <p>The 22nd Architectural Golden Stone Award.</p> |
| 2015 | <p>(I) Completion</p> <p>Kaohsiung “Sanfar International City” project and Xinzhuang “NY Pu-Zhi” project were completed with licenses obtained and houses delivered.</p> <p>(II) Awarded</p> <p>1. “Sanfar International City”</p> <p>The 2015 National Excellent Construction Award – awarded with the “Best Planning & Design - Residential Category – Excellence Award, awarded with the Planning & Design Category Excellence Award.”</p> <p>2. “Sanfar Prosperity”</p> <p>The 2015 National Excellent Construction Award – Awarded with the “Best Construction Quality - Residential Category – Excellence Award.”</p> <p>3. “NY Pu-Zhi” project was awarded with the Planning & Design Category –National Golden Award for Architecture.</p> <p>(III) Environmental protection</p> <p>Environmental protection: Organize the Neihu Dagou Creek Mountain Trail and Kaohsiung Chaishan Mountain Cleaning Activities to promote the concept of environmental protection, energy-saving and carbon reduction, and love the earth with action.</p> <p>(IV) Public Welfare</p> <p>1. Sanfar Foundation and National Taiwan University jointly organized the “Three Innovation Economics - Innovation, Entrepreneurship, and Innovative Economy” forum, with Professor Thomas J Kosnik of Stanford University in the United States invited to attend the conference.</p> <p>2. Sanfar Foundation sponsored the “Taipei Philharmonic Foundation for Cultural and Education” to organize the “Berlin Philharmoniker” music art event.</p> |
| 2016 | <p>(I) Completion</p> <p>Kaohsiung “Sanfar Zhifu” project and Beitou “Sanfar Jingyue” project completed with licenses obtained and houses delivered.</p> <p>(II) Awarded:</p> |

| Time | Reason |
|------|--|
| | <ol style="list-style-type: none"> 1. The Golden Torch Award - The 13th Top-Ten Outstanding Enterprises. 2. The National Brand Yushan Award - The 13th Outstanding Enterprise 3. The National Golden Award for Architecture (Triple-Crown), the 17th Taiwan Integrity Brand. 4. The National Golden Award for Architecture (Triple-Crown), the 17th Golden Award (Triple Crown). 5. 【Sanfar Crystal Sand】 <ol style="list-style-type: none"> (1) National Excellent Construction Award – awarded with the “Best Planning and Design Residential Excellence Award, awarded with the Planning and Design Excellence Award.” (2) Chinese Architecture Golden Stone Award - The 24th Planning and Design Category. (3) Kaohsiung City Architecture Construction Quality Golden Award - The 3rd Construction Quality Category. 6. 【Sanfarhui World】 <ol style="list-style-type: none"> (1) National Excellent Construction Award – awarded with the “Best Planning and Design Residential Excellence Award, awarded with the Planning and Design Excellence Award.” (2) The National Golden Award for Architecture (Triple-Crown), the Design and Planning category (3) Chinese Architecture Golden Stone Award - The 24th Planning and Design Category 7. 【Sanfar Youfu】 National Golden Award for Architecture - the 18th Construction Quality category <p>(II) Public Welfare</p> <p>In 2016, Sanfar Educational Foundation executed, sponsored events below:</p> <ol style="list-style-type: none"> 1. “Everyone has moles” intern activities, recruiting college students to conduct youth career exploration and education programs. 2. Cooperate with HOUSE OF CORNERSTONE LTD. and Sanyo Whisbih Group Education Foundation to organize the “HOUSE OF CORNERSTONE Cub Exploring Education Summer Camp.” 3. Sponsor student art group performances, including “Give Me a Star” from the Theater Arts Department of Sun Yat-sen University, etc., and hope to nurture and cultivate talents in the future. |

| Time | Reason |
|------|---|
| 2017 | <p>(I) Completion Kaohsiung “Sanfar Crystal Sand” project and Yingko “Sanfar Fengyue” project completed with licenses obtained and houses delivered.</p> <p>(II) Awarded:</p> <ol style="list-style-type: none"> 1. The National Golden Award for Architecture (Triple-Crown), the 18th Taiwan Integrity Brand. 2. The 19th National Golden Award for Architecture 【Sanfar Crystal Sand】 <ol style="list-style-type: none"> (1) The National First Prize of the 19th National Architecture Construction Quality Category (Residential and Commercial Building High-rise Group) (2) The Golden Award of the 19th National Architecture Construction Quality Category (Residential and Commercial Building High-rise Group) <p>(III) Public Welfare In 2017, Sanfar Educational Foundation executed, organized/sponsored events below:</p> <ol style="list-style-type: none"> 1. Introduce a free-ticket event, provided tickets for the Monster Watch Symphony Concert to Taipei Children’s Welfare Center. 2. Provide tickets for the Carmen Musical by Genesis Opera to Children Are Us Foundation and Southern Taipei Family Support Center. |
| 2018 | <p>(I) Completion Tainan “Sanfarhui World” project completed with licenses obtained and houses delivered.</p> <p>(II) Awarded WBCSD Global Network Partner /Taiwan Trustworthy Constructors 【Sanfar Crystal Sand】</p> <ol style="list-style-type: none"> 1. The 2018 Kaohsiung House Green Building Awards/Special Award for Friendly Space/People Choice Award. 2. The 2018 Architectural Gardening Award/Building Architectural Landscape Category 【Sanfar Fengyue】 <p>The 20th National Golden Award for Architecture - Construction Quality category</p> <p>(III) Public Welfare</p> |

| Time | Reason |
|------|---|
| | <p>Sanfar Foundation was rated “Excellent” by the Kaohsiung Education, Culture and Art Foundation in 2018. Implemented and sponsored the following activities in 2018:</p> <ol style="list-style-type: none"> 1. “Everyone has moles” Youth Career Exploration Project recruits college students to conduct youth career exploration education programs. 2. Sanfar Foundation constructed a book car “FaFa Explorer” in 2018 to substantiate the core “education” purpose and promote the idea of accompanying children to experience reading and develop good reading habits. |
| 2019 | <p>(I) Awarded:</p> <ol style="list-style-type: none"> 1. WBCSD Global Network Partner /Taiwan Trustworthy Constructors 2. 【 Sanfar Hui Shi Jie 】 National Excellent Construction Award/Construction Quality Category <p>(II) Public Welfare</p> <ol style="list-style-type: none"> 1. Collect secondhand charity books and books donated by the Eslite Foundation were collected. By cooperating with the Sinsing Branch of Kaohsiung Public Library, we lent 500 children’s books and placed them in a bookmobile which has accumulated about 1,000 books. 2. Working with the National Science and Technology Museum (NSTM), we organized a mobilebook event on Saturday and Sunday afternoons at NSTM for children to freely borrow books, engage in color painting with the provision of paper and crayons. Once completing their task, children were able to collect points for redeeming gifts such as stationery and Fafa Frog mini pillows. 3. Mobilebook events, including storytelling, balloon craft making, and mocha making were irregularly organized to promote interactions with children. 4. Each season, a celebrity (Grandpa A-Song, Uncle Fat) was invited to tell stories and teach color painting and origami without any charge. 5. Charity Run: For children from economically disadvantage families, they have to work harder than others in education that presents opportunities for them to transform their future. With the provision of necessary schooling resources, the fate of these children was expected to be changed and the light of hope was brought to them! Teaming up with companies publically listed and traded over the counter that are headquartered in Kaohsiung, Sanfar organized the 2019 Run For Future. After the event, the residual balance was totally donated to the |

| Time | Reason |
|------|--|
| | designated education account of the Education Bureau to help schooling and skill cultivation of the disadvantaged students. |
| 2020 | <p>(I) Public Welfare</p> <ol style="list-style-type: none"> 1. Sanfar Mobile book Vehicle to Develop New Vision through Reading through free rental, color painting, and parent-child reading activities. In 2020, 96 trips of mobile book vehicle were launched to sever about 7,951 people times; the second mobile book vehicle “Fa Fa Explorer” was planned. 2. Sponsorship for Cloud Gate Performance of Splashes of Light. Sanfar Property Ltd. worked with Jingo Music to support arts and culture by sponsoring Cloud Gate’s Splashes of Light performances in Taipei and Kaohsiung. With practical action to support and promote cultural and arts events, “Splashes of Light” brought warmth and hope to the society. At the same time, tickets were given to a number of public welfare organizations to invite them to participate in the grand event. 3. Sanfar Foundation cooperated Autism Star Social Welfare Foundation, Star Band, Star Music Workshop on Fairy Tale Music Festival Event in which more than 380 people participated. 4. Scholarship Sanfar Educational Foundation allocated scholarships in the Second Semester of School Year 2019 to Siaolin Elementary School, Aicyun Elementary School, and Sinjia Elementary School in Kaohsiung. |
| 2021 | <p>(I) Awarded:</p> <ol style="list-style-type: none"> 1. Sanfar Property won the 15th Wenxin Award. 2. Sanfar Foundation won the Social Education Contribution Award, Group Award in Kaohsiung City. <p>(II) Public Welfare</p> <ol style="list-style-type: none"> 1. Sanfar Foundation Mobile book Vehicle Negotiation among regional cooperation units: T.S. Mall, Bluesun Cultural and Creative Park, and Tainan Art Museum established <Far Love Reading Corner>with 106 annual trips and 6 public welfare activities launched annually, serving 7,227 people annually. Charitable book donations: 200 books in total 2. Woodland restoration From January to March, special meetings were held with the forest farm for assistance in and assessment of land recognition and afforestation based on the overview of forest restoration in Taiwan, and |

| Time | Reason |
|------|--|
| | <p>current demand for plantation and saplings.</p> <p>Launch the land recognition and afforestation project, join hands with the experimental forest farm of National Taiwan University to adopt 1 hectare, and plant 1,500 saplings, hold a round of physical activities, make soil preparation in April, start forest planting in May, organize physical afforestation activities in September, complete forest replanting in November, obtain the annual closing report in December, evaluate the needs of forest farms in the coming year, and develop a publicity and activity management plan.</p> <p>3. Funding and cultivation of talents</p> <p>(1) Promotion of “Everyone has moles”:</p> <p>Before participating in the project, the selection briefing was held for both parties to reach a consensus on their ideas and needs, set up a team of 5 people to implement the annual assistance project, which involved 66,915 people; 2 online lectures were held, 1 summer learning camp for high school students was organized, 6 trainees were recruited; the interns participating in the project wrote the closing report and conducted the closing interview, and collected project feedback and suggestions.</p> <p>(2) In Kaohsiung City, 5 Elementary Schools were qualified for scholarships, a total of 46 students applied for scholarships.</p> <p>4. Assist in organizing art and cultural activities, support Yunmen Dance “Splashes of Light”, invest NTD 1.5 million yuan, and win the bronze award of the 15th Wenxin Award; Support the Tainan City Library Cultural Fund, with a donation of NTD 300,000 yuan.</p> |
| 2022 | <p>(I) Awarded</p> <p>Gold Award in Planning and Design Category [Sanfar Chief Compound]</p> <p>(II) Public Welfare</p> <p>1. Sanfar Foundation Mobile book Vehicle</p> <p>At present, two book vehicles serve in the southern region, and cooperate with local art and cultural museums for free rental of books on site, 148 mobilebook events were organized in 2022 with more than 8,398 participation times. Except for the book vehicle activities, lecturers were hired to hold art and cultural activities free of charge, and through cooperation with social welfare organizations "Kaohsiung Care and Growth Care Association", "Love Sharing String Orchestra" and "Owl Parent-Child Education Association", a total of 7 public welfare activities</p> |

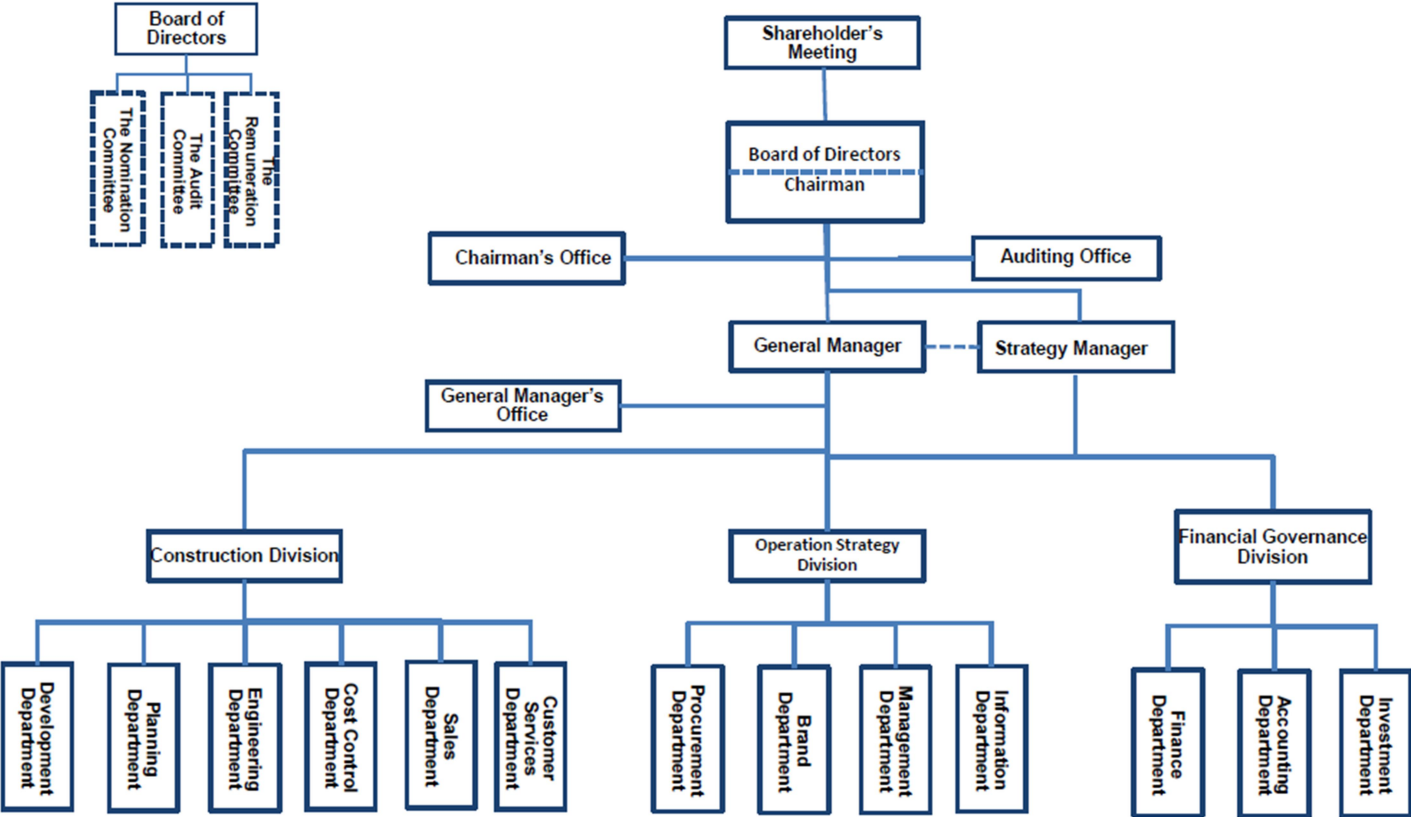
| Time | Reason |
|------|---|
| | <p>were held, with a total of 524 participants.</p> <p>2. Devotion Reading Corner</p> <p>Set up the "Devotion Reading Corner" in the new General Tainan City Library, Tainan City Art Museum and the Chief Courtyard Reception Center to promote art and cultural education and reading, and to support local independent bookstores. During cooperation, a total of 50 children's picture books and 5,000 sheets of doodle paper were donated with Xinying Bookstore, and 4 public welfare activities were held, with 251 participants.</p> <p>3. Career Exploration Intern Programme "Everyone Has Moles"</p> <p>In 2022, under the theme of "Our Story", we recruited a team of students to encourage young students to build their dreams and explore their ideal appearance through themed posts and career exploration workshops and online annual meetings held through cooperation with "NTU Design Life Team Detour", and held 3 online lectures in the fourth quarter to guide students to explore more career directions and break free from the limited framework, reaching 86,675 students.</p> <p>4. Scholarships</p> <p>Sanfar Foundation offers scholarships by taking practical actions, such as offering scholarships to 45 students from five elementary schools; and sponsoring 45 students from four junior high schools/primary schools.</p> <p>5. Waste Reuse Scheme</p> <p>On the World Environment Day, we held a promotional activity to collect about 40 kg of waste concrete blocks from the construction sites, and cooperated with "Hao Ni Zai" Unlimited Remade Cement Bonsai to give away waste cement and cement potted molds to participants, so that people can make potted plants at home, learn potted planting through lively activities, in the future, we will continue to expand the construction waste recycling plan, and plan to cooperate with relevant units across borders to explore more possibilities of construction waste in addition to discarding, and expand the blueprint for corporate sustainability.</p> <p>(III) Business Continuity</p> <p>1. Establish the Corporate Sustainability Committee and publish the ESG Sustainability Report for 2021.</p> |
| 2023 | <p>(I) Public Welfare</p> <p>1. Sanfar Foundation Mobile book Vehicle</p> <p>28 mobilebook events were organized in Q1 with 1721 participants.</p> |

| Time | Reason |
|------|--|
| | <p>2. Devotion Reading Corner <Devotion Reading Corner> was established in cooperation with Tainan City Art Museum, National Film and Audiovisual Culture Center, and National Science and Technology Museum (NSTM). During cooperation, a total of 100 children's picture books and 20,000 sheets of doodle paper were donated with Xinying Bookstore, and with the 1 public welfare activities were held, with 340 participants.</p> <p>3. Woodland Restoration In cooperation with the experimental forest farm of National Taiwan University, the second batch of planted forest land was adopted, totaling 1 hectare, on which 1,500 saplings were planted, totaling 3,000 trees, it is estimated that 11 tons of carbon sequestration can be absorbed per year on average, and the tree planting ceremony is expected to be held on April 19.</p> <p>4. Support Arts and Cultural Groups Support the reappearance of Yunmen's 40th anniversary classic dance works by investing NTD 1 million yuan for sponsorship, purchasing exhibition tickets worthy of about NTD 190,000 yuan, and inviting VIPs and third parties to enjoy the dance.</p> |

THREE. CORPORATE GOVERNANCE REPORT

A. ORGANIZATIONAL STRUCTURE

(1) Organizational structure of the Company



(2) Departmental functions

| Departments | Main Functions |
|------------------------------|--|
| Development Department | 1. Acquire land, merge, and negotiation and develop construction projects; and 2. Assess possibilities of land use changes as well as effectiveness and feasibility of urban planning and construction investment. |
| Planning Department | 1. Design individual construction project, apply for permit, planning construction budget, and auditing engineering, management, and inspection; and 2. Collect information on relevant new construction materials and engineering methods and utilize innovative architecture design. |
| Engineering Department | 1. Supervise and monitor construction quality and schedule. 2. Manage construction site and safety. 3. Engineering budget management and execution. 4. Plan mechanical and electrical equipment and monitor and supervise construction installation. 5. Change customer service engineering and repairing. |
| Cost Control Department | Allocate construction and engineering budgets, audit and supervise budget use, and analyze the difference of outcome. |
| Sales Department | 1. Build brand and develop sales strategy and planning. 2. Build and maintain customer information, compile and manage contracts and signing, and collect term payments. 3. Handle items related to loan verification, allocation, house delivery, and ownership transfer. 4. Proceed items related to customer services. |
| Customer Services Department | 1. Conduct follow-ups and manage after sales services and issues. 2. Plan after sales events, allocate budget. And execute. |
| Procurement Department | 1. Take charge of procurement subcontracting operations of construction. 2. Develop and manage vendors. |
| Brand Department | Plan marketing strategies and carry out project management. |
| Management Department | 1. Manage human resources recruitment, selection, cultivation, development, and retention, budget planning and administration. 2. Manage fixed assets and work related to general affairs. 3. Enact and implement policies and procedures. 4. Plan and carry out each project and event, maintain employer employee relations, and improve employees' satisfaction. |
| Information Department | Manage information security control, plan and manage internal and external computer network, and construct and maintain information management system. |
| Finance Department | 1. Take charge of capital planning, manage account payable and receivable, and allocate capital. 2. Manage and maintain relationships with financial institutions. 3. Have a good command of international financial information. |
| Accounting Department | 1. Planning and execution of accounting, taxation, and cost operations of the Company. 2. Declare and make announcements in compliance with laws. 3. Maintain interactions and negotiate with accountants and authority agencies. |
| Investment Department | Plan and formulate short-, medium and long-term strategies for the Company and conduct investment evaluation. |

| | |
|--------------------------|--|
| Auditing Office | <ol style="list-style-type: none"> 1. Enact and improve internal control system of the Company and audit implementation of each system and the internal control system. 2. Evaluate the effectiveness of internal control and track improvement. |
| General Manager's Office | <ol style="list-style-type: none"> 1. Assist planning, establishment, and implementation of various management mechanisms of the Company; and coordinate with company policies to carry out projects Organize departmental coordination and operations to achieve operational objectives; 2. Review contracts, collect legal information, study legal issues, collect information, manage archives, draft contract contents, pleadings and correspondence. |
| Chairman's Office | <ol style="list-style-type: none"> 1. Enact mid-term and long-term management strategies, execute projects and supervise the transfer of investment projects. 2. Maintain the Company's external public relations, deepen the long-term relationship between investors and stakeholders, and enhance the corporate image and value. |

B. INFORMATION OF THE BOARD DIRECTORS, VICE GENERAL MANAGEMENT, ASSISTANT MANAGER, AND HEADS OF DEPARTMENTS AND BRANCHES

(1) Information of the Board Directors

March, 31, 2023 Unit: Share; %

| Job title | Nationality or Place of Registration | Name | Gender/ Age | Date of Election (Service) | Term of Office | Initial election date | Number of Shares Owned When Elected | | Existing Number of Shares Owned | | Existing Number of Shares Owned by Spouse or Minor Children | | Shares Owned in Other's Name | | Experience and (Educational) Background | existing Job Title Held in the Company and Other Company | Another executive, director or supervisor who is the spouse or second immediate family of a director | | | Note |
|-----------|--------------------------------------|---|-------------------------|----------------------------|----------------|-----------------------|-------------------------------------|-------------------------|---------------------------------|-------------------------|---|-------------------------|------------------------------|-------------------------|--|--|--|-----------------|-----------|-------------------------------------|
| | | | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Job title | Name | Relations | |
| Director | The Republic of China (ROC) | Sanfar Property Limited | - | 2021.07 | 3 years | 2021.07 | 7,898,480 | 2.42 | 13,183,004 | 4.04 | - | - | - | - | Not applicable Not applicable | Not applicable | None | None | None | Newly elected in July 2021 (Note 1) |
| | The Republic of China (ROC) | Shangshan Industrial Co., Ltd. Representative: Dingsheng Zhong | Male 21~30 years old | 2021.07 | 3 years | 2021.07 | - | - | 3,837,537 | 1.18 | - | - | 1,301,250 | 0.4 | Duke University/ Bachelor of Electrical Engineering and Bachelor of Computer Science Sanfar Property Limited/ General Manager's Special Assistant Jingo International Records Co., Ltd./ Director Jing Fu Xiang Construction/ Manager | Sanfar Property Limited/ Chairman of the Board of Directors & General Manager Jingo International Records Co., Ltd./ Chairman Shangshan Industrial Co., Ltd./ Director | Director | Ting-Hsin Chung | Brother | Newly elected in July 2021 (Note 1) |
| | The Republic of China (ROC) | Shangshan Industrial Co., Ltd. Representative: Mingshen Gao | Male 61~70 years old | 2021.07 | 3 years | 2021.07 | - | - | - | - | - | - | - | - | Tamkang University / Department of Banking Bank of Panshin/President Land Bank of Taiwan/President Land Bank of Taiwan/Managing Director Small & Medium Enterprise Credit Guarantee Fund of Taiwan /Director | Sunfar Computer Co., Ltd. / Vice Chairman China Real Estate Management Co., Ltd., / Supervisor | None | None | None | Newly elected in July 2021 (Note 1) |
| | The Republic of China (ROC) | Shangshan Industrial Co., Ltd. Representative: Ting-Hsin Chung | Male 21~30 years old | 2021.07 | 3 years | 2021.07 | - | - | 3,504,622 | 1.07 | - | - | 1,426,100 | 0.44 | Tamkang University / Department of Architecture Sanfar Property Limited/ Director | Jingo International Records Co., Ltd./ Director Minfar Real Estate Development Co., Ltd./Chairman Michaeldin Creativity Marketing Company /Chairman Pleasant Hotels Internationa inc. | Director | Ting-Hsin Chung | Brother | Newly elected in July 2021 (Note 1) |

| Job title | Nationality or Place of Registration | Name | Gender/ Age | Date of Election (Service) | Term of Office | Initial election date | Number of Shares Owned When Elected | | Existing Number of Shares Owned | | Existing Number of Shares Owned by Spouse or Minor Children | | Shares Owned in Other's Name | | Experience and (Educational) Background | existing Job Title Held in the Company and Other Company | Another executive, director or supervisor who is the spouse or second immediate family of a director | | | Note |
|-----------|--------------------------------------|-----------------|----------------------|----------------------------|----------------|-----------------------|-------------------------------------|-------------------------|---------------------------------|-------------------------|---|-------------------------|------------------------------|-------------------------|---|--|--|------|-----------|-------------------------------------|
| | | | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Job title | Name | Relations | |
| | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | /Chairman | | | | | |
| | The Republic of China (ROC) | Cheng-nan Huang | Male 51~60 years old | 2021.07 | 3 years | 2018.05 | - | - | - | - | - | - | - | - | National Sun Yat-sen University, On-the-job Master's Degree of Advanced Business Administration National Kaohsiung First University of Science and Technology / Institute of Financial Operations Ding He Lawyer & Law Firm | Ding He Lawyer & Law Firm THINKING Electronic Industrial Corporation /Independent Director, Member of Audit Committee, Member of Remuneration Committee | None | None | None | Newly elected in July 2021 (Note 1) |

| Job title | Nationality or Place of Registration | Name | Gender/ age | Date of Election (Service) | Term of Office | First Date Election (Service) | Number of Shares Owned When Elected | | Existing Number of Shares Owned | | Existing Number of Shares Owned by Spouse or Minor Children | | Shares Owned in Other's Name | | Experience and (Educational) Background | existing Job Title Held in the Company and Other Company | Another executive, director or supervisor who is the spouse or second immediate family of a director | | | Note |
|----------------------|--------------------------------------|---------------|----------------------|----------------------------|----------------|-------------------------------|-------------------------------------|-------------------------|---------------------------------|-------------------------|---|-------------------------|------------------------------|--|--|--|--|------|----------------------------------|------|
| | | | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Job title | Name | Relations | |
| | | | | | | | | | | | | | | | | | | | | |
| Independent Director | The Republic of China (ROC) | Chin-Chang Wu | Male 51~60 years old | | 3 Years | 2013.07 | - | - | - | - | - | - | - | EMBA, National Chiao Tung University Sanfar Computer Corporation/Chairman | Sunfar Computer Co., Ltd. /Legal representative of director San Far Property Limited / Independent Director, Remuneration Committee Convener, Nomination Committee Convener, and Audit Committee Convener Yi Hung Investment Corporation/Chairman Sheng Hung Investment Corporation/Chairman Yi Sun Far Corporation/Chairman Jiahong Investment Co., Ltd., / Director Ling Dong Digital Co., Ltd. / Chairman & President | None | None | None | Re-elected in July 2021 (Note 1) | |

| Job title | Nationality or Place of Registration | Name | Gender/age | Date of Election (Service) | Term of Office | First Date Election (Service) | Number of Shares Owned When Elected | | Existing Number of Shares Owned | | Existing Number of Shares Owned by Spouse or Minor Children | | Shares Owned in Other's Name | | Experience and (Educational) Background | existing Job Title Held in the Company and Other Company | Another executive, director or supervisor who is the spouse or second immediate family of a director | | | Note |
|----------------------|--------------------------------------|-------------|-------------------------|----------------------------|----------------|-------------------------------|-------------------------------------|-------------------------|---------------------------------|-------------------------|---|-------------------------|------------------------------|-------------------------|--|---|--|------|-----------|-------------------------------------|
| | | | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Job title | Name | Relations | |
| | | | | | | | | | | | | | | | National Kaohsiung University of Science and Technology – Angels Investment / Managing Director NGUSCHOOL / Director | | | | | |
| Independent Director | The Republic of China (ROC) | Hsu-hui Hsu | Male 51~60 years old | 2021.07 | 3 Years | 2018.05 | - | - | - | - | - | - | - | - | National Chengchi University / Entrepreneur Management Seminar Tulane University of Louisiana/Master of Business Administration The 25th of Young Entrepreneur Model President of the ROC National Innovation and Entrepreneurship Association Supervisor of Taiwan Chamber of Commerce & Industry/supervisor of the 4th term Taiwan International Logistics & Supply Chain Association/member of council Taipei Chung Hsiao/President Lifeline Association, Taipei/member of council CICD, 17th North District Fellowship / Chairman TWSE/TPEX Listed Companies Association/supervisor of the 1st term | Taiwan Express (Logistics) Co., Ltd./ Chairman San Far Property Limited /Remuneration Committee member, Nomination Committee member, and Audit Committee member T3EX Global Holding/ Board of Director CAR QUALITY AUTOMOTIVE CO., LTD. / Director Central Taiwan Science Park Logistics Co., Ltd. / Supervisor Eastern Civil Aviation Agency Co., Ltd. / Supervisor FocalTech Systems Co., Ltd. / Independent Director CHENFULL INTERNATIONAL CO., LTD. / member and convenor of the Remuneration Committee and Audit Committee | None | None | None | Re-elected in July 2021 (Note 1) |
| Independent Director | The Republic of China (ROC) | Yanfend Wu | Male 41~50 years old | 2021.07 | 3 Years | 2021.07 | - | - | - | - | - | - | - | - | Tunghai University / Bachelor of Law T.Y.T. Law Offices / Attorney TEA CORPORATION / Director Shengshan Finance Co., Ltd. / Director | T.Y.T. Law Offices / Attorney | None | None | None | Newly elected in July 2021 (Note 1) |

Note 1: The term of office of the directors of the Company expired on July 27, 2021 and directors were fully re-elected. According to Article 14-4 of the Securities and Exchange Act, the Company set up the Audit Committee to replace supervisors.

1. The Board of Directors that are the major shareholders of institutional shareholders:

March 31, 2023

| Name of Insitutional Shareholders | Major shareholders of insitutional shareholders | |
|-----------------------------------|---|----------------------------|
| | Name | Percentage of Shareholding |
| Sanfar Property Limited | Mingqi Industrial Co., Ltd | 96% |
| | Ting-Chen Chung | 2% |
| | Ting-Hsin Chung | 2% |

2. If a major shareholder is a legal person, its major shareholders are as follows

March 31, 2023

| Name of legal person | Major shareholders of legal persons | |
|----------------------------|-------------------------------------|----------------------------|
| | Name | Percentage of Shareholding |
| Mingqi Industrial Co., Ltd | Yang Hsien-Ling | 63% |
| | Ting-Chen Chung | 18% |
| | Ting-Hsin Chung | 19% |

3. Disclosure of professional qualifications of directors and independence of independent directors

| Job title | Name | Professional qualifications and experience | Independent Director Independence | Number of public listed company that he/she serves as an Independent Director |
|----------------------|---|---|---|---|
| Director | Representative of Shangshan Industrial Co., Ltd.: Ting-Chen Chung | Sanfar Property Limited/ General Manager's Special Assistant Jinfuxing Construction Co., Ltd./Manager | NA | 0 |
| Director | Representative of Shangshan Industrial Co., Ltd.: Mingshen Gao | Land Bank of Taiwan/ Managing Director | NA | 0 |
| Director | Representative of Shangshan Industrial Co., Ltd.: Ting-Chen Chung | Michaeldin Creativity Marketing Company /Chairman | NA | 0 |
| Director | Cheng-nan Huang | DingHeLuShiLianHeShiWuSuo · Lawyer & Law Firm / Attorney | NA | 0 |
| Independent Director | Chin-Chang Wu | Yi Hung Investment Corporation/Chairman Sheng Hung Investment Corporation/Chairman Jiahong Investment Co., Ltd., / Director Sunfar Computer Co., Ltd. / Chairman | 1. I, my spouse or a lineal relative within the second-degree kinship am/is not a director, supervisor or employee of the Company | 0 |

| Job title | Name | Professional qualifications and experience | Independent Director Independence | Number of public listed company that he/she serves as an Independent Director |
|----------------------|-------------|--|---|---|
| | | | <p>or its affiliates.</p> <p>2. I, my spouse or a lineal relative within the second-degree kinship holds no shares in the Company.</p> <p>3. Not a director, supervisor or employee of a company with which the Company has a specific relationship.</p> <p>4. The Company or its affiliates have not provided commercial, legal, financial, accounting and other services in the past two years.</p> | |
| Independent Director | Hsu-hui Hsu | Taiwan Express (Logistics) Co., Ltd./ Chairman | <p>1. I, my spouse or a lineal relative within the second-degree kinship am/is not a director, supervisor or employee of the Company or its affiliates.</p> <p>2. I, my spouse or a lineal relative within the second-degree kinship holds no shares in the Company.</p> <p>3. Not a director, supervisor or employee of a company with which the Company has a</p> | 2 |

| Job title | Name | Professional qualifications and experience | Independent Director Independence | Number of public listed company that he/she serves as an Independent Director |
|----------------------|------------|--|---|---|
| | | | <p>specific relationship.</p> <p>4. The Company or its affiliates have not provided commercial, legal, financial, accounting and other services in the past two years.</p> | |
| Independent Director | Yanfend Wu | T.Y.T. Law Offices / Attorney | <p>1. I, my spouse or a lineal relative within the second-degree kinship am/is not a director, supervisor or employee of the Company or its affiliates.</p> <p>2. I, my spouse or a lineal relative within the second-degree kinship holds no shares in the Company.</p> <p>3. Not a director, supervisor or employee of a company with which the Company has a specific relationship.</p> <p>4. The Company or its affiliates have not provided commercial, legal, financial, accounting and other services in the past two years.</p> | 0 |

4. Diversity and Independence of the Board of Directors

(1) Diversity of the Board of Directors

The Rules Governing Elections of Board Directors have been formulated by the Company in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies for fair, just and open election of directors; appropriate diversified operation policies have been formulated by the members of the Board of Directors based on their operations, business types and development needs, therefore, the composition of the Board of Directors includes but is not limited to the following two major criteria:

I. Basic requirements and values: Gender, age, nationality, etc.

II. Professional knowledge and skills: professional background (such as electrical machinery and computer science, logistics, construction, accounting, law, real estate) and industry experience.

(2) The specific management objectives and achievement of the policies for diversity of the Board of Directors

| Director | Independent Director | Identity of employees | Nationality | Gender (sex) | Age | | | Independent Director's Term of Office, Length of Service | | | Industry experience | | | | | Professional background | | | | | | |
|-----------------|----------------------|-----------------------|-------------|--------------|--------------------|-------------------|-------------------|--|-------------|--------------|----------------------|----------------------|---------|--------------------|-------------|---|-----------|--------------|------------|-----|-------------|---|
| | | | | | Below 50 years old | 51 - 60 years old | 61 - 70 years old | Below 3 years | 3 - 9 years | Over 9 years | Electronics & Retail | Air & Transportation | Finance | Professional sales | Real estate | Electrical Machinery and Computer Science | Logistics | Architecture | Accounting | Law | Real estate | |
| Ting-Chen Chung | | V | ROC | Male | V | | | | | | | | | | V | V | | | | | | V |
| Mingshen Gao | | | ROC | Male | | | V | | | | | | V | | | | | | | V | | V |
| Ting-Hsin Chung | | | ROC | Male | V | | | | | | | | | V | V | | | | V | | | V |
| Cheng-nan Huang | | | ROC | Male | | V | | | | | | | | | | | | | | | | V |
| Chin-Chang Wu | V | | ROC | Male | | V | | | V | | | | V | | | | | | | | V | |
| Hsu-hui Hsu | V | | ROC | Male | | V | | | V | | | | V | | | | | | | | V | |
| Yanfend Wu | V | | ROC | Male | V | | | V | | | | | | | | | | | | | | V |
| Structure % | 43% | 14% | 100% | 100% | 43% | 43% | 14% | 14% | 29% | 0% | 14% | 14% | 29% | 14% | 29% | 14% | 14% | 14% | 29% | 29% | 43% | |

The professional fields of members of the Board include electronics & retail, air & transportation, finance, law, management, and finance with diverse professional, academic, and filed knowledge. They provide the Company with diverse professional opinions to greatly benefit the operational and managerial performance of the Company. Independent Director, Chin-Chang Wu currently serves as the Chairman of Sanfar Computer Corporation, once served as the Chairman of Yi Hung Investment Corporation and Sheng Hung Investment Corporation, good at leadership, decision-making, operation management, with expertise in operation judgment, accounting analysis, operation management, etc.; Independent Director, Hsu-hui Hsu, currently serves as the Chairman of Taiwan Express (Logistics) Co., Ltd, with expertise in aviation and transportation, logistics, operation judgment, operation management, etc.; Independent Director, Yanfend Wu, Attorney of T.Y.T. Law Offices, has professional ability in law.

Based on comprehensive survey of the 7 members of the 13th session meeting of the Board of Directors of the Company, the overall members of the Board of Directors have professional capabilities in professional judgment, business management, real estate, law and accounting, etc., and have generally possessed the knowledge, skills and qualities necessary to perform their duties, and meet the standards of Article 20 of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies; In the future, depending on the Company's operating style, Board operation and development needs, the degree of diversity of directors will be increased.

(3) Independence of the Board of Directors

The Company currently has a total of 7 members of the board, including 4 directors and 3 independent directors, the directors employed by the company account for 14% and independent directors account for 43%. As of the end of 2022, the independent directors have all met the standards of the competent authority regarding independent directors, and none of the directors and independent directors fall into the circumstances in the provisions of Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. The academic experience, gender and work experience of the independent directors of the Company can be found in the Information section of the Directors of the Company. The Company has completed the self-evaluation on the performance of the Board of Directors for 2022, submitted the evaluation results to the Board of Directors on February 22, 2023, and announced and disclosed the same in the annual report.

(2) Information of General Manager, Vice General Manager, Assistant Manager, or Department or Branch Heads:

March 31, 2023 Unit: Share; %

| Job Title | Nationality | Name | Gender | Date of Election (Service) | Number of Shares Owned | | Number of Shares Owned by Spouse and Minor Child | | Number of Shares Owned in the Name of Others | | Experience and (Educational) Background | Post of Other Company Jointly Taken at Present | Manager Who is a Spouse or has the Second-degree Kinship | | | Note |
|---|-----------------------------|-----------------|--------|----------------------------|------------------------|-------------------------|--|-------------------------|--|-------------------------|---|---|--|------|-----------|--|
| | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Job title | Name | Relations | |
| | | | | | | | | | | | | | | | | |
| Chairman&CSO | The Republic of China (ROC) | Ting-Chen Chung | Male | 2021.08 | 3,837,537 | 1.18 | - | - | 1,301,250 | 0.40 | Duke University/ Bachelor of Electrical Engineering and Bachelor of Computer Science San Far Property Limited/ Chairman & General Manager San Far Property Limited/General Manager's Special Assistant Jingo International Records Co., Ltd./ Director Jinfuxing Construction Co., Ltd./Manager Shangshan Industrial Co., Ltd./ Director He Construction Co., Ltd./Chairman | San Far Property Limited/ Chairman & General Manager Jingo International Records Co., Ltd./ Chairman; Shangshan Industrial Co., Ltd./ Director | None | None | None | Note: The Chairman also acts as the general manager |
| General Manager | The Republic of China (ROC) | Huang Kun-Tai | Male | 2023.05 | - | - | - | - | - | - | Honhui-group /President Clevo Group / Buynow (China) Assets Business Group/General Manager Century Development Corporation/Vice President Hyde Construction Corporation/Vice President | UMI KAFFA, Co., Ltd./Person in charge Wei-Thai Engineering Management Consultant Co., Ltd./Person in charge Star Era International Co., Ltd./Supervisor | None | None | None | |
| Head of Corporate Governance | The Republic of China (ROC) | Tsai Wen-Ling | Female | 2022.10 | 24,063 | 0.01 | 31,865 | 0.01 | - | - | National Taiwan University/Master of Business Administration General Manager of Taiwan Shan Yin Technology/Construction/Group | None | None | None | None | |
| Planning Department Vice General Manager | The Republic of China (ROC) | Liu Shu-Hung | Male | 2018.11 | 31,886 | 0.01 | - | - | - | - | Sanfar Property Limited/Vice General Manager of Planning Department Cathay Construction/Senior Specialist of Planning Department | None | None | None | None | |
| Vice General Manager of Planning Department | The Republic of China (ROC) | Hu Ding Hua | Male | 2022.10 | 354 | 0.00 | - | - | - | - | Chinese Culture University, Bachelor of Architecture and Urban Design, School of Engineering Highwealth Construction, Assistant Manager of Planning Department Senior planner of Ruentex Material Co., Ltd. | None | None | None | None | |

| Job Title | Nationality | Name | Gender | Date of Election (Service) | Number of Shares Owned | | Number of Shares Owned by Spouse and Minor Child | | Number of Shares Owned in the Name of Others | | Experience and (Educational) Background | Post of Other Company Jointly Taken at Present | Manager Who is a Spouse or has the Second-degree Kinship | | | Note |
|---------------------------------------|-----------------------------|---------------|--------|----------------------------|------------------------|------|--|---|--|---|---|--|--|------|------|------|
| | | | | | | | | | | | Project Engineer of Dayuan United Architects Project Manager of Li Ta Chuang and Hung Ying Che Architects Project Designer of Yang Hsi Hsiang and Chen Wen Lung Architects | | | | | |
| Sales Department Vice General Manager | The Republic of China (ROC) | Huang Li Chen | Female | 2022.03 | 8,000 | 0.00 | - | - | - | - | Shih Chien University, Master of Business Research Institute Shih Chien University, North Alumni Association and Director of Cultural and Educational Foundation Business Supervisor of RUN LONG CONSTRUCTION CO., LTD. Highwealth Construction, Secretary to the President, Director Assistant Manager of DONG-TENG Special Assistant to Business Manager/General Manager of SOTAI REAL ESTATE CO., LTD. Assistant Manager of KEE TAI PROPERTIES | None | None | None | None | |
| Manager of Accounting Department | The Republic of China (ROC) | Huijun Wang | Female | 2022.05 | - | - | - | - | - | - | Master of Accounting, Taipei University Bachelor of Finance, Chaoyang University of Science and Technology Financial Manager of MIKOBEAUTE INTERNATIONAL CO.,LTD Accounting Manager of Ruiguang Health Technology Co., Ltd. Assistant Accounting Manager of KEDGE CONSTRUCTION CO., LTD. Section Supervisor of CHIEN KUO CONSTRUCTION CO., LTD | None | None | None | None | |

Note: Since the Company has not yet found a suitable candidate for the general manager, the chairman of the Board temporarily and concurrently serves as the general manager, and more than half of the current 7 directors are not concurrently employed by the Company, and the responsibilities of the deputy general manager of each department have been strengthened, and a general manager is expected to be appointed by the end of 2023 to comply with the Corporate Governance 3.0-Sustainable Development Blueprint Policy promoted by the Financial Supervisory Commission.

**C. REMUNERATION PAYMENTS PAID TO THE BOARD DIRECTORS (INCLUDING INDEPENDENT DIRECTOR),
GENERAL MANAGER, AND VICE GENERAL MANAGER IN THE RECENT YEAR**

(I) Remuneration for General Board Directors and Independent Directors

December 31, 2022; Unit: NT\$1,000; %

| Job Title | Name (Note 1) | Remuneration of Board Director | | | | | | | Percentage of the sum of four items, A, B, C, and D, in Net Profit after Tax (Note 10) | | Relevant remuneration paid to those who also work as employees | | | | | | Percentage of the sum of seven items, A, B, C, D, E, F, and G in Net Profit after Tax (Note 10) | | Remuneration payment made due to re-investment business, not by subsidiary or parent company (Note 11) | | | | | |
|-----------|--|--------------------------------|---|------------------------|---|--|---|--------------------------------|--|-------------|--|-------------|---|-------------|--------------------------------------|---|---|-------------|--|---|-------|-------|-------|------|
| | | Remuneration (A) (Note 2) | | Retirement Pension (B) | | Remuneration to directors (C) (Note 3) | | Operating expense (D) (Note 4) | | | Salary, Bonus, and Special Allowance (E) (Note 5) | | Retirement Pensions (F) | | Employee's Remuneration (G) (Note 6) | | | | | | | | | |
| | | The Company | All companies included in the financial statements (Note 7) | The Company | All companies included in the financial statements (Note 7) | The Company | All companies included in the financial statements (Note 7) | The Company | All companies included in the financial statements (Note 7) | The Company | All companies included in the financial statements (Note 7) | The Company | All companies included in the financial statements (Note 7) | The Company | | All companies included in the financial statements (Note 7) | | The Company | | All companies included in the financial statements (Note 7) | | | | |
| Chairman | Representative of Sanfar Property Limited: Ting-Chen Chung | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Representative of Sanfar Property Limited: Mingshen Gao | - | - | - | - | 950 | 950 | 720 | 720 | 1,670 | 1,670 | 7,227 | 7,227 | - | - | 613 | - | 613 | - | 9,510 | 9,510 | 6.81% | 6.81% | None |
| Director | Representative of Sanfar Property Limited: Ting-Hsin Chung | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Cheng-nan Huang | | | | | | | | | | | | | | | | | | | | | | | |

| Class Interval Table of Remuneration Payments Paid to Each Board Director of the Company | Name of Board Director | | | |
|--|------------------------|--|------------------------|--|
| | Total of A+B+C+D | | Total of A+B+C+D+E+F+G | |
| | The Company (Note 8) | All companies included in the financial statements (Note 9) H | The Company (Note 8) | All companies included in the financial statements (Note 9) I |
| (excluding) | | | | |
| NT\$ 100,000,000 and up | | | | |
| Sum | 7 People | 7 People | 7 People | 7 People |

Note 1: The name of the directors of the Company are listed as the names of the corporate shareholders and their representatives, as well as General Board Directors and Independent Directors and use the consolidated method to disclose each amount of payment.

Note 2: Here refers to remuneration paid to the Board Directors in the recent year (including salary, duty allowance, severance payment, bonuses, and rewards.)

Note 3: Please fill in the amount of remuneration approved by the Meeting of the Board Directors and distributed to the Board Directors in the recent year.

Note 4: Here refers to relevant operating expenses of the Board Directors in the recent year (including transportation allowance, special allowance, various types of allowance, and the provision of housing and cars). If housing, car, and other transportation mean or designated personal expense is provided, characteristic and cost, rent calculated according to actual or market fair price, and payment made for filling up and others shall be disclosed. If there is a driver assigned, please describe payment paid to the driver by the Company and this shall not be included in the remuneration.

Note 5: Here refers to payments paid to the Board Directors who work as employees (including taking the post of General Manager, Vice General Manager, Manager, and employees) including salaries, duty allowance, severance payment, bonus, rewards, transportation allowance, special allowance, various types of allowance, and the provision of housing and cars. If housing, car, and other transportation mean or designated personal expense is provided, characteristic and cost, rent calculated according to actual or market fair price, and payment made for filling up and others shall be disclosed. If there is a driver assigned, please describe payment paid to the driver by the Company and this shall not be included in the remuneration. Salary payments made according to IFRS 2, "Share-based Basic Payment," including the acquisition of employee stock options, restricted stock awards, and seasoned equity offerings shall be listed as remuneration.

Note 6: Here refers to that the Board Directors who work as employees of the Company (including taking the post as General Manager, Vice General Manager, Manager, or other posts) and obtain employee remuneration (including stocks and cash) shall disclose the amount of employee remuneration approved by the Meeting of the Board Directors and distributed. If there is a difficulty to estimate the amount, last year's actual percentage of amount distributed shall be used to calculate this year's distribution amount. Additionally, please fill in the names of the managers who are paid employee compensation and payment terms.

Note 7: The total amount of each remuneration paid to the Board Directors of the Company in the consolidated statement of all companies (including the company) shall be disclosed.

Note 8: The total amount of each remuneration item paid by the Company to each Board Director shall disclose names of the Board Directors in their belonging interval class.

Note 9: The total amount of each remuneration item paid by all companies in the statement (including the Company) to each Board Director shall disclose names of the Board Directors in their belonging interval class.

Note 10: Net Profit after Tax refers to that of individuals or individual financial statements in the recent year. Net profits after tax in 2022 were NTD 139,677 thousand yuan.

Note 11: No remuneration paid to the directors of the Company from reinvestment rather than from a subsidiary or from the parent company.

* Contents disclosed in this table are different from income concepts of the Income Tax Act and thus, the purpose of this table is used for information disclosure, not for taxation.

(II) Remuneration of General Manager and Vice General Manager (Consolidated to incorporate with name disclosure)
December 31, 2022 Unit: NT\$1,000; %

| Job title | Name | Salary (A) (Note 2) | | Retirement Pension (B) | | Bonus and Special Expenditure (C) (Note 3) | | Amount of Employee Remuneration (D) (Note 4) | | | | Percentage of the Sum of A, B, C, and D in Net Profit after Tax (%) (Note 8) | | Remuneration Received from Reinvestment rather than a Subsidiary or the Parent Company (Note 9) |
|--|-----------------------|---------------------|--|------------------------|--|--|--|--|------------------|--|------------------|--|--|---|
| | | The Company | All Companies in the Financial Statements (Note 5) | The Company | All Companies in the Financial Statements (Note 5) | The Company | All Companies in the Financial Statements (Note 5) | The Company | | All Companies in the Financial Statements (Note 5) | | The Company | All Companies in the Financial Statements (Note 5) | |
| | | | | | | | | Amount of Cash | Amount of Stocks | Amount of Cash | Amount of Stocks | | | |
| General Manager | Ting-Chen Chung | 8,321 | 8,321 | 440 | 440 | 2,227 | 2,227 | 1,221 | - | 1,221 | - | 8.74% | 8.74% | None |
| Chairman's Office Deputy General Manager | Tsai Wen-Ling | | | | | | | | | | | | | |
| Planning Department Deputy General Manager | Liu Shu-Hung | | | | | | | | | | | | | |
| Planning & Development Department Deputy General Manager | Hu Ding Hua (Note 10) | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | | | |
|--|----------------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Sales Department Deputy General Manager | Hung Chun-Wei (Note 11) | | | | | | | | | | | | | | | | | | | |
| Sales Department Deputy General Manager | Huang Li Chen (Note 16) | | | | | | | | | | | | | | | | | | | |
| Management Department Deputy General Manager | Chen Hsiue-Liang (Note 12) | | | | | | | | | | | | | | | | | | | |
| Head of Corporate Governance | Junyuan Chen (Note 13) | | | | | | | | | | | | | | | | | | | |
| Accounting Department/Stock Manager | Chia-Chin Lin (Note 14) | | | | | | | | | | | | | | | | | | | |
| Accounting Department/Manager | Huijun Wang (Note 15) | | | | | | | | | | | | | | | | | | | |

Class Interval Table of Remuneration

| Remuneration Class intervals Paid to General Manager and Each Vice General Manager of the Company | Names of General Manager and Vice General Manager | |
|---|--|---|
| | The Company (Note 6) | All companies included in the financial statements (Note 7) |
| Less than NT\$ 1,000,000 | Hu Ding Hua (Note 10), Hung Chun-Wei (Note 11), Chen Hsiue-Liang (Note 12) Junyuan Chen (Note 13), Chia-Chin Lin (Note 14), Huijun Wang (Note 15) | Same as left |
| NT\$ 1,000,000 (including) ~2,000,000 (excluding) | Ting-Chen Chung, Huang Li Chen (Note 16) | Same as left |
| NT\$ 2,000,000 (including) ~3,500,000 (excluding) | Tsai Wen-Ling, Liu Shu-Hung | Same as left |
| NT\$ 3,500,000 (including) ~5,000,000 (excluding) | | |
| NT\$ 5,000,000 (including) ~10,000,000 (excluding) | | |
| NT\$ 10,000,000 (including) ~15,000,000 (excluding) | | |
| NT\$ 15,000,000 (including) ~30,000,000 (excluding) | | |
| NT\$ 30,000,000 (including) ~50,000,000 (excluding) | | |
| NT\$ 50,000,000 (including) ~100,000,000 (excluding) | | |
| NT\$ 100,000,000 and up | | |
| Sum | 10 People | 10 People |

Note 1: The chairman of the Board of Directors of the Company is also the general manager, fill in 1. Remuneration table and remuneration class interval table of the general manager and deputy general manager 2. Information on directors and the remuneration table of general directors and independent directors 3. Remuneration table of general directors and independent directors.

Note 2: Include salaries, duty allowances, and severance payments paid to General Manager and Vice General Manager in the recent year.

Note 3: Include the remuneration amount of bonuses, rewards, transportation allowance, special allowance, various types of allowance, and the provision of housing and cars to the General Manager and Vice General Manager in the recent year. If housing, car, and other transportation mean or designated personal expense is provided, characteristic and cost, rent calculated according to actual or market fair price, and payment made for filling up and others shall be disclosed. If there is a driver assigned, please describe payment paid to the driver by the Company and this shall not be included in the remuneration. Salary payments made according to IFRS 2, "Share-based Basic Payment," including the acquisition of employee stock options, restricted stock awards, and seasoned equity offerings shall be listed as remuneration.

Note 4: please fill in the amount of employee remuneration (including stocks and cash) paid to General Manager and Vice General Manager approved by the Meeting of the Board Directors and distributed. If there is a difficulty to estimate the amount, last year's actual percentage of the amount distributed shall be used to calculate this year's distribution amount. Additionally, please fill in attached table - Names of the managers who are paid employee compensation and payment terms.

Note 5: The sum of each remuneration paid to General Manager and Vice General Manager of the Company stated in all companies in the financial statements shall be disclosed.

Note 6: The sum of each remuneration paid to each General Manager and Vice General Manager shall be disclosed at their belonging class intervals with their names.

Note 7: The sum of each remuneration paid to General Manager and Vice General Manager of the Company stated in all companies in the financial statements shall be disclosed with their belonging class intervals and names.

Note 8: Net Profit after Tax refers to that of individuals in the recent year. Net profits after tax in 2022 were NTD 139,677 thousand yuan.

Note 9: Here shall fill with the name of General Manager or Vice General Manager who received relevant remuneration from reinvestment from a company rather than a subsidiary or the parent company.

b. If General Manager and Vice General Manager of the Company received from reinvestment of a subsidiary or parent company, such Remuneration is incorporated into Salary, Bonus, and Special Allowance (E) in Class Interval Table of Remuneration, and the name of the column shall be changed into “Parent Company and All Reinvested Businesses”.

c. Remuneration refers to payments and rewards paid to General Manager and Vice General Manager of the Company who takes a post as Board Director, Supervisor, or Manager in a company rather than a subsidiary or the parent company (including those paid to employees, the Board Directors and Supervisors) as well as relevant operating expenses.

* Contents disclosed in this table are different from income concepts of the Income Tax Act and thus, the purpose of this table is used for information disclosure, not for taxation.

Note 10: Office taken on October 11, 2022. Note 11: Resignation on May 31, 2022. Note 12: Resignation on July 18, 2022. Note 13: March 22/2022-October 19/2022. Note 14: Resignation on March 31, 2022. Note 15: Office taken on May 6, 2022. Note 16: Office taken on Feb 9, 2022

(3) Names of the managers who are paid employee compensation and payment terms:

December 31, 2022; Unit: NT\$1,000

| | Job title | Name | Amount of Stocks | Amount of Cash | Sum | Percentage of the Sum in Net Profit after Tax (%) |
|------------------------------|---|--------------------------|------------------|----------------|-------|---|
| Manager | General Manager | Ting-Chen Chung | - | 1,221 | 1,221 | 0.87% |
| | Vice General Manager of Chairman Office | Tsai | | | | |
| | Head of Corporate Governance | Wen-Ling(Note4) | | | | |
| | Planning Department Vice General Manager | Liu Shu-Hung | | | | |
| | Planning Department Vice General Manager | Hu Ding Hua(Note5) | | | | |
| | Sales Department Vice General Manager | Hung Chun-Wei(Note6) | | | | |
| | Sales Department Vice General Manager | Huang Li Chen(Note7) | | | | |
| | Vice General Manager of Administration Department | Chen Hsiue-Liang (Note8) | | | | |
| | Stock Manager of Accounting Department | Chia-Chin Lin(Note9) | | | | |
| | Accounting Department/ Manager | Huijun Wang (Note10) | | | | |
| Head of Corporate Governance | Junyuan Chen (Note11) | | | | | |

Note 1: Please fill in the amount of employee remuneration

(including stocks and cashes) distributed to managers with the approval of the Meeting of the Board Directors in recent years; if it is difficult to estimate, calculate this year's distribution amount planned according to last year's distribution percentage. Net Profit after Tax refers to that in the recent year; for those who adopt the International Financial Reporting Standards (IFRS), this refers to that of individuals or individual financial statements in the recent year. Net profits after tax in 2022 were NTD 139,677 thousand yuan.

Note 2: The scope of application of managers is defined as in Tai Cai Zheng Zi # 0920001301 Letter Announced by the Commission on March 27, 2003 below:

- (1) General Manager and Those at Equivalent Level (2) Vice General Manager and Those at Equivalent Level (3) Assistant Manager and Those at Equivalent Level
(4) Head of Finance Department (5) Head of Accounting Department (6) Those who are authorized to manage company operations and to sign

Note 3: If a Director, General Manager, or Vice General Manager received employee remuneration (including stocks and cash), please fill in the remuneration table of general directors and independent directors, Class Interval Table of Remuneration and this Table.

Note 4: Position taken on October 19, 2022.

Note 5: Office taken on October 11, 2022.

Note 6: Resignation on May 31, 2022.

Note 7: Office taken on Feb 9, 2022.

Note 8: Resignation on July 18, 2022.

Note 9: Resignation on March 31, 2022.

Note 10: Office taken on May 6, 2022.

Note 10: Position taken from March 22 to October 19, 2022.

(4) Please compare and describe the percentage of the sum of remuneration paid to Board Director, General Manager, and Vice General Manager in Net Profit after Tax as well as policies, standards and combination, and relevance of remuneration procedure enactment, operational performance, and future risks in the recent two years:

1. The percentage of the sum of remuneration paid to Board Director, General Manager, and Vice General Manager of the Company and all companies in the consolidated financial statement in Net Profit after Tax

| Year Status | 2022 | | 2021 | |
|---|---------------------------------|---|---------------------------------|---|
| | Sum of Remuneration (NT\$1,000) | Percentage of Sum in Net Profit after Tax (%) | Sum of Remuneration (NT\$1,000) | Percentage of Sum in Net Profit after Tax (%) |
| Director | 2,578 | 1.85% | 2,488 | 1.12% |
| General Manager and Deputy General Manager(s) | 9,943 | 7.12% | 14,177 | 6.38% |

2. Relevance of Remuneration Policy, Standards and Combination, Remuneration Enactment Procedure, Operational Effectiveness, and Future Risks:

(1) Standards or structure system of the Company for remuneration paid to the Directors and Managers with reference to the industry level is adjusted according to individual performance, contribution and future risk factors, and the Board Directors and Managers shall not be encouraged to engage in risk behaviors of the Company due to remunerations to avoid losses of the Company after paying remunerations.

(2) The remuneration for directors and managers are determined by the Compensation Committee by exercising due care of a good administrator to faithfully perform their duties, with suggestions proposed to the Board of Directors for discussions at irregular intervals. The Remuneration Committee annually reviews major proposals such as A. Policies, systems, standards and structures of remuneration for directors and managers, and B. evaluation and determination of remuneration for directors and managers.

A. The remuneration paid by the Company to directors includes remuneration, rewards, operating expenses and transportation expenses.

Remuneration is a fixed monthly payment; In accordance with Article 23 of the Articles of Association, the remuneration shall be distributed based on the extent and contribution of individual directors to the Company's business performance by taking the overall performance of the Board of Directors, the Company's operating performance, the Company's future operations and risk appetite into consideration, after passing the resolution of the Remuneration Committee and the Board of Directors If remunerations of the Board Directors are not included in employee and Board Director remuneration in the current year, if after losses are compensated and if there is a residual amount, less than 5% shall be allocated as Board Director Remuneration and thus, the

determination of Board Director Remuneration has a high level of relevance with net profit before tax and operational performance of the Company in the current year. Business execution expenses and transportation expenses are mainly attendance expenses and transportation expenses incurred for attending the Board of Directors or shareholders' meetings.

- B. Remuneration paid to managers by the Company includes salaries, bonuses, and employee remuneration.

Salaries and bonuses are distributed in accordance with Article 23 of the Company's Articles of Association, the “Rules Governing Salary System Management” and the “Rules Governing Employee Bonus System” of the Company, with reference to internal positions and market conditions; Performance and year-end bonus are evaluated semi-annually in accordance with the Company's performance appraisal system, and are included in significant assessment items in line with the Company's annual operation policy. Based on the profits before tax of the current fiscal year not included in the remuneration for employees and directors. If there is a balance after covering the losses, the Company shall set aside no less than 1% of its annual profits to employees as remuneration, which may be distributed in cash or stock bonus to the employees of subsidiaries of the Company. Qualification requirements of the employees who are entitled to receive the employees' remuneration may be specified by the Board of Directors. If distributed in stock capital or cash, the payment of remuneration for employees shall be subject to a resolution adopted by a majority votes at a meeting of the Board of Directors attended by two-thirds or more of the directors, and reported to shareholders at a general meeting.

- C. Compared with peers, the remuneration paid by the Company to managers is not different and highly correlated with the Company's business performance.

D. COMPANY GOVERNANCE

(1) Operations of Board of Directors Meeting

Attendance of 10 (A) Board of Director Meetings in recent year (2022) is described below:

| Job title | Name | Actual Number of Board Directors Attended(B) | Number of Proxies for Attendance | Actual Attendance (including Proxies) Rate (%) 【B/A】 | Note |
|-----------|--|--|----------------------------------|---|------|
| Chairman | Shangshan Industrial Co., Ltd. Representative: Ting-Chen Chung | 10 | 0 | 100% | - |
| Director | Shangshan Industrial Co., Ltd. Representative: Mingshen Gao | 10 | 0 | 100% | - |

| | | | | | |
|----------------------|--|----|---|------|---|
| Director | Shangshan Industrial Co., Ltd. Representative: Ting-Hsin Chung | 10 | 0 | 100% | - |
| Director | Cheng-nan Huang | 10 | 0 | 100% | - |
| Independent Director | Chin-Chang Wu | 10 | 0 | 100% | - |
| Independent Director | Hsu-hui Hsu | 10 | 0 | 100% | - |
| Independent Director | Yanfend Wu | 10 | 0 | 100% | - |

Other Mandatory Provisions: :

1. If the operation of the Board of Directors falls into one of the circumstances, the date and duration of the meeting, details of proposals, the opinions of all independent directors and how the Company deals with such opinions

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

| Board of Directors | Resolution Contents | Resolution Result |
|--|--|--|
| The 9th of the 13th Term on on 2022/3/22 | Resolution on Duty Change of Head of Audit | <ul style="list-style-type: none"> •All Board Directors who attended the meeting approved the resolution unanimously. •All Independent Directors did not hold any objection or reserve their opinions. |
| 10th Term The 13th Meeting on 2022/3/22 | A proposal for amendments to the Procedures for Acquisition or Disposal of Assets of the Company | <ul style="list-style-type: none"> •All Board Directors who attended the meeting approved the resolution unanimously. •All Independent Directors did not hold any objection or reserve their opinions. |
| The 11th of the 13th Term on 2022/5/6 | Proposal for independence evaluation of the CPAs of the Company and 2022 appointment remuneration. | <ul style="list-style-type: none"> •All Board Directors who attended the meeting approved the resolution unanimously. •All Independent Directors did not hold any objection or reserve their opinions. |
| The 11th of the 13th Term on 2022/5/6 | Proposal for appointment of the Company's Head of Accounting | <ul style="list-style-type: none"> •All Board Directors who attended the meeting approved the resolution unanimously. •All Independent Directors did not hold any objection or reserve their |

| | | |
|---------------------------------------|--|--|
| | | opinions. |
| The 12th of the 13th Term on 2022/8/3 | Resolution on the 2021 Director Remuneration Distribution of the Company | <ul style="list-style-type: none"> •All Board Directors who attended the meeting approved the resolution unanimously. •All Independent Directors did not hold any objection or reserve their opinions. |

(2) In addition to the said item, is there any resolution adopted at the Meeting of the Board Directors being objected by an Independent Director or did any Independent Director reserve their opinions are either recorded or put in writing: None.

2. For avoidance of conflict of interest by directors, the name of directors, details of proposals, reasons for avoidance and voting results shall be stated

| Board of Directors | Resolution Contents | Directors avoiding conflict of interest | Reasons for avoiding conflict of interest | Participation in voting |
|--|--|---|---|--|
| The 13th of the 12th Term on 2022/8/3 | Resolution on the 2021 Director Remuneration Distribution of the Company | All directors | Self-interest is involved | Individual directors recused themselves from the meeting and failed to participate in the discussions to exercise their voting rights |
| | Distribution of remuneration for managers and employees in 2021 | Chairman of the Board: Ting-Chen Chung | Self-interest is involved | Chairman of the Board Ting-Chen Chung (also General Manager) recused himself from the meeting and failed to participate in the discussions to exercise their voting rights |
| The 13th of the 16th Term on 2022/11/8 | Proposal for the performance evaluation of the managers of the | Chairman of the Board: Ting-Chen Chung | Self-interest is involved | Chairman of the Board Ting-Chen Chung (also General Manager) recused himself from the meeting |

| | | | | |
|--|---|--|---------------------------|--|
| | Company in 2022 | | | and failed to participate in the discussions to exercise their voting rights |
| | Proposal for Payment of Year-end Bonuses to Managers of the Company | Chairman of the Board: Ting-Chen Chung | Self-interest is involved | Chairman of the Board Ting-Chen Chung (also General Manager) recused himself from the meeting and failed to participate in the discussions to exercise their voting rights |

3. TWSE/TPEX listed companies shall disclose the evaluation cycle and period, the scope and method of the evaluation and the content of self (or peer) evaluation, and fill in the implementation of the Board of Directors' evaluation

The Company has completed the self-evaluation on the Board of Directors and Functional Committees for 2022, submitted the evaluation results to the Board of Directors on February 22, 2023, rated as "Excellent", indicating that the operation of the Board of Directors of the Company is in good condition.

4. Assessment of objectives and implementation status in respect of strengthening the powers of the Board of Directors for the current and immediately past years will be carried out.

In June 2015, the Company set up the Audit Committee to replace supervisors; Composed of 3 independent directors, the Audit Committee has met 10 times in 2022, and the head of corporate governance has approved Vice President Tsai Wen-Ling as the new head of corporate governance on October 19, 2022 at the meeting of the Board of Directors, and will continue to perform the following duties in the future to achieve corporate information transparency.

- (1) Establish and main company image and fulfill social responsibilities.
- (2) Supervise and handle risks faced by the Company and ensure compliance of the Company with relevant laws.
- (3) Enact and modify effective and appropriate internal control system.
- (4) Update the website of the Company to provide real-time operational and financial information to keep shareholders being informed timely.

Execution of evaluation of the Meetings of the Board of Directors and the Functional Committee

| Evaluation Period | Evaluation Period | Evaluation Scope | Evaluation Method | Evaluation Contents | Evaluation Results |
|--------------------------------------|--------------------------|--------------------|-------------------------------------|--|---|
| Evaluation is conducted once a year. | 2022/01/01 to 2022/12/31 | Board of Directors | Self-evaluation within the Board of | 1. The degree of involvement in the Company's operations | The performance appraisal results are in line with the evaluation |

| | | | | |
|--|--|---|---|---|
| | | Directors | <ol style="list-style-type: none"> 2. Improve the quality of decision-making 3. Composition and structure of the Board of Directors 4. Selection and continuing education of Directors 5. Internal control | standards, showing that the overall operation is good and to be improved. |
| | | Individual member of the Board of Directors | <ol style="list-style-type: none"> 1. Command of the Company's objectives and tasks 2. Understanding of duties of the Board of Directors 3. The degree of involvement in the Company's operations 4. Management and communication of internal relations 5. Professionalism and continuous study 6. Internal control | The performance appraisal results are in line with the evaluation standards, showing that the overall operation is to be improved. |
| | | Functional Committees | <ol style="list-style-type: none"> 1. The degree of involvement in the Company's operations 2. Awareness of the responsibilities of the Functional Committees 3. Improve the decision-making quality of Functional Committees 4. Composition and selection of members of the Functional Committees 5. Internal control | The performance appraisal results are in line with the evaluation standards, showing that the overall operation is good and to be improved. |

(II) Operations of the Audit Committee:

The Company has set up an Audit Committee to strengthen corporate governance and the functional management of the Board of Directors. The Audit Committee of the Company consists of all independent Directors and the term of office of the Committee shall be three years and members may be re-elected. Priorities of the Audit Committee:

1. Internal control systems adopted or revised in accordance with Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control systems.
3. Establishment of or amendment to the procedures for acquisition or disposal of assets, derivative product transactions, lending funds to others, endorsements & guarantees for others and other significant financial business pursuant to Article 36-1 of the Securities and Exchange Act.
4. Matters in which directors are interested.
5. Major assets or derivatives transactions.
6. Significant fund lending and endorsement & guarantee.
7. Offering, issuance or private placement of the securities of equity nature.
8. Appointment, dismissal of or remuneration for CPAs.
9. Appointment and dismissal of the heads of finance, accounting or internal audit.
10. Annual financial report and semi-annual financial report.
11. Other major matters stipulated by the Company or competent authority.

Operations of Audit Committee

In the recent 2022 accounting year, there were 10(A) meetings of Audit Committee held, 10 (A) attendance of Independent Directors is described below:

| Job title | Name | Number of Actual Attendance (B) | Number of Proxies for Attendance | Actual Attendance Rate(%) (B / A) (Note) | Note |
|----------------------|---------------|---------------------------------|----------------------------------|--|------|
| Independent Director | Chin Chang Wu | 10 | 0 | 100% | None |
| Independent Director | Hsu-hui Hsu | 10 | 0 | 100% | |
| Independent Director | Yanfend Wu | 10 | 0 | 100% | |

Other Mandatory Provisions:

1. If the operation of the Audit Committee falls into one of the circumstances, the date and duration of the meeting of the Board, details of proposals, resolutions of the Audit Committee, and how the Company deals with the opinions of the Audit Committee shall be stated

(1) Matters specified in Article 14-5 of the Securities and Exchange Act:

| The Audit Committee | Resolution Contents | Resolution Result |
|---------------------------------------|--|---|
| The 9th of the 3th Term on 2022/3/22 | Resolution on Duty Change of Head of Audit | All Independent Directors did not hold any objection or reserve their opinions. |
| The 10th of the 3th Term on 2022/3/30 | Resolution on the Operational Report and Financial Report of the Company for 2021 | All Independent Directors did not hold any objection or reserve their opinions. |
| | A proposal of the Statement of Internal Control Systems for 2021 | |
| | A proposal for amendments to the Procedures for Acquisition or Disposal of Assets of the Company | |
| The 11th of the 3th Term on 2022/5/6 | Review of the Independence Evaluation of the CPAs of the Company and appointment remuneration for 2022 | All Independent Directors did not hold any objection or reserve their opinions. |
| | Review the appointment of the Company's Head of Accounting | |
| | Review of the Consolidated Financial Statements for 2022 Q1. | |
| The 12th of the 3th Term on 2022/8/3 | Consolidated Financial Statements for 2022 Q2. | All Independent Directors did not hold any objection or reserve their opinions. |
| The 15th of the 3th Term on 2022/11/8 | Consolidated Financial Statements for 2022 Q3. | All Independent Directors did not hold any objection or reserve their opinions. |

(2) In addition to the said resolution, any resolution that is not approved by the Audit Committee but approved by more than two-thirds of all Board Directors: None.

2. For avoidance of conflict of interest by independent directors, the name of independent directors, details of proposals, reasons for avoidance and voting results shall be stated: None.

3. Communication among Independent Directors, Head of Internal Audit, and CPAs

(1) Communication Policy between Independent Directors and Head of Internal Audit

and information about execution:

A. Communication Policy between Independent Directors and Head of Internal Audit

The Company's internal audit head sends an audit report to the independent directors every month, and if the independent directors have any questions, they will immediately communicate and discuss about such questions; The meeting of the Audit Committee shall be convened at least once a quarter, members at meetings of Audit Committee listen to annual audit plan and implementation reported by the internal audit head and give opinion or suggestion. Usually, communication between two sides is via telephone or email to effectively supervise the internal control of the Company.

B. Communication between Independent Directors and Head of Internal Audit

The Company's internal audit officer has communicated with the independent directors on February 22, 2022 at a meeting held to discuss about the media report on February 19, 2022 that the former chairman of the Company, etc. accused of illegal trading, breach of trust, false financial reports, etc. in violation of the Securities and Exchange Act, and to appoint an accounting firm to conduct a special case survey on the authenticity, correctness and reasonableness of the above matters for clarification. The CPAs of an accounting firm shall be recommended by the Audit Committee. After candidates are confirmed, the Audit Committee shall convene a meeting to make a decision on the appointment.

After the chairman consulted with the attending members, the proposal will be unanimously approved.

(2) Communication police and execution of such policy for Independent Directors and CPAs:

A. Communication Police of Independent Directors and CPAs

Independent Directors and CPAs at least convene one communication meeting every quarter. They discuss issues on the consolidated financial statement and overall operations, internal audit, the newest IFRS announcement, tax laws, securities laws, audit the newest announcement of the Company, and recent legal amendments. CPAs report and communicate with Independent Directors and discussions are recorded for reference purposes.

B. Communication between Independent Directors and CPAs

Our CPAs have communicated with Independent Directors on March 30, August 3, and November 8 2022. The summary of the meeting agenda is as follows:

(A) The auditors explained about the audit of the annual and interim financial reports, including: © Analysis of major changes in financial position © Audit planning, scope, and results © Internal control systems and auditing procedures

(B) Updates of important rules and regulations and promotion: © Revised provisions of the standards for acquisition or disposal of assets by the publicly traded companies © Revised provisions and Q&As for internal control systems of the publicly traded companies © Draft of amendments to Article 43-1 of the Securities and Exchange Act (announcement and declaration of substantial shareholding) © The main impact of the Auditing Standard Bulletin No. 75 on the Company - "Identifying and Evaluating the Risks of Material Misstatement".

© Other communication - IESBA proposal of 2023 (pre-approval of non-assurance service policy).

(III) Difference between corporate governance operations and the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|--|------------|----|---|--|
| | Yes | No | Summary Description | |
| 1. Does the Company comply with corporate governance practice of public listed and OTC companies and disclose practices of the Company? | V | | The Company enacted the “Principles for Corporate Governance Practice” which was approved at the meeting of the Board of Directors on December, 30, 2014. The Rules Governing Meetings of Shareholders, and Meetings of the Board Directors are also enacted and internal control system is promoted to facilitate corporate governance operations. Relevant businesses are conducted according to the spirit of corporate governance of public listed and OTC companies. | No significant difference |
| B. Shareholding Structure of the Company and Shareholders’ Rights | | | | |
| (1) Did the Company enact internal operational procedures to handle suggestions, doubts, disputes, or litigation with shareholders and were procedures followed? | V | | (1) The Company, according to rules and regulations, set up the spokesman system to handle relevant matters. Shareholders can inquire about the information about the Company through the E-mail address _supervisor@sanfar.com.tw mailbox; If there is a dispute with a shareholder, it will be transferred to the legal department. | No significant difference |
| (2) Did the Company command major shareholders that actually control the Company and did it have the list of major shareholders that control the Company? | V | | (2) The Company set up relevant authority and responsibility unit to monitor shareholding of the Board Directors, managers, and those who own more than 10% of the Company's total shares, | |

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|---|------------|----|---|--|
| | Yes | No | Summary Description | |
| (3) Did the Company establish and execute risk management and firewall mechanism with its affiliates? | V | | and a monthly report on changes in the shareholding of insiders and major shareholders is submitted to the designated market observation post station announced by the unit in charge of meeting rules. (3) The Company has developed the Regulations and Procedures for Financial Transactions between Related Parties. All subsidiaries carry out their day-to-day operations in accordance with internal control systems and procedures, and are regularly audited by auditors, accounting firms, and CPAs to control risks. Use of the internal networks and systems on personal computers shall be managed and controlled in accordance with internal control systems. | |
| (4) Did the Company set up internal regulations that forbid insiders of the company to make use of information not open to the market to trade valuable securities? | V | | (4) The Company enacted the “Operational Procedures to Prevent Insider Trading” and “Code of Ethical Conduct” to prevent insider trading. Monthly, insiders are informed of relevant rules and regulations to prevent insider trading to protect the rights of investors and the Company. | |
| C. Composition of the Board of Directors and Responsibilities | V | | (1) Given the mode of operation and development needs, the professional backgrounds of the 7 members of the Board of | No significant |

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|---|------------|----|--|--|
| | Yes | No | Summary Description | |
| (1) Did members of the Board of Directors enact diverse guidelines and put them into practice? | | | Directors include business, finance, law, management, and finance with diverse professional, academic, and filed knowledge. They provide the Company with diverse professional opinions to greatly benefit the operational and managerial performance of the Company. Please refer to the Board of Directors-Diversity and Independence of the Board of Directors in this annual report. | difference |
| (2) In addition to the Remuneration Committee and Audit Committee as requested by laws, did the Company voluntarily set up other functional committees? | V | | (2) According to rules and regulations, the Company set up the Remuneration Committee and Audit Committee and voluntarily set up the Nomination Committee after approved by the Meeting of the Board Directors on April 7, 2015 and modified the organizational chart of the Nomination Committee. According to the organizational chart, the duties of members of the Nomination Committee are defined and at least three Board Directors are elected to be members of the Nomination Committee. Among them, more than half shall be Independent Directors. For the current term, members of the Nomination Committee are Independent Director, Chin-Chang Wu, Independent Director, Hsu-hui Hsu, and Independent Director, Yanfend Wu, and in the future, other functional | |

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|---|------------|----|---|--|
| | Yes | No | Summary Description | |
| <p>(3)Has the Company determined the measures for appraisal of performance of the Board of Directors, and assessment methods, and conduct performance appraisal on an annual basis?</p> <p>Whether the results of performance appraisal are reported to the Board of Directors and used as a reference for individual director’s compensation and nomination for reappointment.</p> | V | | <p>committees will be set up according to actual operations.</p> <p>(3) The Company enacted “Performance Evaluation Methods for the Board of Directors and Functional Committees,” and performance evaluation is periodically conducted, including self-evaluation and peer evaluation. The 2022 annual performance evaluation results were passed by the Nomination Committee and sent for the approval of the Board of Directors on February 22, 2023.</p> <p>The connection between performance evaluation result and remuneration: such as consideration of attendance to meetings of the Board Directors, continuous studies, involvement level in accounting and financial status, and audit report, and management of the Company</p> <p>Relevant performance audit and remuneration rationality are reviewed and approved by the Remuneration Committee and the Board of Directors and the remuneration system will be appropriately reviewed according to actual operations and relevant laws to maintain the balance of sustainable management and risk control of the Company.</p> | |

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|---|------------|----|---|--|
| | Yes | No | Summary Description | |
| (4) Did the Company periodically evaluate independence of CPAs? | V | | (4) The Company each year evaluates the independence of CPAs according to Article 29 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” stating that when hiring CPAs, TWSE/TPEX Listed Companies shall select some one who is professional, responsible, and independent and periodically evaluate the independence and suitability of the hired CPAs (at least once a year) with reference to the Audit Quality Indicators (AQIs). Evaluation result shall be submitted to the Board of Directors. The Company has evaluated the independence and suitability of CPAs in accordance with Measures for Assessing the Independence of CPAs and Audit Quality Indicators for 2021 provided by KPMG. The result was submitted and approved by the Audit Committee and the Board of the Directors in Q 2, 2023. The Accounting Department of the Company evaluated CPAs Hung Shiau Fang and Xinting Huang from KPMG, Taiwan and determined both met independence standards of the Company towards CPAs. Independence indicators in the evaluation items include: 1. Is there a significant relation of financial interest between CPAs and the entrusted party; 2. Is | |

| Evaluation Item | Operations | | Summary Description | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|--|------------|----|---|--|
| | Yes | No | | |
| | | | <p>there an inappropriate interest relation between CPAs and the entrusted party; 3. Do CPAs and their assistant regularly participate in evaluations conducted by the Industrial Associations or other relevant evaluation organizations and ensure their honesty, justice, and independence, 4. Did they make any violation when certifying financial statements for any entrusted organizations within the two year period before this certification service and are they forbidden to provide certification services; 5. Names of CPAs shall not be used by others, 6. CPAs shall not hold any shares of the entrusted party, 7. There shall be no loans between CPAs and the entrusted party and this excludes normal transactions with financial institutions, 8. CPAs shall not take any work paid with fixed salaries by the entrusted party, 9. CPAs shall not receive any relevant commission with business operation, and 10. CPAs shall not serve the entrusted party continuously for seven years in a row, has not been sanctioned or his independence has not been impaired.</p> | |
| D. Did TWSE/TPEX Listed Companies assign | V | | On October 19, 2022, the Board of Directors approved the | No |

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|---|------------|----|---|--|
| | Yes | No | Summary Description | |
| capable and suitable number of corporate governance personnel and request the corporate governance head to set up a full-time (part-time) department or personnel to take charge of relevant affairs of corporate governance (including but not limited to the provision of information needed by the Board Directors, Supervisors, legal assistance compliance of the Board Directors, Supervisors) and did TWSE/TPEX Listed Companies according to laws proceed matters related to shareholders' meetings and prepare minutes of meetings of the Board Directors and shareholder)? | | | <p>appointment of Ms. Tsai Wen-Ling as the Company's governance officer, who has more than 7 years of experience in finance, accounting, equity interest, and corporate governance in the publicly traded companies, and is expected to continue her education in the 2023 fiscal year in accordance with regulations.</p> <p>The Company's governance officer and meeting personnel are responsible for corporate governance-related matters, including planning the meetings of the Board of Directors, functional committees, and shareholder meetings, as well as preparation and distribution of related announcements and meeting minutes. Additionally, they plan and arrange training courses for directors on an annual basis.</p> | significant difference |

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|---|------------|----|---|--|
| | Yes | No | Summary Description | |
| V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a special column for stakeholders on the Company's website, and respond appropriately to important corporate social responsibility issues of concern to stakeholders? | V | | The Company assigned a spokesperson and an acting spokesperson; Internal and external communication channels can be established with stakeholders through E-mail, phone call and by other means, and monthly supervisor coordination meetings and monthly meetings are held within the Company to strengthen the communication among colleagues. ill the publishing date of this annual report, there have no issues on corporate governance raised by any stakeholder. | No significant difference |
| 6. Did the Company entrust any professional agency for stock affairs to take charge of shareholders' affairs? | V | | The Company entrusted the Stock Affairs Department of Yuanda Securities to take care of shareholders' affairs. | No significant difference |
| 7. Information Openness: (1) Did the Company construct its website to disclose information related to financial affairs and corporate governance? | V | | (1) The Company constructed its company website to disclose company status, basic information, and financial information and there are designated personnel in charge of information maintenance and updates. Website address: (https://www.sanfar.com.tw) | No significant difference |
| (2) Did the Company use other methods for information disclosure (such as constructing an English website, designate personnel to | V | | (2) There is a spokesperson and an acting spokesperson of the Company. An English website is also made available. There is designated unit in charge of the disclosure of important | |

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|--|------------|----|---|--|
| | Yes | No | Summary Description | |
| <p>take charge of collection and disclosure of company information, implementation of spokesperson system, and placing the process of Meetings of Institutional Investors on the company website?)</p> <p>(3) Has the Company announced and filed the annual financial report within two months after the end of the accounting year, and the financial reports for first, second, and third quarter and monthly operating results ahead of the prescribed deadline?</p> | V | | <p>information on the Company and updates are periodically posted on the Market Observation Post System (MOPS) in accordance with regulations.</p> <p>(3) The Company at present completed its announcement and declaration of annual financial report within the required time and within the required time, financial statements for Q1, Q2, and Q3 as well as monthly operational reports were announced and declared.</p> | |
| <p>8. Did the company provide important information that helps to understand operations of corporate governance (including but not limited to employee rights, employee caring, investor relations, supplier relations, stakeholder relations, and continuous studies of Board Directors and Supervisors, implementation of risk management polices and measurement standards, execution of</p> | V | | <p>(1) Employee rights: The Company, according to rules and regulations, insures its laborers under the National Health Insurance plan and group insurance program and according to laws, labor pensions are allocated monthly. In order to improve the professionalism of employees, the Company provides employees with sufficient education and training.</p> | No significant difference |

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|--|------------|----|---|--|
| | Yes | No | Summary Description | |
| customer policy, and liability coverage for Board Directors and Supervisors purchased by the Company)? | | | <p>(2) Employee Care: The Company has established an Employee Welfare Committee in accordance with the Employee Welfare Act, which is responsible for employee welfare related matters, protecting employee rights, and organizing employee travel and health checkups to provide comfortable working conditions for employees.</p> <p>(3) Investor Relations: The Company has established a spokesperson and a website as communication channels for investors, and holds shareholder meetings every year to provide shareholders with opportunities to ask questions.</p> <p>(4) Supplier Relations: The Company has established comprehensive internal control systems or related regulations to regulate the relationship with and rights of suppliers. We compare and negotiate on the prices quoted by the procurement units in accordance with regulations to control and manage the consistent quality, delivery, and service levels, and select the most suitable suppliers for the Company. The Company shares good relationship and maintains good communication with its major suppliers, and establishes partnerships following the principles of honesty, credit, and mutual benefit.</p> | |

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies | | | | | | | | | | | | | | | | | | | | | | |
|-----------------|-----------------|------------|--|--|----------------|------|---------|----------------|----------------|----------|-----------------|------------|---------------------------------------|---|-----|------------|--|--|-----|----------|----------|----------|--------------|-----------|-----|--|
| | Yes | No | Summary Description | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>(5) Stakeholder Rights: The Company's communication channels with and information about stakeholders have been disclosed on the Company's website, and the Company values stakeholders and responds promptly to their concerns.</p> <p>(6) Further Education for Directors: All directors of the Company have professional backgrounds, and meeting personnel regularly inform them of updates to relevant laws and regulations. In 2022, all directors have received six hours of training courses and reported further education in accordance with regulations.</p> <table border="1"> <thead> <tr> <th>Job title</th> <th>Name</th> <th>Date</th> <th>Sponsor</th> <th>Name of Course</th> <th>Number of Hour</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Chairman</td> <td rowspan="2">Ting-Chen Chung</td> <td>2022/06/22</td> <td>Taiwan Academy of Banking and Finance</td> <td>The Study Group of Corporate Governance and Sustainable Development of Business</td> <td>3.0</td> </tr> <tr> <td>2022/10/26</td> <td>Taiwan Securities and Future Institute</td> <td>The 2022 Promotion Seminar on the Insider Equity Transaction in Compliance With Laws</td> <td>3.0</td> </tr> <tr> <td>Director</td> <td>Mingshen</td> <td>2022/09/</td> <td>Taiwan Stock</td> <td>Reference</td> <td>3.0</td> </tr> </tbody> </table> | Job title | Name | Date | Sponsor | Name of Course | Number of Hour | Chairman | Ting-Chen Chung | 2022/06/22 | Taiwan Academy of Banking and Finance | The Study Group of Corporate Governance and Sustainable Development of Business | 3.0 | 2022/10/26 | Taiwan Securities and Future Institute | The 2022 Promotion Seminar on the Insider Equity Transaction in Compliance With Laws | 3.0 | Director | Mingshen | 2022/09/ | Taiwan Stock | Reference | 3.0 | |
| Job title | Name | Date | Sponsor | Name of Course | Number of Hour | | | | | | | | | | | | | | | | | | | | | |
| Chairman | Ting-Chen Chung | 2022/06/22 | Taiwan Academy of Banking and Finance | The Study Group of Corporate Governance and Sustainable Development of Business | 3.0 | | | | | | | | | | | | | | | | | | | | | |
| | | 2022/10/26 | Taiwan Securities and Future Institute | The 2022 Promotion Seminar on the Insider Equity Transaction in Compliance With Laws | 3.0 | | | | | | | | | | | | | | | | | | | | | |
| Director | Mingshen | 2022/09/ | Taiwan Stock | Reference | 3.0 | | | | | | | | | | | | | | | | | | | | | |

| Evaluation Item | Operations | | | | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies | |
|-----------------|------------|----|---------------------|-----------------|------------|--|--|-----|
| | Yes | No | Summary Description | | | | | |
| | | | | Gao | 29 | Exchange | Guidelines for Exercise of Authority by Independent Directors and Audit Committee in 2022 and Guidance Meeting for Directors and Supervisors | |
| | | | | | 2022/10/12 | Taiwan Securities and Future Institute | The 2022 Promotion Seminar on the Insider Equity Transaction in Compliance With Laws | 3.0 |
| | | | Director | Ting-Hsin Chung | 2022/06/22 | Taiwan Academy of Banking and Finance | The Study Group of Corporate Governance and Sustainable Development of Business | 3.0 |
| | | | | | 2022/10/12 | Taiwan Securities and Future Institute | The 2022 Promotion Seminar on the Insider Equity Transaction in Compliance With Laws | 3.0 |
| | | | Director | Cheng-nan | 2022/05/20 | Taiwan Securities and Future Institute | Advocacy of prevention of insider | 3.0 |

| Evaluation Item | Operations | | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------------|---------------|------------|--|---|--|-------|--|--|-----------------|--|--|--|------------|---------------------------------------|---|-----|----------------------|---------------|------------|-----------------------|--|-----|--|--|------------|-----------------------|---|-----|--|--|------------|--|--|-----|----------------------|-------------|------------|--|--|-----|--|
| | Yes | No | Summary Description | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | <table border="1"> <tr> <td></td> <td>Huang</td> <td></td> <td></td> <td>trading in 2022</td> <td></td> </tr> <tr> <td></td> <td></td> <td>2022/06/22</td> <td>Taiwan Academy of Banking and Finance</td> <td>Corporate Governance and Sustainable Management of Business</td> <td>3.0</td> </tr> <tr> <td>Independent Director</td> <td>Chin-Chang Wu</td> <td>2022/07/27</td> <td>Taiwan Stock Exchange</td> <td>Industry Theme Guidance Meeting on Sustainable Development Roadmap</td> <td>2.0</td> </tr> <tr> <td></td> <td></td> <td>2022/10/07</td> <td>Taiwan Stock Exchange</td> <td>Advocacy of the Reference Guidelines for Exercise of Authority by Independent Directors and Audit Committee of the Listed Companies in 2022</td> <td>3.0</td> </tr> <tr> <td></td> <td></td> <td>2022/11/11</td> <td>Taiwan Securities and Future Institute</td> <td>Seminar on Derivative Trading Strategies and Market Outlook for the Listed Companies</td> <td>3.0</td> </tr> <tr> <td>Independent Director</td> <td>Hsu-hui Hsu</td> <td>2022/07/21</td> <td>Taiwan Securities and Future Institute</td> <td>Advanced Practice Seminar on Directors and</td> <td>3.0</td> </tr> </table> | | Huang | | | trading in 2022 | | | | 2022/06/22 | Taiwan Academy of Banking and Finance | Corporate Governance and Sustainable Management of Business | 3.0 | Independent Director | Chin-Chang Wu | 2022/07/27 | Taiwan Stock Exchange | Industry Theme Guidance Meeting on Sustainable Development Roadmap | 2.0 | | | 2022/10/07 | Taiwan Stock Exchange | Advocacy of the Reference Guidelines for Exercise of Authority by Independent Directors and Audit Committee of the Listed Companies in 2022 | 3.0 | | | 2022/11/11 | Taiwan Securities and Future Institute | Seminar on Derivative Trading Strategies and Market Outlook for the Listed Companies | 3.0 | Independent Director | Hsu-hui Hsu | 2022/07/21 | Taiwan Securities and Future Institute | Advanced Practice Seminar on Directors and | 3.0 | |
| | Huang | | | trading in 2022 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2022/06/22 | Taiwan Academy of Banking and Finance | Corporate Governance and Sustainable Management of Business | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Chin-Chang Wu | 2022/07/27 | Taiwan Stock Exchange | Industry Theme Guidance Meeting on Sustainable Development Roadmap | 2.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2022/10/07 | Taiwan Stock Exchange | Advocacy of the Reference Guidelines for Exercise of Authority by Independent Directors and Audit Committee of the Listed Companies in 2022 | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2022/11/11 | Taiwan Securities and Future Institute | Seminar on Derivative Trading Strategies and Market Outlook for the Listed Companies | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Hsu-hui Hsu | 2022/07/21 | Taiwan Securities and Future Institute | Advanced Practice Seminar on Directors and | 3.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------------|------------|------------|--|--|-----|--|--|--|--|--|--|------------|---|---|-----|----------------------|------------|------------|---|---|-----|--|--|------------|--|--|-----|--|
| | Yes | No | Summary Description | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <table border="1"> <tr> <td></td> <td></td> <td></td> <td></td> <td>Supervisors (including Independent Directors) and Head of Corporate Governance</td> <td></td> </tr> <tr> <td></td> <td></td> <td>2022/10/05</td> <td>Association for Corporate Management and Sustainable Development in the Republic of China</td> <td>New Thinking on Risk Management for Digital Transformation and Future Prospects</td> <td>3.0</td> </tr> <tr> <td>Independent Director</td> <td>Yanfend Wu</td> <td>2022/10/11</td> <td>Accounting Research and Development Foundation of the Republic of China (ROC)</td> <td>Investigation Practices and Case Analysis of Corporate Frauds</td> <td>6.0</td> </tr> <tr> <td></td> <td></td> <td>2022/10/26</td> <td>Taiwan Securities and Future Institute</td> <td>The 2022 Promotion Seminar on the Insider Equity Transaction in Compliance With Laws</td> <td>3.0</td> </tr> </table> | | | | | Supervisors (including Independent Directors) and Head of Corporate Governance | | | | 2022/10/05 | Association for Corporate Management and Sustainable Development in the Republic of China | New Thinking on Risk Management for Digital Transformation and Future Prospects | 3.0 | Independent Director | Yanfend Wu | 2022/10/11 | Accounting Research and Development Foundation of the Republic of China (ROC) | Investigation Practices and Case Analysis of Corporate Frauds | 6.0 | | | 2022/10/26 | Taiwan Securities and Future Institute | The 2022 Promotion Seminar on the Insider Equity Transaction in Compliance With Laws | 3.0 | |
| | | | | Supervisors (including Independent Directors) and Head of Corporate Governance | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2022/10/05 | Association for Corporate Management and Sustainable Development in the Republic of China | New Thinking on Risk Management for Digital Transformation and Future Prospects | 3.0 | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Yanfend Wu | 2022/10/11 | Accounting Research and Development Foundation of the Republic of China (ROC) | Investigation Practices and Case Analysis of Corporate Frauds | 6.0 | | | | | | | | | | | | | | | | | | | | | | | |
| | | 2022/10/26 | Taiwan Securities and Future Institute | The 2022 Promotion Seminar on the Insider Equity Transaction in Compliance With Laws | 3.0 | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>(7) Risk Management Execution: On November 9, 2021, the Company established the “Policy and Procedures for Risk Management” which was approved by the Board of Directors. Each head of department evaluates potential risks that may be</p> | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation Item | Operations | | | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|--|------------|----|---|--|
| | Yes | No | Summary Description | |
| | | | <p>encountered in each fiscal year and proposes response measures. After summary on the self-assessment of risk management, the scope and execution of risk management were reported at the meeting of the Board of Directors on November 8, 2022. The Board of Directors has learned about the information about risk management without objections to the execution status.</p> <p>(8) Customer Policy: The Company highly values customer relations and satisfaction, and sets up the brand strategy unit and customer service in charge of valuable customer opinions, and providing perfect and timely after-sales service to meet customer needs.</p> <p>(9) Director's Liability Insurance: The Company purchases liability insurance for directors every year. For the fiscal year 2022, the director's liability insurance was underwritten by Cathay Century Insurance Co., Ltd. with the coverage period from July 31, 2022, to July 31, 2023.</p> | |
| <p>9. Describe improvement made as well as priorities and measures for items not being improved according to recent corporate governance evaluation result released by the Corporate Governance Center of TWSE.</p> <p>The following is a description of the top priorities that have been improved and those that need to be strengthened for the fiscal year 2022:</p> | | | | |

| Evaluation Item | Operations | | Summary Description | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|-----------------|---|----|---------------------|--|
| | Yes | No | | |
| No. | Evaluation Indicators | | | Improved or not |
| 1.15 | Whether the Company has established and disclosed on its website internal regulations prohibiting directors or employees and other insiders from using undisclosed information to buy or sell securities on the market including (but not limited to) the prohibition of directors from trading in their stocks during the 30 days before the annual financial report is published and the 15 days before each quarterly financial report is published, and explained about the execution status? | | | Proposed amendment to authority and responsibility unit |
| 2.27 | Has the Company developed an intellectual property management plan that is linked to its operational objectives, and disclosed the execution status on the Company website or in the annual report, and reported to the Board of Directors at least once a year? | | | Improved |
| 4.1 | Did the Company set up full-time (part-time) units to promote the development of sustainable development, and according to the materiality principle, conduct risk evaluation towards environmental, social, or corporate governance issues related to operations of the Company and enact relevant risk management policies or strategies? And has the Board of Directors supervised the promotion of sustainable development, and disclosed it on the Company's website and in annual report? | | | The authority and accountability unit will strengthen the content and disclose it on the Company website and in the annual report. |
| 4.4 | Has the Company prepared a sustainability report based on the Global Reporting Initiative (GRI) | | | The report has |

| Evaluation Item | Operations | | Summary Description | Difference and Reason of Corporate Governance Practices of Public Listed and OTC Companies |
|-----------------|------------|----|---|--|
| | Yes | No | | |
| | | | guidelines and uploaded it to the MOPS and the Company website by the end of September? | been prepared. |
| 4.11 | | | Did the Company disclose annual greenhouse gas emissions, water consumption and total waste in the past two years? | The authority and accountability unit will work on and disclose the report. |
| 4.12 | | | Has the Company established management policies for reducing greenhouse gas emissions, water usage, or other wastes, including reduction targets, promotion measures, and achievement status? | Improved |
| 4.17 | | | Whether the Company's website, annual report or sustainability report discloses the supplier management policy to request suppliers to comply with relevant rules and regulations for issues of environmental protection, occupational safety and health, or labors' human rights, and describes how is the implementation? | Improved |

(IV) If there is the Remuneration Committee or Nomination Committee set up by the Company, please disclose its composition, duties, and operations:

1. Remuneration Committee

(1) Information on Members of the Remuneration Committee

March 31, 2023

| Status | Name | Professional qualifications and experience | Independence | Number of public listed company that he/she serves as an Independent Director |
|-------------------------------------|------------------|---|---|---|
| Convener Independent Director | Chin-Chang Wu | More than five years of business experience, once served as the Chairman of Yi Hung Investment Corporation and Sheng Hung Investment Corporation, Director of Jiahong Investment Co., Ltd., currently serves as the Chairman of Sanfar Computer Corporation | <ol style="list-style-type: none"> 1. I, my spouse or a lineal relative within the second-degree kinship am/is not a director, supervisor or employee of the Company or its affiliates. 2. I, my spouse or a lineal relative within the second-degree kinship holds no shares in the Company 3. Not a director, supervisor or employee of a company with which the Company has a specific relationship. 4. The Company or its affiliates have not provided commercial, legal, financial, accounting and other services in the past two years. | 0 |

| | | | | |
|----------------------|-------------|---|---|---|
| Independent Director | Hsu-hui Hsu | More than five years of business experience, currently serves as the Chairman of Taiwan Express (Logistics) Co., Ltd. | <ol style="list-style-type: none"> 1. I, my spouse or a lineal relative within the second-degree kinship am/is not a director, supervisor or employee of the Company or its affiliates. 2. I, my spouse or a lineal relative within the second-degree kinship holds no shares in the Company 3. Not a director, supervisor or employee of a company with which the Company has a specific relationship. 4. The Company or its affiliates have not provided commercial, legal, financial, accounting and other services in the past two years. | 2 |
| Independent Director | Yanfen Wu | More than five years of experience in business and legal affairs, a professional with lawyer's license, currently serves as a Practicing Attorney of T.Y.T. Law Offices | <ol style="list-style-type: none"> 1. I, my spouse or a lineal relative within the second-degree kinship am/is not a director, supervisor or employee of the Company or its affiliates. 2. I, my spouse or a lineal relative within the second-degree kinship holds no shares in the Company 3. Not a director, supervisor or employee of a company with which the Company has a specific relationship. 4. The Company or its affiliates have not provided commercial, legal, financial, accounting and other services in the past two years. | 0 |

(2) Operations of the Remuneration Committee

- A. The Company's Remuneration Committee has 3 members, all of which are independent directors of the Company.
- B. Members of this term shall serve from August 5, 2021 to August 4, 2024.
- C. Duties of the Remuneration Committee are performed according to the “Organizational Charter of the Remuneration Committee of the Company”.
- D. There are 5 (A) meetings held by the Remuneration Committee in the recent year; member attendance are described below:

| Status | Name | Actual Attendance Number of Actual Attendance (B) | Number of Proxies for Attendance | Actual Attendance Rate (%) (B/A) | Note |
|---|---------------|---|----------------------------------|----------------------------------|------|
| Convener Independent Director | Chin-Chang Wu | 5 | 0 | 100% | None |
| Independent Director | Hsu-hui Hsu | 5 | 0 | 100% | |
| Independent Director | Yanfend Wu | 5 | 0 | 100% | |
| Other Mandatory Provisions: : | | | | | |
| I. If the Board of Directors did not adopt or modified the suggestion of the Remuneration Committee, date of a Meeting of the Board Directors, term, resolution contents, resolution result of Audit Committee, and handling of the Company in response to the opinion of Audit Committee shall be described: None. | | | | | |
| II. If there is a member holding objection or reserve their opinion and put it in record or in writing for a resolution adopted by the Remuneration Committee, the date of the meeting, term, resolution contents, opinion of all members, and handling shall be described: None. | | | | | |

2. Nomination Committee

(1) Information on Members and operation of the Nomination Committee

A. The Company's Nomination Committee has 3 members, all of which are independent directors of the Company.

B. Members of this term shall serve from August 5, 2021 to August 4, 2024.

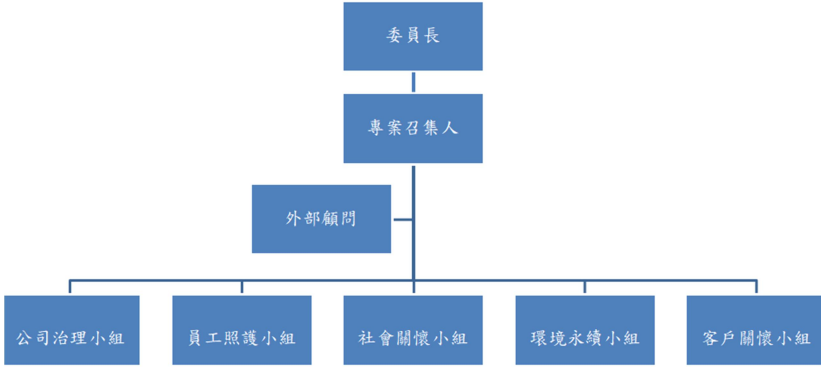
C. The Nomination Committee shall perform its duties in accordance with the "Organizational Regulations on the Nomination Committee" of the Company.

D. There are 2 (A) meetings held by the Nomination Committee in 2022; member attendance are described below:

| Job title | Name | Actual Number of Attendance (B) | Number of Proxies for Attendance | Actual Attendance Rate (%) (B/A) | Note |
|-------------------------------|---------------|---------------------------------|----------------------------------|----------------------------------|------|
| Convener Independent Director | Chin-Chang Wu | 2 | 0 | 100% | None |
| Independent Director | Hsu-hui Hsu | 2 | 0 | 100% | |

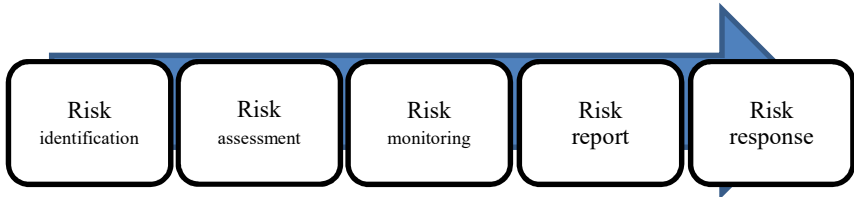
| | | | | | |
|-------------------------|------------|---|---|------|--|
| Independent Director | Yanfend Wu | 2 | 0 | 100% | |
|-------------------------|------------|---|---|------|--|

(V) Promoting sustainable development, differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|---|--------------------|----|--|--|
| | Yes | No | Summary Description | |
| I. Whether the Company has established a governance structure and set up a full-time (part-time) unit to promote sustainable development, and allowed the Board of Directors to authorize high-level management to deal with the situation under the supervision of the Board of Directors? | V | | <p>The Company promotes a governance framework for sustainable development.</p>  <pre> graph TD A[委員長] --- B[專案召集人] B --- C[外部顧問] C --- D1[公司治理小組] C --- D2[員工照護小組] C --- D3[社會關懷小組] C --- D4[環境永續小組] C --- D5[客戶關懷小組] </pre> <p>2. After the "Principles for Social Responsibility Practice" were approved with resolution of the Board of Directors on December 30, 2014, the Chairman Office acts as the part-time department to promote sustainable development, implements relevant corporate governance norms, participates in social charity, enacts and execute environmental protection and energy saving measures of the Company. Relevant items are continuously promoted, and</p> | No significant difference |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|--|--------------------|----|---|--|
| | Yes | No | Summary Description | |
| | | | <p>implementation is reported to the Board of Directors at least once a year. The Company has reported the information about sustainable development in 2022 to the Board of Directors on November 8, 2022.</p> <p>3. The Company is committed to corporate governance and corporate social responsibility, incorporating the ESG concept as the DNA of corporate culture, and integrating it into business strategies as a driving force for sustainable development. Adhering to the business philosophy of integrity, mutual assistance, professionalism, and responsibility, the Company assesses and discloses environmental, social, and corporate governance risks related to its operations in the “Corporate Sustainability Report.” The Board of Directors puts forward opinions or instructions on the implementation results as a basis for future improvement.</p> | |
| II. Did the Company, according to the materiality principle, conduct risk evaluation towards environmental, social, and corporate governance issues related to operations of the Company and enact relevant risk management policies and strategies? | V | | <p>1. Risk management policy: To strengthen corporate governance and effectively implement a sound risk management mechanism to mitigate potential business risks, the Company formulated the “Policy and Procedures for Risk Management” on November 9, 2021, with approval of the Board of Directors to achieve sustainable and stable operations. Each department discloses risk exposure information about environment (E), society (S), and governance (G), proposes risk self-assessment and response strategies, while the core team sorts out risk assessment data from various departments and submits a risk management report to the convener/vice convener for presentation to the Board of Directors at least once a year.</p> | No significant difference |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|-----------------|--------------------|----|---|--|
| | Yes | No | Summary Description | |
| | | | <p>2. Risk Management Organization Framework:</p> <p>The Company's risk management organizational structure is led by the Board of Directors which acts as the most authoritative unit for risk management in accordance with laws and regulations; Aimed at promoting and implementing overall risk management, the Company clearly understands the risks involved in operations, ensures the effectiveness of risk management, and bears the ultimate responsibility for risk management. There is a risk management team, with the general manager acting as the convener and department heads as the major members. The core team is responsible for executing and summarizing the risk self-assessment of each department, and reporting the risk management results to the Board of Directors at regular intervals.</p> <div style="text-align: center;"> <pre> graph TD A[董事會] --> B[召集人] B --> C[副召集人] B --> D[核心團隊/作業組] </pre> </div> | |
| | | | <p>3. Risk management:</p> <p>In the operation process of the construction industry, there are</p> | |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|-----------------|--------------------|----|--|--|
| | Yes | No | Summary Description | |
| | | | <p>uncertain factors that may threaten the operation. In order to prevent losses as a result of risks, the Company has developed risk control policies and procedures for economic, environmental, social, and climate change risks. Firstly, varying from different crisis levels, we follow the risk management process and hold emergency response meetings to formulate relevant strategies and response plans, handle and propose improvement suggestion, and avoid repeating mistakes. Functional units at different levels have responsibilities for risks. Once a problem occurs, it should be reported to the upper level promptly to seek solutions and mitigate the possible impact on the Company as soon as possible. We ensure that the risk control mechanism and procedures can be effectively put into practice and regularly report the information about risk management to the Board of Directors.</p> <p>4. Scope of Risk Management:</p>  <pre> graph LR A[Risk identification] --> B[Risk assessment] B --> C[Risk monitoring] C --> D[Risk report] D --> E[Risk response] </pre> <p>Following the 5-step risk management process, in response to 12 major sources of risks which are of concern both domestically and internationally in the year 2022, including natural disasters, forecasts of economic conditions, government policies, work</p> | |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons | | | | | | |
|--|---|---|---|--|--|---|--|---|---|--|
| | Yes | No | Summary Description | | | | | | | |
| | | | <p>environment, product development, design and planning, suppliers, human resources, business execution, finance, accounting, environmental sustainability, etc., we ask each department to assess the risk levels based on the frequency and severity of losses of risk source in the form of a questionnaire. Based on this, we identified the possible risk sources for the year 2022 and made them an important issue to be addressed.</p> <p>The risk management items and response actions for the year 2022 are as follows:</p> <table border="1"> <thead> <tr> <th>Risk source</th> <th>Identification of potential risk factors</th> <th>Developing countermeasures for protection</th> </tr> </thead> <tbody> <tr> <td>Government policies - credit control Cycle of interest rate hikes</td> <td>Operational risks 1. In the early stage of land development, pay attention to changes in real estate policies to ensure that there are no uncertainties in land acquisition and construction. 2. Changes in government policies may affect the planning and related cost-effectiveness of the original property. 3. The credit control</td> <td>1. Conduct evaluation and calculation according to the urban planning, strictly follow the review mechanism, and ensure that there are no uncertainties in land acquisition and construction after purchase. 2. Review and verify the implementation of regulations, and if necessary, prepare a plan with the minimum impact in response to the revision and adjustment. 3. Under unclear market conditions,</td> </tr> </tbody> </table> | Risk source | Identification of potential risk factors | Developing countermeasures for protection | Government policies - credit control Cycle of interest rate hikes | Operational risks 1. In the early stage of land development, pay attention to changes in real estate policies to ensure that there are no uncertainties in land acquisition and construction. 2. Changes in government policies may affect the planning and related cost-effectiveness of the original property. 3. The credit control | 1. Conduct evaluation and calculation according to the urban planning, strictly follow the review mechanism, and ensure that there are no uncertainties in land acquisition and construction after purchase. 2. Review and verify the implementation of regulations, and if necessary, prepare a plan with the minimum impact in response to the revision and adjustment. 3. Under unclear market conditions, | |
| Risk source | Identification of potential risk factors | Developing countermeasures for protection | | | | | | | | |
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| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|-----------------|--------------------|----|--|---|
| | Yes | No | Summary Description | |
| | | | <p>exercised by the government may affect consumers' affordability.</p> <p>4. The credit control exercised by the government increases the cost of funds and financial risks.</p> | <p>plan products tailored to local demand, with a focus on rigid demand for self-occupation, due to lower risks.</p> <p>4. Actively negotiate for preferential interest rates during dealings with financial institutions, strengthen internal sales and collection performance, improve cash flows, and adopt intensive supervision and response measures. Continuously repay part of the bank loans every year to reduce the loan balance and ease interest expenses. In addition, re-plan and improve short, medium, and long-term financial planning to facilitate the smooth operation of working capital.</p> |
| | | | <p>Supplier - Shortage of Labor and Materials</p> <p>Operational risks</p> <p>1. Actual operating costs are higher than the budgeted risks.</p> <p>2. The progress on the project falls behind the original planning schedule.</p> <p>3. Risks of bad construction quality and</p> | <p>1. If the cost estimate of land or raw materials differs too much from the original budget, an inter-departmental meeting will be convened to review the reasons for the discrepancy and the impact of the discrepancy on business and finance.</p> |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|-----------------|--------------------|----|--|---|
| | Yes | No | Summary Description | |
| | | | <p>progress on projects behind schedule.</p> <p>Financial risks. 1. When the construction costs are increased and the timeliness for housing payment is extended, an application will be made to the bank for extension of loans and increase in borrowing limit as the case may be.</p> | <p>2. Unified procurement at each construction site based on industrial projects to reduce construction costs with volume control prices.</p> <p>3. Since improper supervision will cause the decline in quality of construction or delay the progress on the project, it is necessary to confirm that the staff members regularly report on work to grasp the progress of the work, and when the project falls behind, appropriate adjustments will be made to catch up with the construction period.</p> <p>1. When the construction costs are increased and the timeliness for housing payment is extended, an application will be made to the bank for extension of loans and increase in borrowing limit as the case may be.</p> |
| | | | <p>Others</p> <p>Cyber Security Risks 1. Computer virus attack. 2. Hacking and data damage. 3. Crisis such as database</p> | <p>1. Strengthen cyber security training, advocate and enhance the cyber security concept of colleagues.</p> |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|-----------------|--------------------|----|---|--|
| | Yes | No | Summary Description | |
| | | | <p>exceptions.</p> <p>Labor Safety Risks</p> <ol style="list-style-type: none"> 1. Improve the energy of employee health care. 2. Lower the rate of fines to achieve zero occupational disasters. 3. Labor safety and health inspection at least once a month at each construction site. | <ol style="list-style-type: none"> 2. The system is equipped with firewall and anti-virus software and other security measures, information is checked and tested at regular intervals, and the anti-virus mechanism is constructed. 3. Remote backup mechanism is developed for the database. 1. Take safety and health protection measures to avoid occupational disasters. 2. In order to prevent industrial safety accidents, all departments are required to implement the "Rules Governing Construction Site Safety and Health Management for Suppliers" formulated by the Company by strengthening advocacy of construction safety in pre-attendance education and inspection management meetings. 3. Conduct employee health examination every year, care for the health of colleagues, and provide a friendly workplace. |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|-----------------|--------------------|----|---|--|
| | Yes | No | Summary Description | |
| | | | <p>Labor Human Rights and Risks</p> <p>1. Employees are significant assets of the Company, a friendly workplace should be created for recruitment, workplace environment, employee development and other factors to stabilize talent retention rate, and reduce the risks of dilution of internal experience.</p> <p>2. Manage labor in accordance with the law, and assign special personnel to check whether the management rules and regulations comply with the law and whether they are implemented, so as to effectively mitigate the legal risks of human resources.</p> <p>3. Diversified welfare.</p> | |
| | | | <p>Climate Change Risks</p> <p>1. The impact of climate change on enterprises is</p> | |
| | | | <p>1. Enhance the good cooperation relationship between labor and management, and create high-quality corporate culture and employee value.</p> <p>2. The Employee Welfare Committee meets on time to maximize the welfare of colleagues.</p> <p>3. Subject to the annual program for education and training of the Company. Trainings.</p> | |
| | | | <p>1. The Company continues to pay attention to the market changes</p> | |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|-----------------|--------------------|----|---|---|
| | Yes | No | Summary Description | |
| | | | <p>not only stricter controls over greenhouse gas emission, the development of low-carbon technologies and the rise of diversified services, but also on consumers' product preferences and will change consumption patterns.</p> <p>2. Climate change may increase construction safety concerns, such as long-term heat exposure of workers, or damage to the quality of construction projects caused by strong earthquakes.</p> <p>3. Since windstorm and earthquakes may damage the Company's assets, the Company's collateral security or insurance will be reviewed regularly for sufficiency.</p> | <p>caused by market conditions, R&D and innovation of green technology, timely reflect consumers' preference for green products, actively promote corporate social responsibility, fulfill environmental commitments, strengthen disclosure of environmental information, such as the writing of sustainability reports, and establish a positive image of sustainable development.</p> <p>2. In case of natural and man-made disasters and other emergencies, pay close attention to the information on laws and regulations, and operate by taking the response measures as required by the competent authority, so as to achieve legality, avoid project delays, and regularly review the needs of labor and strengthen project self-inspection.</p> |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|--|--------------------|----|--|--|
| | Yes | No | Summary Description | |
| <p>C. Environmental Issues</p> <p>(1) Did the Company build a proper environmental management system according to its industrial features?</p> | V | | <p>The Company responds to the concept of environmental sustainability with practical actions, and in the face of residential needs, it will treat the ecological environment friendly in four aspects: energy conservation and carbon reduction, pollution reduction, increase in green coverage, and air purification. Take multi-faceted management measures, including waste, water resources, greenhouse gases, noise, soil and groundwater pollution, air quality, etc., to reduce the impact on the environment during operation, reduce carbon emissions and increase clean energy and ecological restoration, develop circular economy, and build a green living circle.</p> <p>The Company entrusts professional and legal environmental protection companies with recycling and disposal of waste at all construction site; According to Article 30 of the Construction Industry Act, a field director is assigned at the job site during construction and according to Rules Governing Occupational Health and Safety Management, one periodical check for a partial breathing device, air cleaning device, and vacuum and blow air change device: 1. wear and tear, erosion, unevenness, and other damage condition and level of exhaust hoods, ducts, and ventilators. 2. Dust on ducts or ventilators. 3. Lubrication of ventilators. 4. Contact parts of ducts. 5. Tightness between the belt connection of electrical machinery and ventilators. 6. Intake and exhaust capabilities. 8. Fixing, rustiness, damage, collapse, or other obstacles to the operational safety of sampled facilities placed on intake and exhaust ducts. 8. Other items necessary to maintain functions.</p> | No significant difference |

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|--|--------------------|----|--|--|
| | Yes | No | Summary Description | |
| (2) Is the Company devoted to improving energy and does it use biomaterials with low environmental loading impact? | V | | <p>1. Office Use LED energy-saving bulbs and install circulating fans to help cool the indoor temperature, reduce the use of air conditioning, and reduce energy consumption and carbon emissions.</p> <p>2. Product Design Environmental protection and lessening the burden of Earth are always the priorities of the Company. We insist on the planning and use of environmentally friendly, green, and energy-saving construction materials and actively participate in events of green consumption and environmental protection. For example, from construction and landscape design, interior design, use of environmentally friendly construction materials, indoor air conditioning planning and construction, communication and anti-theft security monitoring system, we all adopt recycling and low-carbon service processes to manage waste and to support environmental friendly groups.</p> <p>3. Energy Conservation and Carbon Reduction Electricity saving measures are taken at the construction site during non-construction hours at night, and lighting power will be turned off in all areas except for the guarded area at the construction site to reduce unnecessary electricity consumption. Sprinklers are used for cooling to effectively reduce the electricity consumption of air-conditioning: During construction operations, temporary combination houses are built as public works offices at the construction site to facilitate relevant personnel to manage</p> | No significant difference |

| Evaluation Item | Execution (Note 1) | | | Summary Description | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|--|--------------------|----|---|--|--|
| | Yes | No | | | |
| | | | | on-site operations and control activities on site. Most of the combination houses above are made of simple materials (iron sheets). In the face of high summer temperatures, in order to save energy and achieve effective cooling, the water spray system is used to cool the external temperature of the combined houses with cool water confluence and sprinkle, and to reduce the demand for air-conditioning. | |
| (3) Did the Company evaluate potential risk and opportunities brought by climate change at present and in the future to businesses and adopt responsive measures of related issues of climate? | V | | | | No significant difference |
| | | | 1 | Describe the oversight and governance of climate-related risks and opportunities by the Board and management. | |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|-----------------|--------------------|----|--|---|
| | Yes | No | Summary Description | |
| | | | <p>environment during operation, reduce carbon emissions and increase clean energy and ecological restoration, develop circular economy, and build a green living circle.</p> <p>Since 2021, the Company has launched the tree planting and carbon reduction program themed "One House, One Tree, Sanfar Planting Trees" with the goal of planting 10,000 seedlings, and in the same year, it cooperated with the experimental forest farm of National Taiwan University to adopt 1 hectare of forest land and plant 1,500 saplings, expected to reduce carbon emissions by 5.61 metric tons per year thereafter. At the same time, all institutions fully responded to the tree planting plan, by planting a tree for each customer who has purchased a new house from Sanfar Property, with the goal of restoring more than 10,000 native tree species, so as to create a new environmental ecology and increase biodiversity.</p> | |
| | | | <p>2 Describe how the identified climate risks and opportunities affect the corporate business, strategy and finance (short, medium and long term).</p> | Climate change will prompt government authorities to impose stricter controls over greenhouse gas emission, have effect on the development of low-carbon technologies and the rise of diversified |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|-----------------|--------------------|----|---------------------|---|
| | Yes | No | Summary Description | |
| | | | | <p>services, and consumers' product preferences and will change consumption patterns. Therefore, the Company continues to pay attention to the market changes caused by market conditions, R& D and innovation of green technology, timely reflect consumers' preference for green products, actively promote corporate social responsibility, fulfill environmental commitments, strengthen disclosure of environmental information, such as ESG sustainability reports, and establish a positive image of sustainable development.</p> <p>3 Describe the financial impact of extreme climate events and transformational actions. Since windstorm and earthquakes may damage the Company's assets, the Company's collateral security or insurance will be reviewed regularly for sufficiency.</p> <p>4 Describe how the identification, assessment and management processes of climate risks are integrated into the overall risk management system. The impact of climate change on enterprises is not only stricter controls over greenhouse gas emission, the development of low-carbon technologies and the rise of diversified services, consumers' product preferences and consumption patterns, but also increases construction safety concerns, such as long-term heat exposure of workers, or damage to the quality of construction projects caused by strong earthquakes.</p> |

| Evaluation Item | Execution (Note 1) | | | Summary Description | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|-----------------|--------------------|----|---|--|--|
| | Yes | No | | | |
| | | | | The Company timely reflects consumers' preference for green products by dint of green technology research and development and innovation, in case of natural and man-made disasters and other emergencies, it takes response measures as required by the competent authority, so as to achieve legality, and regularly review the needs of labor and strengthen project self-inspection. | |
| | | | 5 | If scenario analysis is adopted to assess resilience to risks of climate change, the scenarios, parameters, assumptions, analysis factors and key financial impacts should be described. | The Company has not adopted scenario analysis to assess resilience to risks of climate change. |
| | | | 6 | If there is a transition plan to address climate-related risks, describe the content of the plan and identify and manage physical risks and transition risk indicators and targets. | The Company has not yet developed a transition plan to address climate-related risks. |
| | | | 7 | If internal carbon pricing is taken as a planning tool, the basis for setting the prices should be stated. | Not applicable. |
| | | | 8 | If there are climate-related | The Company has not yet set |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|--|--------------------|----|---|--|
| | Yes | No | Summary Description | |
| | | | <p>targets, state the activities covered, the scope of greenhouse gas emissions, the planning schedule, and the progress to be achieved each year; If carbon offsets or renewable energy certificates (RECs) are used to achieve the relevant targets, state the source and amount of carbon reduction credits or the number of renewable energy certificates (RECs).</p> <p>climate-related targets.</p> | |
| (4) In the past two years, did the Company conduct statistics of GHGs emission and the total weight of waste discharged and enact policies to save energy and reduce carbon emission, lower GHGs, save water, and manage waste disposal? | V | | <p>The Company has been collecting statistics on greenhouse gas emissions and waste disposal since 2021. Please refer to the Company's Corporate Sustainability Report for the policy and implementation.</p> <p>According to the "Sustainable Development Roadmap of the Listed Companies", the Company has paid-in capital of less than NTD 5 billion and should be subject to greenhouse gas inventory and verification in the third stage (2026); and the consolidated subsidiaries of the Company (including the subsidiaries reported in the consolidated statements) should be subject to the greenhouse gas inventory and verification in the fourth stage (2027); In accordance with the reference guidelines and relevant regulations of the competent authority, we will continue to complete the plans such as setting up full-time (part-time) units, detailed</p> | No significant difference |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons | | | | | | | | | | | | | | |
|---|------------------------------|----|--|--|------------------------------|---|------------|--|------------|--|------------|---|------------|-------------------------------------|------------|--|------------|--|
| | Yes | No | Summary Description | | | | | | | | | | | | | | | |
| | | | <p>promotion schedules for each planned project, formulating complete inventory procedures and the phased targets for supervision and control by the Board of Directors, and report the progress to the Board of Directors on a quarterly basis, continue to control greenhouse gas inventory and verification, and disclose schedule for completion; the timeline for greenhouse gas inventory and verification of the Company and all subsidiaries is planned as follows:</p> <table border="1"> <thead> <tr> <th>Tasks</th> <th>Estimated time of completion</th> </tr> </thead> <tbody> <tr> <td>Establish full-time (part-time) units, assess the number of full-time (part-time) staff and their scope of duties, and set up internal verification department.</td> <td>Q3 in 2024</td> </tr> <tr> <td>Talent training, strategic objectives, control mechanisms, internal verification and external verification planning.</td> <td>Q3 in 2024</td> </tr> <tr> <td>Greenhouse gas inventory (the Company)</td> <td>Q3 in 2026</td> </tr> <tr> <td>Greenhouse gas inventory (the Company and all subsidiaries)</td> <td>Q3 in 2027</td> </tr> <tr> <td>External verification (the Company)</td> <td>Q2 in 2028</td> </tr> <tr> <td>External verification (the Company and all subsidiaries)</td> <td>Q2 in 2029</td> </tr> </tbody> </table> | Tasks | Estimated time of completion | Establish full-time (part-time) units, assess the number of full-time (part-time) staff and their scope of duties, and set up internal verification department. | Q3 in 2024 | Talent training, strategic objectives, control mechanisms, internal verification and external verification planning. | Q3 in 2024 | Greenhouse gas inventory (the Company) | Q3 in 2026 | Greenhouse gas inventory (the Company and all subsidiaries) | Q3 in 2027 | External verification (the Company) | Q2 in 2028 | External verification (the Company and all subsidiaries) | Q2 in 2029 | |
| Tasks | Estimated time of completion | | | | | | | | | | | | | | | | | |
| Establish full-time (part-time) units, assess the number of full-time (part-time) staff and their scope of duties, and set up internal verification department. | Q3 in 2024 | | | | | | | | | | | | | | | | | |
| Talent training, strategic objectives, control mechanisms, internal verification and external verification planning. | Q3 in 2024 | | | | | | | | | | | | | | | | | |
| Greenhouse gas inventory (the Company) | Q3 in 2026 | | | | | | | | | | | | | | | | | |
| Greenhouse gas inventory (the Company and all subsidiaries) | Q3 in 2027 | | | | | | | | | | | | | | | | | |
| External verification (the Company) | Q2 in 2028 | | | | | | | | | | | | | | | | | |
| External verification (the Company and all subsidiaries) | Q2 in 2029 | | | | | | | | | | | | | | | | | |
| <p>D. Social Issues</p> <p>(1) Did the Company comply with relevant laws and the</p> | V | | The Company fulfills its corporate social responsibility, protects the basic human rights and related rights and interests of all employees, | No significant difference | | | | | | | | | | | | | | |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|--|--------------------|----|---|--|
| | Yes | No | Summary Description | |
| International Bill of Human Rights to enact relevant management policies and procedures? | | | <p>customers and stakeholders, recognizes and supports the spirit and basic principles of human rights protection revealed in international human rights conventions such as the UN Universal Declaration of Human Rights, UN Global Compact and the ILO Conventions, and formulates relevant management policies such as work rules, absence management measures, measures for prevention and punishment of sexual harassment, and channels for opinions and appeals based on the spirit of human rights, so as to protect and respect the basic labor rights of employees and offer equal opportunities. The policies are as follows:</p> <ol style="list-style-type: none"> 1. Support and respect international human rights within the scope of the business influence. 2. The recruitment, selection, employment, distribution, job experience, remuneration and benefits, promotion, education and training and retirement plans of employees shall not differ on the basis of race, class, language, ideology, religion, political party, place of origin, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical and mental disabilities and trade union status. 3. Employees are employed on a non-discriminatory basis, offered fair opportunities in hiring, remuneration and benefits, training, evaluation and promotion, and provided with an effective and appropriate grievance mechanism to avoid and respond to situations that endanger the rights and interests of employees. 4. Child labor under the age of 16 is prohibited and forced labor is not permitted. 5. Create a gender-equal workplace, implement systems for leaving | |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|---|--------------------|----|---|--|
| | Yes | No | Summary Description | |
| | | | <p>without pay for childcare, and provide family care leave, physiological leave, pregnancy check-up leave, leave for accompanying wife to do pregnancy check-ups and paternity leave.</p> <p>6. Anti-discrimination, bullying and harassment.</p> <p>7. Respect the rights of employees, employees can freely associate in accordance with the law, set up diverse associations, and actively persuade colleagues to join associations.</p> <p>The implementation of the Company's policy for protection of human rights is as follows: Non-discriminatory employment policies; No child labor, no complaints of bullying or harassment; Create a safe pregnancy-friendly environment; Comply with the Act of Gender Equality in Employment, 1 employee applied for 56hr maternity leave and 1 employee applied for leave without pay for childcare in 2022.</p> | |
| (2) Did the Company enact and implement reasonable employee welfare measures (including remuneration, holidays, and other welfare) and reflect management performance or result in employee remuneration? | V | | <p>The Company has taken reasonable measures for employee welfare, and conducts questionnaires before and after the event, questionnaires are designed tailored to the needs of employees, and taken as an indicator of improvement.</p> <p>The Company provides a competitive salary system in diverse combinations, including basic salary, allowance, bonuses, and welfare fund plus allowances for marriage, birth, and tours to build a complete remuneration structure.</p> <p>The remuneration for employees shall be determined in accordance with Article 23 of the Articles of Association of the Company: The profit before tax of the current fiscal year does not include the remuneration for the board of directors and employee compensation. If there is a</p> | No significant difference |

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| | Yes | No | Summary Description | |
| | | | <p>balance after covering the losses, the Company shall set aside no less than 1% of its annual profits to employees as remuneration. In addition, the variable remuneration is paid based on the work objectives of the management, departments and the personal KPIs, combined with the operation management policy, while rewarding systems are designed taking ISO9001, ESG related indicators and achievement of substantive operating results into consideration to reward colleagues.</p> <p>The Company executes the remuneration system that considers both operational performance and risk management, values employee contribution and values, encourages employees to work together with the Company for innovative management performance and achieving sustainable development.</p> | |
| (3) Did the Company provide employees a safe and healthy work environment and periodically conduct safety and health education for employees? | V | | <p>The Company avoids potential health and safety risks caused by work patterns and regularly reviews the health of employees.</p> <p>Security risks and improvement plans Adopt a corporate environmental responsibility approach and build a friendly environment, energy saving and waste reduction; Comply with government laws and regulations related to environmental safety, health and labor, and Safeguard legitimate rights and interests of workers, without endangering the basic rights of labor, and protect the safety of employees at work and maintain employee health; Invest effective resources through annual occupational safety and health education and training (including internal and external training), and formulate relevant management measures to train employees in emergency response,</p> | No significant difference |

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|---|--|----------------------|--|--|--|-----------------|----|----|-------|------------------|--|----------------------|---------------------|----|----|--|---|----|---|----|-----|--|
| | Yes | No | Summary Description | | | | | | | | | | | | | | | | | | | |
| | | | <p>promote the physical and mental health of employees and provide a safe and healthy working environment.</p> <p>1. The number of employees who have received health checkup in the Company in 2022</p> <table border="1"> <thead> <tr> <th>The number of persons to receive health checkup in the Company and its subsidiaries</th> <th>Number of persons who have not received health checkup</th> <th>Completion rate</th> </tr> </thead> <tbody> <tr> <td>68</td> <td>11</td> <td>83.8%</td> </tr> </tbody> </table> <p>2. The number of employees who have gone through occupational disasters in 2022.</p> <p>3. The number of persons who have received safety and health education and training and hours of education and training in 2022</p> <table border="1"> <thead> <tr> <th>Training targets</th> <th>Number of persons who have received training</th> <th>Total training hours</th> </tr> </thead> <tbody> <tr> <td>Number of new hires</td> <td>16</td> <td>96</td> </tr> <tr> <td>Occupational safety and health personnel</td> <td>1</td> <td>42</td> </tr> <tr> <td>Accumulated number of persons and hours</td> <td>17</td> <td>138</td> </tr> </tbody> </table> | The number of persons to receive health checkup in the Company and its subsidiaries | Number of persons who have not received health checkup | Completion rate | 68 | 11 | 83.8% | Training targets | Number of persons who have received training | Total training hours | Number of new hires | 16 | 96 | Occupational safety and health personnel | 1 | 42 | Accumulated number of persons and hours | 17 | 138 | |
| The number of persons to receive health checkup in the Company and its subsidiaries | Number of persons who have not received health checkup | Completion rate | | | | | | | | | | | | | | | | | | | | |
| 68 | 11 | 83.8% | | | | | | | | | | | | | | | | | | | | |
| Training targets | Number of persons who have received training | Total training hours | | | | | | | | | | | | | | | | | | | | |
| Number of new hires | 16 | 96 | | | | | | | | | | | | | | | | | | | | |
| Occupational safety and health personnel | 1 | 42 | | | | | | | | | | | | | | | | | | | | |
| Accumulated number of persons and hours | 17 | 138 | | | | | | | | | | | | | | | | | | | | |
| (4) Did the company build effective career competence development | V | | The Company reviews and improves the relevant systems every year, respects equal rights in the workplace, and ensures equal work | No significant difference | | | | | | | | | | | | | | | | | | |

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|---|--------------------|----|---|--|
| | Yes | No | Summary Description | |
| plan for employees? | | | <p>opportunities to promote healthy and positive industrial relations; Conduct performance evaluation of employees at regular intervals Propose appraisal opinions and collect employee opinions aimed at improving the overall performance of individuals and the organization Fair and reasonable performance appraisal procedures are conducted as a basis for job promotions, salary adjustments and employees career development.</p> <p>The Company holds supervisor training courses at least once a year. It held a supervisor (including general manager) goal consensus camp on October 5~6, 2022, and offered theme courses and opportunities for discussions on future strategic planning, including sharing the Company's organizational culture, business management, leadership practice of annual goal planning and seminars on hot topics in recent years such as ESG, etc., and the interactive discussions in the seminar shared by external lecturers triggered the supervisor brainstorm on the spot for them to understand the latest management thinking.</p> | |
| (5) Did the Company comply with relevant laws and international principles for products and services regarding customer health and safety, customer privacy, marketing and labelling and other issues, and enact relevant protection rights policies for consumers or | V | | <p>The Company provided sales contracts, labels, and disclosure information according to laws; The Company formulates the mechanism for relevant protection rights and communication channels, and has a special unit Responsible for after-sales services and safeguarding consumer rights and interests.</p> | No significant difference |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|--|--------------------|----|---|--|
| | Yes | No | Summary Description | |
| customers and complaint procedures? | | | | |
| (6) Did the Company enact supplier management policies to request suppliers to comply with relevant rules and regulations for issues of environmental protection, occupational safety and health, or labors' human rights and how is the implementation? | V | | <p>The Company has set the "Key Points of Manufacturers in Assessment and Evaluation", under which it will conduct evaluation on suppliers, and the evaluation criteria are divided into five aspects of assessments, such as progress, quality, cost control, safety and health, and cooperation; The Company's supplier audits include internal audits; the Company's high-level joint audit team conducts inspections on progress, quality and occupational safety.</p> <p>1. Environmentally friendly: Take multi-faceted management measures, including waste, water resources, greenhouse gases, noise, soil and groundwater pollution, air quality, etc., to reduce the impact on the environment during operation, and increase clean energy and ecological restoration.</p> <p>2. Occupational safety, health and labor rights: Comply with laws and regulations such as the Occupational Safety & Health Act, the Labor Standards Act and other industry-related laws and regulations, rules for facilities of occupational safety and health, etc., and ensure that the internal systems can continue to comply with relevant laws and regulations. Arrange drills and trainings at workplace, including "occupational safety and health" and "fire management", etc., so as to inject the concept of safety and health into the working habits of all employees and enhance their awareness of safety and health.</p> <p>In addition, in order to ensure that the systems and management measures for occupational safety and health implemented internally</p> | No significant difference |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|---|--------------------|----|---|--|
| | Yes | No | Summary Description | |
| | | | can keep pace with the times, the Company plans to introduce ISO 9001 architecture planning, coupled with internal audits, management review, automatic inspection, safety and health inspection and other mechanisms to check whether the above systems are put into practice, and will take immediate actions when there are security vulnerabilities or opportunities for improvement. | |
| V. Did the Company follow compiling principles or guidance of standard international reports when compiling sustainability reports to disclose non-financial information of the Company? Did the said report acquire the certification and guarantee opinion from the third-party certification agency? | V | | The Company's sustainability report is prepared based on international standards or guidelines to disclose non-financial information, and with reference to the auditing standards for relevant certification bodies in the future according to development trends or regulations. | No significant difference |
| <p>VI. If the Company enacts its own Principles for Code of Practice for Sustainable Development according to the “Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Company,” please describe the difference between actual operations and enactment: The Company has established a Sustainable Development Committee, which is expected to formulate and implement the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies.</p> | | | | |
| <p>VII. Important Information that helps to understand promotion of sustainable development: The Company's sustainability report for 2022 has been disclosed on the Company's website, with the progress reported to the Board of Directors on November 8, 2022, and the Board of Directors has been informed of the relevant information without objection to the implementation. The major implementation scenarios are briefly described below: 1. Public welfare activities: Since its establishment in 2012, Sanfar Foundation has taken art and cultural education, dream fulfillment</p> | | | | |

| Evaluation Item | Execution (Note 1) | | | differences from the Code of Practice under the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies and reasons |
|-----------------|--------------------|----|---|--|
| | Yes | No | Summary Description | |
| | | | <p>and career exploration as its core values, hoping to spread books to every corner of urban and rural areas through education transmission, and has cooperated with 25 institutions, organized events 450 times and reaching to more than 750,000 people. In 2021, "Sanfa Foundation" was awarded the Wen Xin Award for special contributions to the maintenance and development of Taiwan's art and culture by the Ministry of Culture of Taiwan. As of 2022, it has cooperated with the art enterprise, Jingo International Records Co., Ltd., a 100% controlled subsidiary, and supported Taiwanese art and cultural groups (including art, culture and education) with a cumulative amount of NTD 2.68 million yuan.</p> <ol style="list-style-type: none"> 2. Environmentally friendly: Take multi-faceted management measures, including waste, water resources, greenhouse gases, noise, soil and groundwater pollution, air quality, etc., to reduce the impact on the environment during operation, promote clean energy and ecological restoration, develop circular economy, and build a green living circle. 3. Energy conservation and emission reduction actions: integrate the concept of sustainability into buildings, such as ventilation and lighting patios and electric vehicle charging equipment in building design designed for energy conservation and carbon reduction; The use of LED energy-saving bulbs in the office and the addition of recirculating fans to help cool down the indoor temperature, reduce the use of air conditioning, and reduce energy consumption and carbon emissions. 4. Occupational Safety and Health Management System: The Company plans and implements an occupational safety management system through the ISO 9001 framework, coupled with internal audits, management review, automatic inspection, safety and health inspection and other mechanisms to check whether the above systems are put into practice, and will take immediate actions when there are vulnerabilities or opportunities for improvement. 5. Community communication: Asphalt laying works without road damage on the road surface near the construction site; Manage domestic wastewater, vehicle cleaning, surface runoff (rainwater) at the construction base; fence greening; Cleaning the exterior walls of neighboring houses, gutters, and regular visits for neighborhood watch. 6. Communication with and response to stakeholders: The Company provides communication channels and responses to major issues of concern to stakeholders, and on November 8, 2022, the Board of Directors reported on the communication with stakeholders in 2022 and disclosed it on the Company's website. (https://www.sanfar.com.tw) | |

(VI) Difference and Reason between Trust Management of the Company and the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”

| Evaluation Item | Operations | | | Difference and Reason between Trust Management of the Company and the “Trust Management Best Practice Principles for TWSE/TPEX Listed Companies” |
|---|------------|----|---|--|
| | Yes | No | Summary Description | |
| <p>1. Enactment of Trust Management Polices and Initiatives</p> <p>(1) Did the Company enact trust management policies adopted by the Board of Directors and statement policies and procedures clearly in rules and regulations and external documents? How is the promise of the Board of Directors and the high-ranking management level being carried out?</p> | V | | <p>(1) In accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", the Company has formulated the "Code of Integrity Management", "Operational Procedure and Behavior Guidelines of Trust Management", "Code of Ethical Conduct", and "Reporting System", which have been adopted by the Board of Directors, the relevant policies specifically regulate the matters that the Company's personnel should pay attention to during</p> | No significant difference |

| Evaluation Item | Operations | | | Difference and Reason between Trust Management of the Company and the “Trust Management Best Practice Principles for TWSE/TPEX Listed Companies” |
|---|------------|----|---|--|
| | Yes | No | Summary Description | |
| <p>(2) Did the Company build an evaluation mechanism for risks of untrustful behavior and periodically analyze and evaluate operational events that may involve relatively untrustful behavior risk in the scope of operations to enact prevention initiatives from untrustful behavior? Does that at least include prevention measures of behaviors stated in Article 7-2 of the Best Practice Principles of Trust Management for TWSE/TPEX Listed Companies?”</p> <p>(3) Did the Company clearly enact operational procedures, behavioral guidelines, disciplines for violation, and complaint system to prevent untrustful behavior? Did the Company execute accordingly and periodically review the said initiatives?</p> | V | | <p>performance of duties, intending to be mutually bound; the Company will at least once a year hold education and publicity on "prevention of insider trading" and "integrity management" related issues for current directors, managers and employees.</p> <p>(2) In business activities, in addition to specifically regulating the matters that the Company's personnel should pay attention to during performance of duties, the Company externally signs anti-bribery clauses with manufacturers and contractors, all suppliers or third parties must follow the Company's procurement systems, and suppliers must issue a "good faith statement" and "letter of consent as to not hire illegal workers" to jointly protect the rights and interests of both parties.</p> <p>(3) The Company has specified operating procedures, conduct guidelines, systems for whistleblowing, punishment and appeal under the Code of Ethical Management, Operational Procedure of Trust Management and Behavior Guidelines, Code of</p> | |

| Evaluation Item | Operations | | | Difference and Reason between Trust Management of the Company and the “Trust Management Best Practice Principles for TWSE/TPEX Listed Companies” |
|---|----------------------------|----|--|--|
| | Yes | No | Summary Description | |
| | | | Ethical Conduct, and Whistleblowing System. | |
| <p>B. Implementation of Trust Management</p> <p>(1) Did the Company evaluate trust records of related parties and put rules governing trust behavior in contracts that are signed with related parties?</p> <p>(2) Did the Company set up a designated department under the Board of the directors to take charge of trust management of the Company and did it report to the Board of Directors periodically (at least once per year) about trust management policies and prevention initiatives as well as execution monitoring?</p> <p>(3) Has the Company developed a policy to prevent conflicts of interest, provided a proper presentation channel, and put such policy in place?</p> | <p>√</p> <p>√</p> <p>√</p> | | <p>(1) The Company has developed the rules governing anti-bribery and reporting systems for its manufacturers and contractors.</p> <p>(2) In addition to setting up an audit unit under the Board of Directors, the Company sets up a corporate integrity management unit consisting of the members of the Administration Department and legal team, which are responsible for the formulation and supervision of the implementation of policies for integrity management and insider transaction prevention, including among other things, internal publicity policies and annual education and training, and have reported the implementation to all directors at the meeting of the Board of Directors on November 8, 2022.</p> <p>(3) The Administration Department is responsible for trust management policies and enactment and implementation monitoring of trust management</p> | No significant difference |

| Evaluation Item | Operations | | | Difference and Reason between Trust Management of the Company and the “Trust Management Best Practice Principles for TWSE/TPEX Listed Companies” |
|-----------------|------------|----|--|--|
| | Yes | No | Summary Description | |
| | | | <p>policies and its prevention initiatives and periodically reports to the Board of Directors. The report is listed in follow-up items of internal control. The Company enacted the Principles for Trust Management Practices, Operational Procedure of Trust Management and Behavior Guidelines, the Code of Ethical Conduct, the Reporting System, and Policies to Prevent Interest Conflict to provide proper communication channels. Till the publishing date of this annual report, Board Directors, managers, employees, entrusted parties of the Company (including subsidiaries) did not demonstrate untrustful behavior during business operations.</p> <p>The internal audit department, according to risk evaluation results, enacts an annual audit plan. After reviewed by the Audit Committee and approved by the Board of Directors, the Department reports to the Committee and the Board about audit operations. The Company and suppliers enacted rules governing anti-briberies and</p> | |

| Evaluation Item | Operations | | Summary Description | Difference and Reason between Trust Management of the Company and the “Trust Management Best Practice Principles for TWSE/TPEX Listed Companies” |
|--|------------|----|--|--|
| | Yes | No | | |
| (4) Did the Company set up an effective accounting system and internal control system to realize trust management and enact a relevant audit plan according to evaluation risk of untrustful behavior conducted by the internal audit department to check the implementation of prevention initiatives or did the Company entrust CPAs to audit? | √ | | therefore, there is no interest conflict. (4) The internal audit and control system and accounting system are established and auditors carry out operations according to the plan. | |
| (5) Did the Company periodically organize internal and external educational training on trust management? | √ | | (5) The Company focuses on the formulation and supervision over the implementation of policies for integrity management and insider transaction prevention internally; and procures that the procurement team advocates the Company's integrity policy and business philosophy to suppliers externally. In addition, the Chairman of the Board of Directors advocates the concept of ethics and integrity and corporate governance at the executive meeting and the monthly meeting of all employees, specifically the matters that the Company's colleagues should pay attention to in the transaction of business. | |

| Evaluation Item | Operations | | | Difference and Reason between Trust Management of the Company and the “Trust Management Best Practice Principles for TWSE/TPEX Listed Companies” | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------|---|-------------------------|---|--|----------------|-------------------------|-------------------|---|------|-------------------|---|-----|-------------------|---|------|-------------------|---|-----|-------------------|--|--------|-------------------|---|--------|-------------------|--|--------|--|
| | Yes | No | Summary Description | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>The advocacy education courses for corporate integrity management and insider trading prevention offered by the Company for 2022 are as follows:</p> <table border="1"> <thead> <tr> <th>Name of Courses</th> <th>Name of Course</th> <th>Number of Hours/Persons</th> </tr> </thead> <tbody> <tr> <td>External training</td> <td>Advocacy of prevention of insider trading in 2022</td> <td>3/ 1</td> </tr> <tr> <td>External training</td> <td>The Study Group of Corporate Governance and Sustainable Development of Business</td> <td>9/3</td> </tr> <tr> <td>External training</td> <td>Promotion Seminar on the Insider Equity Transaction in Compliance With Laws</td> <td>12/4</td> </tr> <tr> <td>External training</td> <td>Investigation Practices and Case Analysis of Corporate Frauds</td> <td>3/1</td> </tr> <tr> <td>Internal training</td> <td>Advocacy policies for integrity management (September 5, 2022)</td> <td>0.5/89</td> </tr> <tr> <td>Internal training</td> <td>SMC Consensus Camp-ESG Concept Advocacy (October 5~6, 2022)</td> <td>0.5/28</td> </tr> <tr> <td>Internal training</td> <td>Advocacy of prevention of insider trading (November 7, 2022)</td> <td>0.5/88</td> </tr> </tbody> </table> | Name of Courses | Name of Course | Number of Hours/Persons | External training | Advocacy of prevention of insider trading in 2022 | 3/ 1 | External training | The Study Group of Corporate Governance and Sustainable Development of Business | 9/3 | External training | Promotion Seminar on the Insider Equity Transaction in Compliance With Laws | 12/4 | External training | Investigation Practices and Case Analysis of Corporate Frauds | 3/1 | Internal training | Advocacy policies for integrity management (September 5, 2022) | 0.5/89 | Internal training | SMC Consensus Camp-ESG Concept Advocacy (October 5~6, 2022) | 0.5/28 | Internal training | Advocacy of prevention of insider trading (November 7, 2022) | 0.5/88 | |
| Name of Courses | Name of Course | Number of Hours/Persons | | | | | | | | | | | | | | | | | | | | | | | | | | |
| External training | Advocacy of prevention of insider trading in 2022 | 3/ 1 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| External training | The Study Group of Corporate Governance and Sustainable Development of Business | 9/3 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| External training | Promotion Seminar on the Insider Equity Transaction in Compliance With Laws | 12/4 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| External training | Investigation Practices and Case Analysis of Corporate Frauds | 3/1 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Internal training | Advocacy policies for integrity management (September 5, 2022) | 0.5/89 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Internal training | SMC Consensus Camp-ESG Concept Advocacy (October 5~6, 2022) | 0.5/28 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Internal training | Advocacy of prevention of insider trading (November 7, 2022) | 0.5/88 | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation Item | Operations | | | Difference and Reason between Trust Management of the Company and the “Trust Management Best Practice Principles for TWSE/TPEX Listed Companies” | | | |
|--|--|--------|---|--|--|--------|--|
| | Yes | No | Summary Description | | | | |
| | | | <table border="1"> <tr> <td>Internal training</td> <td>Advocacy of cyber security(December 5, 2022)</td> <td>0.5/91</td> </tr> </table> | Internal training | Advocacy of cyber security(December 5, 2022) | 0.5/91 | |
| Internal training | Advocacy of cyber security(December 5, 2022) | 0.5/91 | | | | | |
| <p>C. Operations of the Reporting System of the Company</p> <p>(1) Did the Company enact a concrete reporting and incentive system and develop convenient reporting channel or appoint the designated personnel for parties being reported?</p> <p>(2) Did the Company enact standard operational procedures for handling violation reports and what are continuous measures or relevant confidentiality protection mechanisms?</p> <p>(3) Did the Company adopt protection measures to prevent inappropriate handling of reporters?</p> | <p>V</p> <p>V</p> <p>V</p> | | <p>(1) The Company has set up internal and external whistleblowing channels, in the charge of the dedicated unit, and the identity of the whistleblower is kept confidential. If an employee, vendor or contractor acts in violation of good faith, he/she can file a complaint in writing/ via a phone call/E-mail: contact_supervisor@sanfar.com.tw.</p> <p>(2) The Company has set up internal and external whistleblowing channels, in the charge of the dedicated unit, and the identity of the whistleblower is kept confidential.</p> <p>(3) In the course of investigation, the Company will not allow the whistleblower to be mishandled or threatened, and a whistleblower may file a report anonymously.</p> | No significant difference | | | |

| Evaluation Item | Operations | | | Difference and Reason between Trust Management of the Company and the “Trust Management Best Practice Principles for TWSE/TPEX Listed Companies” |
|---|------------|----|--|--|
| | Yes | No | Summary Description | |
| D. Enhancement of Information Disclosure (1) Did the Company disclose contents enacted in the Principles of Trust Management and promotion effectiveness on its website and MOPS? | V | | (1) The Company has set up an official website: (https://www.sanfar.com.tw), with complete, correct and up-to-date information disclosed on MOPS; please refer to the Company's annual report and ESG report to review the effectiveness of promotion. | No significant difference |
| E. If the Company, according to the “Trust Management Best Practice Principles for TWSE/TPEX Listed Companies,” enacted its own principles, please describe the difference between its operations and principles enacted: The Company's Operational Procedure of Trust Management and Behavior Guidelines have been approved by the Board of Directors, put into practice and regularly reviewed under the internal control systems and related measures and standards, without major differences. | | | | |
| VI. Other important information helpful for better understanding of ethical corporate management: The Company engages in business activities in accordance with the business philosophy of integrity, mutual assistance, professionalism and responsibility; internally, the Company sets up a corporate integrity management unit consisting of the members of the Administration Department and legal team, which are responsible for the formulation and supervision of the implementation of policies for integrity management and insider transaction prevention, including among other things, internal publicity policies and annual education and training, and will report the implementation to the Board of Directors at least once a year; the Company procures that the procurement team advocates the Company's integrity policy and business philosophy to suppliers externally. The Chairman of the Board of Directors advocates the concept of ethics and integrity and corporate governance at the executive meeting and the monthly meeting of all employees to promote the sustainable development of the Company. | | | | |

(7) If the Company has established the Corporate Governance Best Practice Principles and the related regulations, it should disclose how to

inquire about such principles.

In order to enhance corporate governance, the Company enacted the Principles of Trust Management Practices, the Code of Ethical Conduct, Operational Procedure and Behavior Guidelines as the compliance basis for Board Directors, managers, and employees. Relevant information can be found on the MOPS (<http://mops.twse.com.tw/mops>) and the company website: (<https://www.sanfar.com.tw>) at "Stakeholders" - > "Corporate Governance" - > "Management Rules and Regulations" - > "Code of Practice on Corporate Governance".

(8) Please disclose other important information that helps to understand the operations of corporate governance of the Company:

1. The Company has set up Functional Committees such as the Remuneration Committee, the Audit Committee, and the Nomination Committee, with Tsai Wen-Ling, the Head of Corporate Governance, assisting the Board of Directors in operational business.
2. Internal Important Information Processing and Prevention from Insider Trading Operations
 - (1) The Company enacted operational procedures of management of important information processing and prevention from insider trading. Disclosure documents of important information shall be proceeded according to the internal approval procedure.
 - (2) Disclosure of important information of the Company shall be handled by the spokesperson of the Company and except for the representative, spokesperson, and acting spokesperson, without authorization of the Company, no important internal information shall be disclosed to outsiders.

(9) Items that shall be disclosed about execution of internal control system:

1. Internal Control Statement

Sanfar Property Limited
Statement of Internal Control System

Date: March 30, 2022

According to the result of self-evaluation of the 2021 Internal Control System of the Company, the statement is made below:

1. The Company knows very clearly that it is the responsibility of the Board of Directors and managers to establish, implement, and maintain the internal control system and the Company has set up that system. The purpose is to maintain effectiveness and efficiency of operations (including profit, performance, and protection of asset safety), reliability, timeliness, transparency of reporting, and compliance with relevant rules and regulations to ensure reasonable assurance.
2. There are some limitations to the internal control system. No matter how good the design is, one effective internal control system can only provide reasonable assurance to achieve the said three objectives. Additionally, due to changes in environment and situation, the effectiveness of the internal control system may change accordingly. But the internal control system of the Company is developed with the self-monitoring mechanism and once a defect is identified, the Company will immediately adopt corrective actions.
3. The Company, according to the “Internal Control System Best Practice Principles for TWSE/TPEX Listed Companies” (hereinafter referred to as “the Handling Principles” to regulate the determination of items for the effectiveness of the internal control system to get to know the effectiveness of design and execution. Determination items of the internal control system adopted by the “Handling Principles” divide the system into five composition elements according to its management procedure: 1. Control environment; 2. Risk evaluation; 3. Control operations; 4. Information and communication, and monitoring operations. There are several sub-items under each composition element. For the said items, please refer to rules governing the “Handling Principles.”
4. The Company has evaluated the effectiveness of design and implementation of its internal control system in accordance with the above criteria.
5. Based on the results of examination, the Company believes that the design and implementation of its internal control system dated December 31, 2021 (including supervising and managing its subsidiaries), consisting of the effectiveness and efficiency of business operations, the preparation of reliable, timely and transparent financial statements, and their compliance with the relevant rules and regulations, are effective, and reasonably assure the achievement of the aforementioned goals.
6. This Statement becomes major contents of the annual report and open statement of the Company and is disclosed to the public. Any fabrication and closure of the said open contents violate Article 20, 32, 171, and 174 of the Securities and Exchange Act and relevant legal responsibilities shall be taken.
7. This Statement has been approved by the Company’s Board of Directors at the meeting held on March 30, 2022, at which this Statement was unanimously endorsed by 7 attending directors without any opposing opinions.

Sanfar Property Limited

Chairman of the Board: Ting-Chen Chung Signature and Seal

General Manager: Ting-Chen Chung Signature and Seal

2. If CPAs are entrusted with auditing the internal control system, the audit report prepared by CPAs shall be disclosed: None.

(10) Penalties, major defects, and improvement of the Company and its internal personnel being punished due to violation to the internal control system according to laws or by the Company in recent accounting year and till the publishing date:

1. Penalties of the Company and its internal personnel being punished according to laws: None.

2. Internal personnel being punished due to violation of the internal control system by the Company: None.

(11) In the recent year and until the publishing date of the annual report, important resolutions adopted by meetings of shareholders and the Board of the Directors:

1. Resolutions adopted by Shareholders' meetings in 2022:

| Date of the General Meeting Date | Contents of Important Resolutions | Resolution result and implementation |
|----------------------------------|--|---|
| 2022/6/30 | 1. Recognition of the 2021 Business Report and Financial Statements of the Company 2. Recognition of the 2021 Profit Distribution of the Company 3. Adopted the resolution on amendment of the "Article of Incorporation of the Company." 4. Adoption of the resolution on amendment to the "Rules Governing Shareholders' Meetings" of the Company. 5. Adoption of the amendments to some provisions of the Procedures for Acquisition or Disposal of Assets of the Company. 6. Approval of the proposal for lifting the non-compete clause for the Company's directors and their representatives. | 1. All proposals are adopted by vote. 2. After proposals are adopted by vote, the cash dividend per share will be NTD 0.68 yuan, with September 27, 2022 as the ex-dividend date and October 14, 2022 as the payment date. 3. All proposals are adopted by vote. 4. All proposals are adopted by vote. 5. All proposals are adopted by vote. 6. All proposals are adopted by vote. |

2. Resolutions of the meeting of the Board of Directors in 2022:

| Meeting Date | Significant Resolutions and Results |
|---------------|---|
| 13th Term 7th | Discussions: With respect to the media report on February 19, 2022, the Company responded to the |

| Meeting Date | Significant Resolutions and Results |
|--------------------------------|---|
| 2022/3/8 | follow-up measures of the above matters. |
| 13th Term 8th 2022/3/16 | <p>Ad Hoc Motions:</p> <ol style="list-style-type: none"> 1. After ad hoc motions are approved, a letter may be sent to the media in the name of the Company, etc., the content of the inquiry can be consulted with CPAs and Crowe (TW) CPAs to clarify the related persons. 2. The Company may launch a follow-up investigation on the related persons concerning the reported matters, the investigation method can be consulted with CPAs and Crowe (TW) CPAs and C & A LAW to clarify the related persons. |
| 13th Term 9th 2022/3/22 | <p>Discussions:</p> <ol style="list-style-type: none"> 1. Approve the proposal of adjustments to the duties of auditing officers. 2. Approve the proposal of adjustments to the duties of the governance officer by the Company. 3. Approve the proposal for the Company's appointment of the managerial officer. |
| 13th Term 10th 2022/3/30 | <p>Discussions:</p> <ol style="list-style-type: none"> 1. Approve the proposal of the Company's 2021 compensation to directors and profit-sharing bonus to employees. 2. Approve the resolution on 2021 business report and financial statements 3. Approve the resolution on the 2021 "Internal Control System Statement." 4. Approve the amendments to the Procedures for Acquisition or Disposal of Assets of the Company. 5. Approve the amendments to the rules of procedure for the shareholders meetings. 6. Approve the Company's amendments to the Articles of Association. 7. Approve the resolution on time, venue, and major resolution contents of the 2022 General Meeting of the Company. 8. Approve the resolution on proposal of accepting shareholders' proposals at the General Meeting of the Company for 2022. |
| 13th Term 11th 2022/5/6 | <p>Discussions:</p> <ol style="list-style-type: none"> 1. Approve the proposals regarding the qualification of the Company's directors, the convener and the members of the functional committees. 2. Approve the proposal of the performance evaluation of the board of directors and the functional committees. 3. Approve the proposal of the performance evaluation of the top management of the Company. 4. Approve the proposal of the evaluation of the independence of CPAs and 2022 appointment remuneration. 5. Approve the proposal of the Company's appointment of the Head of Accounting. 6. Approve the resolution on 2021 dividend distribution 7. Approve the proposal of 2022 Business Plan. 8. Approve the proposal of the Consolidated Financial Statements for the first quarter of 2022. 9. Approve the proposal of lifting the non-compete clause on the representatives of the Company's directors. 10. Approve the proposal of lifting the non-compete clause for the Company's managers 11. Approve the audited proposal of shareholders at Company's 2022 annual meeting. 12. Approve the changes to the reasons for convening 2022 Annual General Meeting. 13. Approve the proposal for issuance of secured corporate bonds for the first time in |

| Meeting Date | Significant Resolutions and Results |
|---------------------------------|--|
| | 2022. 14. Approve the resolution on borrowings from financial institutions by the Company |
| 13th Term 12th 2022/8/3 | Discussions: 1. Approve the resolution on the Director Remuneration Distribution of the Company in 2021. 2. Approve the proposal for the distribution of the Company's compensation to managers and employees in 2021. 3. Approve the proposal for the Consolidated Financial Statements for the second quarter of 2022. 4. Approve the proposal of authorizing the chairman to purchase the construction inventory. 5. Approve the resolution on borrowings from financial institutions by the Company 6. Approve the resolution on the Company's application for corporate bond guarantee to Agricultural Bank of Taiwan 7. Approve the proposal for setting the record date of appropriation of earnings for paying cash dividends and related matters. |
| 13th Term 13th 2022/8/29 | Discussions: Approve the proposal for adjustments to issuance of secured corporate bonds for the first time in 2022. |
| 13th Term 14th 2022/9/6 | Discussions: 1. Approve the proposal for the Company to increase capital in subsidiary, Jing Fu Xiang Construction Co., Ltd. in cash. 2. Approve the proposal for resolution on contracting new construction project to the Subsidiary, Jing Fu Xiang Construction Co., Ltd. |
| 13th Term 15th 2022/10/19 | Discussions: 1. Approve the proposal for authorizing the chairman of the Board of Directors to purchase real estate or right-of-use assets for construction. 2. Approve the proposal of adjustments to the duties of the governance officer by the Company. 3. Approve the proposal for the Company's appointment of the managerial officer. |
| 13th Term 16th 2022/11/8 | Discussions: 1. Approve the proposal for the Consolidated Financial Statements for the third quarter of 2022. 2. Approve the Company's proposal to amend the Procedural Rules of the Board of Directors Meetings. 3. Approve the Company's budgeting plan of 2023 for the Company. 4. Approve the proposal of the Company's Audit Plan for 2023. 5. Approve the Company's proposed donations to Sanfar Foundation. 6. Approve the Company's amendments to the Procedures for handling material inside information and preventing insider trading. 7. Approve the proposal of auditing the organizational regulations of the committees under the Company's Board of Directors. 8. Approve the proposal of auditing the further education plan for directors in 2023 and actual further education in 2022. 9. Approve the proposal of the policy, system, standard and structure of the remuneration for the Company's directors and managerial officers in 2022. 10. Approve the proposal of auditing the performance evaluation of the managerial |

| Meeting Date | Significant Resolutions and Results |
|--------------|--|
| | <p>officers of the Company in 2022.</p> <p>11. Approve the proposal for payment of year-end bonuses to managers of the Company in 2022.</p> <p>12. Approve the proposal for the 2023 work plan for the Remuneration Committee of the Company</p> |

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion had been recorded or prepared as a written declaration, disclose the principal content thereof: None

(XIII) Summary of the resignation and removal of the Company's chairman, general manager, chief accountant, treasurer, internal audit supervisor, Corporate Governance Officer and R&D supervisor in the most recent year and up to the date of publication of the annual report:

March 31, 2023

| Job title | Name | Date of taking office | Date of dismissal | Reasons for resignation or dismissal |
|------------------------------|---------------|-----------------------|-------------------|---|
| Head of Corporate Governance | Junyuan Chen | March 22, 2022 | October 19, 2022 | Due to the needs of the Company's tasks, job duties are adjusted. |
| Audit officer | Chen Wei Hua | September 23, 2020 | March 22, 2022 | Due to the needs of the Company's tasks, job duties are adjusted. |
| Chief Accountant | Chia-Chin Lin | September 23, 2020 | March 31, 2022 | Resigned due to personal career planning. |

V. INFORMATION ON CPA AUDIT FEES

(I) Audit fees paid to the CPA, to the accounting firm of the CPA, and any affiliated enterprise of such accounting firm, the amounts of both audit and non-audit fees and the details of the non-audit services:

Unit: NT\$ Thousand

| Accounting firm | CPAs Name | CPA's Audit Period | Audit fees | Non-audit fees (Note 1) | Total | Note |
|-----------------|--------------------------------|-----------------------------------|------------|-------------------------|-------|------|
| KPMG | Hung Shiau Fang, Xinting Huang | January 1, 2022-December 31, 2022 | 1,850 | 1,515 | 3,365 | None |

Note 1: Tax certification of NTD 350 thousand yuan, strengthened inspection of NTD 860 thousand yuan, industrial and commercial registration of NTD 10 thousand yuan, English finance of NTD 200 thousand yuan, transfer pricing report of NTD 45 thousand yuan and corporate debt review opinions of NTD 50

thousand yuan and other auditing services.

1. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None
2. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclosed: None

VI. INFORMATION ON REPLACEMENT OF CERTIFIED PUBLIC ACCOUNTANTS: NOT APPLICABLE

VII. THE CHAIRMAN, GENERAL MANAGER, OR THE MANAGER RESPONSIBLE FOR FINANCING OR ACCOUNTING AFFAIRS, WHO HAS WORKED FOR THE ACCOUNTING FIRM TO WHICH CPAs BELONG OR THE AFFILIATED ENTERPRISES IN THE PAST YEAR: NONE.

VIII. CHANGES IN SHARES TRADING AND PLEDGING OF DIRECTORS, MANAGERIAL OFFICERS AND SHAREHOLDERS HOLDING MORE THAN 10% SHARES DURING THE MOST RECENT FISCAL YEAR OR THE CURRENT FISCAL YEAR UP TO THE DATE OF PUBLICATION OF THE ANNUAL REPORT

(D) Changes in shareholding of directors, managerial officers and shareholders holding more than 10% Shares:

Unit: shares

| Job title | Name | 2022 | | Up to March 31, 2023 | |
|-------------------------|--------------------------------|--|--|--|--|
| | | Number of Shares Owned Increase/decrease in | Number of shares pledged Increase/decrease in | Number of Shares Owned Increase/decrease in | Number of shares pledged Increase/decrease in |
| Chairman Representative | Shangshan Industrial Co., Ltd. | 30,000 | 0 | 0 | 0 |
| | Ting-Chen Chung | 38,000 | 0 | 5,000 | 0 |
| Director Representative | Shangshan Industrial Co., Ltd. | 30,000 | 0 | 0 | 0 |
| | Mingshen Gao | 0 | 0 | 0 | 0 |
| Director Representative | Shangshan Industrial Co., Ltd. | 30,000 | 0 | 0 | 0 |
| | Ting-Hsin Chung | 26,000 | 0 | 0 | 0 |
| Director | Cheng-nan Huang | 0 | 0 | 0 | 0 |
| Independent Director | Chin-Chang Wu | 0 | 0 | 0 | 0 |
| Independent Director | Hsu-hui Hsu | 0 | 0 | 0 | 0 |

| Job title | Name | 2022 | | Up to March 31, 2023 | |
|---|--------------------------------|---|---|---|---|
| | | Number of Shares Owned Increase/decrease in | Number of shares pledged Increase/decrease in | Number of Shares Owned Increase/decrease in | Number of shares pledged Increase/decrease in |
| Independent Director | Yanfend Wu | 0 | 0 | 0 | 0 |
| Vice General Manager of Planning Department | Liu Shu-Hung | 0 | 0 | 0 | 0 |
| Vice General Manager of Planning & Development Department | Hu Ding Hua (Note 1) | 0 | 0 | 0 | 0 |
| Vice General Manager of Sales Department | Huang Li Chen (Note 2) | 8,000 | 0 | (2,000) | 0 |
| Head of Corporate Governance | Weiqliang Li (Note 3) | 0 | 0 | 0 | 0 |
| | Junyuan Chen (Note 3) | 0 | 0 | 0 | 0 |
| | Tsai Wen-Ling (Note 3) | 0 | 0 | 0 | 0 |
| Vice General Manager of the Administration Department | Chen Hsiue-Liang (Note 4) | 0 | 0 | 0 | 0 |
| Vice General Manager of the Accounting Department | Chia-Chin Lin (Note5) | 0 | 0 | 0 | 0 |
| Manager of Accounting Department | Huijun Wang (Note6) | 0 | 0 | 0 | 0 |
| Major shareholders holding 10% of the Company's shares | Cheng Xin Investment Co., Ltd. | 0 | 0 | 0 | 0 |

Note 1: Hu Ding Hua, Vice General Manager of Planning & Development Department, was appointed on Oct. 2022.

Note 2: Huang Li Chen, Vice General Manager of Sales Department, took office in February 2022.

Note 3: Due to the adjustment to duties, the former Corporate Governance Officer Weiqliang Li was transferred to the audit office to act as the head of audit office in March 2022, and Junyuan Chen was appointed as the new Corporate Governance Officer. Due to the adjustment to duties, Tsai Wen-Ling was appointed as the Corporate Governance Officer in October 2022.

Note 4: Hu Ding Hua, Vice General Manager of Management Department, resigned on July 2022.

Note 5: The Chief Accountant Chia-Chin Lin resigned on 31 March 2022.

Note 6: The Chief Accountant Huijun Wang was appointed on 6 May 2022.

(II) Shares trading information

Any transfer of equity interests by a director, managerial officer, or top shareholders: not applicable during the most recent fiscal year or the current fiscal year up to the date of publication of the annual report.

(III) Shares pledged information

Any pledge in equity interests by a director, managerial officer, or top shareholders:

not applicable during the most recent fiscal year or the current fiscal year up to the date of publication of the annual report.

IX. INFORMATION ON THE RELATIONSHIPS AMONG TOP-10 SHAREHOLDERS WHO ARE RELATED PARTIES, SPOUSES, OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP

(I) Relationship information among the Top-10 shareholders

Date: March 31, 2023

| NAME | BY SHAREHOLDERS THEMSELVES NUMBER OF SHARES HELD | | SPOUSE/MINOR'S SHAREHOLDING NUMBER OF SHARES HELD | | SHAREHOLDING BY NOMINEE ARRANGEMENT | | NAME OF A RELATED PARTY, SPOUSE OR SECOND-GRADE RELATIVE, AND RELATIONSHIPS AMONG TOP TEN SHAREHOLDERS | | NOTE |
|---|--|-----------------------------|---|-----------------------------|-------------------------------------|-----------------------------|--|-----------------------------------|------|
| | Number of shares | Shareholding Percentage (%) | Number of shares | Shareholding Percentage (%) | Number of shares | Shareholding Percentage (%) | Name (or the name) | Relations | |
| Xin Investment Co., Ltd. Representative: Chun-Jung Chung | 49,482,844 | 15.15 | - | - | - | - | Chun-Jung Chung | Responsible person | |
| | 19,282,287 | 5.90 | 106,127 | 0.03 | - | - | Yang Hsien-Ling | spouse | |
| Chinchi Investment Company LTD Representative: Hsienling Yang | 27,263,263 | 8.35 | - | - | - | - | Yang Hsien-Ling | Responsible person | |
| | 106,127 | 0.03 | 19,282,287 | 5.90 | - | - | Chun-Jung Chung | spouse | |
| Chiyi Investment Company LTD Representative: Hsienling Yang | 20,657,313 | 6.33 | - | - | - | - | Yang Hsien-Ling | Responsible person | |
| | 106,127 | 0.03 | 19,282,287 | 5.90 | - | - | Chun-Jung Chung | spouse | |
| Shangfeng Investment Company LTD | 20,482,290 | 6.27 | - | - | - | - | - | - | |
| Chun-Jung Chung | 19,282,287 | 5.90 | 106,127 | 0.03 | - | - | Yang Hsien-Ling | spouse | |
| UBS Taipei Branch entrusted with the Trust Property Account of Hsienling Yang | 19,000,000 | 5.82 | - | - | - | - | - | - | |
| Changyi Investment Company LTD Representative: Ting-Chen Chung | 17,478,869 | 5.35 | - | - | - | - | Ting-Chen Chung | Responsible person | |
| | 3,837,537 | 1.18 | - | - | 1,301,250 | 0.40 | Chun-Jung Chung Yang Hsien-Ling | Father and the children Mother | |

| | | | | | | | | | |
|---|------------|------|------------|------|---|---|-----------------|--------------------|---|
| | | | | | | | | and the children | |
| Chiyu Investment Company LTD | 15,534,086 | 4.76 | - | - | - | - | - | - | - |
| Sanfar Property Limited Representative: Hsienling Yang | 13,183,004 | 4.04 | - | - | - | - | Yang Hsien-Ling | Responsible person | |
| | 106,127 | 0.03 | 19,282,287 | 5.90 | - | - | Chun-Jung Chung | spouse | |
| Zenfar Architecture Co., Ltd. Representative: Chen Chung Yu | 6,839,300 | 2.09 | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |

X. THE TOTAL NUMBER OF SHARES AND TOTAL EQUITY STAKE HELD IN ANY SINGLE ENTERPRISE BY THE COMPANY, ITS DIRECTORS AND SUPERVISORS, MANAGERIAL OFFICERS, AND ANY COMPANIES CONTROLLED EITHER DIRECTLY OR INDIRECTLY BY THE COMPANY.

FOUR. CAPITAL OVERVIEW

I. CAPITAL AND SHARES

(I) Sources of Capital

1. Process of capital formation

Unit: Share/NTD Thousands

| Year month | Price of Issuance Price | Authorized Common stock | | Paid-in Common stock | | Note | | |
|----------------|-------------------------|-------------------------|---------|----------------------|---------|--|--|--|
| | | Shares | Amount | Shares | Amount | Sources of Capital | Capital Increase by assets other than cash | Others |
| September 1993 | 10 dollars | 500 | 5,000 | 500 | 5,000 | Capital of establishment 5,000 | — | — |
| June 1998 | 10 dollars | 10,000 | 100,000 | 10,000 | 100,000 | Capital increased in cash 95,000 | — | — |
| August 1999 | 25 dollars | 13,500 | 135,000 | 13,500 | 135,000 | Capital increased in cash 35,000 | — | — |
| December 2000 | 10 dollars | 16,323 | 163,230 | 16,323 | 163,230 | Surplus, Capital Surplus, Remunerations to Employees Transferred to Capital 28,320 | — | — |
| August 2001 | 10 dollars | 23,000 | 230,000 | 18,000 | 180,000 | Surplus, Capital increased out of earnings 16,770 | — | — |
| August 2002 | 10 dollars | 23,000 | 230,000 | 19,000 | 190,000 | Surplus, Capital increased out of earnings 10,000 | — | Ruling Number 0910137083 issued by Securities and Futures Bureau on July 5, 2002 Ruling Number 0910137083 |
| September 2003 | 10 dollars | 23,000 | 230,000 | 20,000 | 200,000 | Surplus, Capital increased out of earnings 10,000 | — | Ruling Number 0920135592 issued by Securities and Futures Bureau on August 6, 2003 Ruling Number 0920135592 |
| October 2004 | 10 dollars | 26,000 | 260,000 | 21,000 | 210,000 | Surplus, Capital increased out of earnings 10,000 | — | Ruling Number 0930138714 issued by Financial Supervisory Commission on September 3, 2004 Ruling Number 0930138714 |
| March 2005 | 13.6 dollars | 26,000 | 260,000 | 23,626 | 236,260 | Capital increased in cash 26,260 | — | Ruling Number 0930138714 issued by Financial Supervisory Commission on January 3, 2005 Ruling Number 0930160465 |
| September 2005 | 10 dollars | 27,400 | 274,000 | 24,358 | 243,584 | Surplus, Capital increased out of earnings 7,324 | — | Ruling Number 0930138714 issued by Financial Supervisory Commission on August 15, 2005 Ruling Number 0940133629 |

| Year month | Price of Issuance Price | Authorized Common stock | | Paid-in Common stock | | Note | | |
|----------------|-------------------------|-------------------------|-----------|----------------------|-----------|--|--|---|
| | | Shares | Amount | Shares | Amount | Sources of Capital | Capital Increase by assets other than cash | Others |
| August 2007 | 10 dollars | 60,000 | 600,000 | 25,576 | 255,763 | Surplus, Capital increased out of earnings 12,179 | — | Ruling Number 0930138714 issued by Financial Supervisory Commission on July 15, 2007 Ruling Number 0960038254 |
| March 2008 | 8.2 dollars | 60,000 | 600,000 | 41,680 | 416,800 | Private placement 161,037 | — | Ruling number 09782959010 issued by Taipei City Government on April 29, 2008 Ruling Number 09782959010 |
| October 2009 | 8.32 dollars | 100,000 | 1,000,000 | 70,000 | 700,000 | Private placement 283,200 | — | Ruling number 09801263750 issued by the Ministry of Economics on November 13, 2009 Ruling Number 09801263750 |
| November, 2010 | 14 dollars | 200,000 | 2,000,000 | 100,000 | 1,000,000 | Capital increased in cash 300,000 | — | Ruling number 0990044984 issued by Financial Supervisory Commission on September 14, 2010 Ruling Number 0990044984 |
| July, 2011 | 13 dollars | 250,000 | 2,500,000 | 160,000 | 1,600,000 | Capital increased in cash 600,000 | — | Ruling number 0990044984 issued by Financial Supervisory Commission on April 2, 2011 Ruling Number 1000012862 |
| July, 2012 | 11.5 dollars | 250,000 | 2,500,000 | 200,000 | 2,000,000 | Capital increased in cash 400,000 | — | Ruling number 0990044984 issued by Financial Supervisory Commission on May 16, 2012 Ruling Number 10100183791 |
| April, 2013 | 14.85 dollars | 250,000 | 2,500,000 | 202,404 | 2,024,040 | The first domestic warrant convertible bonds convert to common shares. | — | Ruling number 0990044984 issued by Financial Supervisory Commission on May 16, 2012 Ruling Number 10100183791 |
| April, 2014 | 13.75 dollars | 250,000 | 2,500,000 | 204,728 | 2,047,288 | The first domestic warrant convertible bonds convert to common shares. | — | Ruling number 0990044984 issued by Financial Supervisory Commission on May 16, 2012 Ruling Number |

| Year month | Price of Issuance Price | Authorized Common stock | | Paid-in Common stock | | Note | | |
|----------------|-------------------------|-------------------------|-----------|----------------------|-----------|--|--|--|
| | | Shares | Amount | Shares | Amount | Sources of Capital | Capital Increase by assets other than cash | Others |
| | | | | | | | | 10100183791 |
| December, 2014 | 12.15 dollars | 300,000 | 3,000,000 | 205,824 | 2,058,242 | The first domestic warrant convertible bonds convert to common shares. | — | Ruling number 0990044984 issued by Financial Supervisory Commission on May 16, 2012 Ruling Number 10100183791 |
| | | | | | | | Retire treasury stocks after acquisition | |
| March, 2015 | 12.15 dollars | 300,000 | 3,000,000 | 206,202 | 2,062,028 | The first domestic warrant convertible bonds convert to common shares. | — | Ruling number 10401049860 issued by the Ministry of Economics on March 19, 2015 Ruling Number 10401049860 |
| July, 2015 | 14.85 dollars | 300,000 | 3,000,000 | 266,143 | 2,661,425 | The first domestic warrant convertible bonds convert to common shares. | — | Ruling number 0990044984 issued by Financial Supervisory Commission on May 16, 2012 Ruling Number 10100183791 |
| | 10 dollars | | | | | Earnings transferred to common stock | | Ruling number 0990044984 issued by Financial Supervisory Commission on July 21, 2015 Ruling Number 1040027249 |
| December, 2015 | 10 dollars | 300,000 | 3,000,000 | 264,230 | 2,642,295 | Retire treasury stock | — | Ruling number 10401266370 issued by the Ministry of Economics on December 11, 2015 Ruling Number 10401266370 |
| June, 2016 | 10 dollars | 300,000 | 3,000,000 | 261,527 | 2,615,265 | Retire treasury stock | — | Ruling number 10401049860 issued by the Ministry of Economics on June 3, 2016 Ruling Number 10501118680 |
| September 2018 | 10 dollars | 300,000 | 3,000,000 | 281,140 | 2,811,409 | Earnings transferred to common stock | — | Ruling number 10401049860 issued by the Ministry of Economics on September |

| Year month | Price of Issuance Price | Authorized Common stock | | Paid-in Common stock | | Note | | |
|----------------|-------------------------|-------------------------|-----------|----------------------|-----------|--------------------------------------|--|--|
| | | Shares | Amount | Shares | Amount | Sources of Capital | Capital Increase by assets other than cash | Others |
| | | | | | | | | 26, 2018 Ruling Number 10701121410 |
| September 2019 | 10 dollars | 380,000 | 3,800,000 | 300,820 | 3,008,208 | Earnings transferred to common stock | — | Ruling number 10401049860 issued by the Ministry of Economics on September 18, 2019 Ruling No. 10801125600 |
| January, 2021 | 10 dollars | 380,000 | 3,800,000 | 321,004 | 3,210,040 | Retire treasury stock | - | Ruling number 10401049860 issued by the Ministry of Economics on January 6, 2021 Ruling No. 10901237040 |
| | 10 dollars | | | | | Earnings transferred to common stock | - | Ruling number 10401049860 issued by the Ministry of Economics on January 6, 2021 Ruling No. 10901237040 |
| October, 2021 | 10 dollars | 450,000 | 4,500,000 | 326,554 | 3,265,541 | Earnings transferred to common stock | - | Ruling number 10401049860 issued by the Ministry of Economics on October 13, 2021 Ruling No. 11001186940 |

2. Categories of shares

Unit: shares

| Shares Category | Approved Capital Stock | | | Note |
|-----------------|------------------------|-------------------|-------------|-------------------------|
| | Outstanding shares | Non-issued shares | Total | |
| Common shares | 326,554,150 | 123,445,850 | 450,000,000 | Initial public offering |

Note: The Company made the resolution on July 27, 2021 at the shareholders' meeting to amend the Company's total capital to be NTD\$4.5 billion.

3. Related information of Shelf Registration: Not applicable

(II) Shareholding Structure

March 31, 2023

| Shareholding Structure Number | Government Institution | Financial Institution | Other juridical person | Individual | FINI and Foreigners | Total |
|-----------------------------------|------------------------|-----------------------|------------------------|-------------|---------------------|-------------|
| Number of people | 0 | 0 | 58 | 13,126 | 47 | 13,231 |
| Number of Shares Owned | 0 | 0 | 213,959,533 | 103,955,080 | 8,639,537 | 326,554,150 |
| Percentage of ownership of shares | 0% | 0% | 65.52% | 31.84% | 2.64% | 100.00% |

(III) Distribution of Shareholdings

1.Common Shares

March 31, 2023

| Classification of shareholding | Number of Shareholders | Number of Shares Owned | Percentage of ownership of shares |
|--------------------------------|------------------------|------------------------|-----------------------------------|
| 1 - 999 | 8,295 | 599,045 | 0.18% |
| 1,000 - 5,000 | 2,951 | 6,313,348 | 1.93% |
| 5,001 - 10,000 | 763 | 5,395,332 | 1.65% |
| 10,001 - 15,000 | 405 | 4,942,025 | 1.51% |
| 15,001 - 20,000 | 162 | 2,868,568 | 0.88% |
| 20,001 - 30,000 | 218 | 5,234,738 | 1.60% |
| 30,001 - 40,000 | 101 | 3,447,382 | 1.06% |
| 40,001 - 50,000 | 68 | 3,036,007 | 0.93% |
| 50,001 - 100,000 | 120 | 8,406,863 | 2.57% |
| 100,001 - 200,000 | 60 | 8,238,973 | 2.52% |
| 200,001 - 400,000 | 38 | 10,965,683 | 3.36% |
| 400,001 - 600,000 | 14 | 7,052,687 | 2.16% |
| 600,001 - 800,000 | 5 | 3,380,241 | 1.04% |
| 800,001 - 1,000,000 | 3 | 2,684,568 | 0.82% |
| 1,000,001 – 9,999,999,999 | 28 | 253,988,690 | 77.79% |
| Total | 13,231 | 326,554,150 | 100.00% |

2.Preferred shares: None

(IV) List of Major Shareholders (the total share proportion hold up to 5% or top ten shareholders)

March 31, 2023

| Names of Major Shareholders | Share Number of Shares Owned | % of shareholding |
|---|------------------------------|-------------------|
| Cheng Xin Investment Co., Ltd. | 49,482,844 | 15.15% |
| Chinchi Investment Company LTD | 27,263,263 | 8.35% |
| Chiyi Investment Company LTD | 20,657,313 | 6.33% |
| Shangfeng Investment Company LTD | 20,482,290 | 6.27% |
| Chun-Jung Chung | 19,282,287 | 5.90% |
| UBS Taipei Branch entrusted with the Trust Property Account of Hsienling Yang | 19,000,000 | 5.82% |
| Changyi Investment Company LTD | 17,478,869 | 5.35% |
| Chiyu Investment Company LTD | 15,534,086 | 4.76% |
| Sanfar Property Limited | 13,183,004 | 4.04% |
| Zenfar Architecture | 6,839,300 | 2.09% |

(V)Market price per share, net value, Earnings and dividends
for the last two years

Unit: NTD: Thousand shares

| Item | | Year | 2022 | 2021 | The current fiscal year until March 31, 2023 (Note 9) |
|----------------------------------|---|---|----------|---------|--|
| | | Market price per share (Note 1) | Maximum | | 15.15 |
| Minimum | | | 11.2 | 13.5 | 11.75 |
| Average | | | 12.99 | 15.56 | 12.01 |
| Net value per share (Note 2) | Before distribution | | 19.77 | 20.04 | 19.96 |
| | After distribution | | Note 8 | 19.36 | - |
| Earnings share | Weighted average share numbers | | 326,554 | 328,698 | 326,554 |
| | Earnings per share (Note 3) | | 0.43 | 0.68 | 0.01 |
| Dividend share | Cash dividend | | (Note 8) | 0.68 | - |
| | Stock Dividend | Retained Earning | (Note 8) | - | - |
| | | Additional paid in capital dividend | - | - | - |
| | Accumulated unpaid dividend (Note 4) | | (Note 8) | - | - |
| Return investment analysis | Price-to-earning ratio (Note 5) | | 30.21 | 22.88 | - |
| | Ratio of dividend (Note 6) | | Note 8 | 22.88 | - |
| | cash dividend yield (Note 7) | | Note 8 | 4.4% | - |

Note 1: List the highest and lowest market prices of common stocks each year, calculate the average market price of each year based on the transaction value and volume of each year.

Note 2: Please fill in the list based on the number of outstanding shares at the end of the year and the distribution based on the resolution of the shareholders meeting in the following year.

Note 3: If Retroactive Adjustment is required due to circumstances such as Stock Dividends Appropriation, the earnings per share before and after adjustments should be shown.

Note 4: If the equity securities issuance conditions stipulate that the unpaid dividends in the current year could be paid on the year when there is a surplus, the accumulated unpaid dividend of the current year shall be disclosed separately.

Note 5: Price-to-earning Ratio= cash dividend per share/ Earnings per share

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

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

Note 8: Would be finalized after the resolution of the shareholders meeting

Note 9: The net value per share and earnings per share should be filled out with the information which have not been audited (reviewed) by accountants up to the date of publication of the annual report.

(VI) Dividend policy and the execution

1. The Company's dividend policy

Article 23-1 of the dividend policy as set out in the Articles of Association of the Company:

The Company's earnings shall be distributed in the following order

(1) To pay the tax (2) To cover the losses (3) Stipulate 10% of the earnings to be legal reserve However, this limit is not applicable when the legal reserve has reached the paid-in capital. (4) Set aside or reverse special reserve in accordance with applicable laws and regulations or operational needs. (5) If there is still balance, it will be combined with the accumulated undistributed surplus of the previous year, and the board of directors shall resolve to retain or distribute the dividends to shareholders by taking the capital situation and economic development of the current year into account, and submit it to the shareholders meeting for approval.

In order to pursue sustainable and stable business development, the company considers capital needs and long-term financial planning, formulate dividend policy, and comprehensively considers retained earnings and future profitability to determine the amount that can be distributed each year. There are two ways of Dividends appropriation, stock dividends and cash dividends. The proportion of cash dividends is not less than 10% of the total dividends of the year. However, when the cash dividend per share is less than 0.5 dollars, the dividend could be paid by stock.

2. Distribution of dividends proposed at the general meeting

The cash dividends proposed for distribution are NTD 139,677,070 (calculated based on the number of outstanding shares on 2022/12/31, each share appropriated cash dividends of NTD 0.43) Cash dividends are paid up to the nearest dollar (rounded down to NT\$1.0) and the residue will be calculated as the Company's other income. Should the cash distribution of retained earnings and capital surplus be adjusted due to the amendment of laws or regulations, a request by competent authorities, or any change of the numbers of outstanding shares, subject to the approved distribution, it is proposed at the General Shareholders' Meeting to authorize the Chairman of the Board of Directors with full power to adjust the distribution ratio.

3. In case of a significant change in the dividend policy, it should be clarified: Not applicable.

(VII) Impact on the proposed stock dividends appropriation in terms of operating results, earnings per share: None.

(VIII) Compensation of employees and directors

1. Remuneration of the board of directors and employee compensation stipulated in Acer's Articles of Incorporation.

According to Article 23 of the Articles of Incorporation, the profit before tax of the current fiscal year does not include the remuneration for the board of directors and employee compensation. If there is a balance after covering the losses, the Company shall set aside not more than 5% of its annual profit to directors as compensation and not less than 1% to employees as profit sharing bonus. The employees' compensation in the previous section may be distributed in the form of either cash or stock bonus. It may be distributed to the employees of subsidiaries of this Company. Qualification requirements of the employees who are entitled to receive the employees' compensation may be specified by the Board of Directors. The decision of paying employee remuneration in the form of stock shares or cash is to be resolved in the board meeting with the attendance of two-thirds of the shareholders and with the consent of the majority of the directors present; also, it must be reported to the shareholders' meeting.

2. The standard of accruing employee compensation and remuneration of the Board of Directors and Supervisors, the standard of distributing employees' compensation in the form of stock bonus, the accounting treatment of the difference between the actual distribution amount and the accrued amount

The estimation method is based on the balance after the profit before tax in 2022, covering the losses, if any. The Company accrues employee compensation and remuneration of the Board of Directors proportionally (referred in the Company's Articles of Incorporation) from the balance and recognized it as operating expenses in 2022. Should there be any differences between the actual distribution amount and the accrued amount after the annual financial statements are made and ratified, the difference should be treated as changes in accounting estimates and adjusted in the following year.

3. Distribution of remuneration for the Board of Directors and employee compensation:

- (1) The Board of Directors proposed Distribution of Remuneration:

The proposed amount of Board Directors' compensation in 2022 is NT\$1,422,761. The total amount of employees' compensation is NT\$1,422,761. There is no difference between the actual distribution amount and the accrued amount in 2022.

- (2) The proportion that the amount of employees' compensation distributed in stock bonus to the net income stated in this year financial statement or individual financial reports, and the total amount employee compensation: None.

4. The actual distribution of the remunerations to employees, Directors and Supervisors

in 2018(including distributed shares, amount and price of shares.) Should there be any differences between the actual distribution amount and the accrued amount after the annual financial statements is made and ratified, the revealing differences, causes and treatment.

(1) Actual distribution of earnings in 2021

Compensation to Directors: NTD 2,164,101 dollars Compensation to Employees: NTD 2,164,101 dollars

(2) There is no difference between the proposed distribution amount of earnings approved by the board of directors and the actual distribution to the remunerations to employees, Directors and Supervisors in 2021.

(IX)Repurchase the Treasury Stock:

1. Done or not: None.

2. Underway: None.

II.Types of corporate bonds

(I)Issuance of Corporate Bonds

| Types of corporate bonds | 2018 Secured corporate bonds for the first time | 2021 Secured corporate bonds for the first time | 2021 Secured corporate bonds for the second time | 2022 Secured corporate bonds for the first time |
|--------------------------------------|---|--|--|--|
| Issue Date | 2019/1/7 | 2021/12/24 | 2022/1/10 | 2022/9/14 |
| Face Value | NTD one million | NTD one million | NTD one million | NTD one million |
| Location of Issuance and Transaction | Not applicable | Not applicable | Not applicable | Not applicable |
| Issuing Price | Fully issued according to the par value | Fully issued according to the par value | Fully issued according to the par value | Fully issued according to the par value |
| Total Amount | NTD One point two billion | NTD 600 million | NTD one billion | NTD one billion |
| Interest Rate | Coupon rate: 0.96% | Coupon rate: 0.67% | Coupon rate: 0.68% | Coupon rate: 1.7% |
| Period | 5 years Maturity: January 7, 2024 | 5 years Maturity: December 24, 2026 | 5 years Maturity: January 10, 2027 | 5 years Maturity: September 14, 2027 |
| Assurance Organization | Taiwan Business Bank Company Limited by Shares | Agriculture Bank of Taiwan Company Limited by Shares | Hua Nan Bank Company Limited by Shares | Agriculture Bank of Taiwan Company Limited by Shares |
| Entrustee | Land Bank of Taiwan Company Limited by Shares | Land Bank of Taiwan Company Limited by Shares | Land Bank of Taiwan Company Limited by Shares | Land Bank of Taiwan Company Limited by Shares |
| Underwriter | Hua Nan Securities Company Limited by Shares | SinoPac Securities Company Limited by Shares | Hua Nan Securities Company Limited by Shares | SinoPac Securities Company Limited by Shares |
| Certified lawyers | THY Taiwan International Law Offices Attorney, Meiling Yang | Far East Law Offices-Attorney, Yawen Chiu | Far East Law Offices-Attorney, Yawen Chiu | Far East Law Offices-Attorney, Yawen Chiu |
| Certified Public Accountant | KPMG Accounting firm Tsung-che Chen, CPA Shuying Chang, CPA | KPMG Accounting firm Hung Shiao Fang, CPA Xinting Huang, CPA | KPMG Accounting firm Hung Shiao Fang, CPA Xinting Huang, CPA | KPMG Accounting firm Hung Shiao Fang, CPA Xinting Huang, CPA |
| Repayment | This corporate bond matures One-time repayment of | This corporate bond matures One-time repayment of | This corporate bond matures One-time repayment of | This corporate bond matures One-time repayment of |

| Types of corporate bonds | | 2018 Secured corporate bonds for the first time | 2021 Secured corporate bonds for the first time | 2021 Secured corporate bonds for the second time | 2022 Secured corporate bonds for the first time |
|--|--|--|--|---|---|
| | | principal | principal | principal | principal |
| Outstanding | | NTD 1.2 billion | NTD 600 million | NTD 1 billion | NTD 1 billion |
| Redemption or early redemption clause Repayment Clause | | Not applicable | Not applicable | Not applicable | Not applicable |
| Restrictive clauses | | None | None | None | None |
| Name of the credit rating company, rating date, the rating results of corporate bonds | | Taiwan Ratings 2018/2/7 twAA- | Taiwan Ratings 2021/6/2 twAAA | Taiwan Ratings 2021/6/24 twAA+ | Taiwan Ratings 2022/4/27 twAAA |
| Other rights of bondholders | As of the date of this annual report, amount of converted (exchanged or warrant) common shares, ADRs or other securities. | Not applicable | Not applicable | Not applicable | Not applicable |
| | Issuance and Conversion (exchange or subscription) rules | Refer to the Company's Regulations governing the issuance of secured corporate bond on the first time in 2018. | Refer to the Company's Regulations governing the issuance of secured corporate bond on the first time in 2021. | Refer to the Company's Regulations governing the issuance of secured corporate bond on the second time in 2021. | Refer to the Company's Regulations governing the issuance of secured corporate bond on the first time in 2022. |
| Dilution effect on existing shareholder equity, made by issuance and conversion, exchange or subscription, conditions of issuance. | | Not applicable | Not applicable | Not applicable | Not applicable |
| Name of the institution that holds the subject matter for exchange in escrow | | Not applicable | Not applicable | Not applicable | Not applicable |

(2) Convertible corporate bonds: None.

III. PREFERRED STOCK: NONE.

IV. DEPOSITORY RECEIPT: NONE.

V. EMPLOYEE STOCK OPTION CERTIFICATE: NONE.

VI. RESTRICTED STOCK AWARDS: NONE.

VII. ISSUANCE OF NEW SHARES DUE TO MERGER OR ACQUISITION OF SHARES OF ANOTHER COMPANY:

(1) Merger: No merger during the most recent fiscal year or the current fiscal year up to the publication date of the annual report.

(2) Issuance of new shares due to acquisition of shares of another company: None.

(3) If the board of directors has resolved to issue new shares through merger or acquisition of shares of other companies in the most recent year and as of the date of printing of the annual report, the implementation status and basic information of the

merged or transferred companies should be disclosed: None.

VIII. CAPITAL PROJECTION AND IMPLEMENTATION:

(1) Capital projection:

As of the quarterly period preceding the printing date of the annual report, if the previous issuance or private placement of securities has not yet been completed or has been completed within the last three years and the benefits of the plan have not yet been realized, details of the previous issuance or private placement of securities should be provided, including the contents of the previous change plans, the source and use of funds, the reasons for the change, the benefits before and after the change, and the date the change plan was submitted to the shareholders' meeting, and should be published on the date of entry into the information reporting website designated by the Company: None.

(2) Implementation:

For each of the uses of the plans in the preceding paragraph, analyze, on a quarterly basis, the status of implementation and comparison with the estimated benefits as of the quarter prior to the date of printing of the annual report, and if the implementation progress or benefits do not meet the estimated targets, specify the reasons, the impact on shareholders' equity, and improvement plans: None.

FIVE. OPERATIONAL OVERVIEW

I. SCOPE OF BUSINESS

(1) Business activities:

1. Scope of business: the company's major lines of business and the relative weight of each: Construction of 86.98% and others of 13.02%.

2. Current products:

Sales of available houses such as "MAX Fengjing" project in the Qiyan section of Taipei City, the "Yicai" project in No. 235 Xinzhuang Vice Metropolitan Center in New Taipei City, the "Sanfar Hui Shi Jie" project in the Guanghua section of Kaohsiung, and "Sanfar Lanhai" project in Linkou in 2022 were completed and settled; The projects under construction include: the "Sanfar Dream Generation" project in the Yongxing section of Tainan, the "Sanfar Chief Compound" project in the Chengde section of Kaohsiung and the "Liujiading" project in Tainan currently under structural construction for which a pre-sale mode is adopted, the first two projects have been pre-sold, and the latter "Liujiading" planning is expected to be launched in the second quarter of 2023.

3. New products planned for development:

The projects currently planned by the Company: Xinzhuang Fuduxin 235, Xingbang section of Kaohsiung City, Wu Kuai Cuo, and Xing Zuan section of Tainan City.

(2) Overview of the industry:

1. Current status and development of the industry

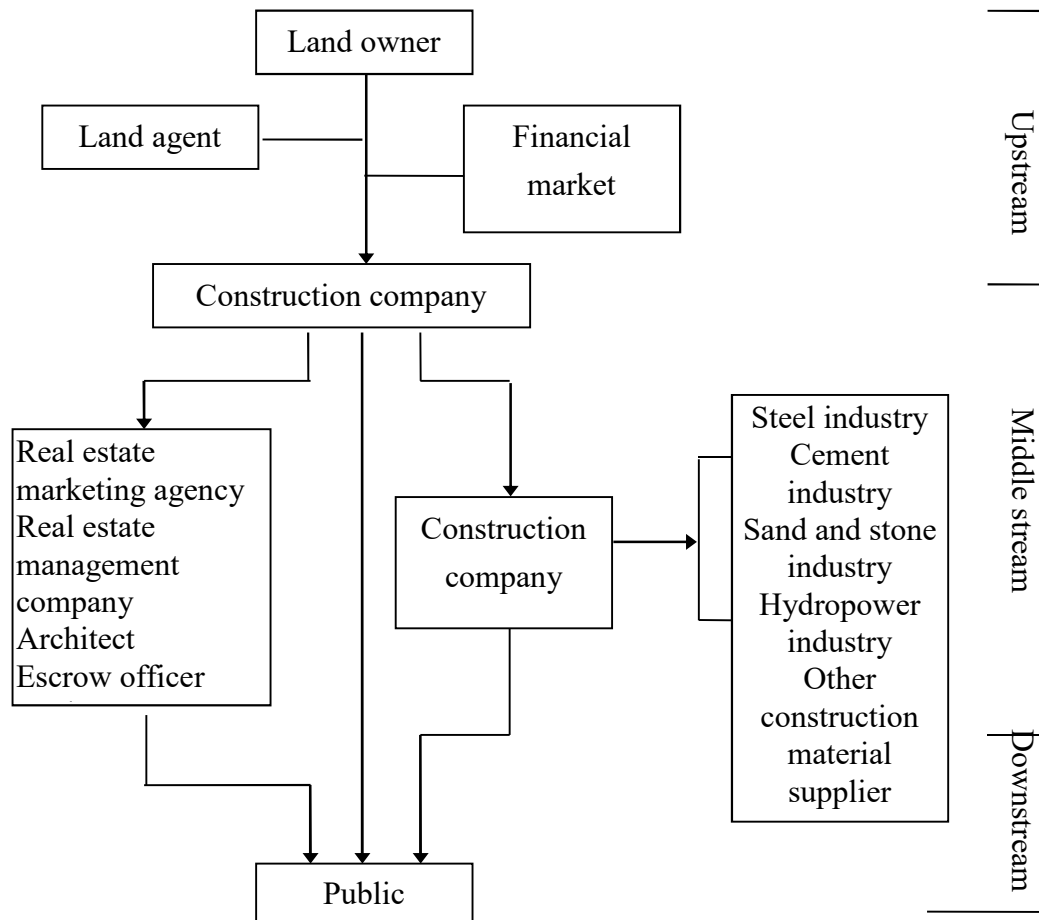
In order to curb inflation, Fed adopted a policy of raising interest rates, which caused turmoil in the global financial market, and the domestic central bank also adopted a policy for gradual increase in interest rates, expected to affect consumers' confidence in buying houses. In the past two years, coinciding with the local election and presidential election at the end of the year, the government has constantly launched policies aimed at cracking down on housing speculation, such as the strict prohibition of resale of pre-sold housing, restrictions on financing civil construction by constructors and other policies, we should hold a prudent attitude to the domestic real estate market, since the second quarter of 2022, the transaction volume of domestic real estate market has shrunk back to rigid demand performance.

Looking forward to 2023, in view of the widening gap between buyers and sellers in terms of price perception, insufficient consumer confidence, unstable international political conditions, government's policies aimed at cracking down on

housing speculation, coupled with various factors such as the amendments to the Equalization of Land Rights Act, the pressure of the depreciation of the New Taiwan dollar, and the tense cross-strait geopolitical relations, the the transaction volume in the short-term housing market will shrink due to affect from the decline in consumer confidence, however, as the existing housing market is supported by rigid demand, real estate is characteristic of preserving value and resisting inflation, it is not easy for house prices to fall. Domestic transactions in the real estate market have shifted from price and volume to volume contraction, and the probability of price stabilization is high.

2. Connection among the Upstream, Middle-stream and Downstream Business

The construction industry is connected with many businesses and the construction companies are responsible for negotiation and integration in the system. Most construction companies acquire land through agents who deal with landowners and the cost of acquiring land is the prime cost of the construction industry; The construction companies are the middle stream (where we are) and responsible for the construction and supply of raw materials for construction (such as iron and steel, and cement) as well as selling (such as real estate marketing agencies and real estate management companies); The downstream refers to the people with the intention of purchasing, including individual investment or self-occupation or business offices, not a particular person.



3. Development trend of products

As land is becoming scarcer and difficult to obtain, future land can be developed in diversification, such as joint construction with landlords, development of surface rights, participation in urban renewal, etc., to obtain land for construction and development; The source of customers in the real estate market have rigid demand; With the diversification of buyers' demand for regional residence or commercial offices, the choice of future projects will be based on convenient transportation, and convergence of markets, schools and parks. The Company will comprehensively take land development, commercial property, planning and other comprehensive services into consideration to achieve diversified and refined product development.

4. Competitors:

(1) Major competitors:

Although there are many listed and unlisted construction companies in Taiwan, since the important factors of location, quality, reputation and price are the main concerns of customers in purchase of real estate, and the planning and strategy of each project will be adjusted with the overall environment and market, and product positioning is made based on the characteristics of customers, making the real estate industry unlike other industries with major competitors, therefore, no significant impact has been made on the Company in despite of many peers.

(2) Segmentation:

The Company understands the risk of offering a single product. Therefore we will adjust strategies in response to the industrial change and market needs instead of maintaining the same strategy. Even more, we plan suitable products and make correct positioning based on the project location and market demand, and segment the market based on the characteristics of local customers in order to expand business and range with a variety of products.

Our future development strategy will be formulated based on the following goals to pursue sustainable growth.

A. Cross-industry alliance: It is possible for us to form an alliance with peers to jointly develop land and promote sales, so as to achieve product optimization and product positioning in market demand; In combination with the Company's audio-visual business, and cooperate with the hotel industry to build residences with cultural creativity and fine hotel service.

B. Cross-region management: Focus on the development of the northern and

southern Taiwan markets while expanding business in the urban area of central Taiwan.

- C. Sustainable development: Assign a professional management team and provide them with full authority to ensure the interests of shareholders.

(III) Technology and R&D Overview

The construction business of the Company does not have the department responsible for R&D of production techniques or product features. However, in respect of project management, appropriate construction techniques will be applied to control quality and costs to reduce the loss of building materials.

(4) Long-term and short-term business development projects

1. Short-term business development project:

- (1) Taipei City is the hot spot for construction companies because it serves as the real estate index, and will continue to actively participate in development. The Company actively and continuously sells available houses, such as "Yicai" project in No. 235 Xinzhuang Vice Metropolitan Center in New Taipei City, and "MAX Fengjing" project in the Qiyang section of Taipei City, which have been sold and recorded in the account, with the goal of achieving zero inventory, and store assets have accelerated the activation to obtain stable cash flows; In addition, the commercial office building located at No. 18, the Vice Capital Center of New Taipei City, is currently under planning and design, and expected to obtain a building license before the third quarter of 2023.
- (2) The available houses in the "Sanfar Crystal Sand" project in the Guanghua section of Kaohsiung have been sold and recorded in the account; The "Chief Compound" in the Chengde section of Renwu District, Kaohsiung City, is under structural construction and currently on sale; The "Sanfar Dream Generation" project in the Yongxing section of Tainan is currently under structural construction, and will be sold after completion; the "Liujiading" project in Tainan is under structural construction, it is expected to receive customers and be sold in the second quarter of 2023; The construction license of the Shinzuan project has been obtained, and it is expected to be sold in the fourth quarter of 2023 in the pre-sale model.

2. Long-term development plan:

- (1) People-oriented, make every building with heart; Provide quality living and working environment.
- (2) Develop and innovate to ensure construction quality and promote green

buildings.

- (3) Manage the Company with honest and cultivate talents for the society, and create a wide range of jobs.
- (4) Cross-industry alliance: Work with recreation or hotel industries to build houses with cultural creativity and fine hotel service.
- (5) Focus on the development of the northern and southern Taiwan markets, cross-regional operation and dispersion of single regional risks.
- (6) Actively evaluate commercial properties in Japan and the United States and plan overseas investment.

II. MARKET OVERVIEW

(1) Market analysis

1. Major selling region:

Sanfar conducts business in Taiwan only, distributed in Taipei City, New Taipei City, Tainan and Kaohsiung metropolitan areas, no exporting in recent years.

2. Market share

Currently, we have projects in Xinzhuang Fuduxin 235, Wu Kuai Cuo of Kaohsiung City, Xingbang section, and Xing Zuan section of Tainan City. We go through a complete market survey carefully before building a project instead of occupying a large share in the market by volumes, focusing on the planning and design of market demand and the construction quality. Since we highly focus on construction quality and have a great reputation, the gross margin remains stable despite the small market share.

3. Future outlook of supply and demand as well as growth

(1) Supply and demand

The Construction and Planning Agency data show an increase of 10,307 residential construction licenses issued in 2022 compared with the number in 2021, an increase of 6% over 2021, indicating that constructors have plans for the future and will make an adjustment based on the market demands in the future.

(2) Demand

The Central Bank of the Republic of China announced that the new home mortgage of the top 5 local banks, (namely Bank of Taiwan, Taiwan Cooperative Bank, Land Bank of Taiwan, Hua Nan Commercial Bank, Ltd. and First Commercial Bank) amounted to NT\$ 6,449.5 billion in 2022. The interest rate rose to 1.864%, a rapid recovery from a historic low.

New home mortgage and the interest rate of the top 5 local banks, (namely Bank of Taiwan, Taiwan Cooperative Bank, Land Bank of Taiwan, Hua Nan Commercial

Bank, Ltd. and First Commercial Bank)

Unit: New Taiwan Dollars, interest rates (percent per annum)

| Year/Month | 2022/03 | 2022/04 | 2022/05 | 2022/06 | 2022/07 | 2022/08 | 2022/09 | 2022/10 | 2022/11 | 2022/12 | 2023/1 | 2023/2 |
|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|--------|
| Amount | 73,488 | 61,478 | 68,581 | 60,698 | 55,893 | 50,652 | 54,721 | 47,272 | 60,130 | 64,495 | 36,954 | 40,943 |
| Interest rate (%) | 1.378 | 1.561 | 1.601 | 1.614 | 1.703 | 1.729 | 1.731 | 1.827 | 1.851 | 1.864 | 1.953 | 1.367 |

According to the statistics, 243,633 properties in the 6 metropolitan areas have been transferred in 2022, the first decline in nearly six years. There is an increase of -7.4% for Taipei City, an increase of -11.9% for New Taipei City, an increase of -6.2% for Taoyuan City, an increase of 1.4% for Taichung City, a decline of 13.7% for Tainan City and a decline of 17.3% for Kaohsiung City. There were 318,101 properties in Taiwan, a decrease of 8.6% from 2021. Kaohsiung City: -17.3%, Tainan City: -13.7%, New Taipei City: -11.9%, and only Taichung City growing by 1.4%.

| Occupancy permit for house in last 3 years | | | | | | |
|--|--------------|------------------------------------|--------------|------------------------------------|--------------|------------------------------------|
| Year | 2022 | | 2021 | | 2020 | |
| Area | Housing unit | Total floor area (m ²) | Housing unit | Total floor area (m ²) | Housing unit | Total floor area (m ²) |
| Total | 111,352 | 16,410,481 | 104,149 | 15,422,986 | 97,507 | 15,259,501 |
| New Taipei City | 16,518 | 2,152,212 | 18,224 | 2,380,311 | 14,220 | 1,890,759 |
| Taipei City | 6,132 | 888,440 | 4,544 | 684,310 | 4,835 | 692,094 |
| Taoyuan City | 16,864 | 2,447,757 | 15,314 | 2,138,696 | 14,604 | 2,146,149 |
| Taichung City | 21,933 | 3,308,236 | 15,738 | 2,569,592 | 18,097 | 2,846,600 |
| Tainan City | 8,572 | 1,363,315 | 12,965 | 1,926,360 | 7,457 | 1,324,914 |
| Kaohsiung City | 15,076 | 2,149,155 | 10,227 | 1,412,783 | 14,085 | 2,344,125 |
| Taiwan | 25,863 | 4,051,895 | 26,615 | 4,252,890 | 23,518 | 3,938,154 |

| Occupancy permit for house in last 3 years | | | | | | |
|--|--------------|------------------------------------|--------------|------------------------------------|--------------|------------------------------------|
| Year | 2022 | | 2021 | | 2020 | |
| Area | Housing unit | Total floor area (m ²) | Housing unit | Total floor area (m ²) | Housing unit | Total floor area (m ²) |
| Total | 179,958 | 24,983,163 | 169,651 | 24,647,373 | 159,286 | 22,991,606 |
| New Taipei City | 29,606 | 3,611,837 | 23,916 | 3,343,021 | 26,916 | 3,381,902 |
| Taipei City | 10,666 | 1,417,522 | 11,304 | 1,548,924 | 9,720 | 1,334,501 |

| | | | | | | |
|----------------|--------|-----------|--------|-----------|--------|-----------|
| Taoyuan City | 26,702 | 3,807,191 | 23,316 | 3,370,089 | 22,233 | 3,337,234 |
| Taichung City | 33,647 | 5,100,552 | 32,484 | 5,215,221 | 33,861 | 5,050,303 |
| Tainan City | 19,888 | 2,824,111 | 18,564 | 2,646,124 | 13,800 | 2,069,086 |
| Kaohsiung City | 18,989 | 2,378,883 | 18,018 | 2,401,666 | 14,082 | 1,935,000 |
| Taiwan | 39,651 | 5,737,231 | 41,470 | 6,051,793 | 37,896 | 5,791,513 |

| Transactions and transfers in the last 3 years | | | | | | |
|--|---------------|------------------------|---------------|------------------------|---------------|------------------------|
| Year | 2022 | | 2021 | | 2020 | |
| Area | Building unit | Area (m ²) | Building unit | Area (m ²) | Building unit | Area (m ²) |
| Sum | 318,101 | 33,051,013 | 348,194 | 37,613,519 | 326,589 | 34,848,406 |
| New Taipei City | 60,184 | 5,054,744 | 68,295 | 5,979,746 | 63,346 | 5,485,520 |
| Taipei City | 28,611 | 2,283,217 | 30,901 | 2,581,005 | 31,180 | 2,513,334 |
| Taoyuan City | 43,935 | 4,386,084 | 46,831 | 4,978,925 | 45,712 | 4,765,729 |
| Taichung City | 50,695 | 5,025,219 | 49,990 | 5,313,910 | 48,623 | 5,169,458 |
| Tainan City | 23,091 | 2,859,444 | 26,752 | 3,758,124 | 23,044 | 3,022,790 |
| Kaohsiung City | 37,117 | 3,901,107 | 44,897 | 4,875,834 | 38,270 | 4,222,487 |
| Taiwan | 73,900 | 9,484,538 | 79,700 | 10,054,348 | 75,822 | 9,610,527 |

4. Competitive niche

(1) Sharp land development strategy

Our management team has a sharp sense of land development. A thorough and careful market analysis will be done before purchase. Later the team will build a development project based on the prospects and humanistic quality after acquiring the land. Currently, most properties are located in Taipei, Tainan and Kaohsiung metropolitan areas in response to the booming development.

(2) Full grasp of market demands and rigorous planning

The Company understands public preference and tendency. The sales department and marketing agencies collect the information of ideas, budgets and desired areas of buyers to know the market needs well. The sales and planning departments collaborate to design the house that meets market needs.

(3) Good control of construction quality, process and cost

Jing Fu Xiang Construction, our subsidiary, can effectively control the construction, improve the construction quality and keep the process on track.

(4) Experienced and professional management team

Our team has more than 20 years of experience in construction and pursues professional perfection from selecting land, planning, designing to constructing. We integrate architectural aesthetics and lifestyle, highly value practical work, carefully select construction materials, attend to details and fully understand customers' requirements of buildings and structures in order to provide a safe and comfortable house. Sanfar has won many National Golden Awards for Architecture, building a great reputation and winning customer's trust and recognition.

(5) Stable fund plan and great financial structure

Sanfar places importance on customers' promise, and therefore we pay much attention to the fund and financial stability. We have a department responsible for financial management, planning for future capital requirements, and adjusting long-term stable fund sources through profits and fundraising to better improve and maintain a solid financial structure.

5. Advantage, disadvantage and responsive strategy for future prospect

(1) Advantage

- A. As ESG policy gradually takes shape and becomes a future trend, there are great development potentials and opportunities in commercial or residential development.
- B. The urban land adjustment continues and the extension of High Speed Rail, MRT, expressways and other traffic constructions promote regional growth due to the benefits of the diffusion effect.
- C. In recent years, people have higher expectations of living space due to better life quality on the rise; therefore, people are more willing to change houses that support the housing market needs.
- D. As the traditional thinking of "wealth comes with land" and "marry and settle down" is generally rooted in people's mind, coupled with the concept of interest rate hike and asset preservation, there is an opportunity to boost the willingness of potential consumers to buy a house.

(2) Disadvantage

- A. The cycle of global interest rate hikes has reached a relatively high level in recent years, however, the US CPI maintains a relatively high level and has not reached the Fed's target value, resulting in a significant lack of consumer confidence in the market and a strong wait-and-see mentality.

- B. The commodity price fluctuates due to international turbulence and volatility of raw materials, leading to the price rise of household goods and suggesting the risk of stagflation.
- C. The number of newly-built vacant houses is relatively high, creating clearance pressure. The risk of interest rate gradually emerges, increasing the capital costs and holding risks.
- D. In recent years, there is a serious shortage of work in the south, resulting in the risks of prolonging the progress on the project and increasing the construction costs.
- E. The Central Bank has introduced a policy aimed at limiting land and construction financing, and the reserve ratio of its own funds has been relatively increased; The Amendments to the Equalization of Land Rights Act have aggravated consumers' willingness to purchase pre-sale houses, and the policies aimed at cracking down on housing speculation have been continuously released, affecting the confidence of homebuyers.
- F. Difficulty in acquiring properties in prime location.

(3) Responsive strategy

- A. Carefully select the location of the projects, pay attention to the quality of construction, and strengthen the management of the progress on projects to shorten the construction period.
- B. Product diversification, customer segmentation; Improve brand reputation to create higher value-added in order to increase profits
- C. Develop raw land and reduce vacant houses.
- D. Manage in diversified fields and merger with other industries.

(2) Purpose and process of major products

1. Purpose of major products

The construction business of the Company deals with housing and building development for residential or commercial use.

2. Process of major products

The construction business of the Company deal with land acquirement, design and development, application for construction licenses, subcontracting, monitoring construction till completion, application for occupancy permits, completion and property settlement, and after-sale services. The entire process takes approximately 3-4 years.

(3) Supply of raw materials:

The main raw materials of the Company's construction business are land and

construction projects, and the land is mostly purchased from landowners as natural or legal persons without shortage of supply; Most of the construction projects are undertaken by the subsidiary Jing Fu Xiang Construction, so as to effectively grasp the progress and quality of the project from the contract award to acceptance. There is no difficulty or shortage in supply.

- (4) Customer who accounts for 10% or above of net purchase (sales) in these 2 years, the amount and proportion, and description of changes.

1. Major supplier in these 2 years

Unit: NT\$ Thousand

| Item | 2022 | | | | 2021 | | | |
|------|----------------|-----------|------------------|------------------------------|--------------------|-----------|------------------|------------------------------|
| | Name | Amount | Net purchase (%) | Relationship with the issuer | Name | Amount | Net purchase (%) | Relationship with the issuer |
| 1 | Wanda He Rebar | 142,329 | 10% | None | Wang Wen 4 Persons | 2,680,000 | 47% | None |
| 2 | Others | 1,314,368 | 90% | None | Yang Ling | 1,596,000 | 28% | Other Related Party |
| | - | - | - | - | Others | 1,467,887 | 25% | None |
| Sum | Net purchase | 1,456,697 | 100% | | Net purchase | 5,743,887 | 100% | |

Reasons for the increase or decrease of changes: The Company's business projects are mainly entrusted to the construction plant, the amount of contract purchase changes with the progress on the project, and the construction project is mainly based on the location of each project, and the transaction target is not specific.

2. Major customers in these 2 years

Unit: NT\$ Thousand

| Item | 2022 | | | | 2021 | | | |
|------|-----------------|-----------|--|------------------------------|-----------|-----------|--|------------------------------|
| | Name | Amount | Percentage of net sales for the whole year (%) | Relationship with the issuer | Name | Amount | Percentage of net sales for the whole year (%) | Relationship with the issuer |
| 1 | Pleasant Hotels | 263,376 | 12% | Other Related Party | Others | 1,715,968 | 100% | None |
| | Others | 2,273,704 | 100% | None | - | - | - | - |
| Sum | Net sales | 2,273,704 | 100% | | Net sales | 1,715,968 | 100% | |

Reasons for increase or decrease: Due to the characteristics of the industry, the Company has no fixed sales targets accounting for more than 10% of the sales in the

past two years.

(5) Production and value in these 2 years

Unit: NT\$ Thousand

| Production and value Main products | Year | 2022 | | | 2021 | | |
|---------------------------------------|------|----------|----------------|-----------|----------|----------------|-----------|
| | | Capacity | Output | Value | Capacity | Output | Value |
| Real estate (note) | - | | 173 households | 1,879,576 | - | 121 households | 1,289,103 |
| Product | - | | - | 7,135 | - | - | 8,148 |
| Others | - | | - | - | - | - | - |
| Total | - | | 173 households | 1,886,711 | - | 121 households | 1,297,251 |

Note: The output of real estate is calculated based on the number of completed projects in the current year;
The output value of real estate is calculated based on the total operating costs of the year.

(6) Sales volume in these 2 years

Unit: Expressed in thousands of New Taiwan Dollars

| Sales volume Main products | Year | 2022 | | 2021 | |
|-------------------------------|------|----------------|--------------|----------------|--------------|
| | | Sales volume | Sales amount | Sales volume | Sales amount |
| Real estate (note) | | 213 households | 2,241,046 | 116 households | 1,680,911 |
| Product | | - | 32,658 | - | 35,057 |
| Others | | - | - | - | - |
| Total | | 213 households | 2,273,704 | 116 households | 1,715,968 |

Note: The sales volume of real estate is calculated based on the number of households transferred in the year; The sales amount of real estate is calculated based on the operating income of the year

III. HEAD COUNT, AVERAGE SENIORITY, AVERAGE AGE AND EDUCATIONAL BACKGROUND OF EMPLOYEES IN RECENT TWO YEARS AND AS OF THE PUBLICATION DATE OF THE ANNUAL REPORT

| Item | Year | 2021 | 2022 | From the current fiscal year up to 3/31/2023 |
|-------------------|---|-------------------|-------|--|
| | Number of employees Number of people | engineering staff | 33 | 34 |
| Other employees | | 95 | 81 | 70 |
| Total | | 128 | 115 | 106 |
| Average age | | 42.7 | 44.04 | 43.39 |
| Average seniority | | 4.69 | 4.81 | 4.53 |

| | | | | |
|------------------------|----------------------------|-----|----|----|
| Educational background | Doctor | 0 | 0 | 0 |
| | Master | 20 | 19 | 16 |
| | Junior college | 101 | 92 | 87 |
| | Senior middle school | 7 | 4 | 3 |
| | Below senior middle school | 0 | 0 | 0 |

IV. ENVIRONMENTAL PROTECTION EXPENDITURE

- (I) The total amount of losses suffered by and fines imposed on the Company as a result of environmental pollution in the most recent year and up to the date of publication of the annual report.

The Company is primarily engaged in the development and sale of real estate, with the construction projects contracted by the construction plant, the environmental maintenance and waste disposal during the construction process at the responsibility of contractors, under the supervision of the Company; in the most recent year and up to the date of publication of the annual report, there has been no loss and fines due to environmental pollution; In addition, the Company pays air pollution prevention and control fees at the start and completion of construction at each site every year in accordance with regulations, totaling NT\$218,929 in 2022.

- (II) Future countermeasures

The Company's pollution prevention measures includes 1. General pollution prevention measures: road cleaning, water and dust prevention, construction scaffolding using dust nets to avoid falling objects and dust, classification of household wastes. 2. Relevant engineering pollution prevention measures: the boundary fence of the project land is heightened and the dust cover net is installed to reduce dust pollution. 3. Clean the inlets and outlets of construction site and construction facilities: set up grit tanks, and the wastewater cleaned by entering and exiting vehicles is precipitated by grit tanks, and the sedimented wastewater can be recycled. 4. Prevention measures for vehicle dust: cover the surface with steel plates or concrete on the ground that may cause dust, clean soil pollution on the ground, and sprinkle water regularly and quantitatively.

- (III) The estimated major environmental expenditures for the coming year: None.

V. LABOR RELATIONS:

- (1) Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between

labor and management, and all measures aimed at preserving the rights and interests of employees.

Both Sanfar and our subsidiary have great labor relations. We offer the following welfare programs, more than government regulations.

1. Employee welfare

(1) Sanfar values employee welfare and establishes Employee Welfare Committee in accordance with the law. The Company and employees appropriate funds for employee welfare. All staff can enjoy welfare and benefits, which are described as below:

- A. Special festival grants, birthday bonus, wedding subsidy and sympathy gift, give-birth benefit and medical allowance.
- B. Health check as well as labor, health and group insurance.
- C. Employees Welfare Savings Trust
- D. Domestic and foreign travel of employees (cash subsidy due to the epidemic in 2022)
- E. Employee dinner party, afternoon tea snack with subsidy
- F. Wedding celebration and funeral subsidy, family day dinner subsidy, birthday gifts, prizes for competition and soliciting contribution
- G. Epidemic prevention allowance
- H. Hospitalization allowance

(2) Employee Salaries and Bonuses

A. Performance appraisal system

The Company conducts employee performance appraisal every six months based on the work objectives of the management, departments and the personal KPIs, combined with the operation management policy, while taking ISO9001, ESG related indicators into consideration, we will distribute bonuses and encourage outstanding employees for the achievement of substantive operating results.

B. Employee salary structure

The Company will audit the salary based on factors such as the employee's past experience, ability and position. The payment for bonuses includes work bonuses (including development bonus/completion bonus/sales bonus/closing bonus), mid-year bonus, year-end bonus, Dragon Boat Festival and Mid-Autumn Festival gifts.

C. Remuneration to employees

According to Article 23 of the Articles of Incorporation, the profit before tax of the current fiscal year does not include the remuneration of the board of

directors and employee compensation. If there is a balance after covering the losses, the Company shall set aside not less than 1% of its annual profit to employees as compensation and report to the Board of Directors for resolution.

2. Further education and On-the-job training

Offer different education and training courses for employees at different levels and operational nature, regularly organize internal training, and subsidize the costs of professional training courses related to work, so as to strengthen personal professional knowledge and skills and assist employees in learning and development in their respective professional fields.

(1) Periodical training: The employee on-the-job training is scheduled on the monthly basis to improve the employee quality, including:

A. New employee orientation: Help understand the company culture and the internal control process.

B. Competency training: Improve employees' competency.

C. Management training: Cultivate the management skills.

(2) Unscheduled training: The management department plans themes to enrich employees' new knowledge after work, improve their professionalism and efficiency.

3. Retirement scheme and execution

All of Sanfar's employees are applicable to the new Labor Pension Act and their retirement shall be subject to Chapter 6 of the Labor Standard Act. Employers contribute 6% of their salaries to employee accounts in compliance with the new Labor Pension Act.

(1) A worker may apply for voluntary retirement under any of the following conditions:

A. Where the worker attains the age of fifty-five and has worked for fifteen years.

B. Where the worker has worked for more than twenty-five years.

C. Where the worker attains the age of sixty and has worked for ten years.

(2) An employer shall not force a worker to retire unless any of the following situations has occurred:

A. Where the worker attains the age of sixty-five.

B. Lump sum: Collect the principals and proceeds at one time.

4. The status of labor-management agreements and measures for preserving employees' rights and interests.

In order to protect the rights and interests of employees, provide diversified communication channels for employees to reflect work-related suggestions and

opinions, and maintain a good interactive relationship between each department head and subordinates through formal and informal communication such as E-mail, education and training in accordance with relevant laws and regulations.

| Communication Channels | Contents |
|---|--|
| The Legal Team provides advisory services | If employees have legal problems arising from the execution of the Company's business, they can request consultation from the legal team |
| Complaint Channels for Sexual Harassment | The Company has set up a complaint channel for sexual harassment in the workplace, which is revealed visibly in the workplace Tel.: 02-2570-9988 Appeal E-mail: hr@sanfar.com.tw |
| Chairman's mailbox | Employees can directly report their opinions and suggestions to the chairman via Email |
| General Assembly | Report on important matters of the Company in recent months, share new knowledge, and communicate with employees |
| Performance appraisal | Regularly conduct performance appraisals and give evaluations and reclaim employees' opinions |

5. Workplace and safety measures

In addition to providing reasonable remuneration and benefits to employees, the Company also pays attention to the occupational safety of employees.

- (1) If any employee gets injured in a traffic accident on the way to and from work or on business travel, emergency care and corresponding safeguard measures will be provided, and the employee is allowed to take work-related injury leave to rest and recuperate with peace of mind. In order to cope with possible work-related injury incidents in the future, the management measures for the treatment of work-related injuries are being developed.
- (2) If any employee gets injured at work, conduct a complete review and improvement, strengthen education and training on safety of workplace, improve self-management and self-protection; establish the "Safety and Health Guidelines," with a "labor safety and health manager" appointed for each site to ensure labor safety.
- (3) The office building holds fire drills from time to time and sets up a security access control system to ensure the safety of employees. Clean and disinfect the office environment at regular intervals to maintain a clean environment.
- (4) Our subsidiary, Jing Fu Xiang Construction has established "Safety and Health Guidelines," and the "labor safety and health manager" is appointed for each site to ensure labor safety.

(II) Explain any loss sustained by the Company as a result of labor disputes in the most

recent year and up to the date of publication of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect; As of the date of publication of the annual report, the Company has not suffered other losses due to labor disputes.

VI. CYBER SECURITY MANAGEMENT

(I) Describe the cyber security risk management framework, cyber security policy, specific management plan and resources invested in cyber security management

1. Risk Management Framework of Information Security

The Company puts the general manager's office/information team in charge of information security, including planning, formulating cyber security policies and promoting the related affairs, and at the same time advocating the importance of information security to employees to enhance their information security awareness. The Auditing Office of the Company is responsible for the supervision and audit of information security at regular intervals, immediately requires the inspected unit to propose an improvement plan if any deficiencies are found, and periodically tracks down the improvement results to ensure the effectiveness of corporate information security, and reports the implementation status to the Board of Directors every year.

2. Information Security Policy

- (1) Establish a secure and stable network architecture
- (2) Maintain the sustainable operation of information systems
- (3) Ensure the confidentiality and integrity of systems and data
- (4) Information personnel participate in training courses related to information security
- (5) Regularly handle cyber security publicity and education training

3. Specific management plan for information security

- (1) Information room security management
- (2) Network security management
- (3) Internal control and process management
- (4) Virus protection and management
- (5) Cyber security advocacy and education training

4. Measures for Risk Management

- (1) System backup
 - Prepare a full backup plan for difference in machine and places;
 - Establish a high availability real-time backup mechanism for daily important information and services to ensure the security of systems and data and provide uninterrupted information services
- (2) Disaster recovery drills
 - Disaster recovery tests and drills through the standby and virtual servo hosts, after selecting the restore date and reference point in the system and database, the backup media is stored back on the standby and virtual server hosts, and then the user confirms the correctness of the reply data to ensure the correctness and validity of the backup media

(3) Implementation

At present, the Company has not run into major cyber security incidents that cause business damage, and will continue to implement the objectives of cyber security management policy and continue to make improvements.

(II) Explain any loss sustained by the Company as a result of major cyber security incidents, potential impact and countermeasures in the most recent year and up to the date of publication of the annual report. If the loss cannot be reasonably estimated, make a statement to that effect: None.

VII. IMPORTANT CONTRACTS

(1) The contracting parties, major content, restrictive clauses, and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year.

| Contract nature | Contracting parties | The commencement dates and expiration dates | Major content | Restrictive clauses |
|---|----------------------------|--|---|---------------------|
| Guarantee of corporate bonds | Agriculture Bank of Taiwan | 9/14/2017~9/14/2022 | Contract of issuance of guaranteed bonds | None |
| Consignment contract of corporate bonds | Land Bank of Taiwan | 9/14/2017~9/14/2022 | Contract of issuance of guaranteed bonds | None |
| Guarantee of corporate bonds | Taiwan Business Bank | 1/7/2019~1/7/2024 | Contract of issuance of guaranteed bonds | None |
| Consignment contract of corporate bonds | Land Bank of Taiwan | 1/7/2019~1/7/2024 | Contract of issuance of guaranteed bonds | None |
| Subcontracting | Jing Fu Xiang Construction | 8/7/2019 - One-year warranty after check and acceptance | Building construction on Yongxing section 181 and 182 | None |
| Subcontracting | Jing Fu Xiang Construction | 2/3/2021 - One-year warranty after check and acceptance | Building construction on Chengde section 26.26-133.26-134 | None |
| Subcontracting | Jing Fu Xiang Construction | 7/12/2021 - One-year warranty after check and acceptance | Building construction on Liujiading section No. 528 | None |
| Subcontracting | Jing Fu Xiang Construction | 9/16/2022- One-year warranty after check and acceptance | Building construction on Shinzuan Section Parcel No. 2420 | None |
| Guarantee of corporate bonds | Agriculture Bank of Taiwan | 12/24/2021~12/24/2026 | Contract of issuance of guaranteed bonds | None |
| Consignment contract of corporate bonds | Land Bank of Taiwan | 12/24/2021~12/24/2026 | Contract of issuance of guaranteed bonds | None |

| | | | | |
|---|----------------------------|-----------------------|--|------|
| Guarantee of corporate bonds | Hua Nan Bank | 01/10/2022~01/10/2027 | Contract of issuance of guaranteed bonds | None |
| Consignment contract of corporate bonds | Land Bank of Taiwan | 01/10/2022~01/10/2027 | Contract of issuance of guaranteed bonds | None |
| Guarantee of corporate bonds | Agriculture Bank of Taiwan | 9/14/2022~9/14/2027 | Contract of issuance of guaranteed bonds | None |
| Consignment contract of corporate bonds | Land Bank of Taiwan | 9/14/2022~9/14/2027 | Contract of issuance of guaranteed bonds | None |

SIX. FINANCIAL SUMMARY

I. CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME FOR THE PAST 5 FISCAL YEARS, SHOWING THE NAME OF THE CERTIFIED PUBLIC ACCOUNTANT AND THE AUDITOR'S OPINION GIVEN THEREBY.

(I) The condensed balance sheet and consolidated income statement

1. Condensed balance sheets - IFRSs (Consolidated)

Unit: NT\$ Thousand

| Year | | Financial data of the last five years | | | | |
|---|----------------------|---------------------------------------|------------|------------|------------|------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Item | | | | | | |
| Current assets | | 11,446,765 | 11,044,529 | 10,275,004 | 14,489,764 | 14,326,868 |
| Property, plant and equipment | | 80,069 | 79,222 | 78,500 | 78,277 | 77,068 |
| Intangible assets | | 14,831 | 15,707 | 17,658 | 16,679 | 15,507 |
| Other assets | | 111,323 | 436,286 | 507,199 | 720,829 | 1,060,962 |
| Total assets | | 11,652,988 | 11,575,744 | 10,878,361 | 15,305,549 | 15,480,405 |
| Current liabilities | Before appropriation | 4,463,687 | 2,667,074 | 2,131,427 | 6,957,224 | 5,226,107 |
| | After appropriation | 4,660,486 | 3,058,141 | 2,380,230 | 7,179,281 | Note 2 |
| Noncurrent liabilities | | 1,995,914 | 2,200,328 | 2,206,591 | 1,803,754 | 3,798,407 |
| Total liabilities | Before appropriation | 6,459,601 | 4,867,402 | 4,338,018 | 8,760,978 | 9,024,514 |
| | After appropriation | 6,656,400 | 5,258,469 | 4,586,821 | 8,983,035 | Note 2 |
| Equity attributable to the shareholders of the parent company | | 5,193,387 | 6,708,342 | 6,540,343 | 6,544,571 | 6,455,891 |
| Capital stock | | 2,811,410 | 3,008,209 | 3,309,030 | 3,265,542 | 3,265,542 |
| Additional paid-in capital | | 371,340 | 286,998 | 196,752 | 185,955 | 185,955 |
| Retained earnings | Before appropriation | 2,010,637 | 3,402,335 | 3,194,165 | 3,031,694 | 2,949,314 |
| | After appropriation | 1,813,838 | 3,011,268 | 2,945,362 | 2,809,637 | Note 2 |
| Other equity | | - | 10,800 | 18,720 | 61,380 | 55,080 |
| Treasury stock | | - | - | -178,324 | - | - |
| Non-controlling interests | | - | - | - | - | - |
| Total equity | Before appropriation | 5,193,387 | 6,708,342 | 6,540,343 | 6,544,571 | 6,455,891 |
| | After appropriation | 4,996,588 | 6,317,275 | 6,291,540 | 6,322,514 | Note 2 |

Note 1: The financial data of every year have been audited and attested or reviewed by a CPA.
 Note 2: The 2022 earning Distribution plan was pending approval in the shareholders' meeting.

2. Condensed balance sheets-IFRSs (Consolidated)

Unit: NT\$ Thousand

| Item \ Year | Financial data of the last five years | | | | |
|---|---------------------------------------|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Operating income | 1,571,713 | 5,079,135 | 1,491,772 | 1,715,968 | 2,273,704 |
| Gross profit | 575,171 | 2,012,706 | 436,056 | 418,717 | 386,993 |
| Operating profit and loss | 380,058 | 1,588,910 | 209,575 | 220,888 | 175,148 |
| Non-operating income and expense | -7,490 | -9,420 | 11,177 | -5,768 | -29,881 |
| Net income before tax | 372,568 | 1,579,490 | 220,752 | 215,120 | 145,267 |
| Net income of the continuing unit | 369,639 | 1,588,304 | 182,975 | 222,278 | 139,677 |
| Loss of the discounted unit | -22,987 | - | - | - | - |
| Net income (loss) | 346,652 | 1,588,304 | 182,975 | 222,278 | 139,677 |
| Other comprehensive profit and loss – current (net amount after tax) | -50 | 10,993 | 7,842 | 42,660 | -6,300 |
| Total comprehensive profit and loss – current | 346,602 | 1,599,297 | 190,817 | 264,938 | 133,377 |
| Net income attributable to the shareholders of the parent company | 346,652 | 1,588,304 | 182,975 | 222,278 | 139,677 |
| Net income attributable to non-controlling interests | - | - | - | - | - |
| Total comprehensive profit and loss attributable to the shareholders of the parent company | 346,602 | 1,599,297 | 190,817 | 264,938 | 133,377 |
| Total comprehensive profit and loss attributable to the non-controlling interests | - | - | - | - | - |
| Earnings per share | 1.15 | 4.80 | 0.53 | 0.68 | 0.43 |
| Note 1: The financial data of every year have been audited and attested or reviewed by a CPA. | | | | | |

3. Condensed balance sheets-IFRSs (Individual)

Unit: NT\$ Thousand

| Item | | Financial data of the last five years | | | | |
|---|----------------------|---------------------------------------|------------|------------|------------|------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Current assets | | 11,439,710 | 10,884,320 | 10,018,997 | 14,304,635 | 13,937,548 |
| Property, plant and equipment | | 77,999 | 77,746 | 77,022 | 76,501 | 75,789 |
| Intangible assets | | 19 | 163 | 892 | 716 | 339 |
| Other assets | | 236,338 | 594,218 | 667,015 | 886,708 | 1,380,968 |
| Total assets | | 11,754,066 | 11,556,447 | 10,763,926 | 15,268,560 | 15,394,644 |
| Current liabilities | Before appropriation | 4,566,667 | 2,649,587 | 2,024,333 | 6,924,207 | 5,141,751 |
| | After appropriation | 4,763,466 | 3,040,654 | 2,273,136 | 7,146,264 | Note 2 |
| Noncurrent liabilities | | 1,994,012 | 2,198,518 | 2,199,250 | 1,799,782 | 3,797,002 |
| Total liabilities | Before appropriation | 6,560,679 | 4,848,105 | 4,223,583 | 8,723,989 | 8,938,753 |
| | After appropriation | 6,757,478 | 5,239,172 | 4,472,386 | 8,946,046 | Note 2 |
| Equity attributable to the shareholders of the parent company | | 5,193,387 | 6,708,342 | 6,540,343 | 6,544,571 | 6,455,891 |
| Capital stock | | 2,811,410 | 3,008,209 | 3,309,030 | 3,265,542 | 3,265,542 |
| Additional paid-in capital | | 371,340 | 286,998 | 196,752 | 185,955 | 185,955 |
| Retained earnings | Before appropriation | 2,010,637 | 3,402,335 | 3,194,165 | 3,031,694 | 2,949,314 |
| | After appropriation | 1,813,838 | 3,011,268 | 2,945,362 | 2,809,637 | Note 2 |
| Other equity | | — | 10,800 | 18,720 | 61,380 | 55,080 |
| Treasury stock | | — | — | -178,324 | — | — |
| Non-controlling interests | | — | — | — | — | — |
| Total equity | Before appropriation | 5,193,387 | 6,708,342 | 6,540,343 | 6,544,571 | 6,455,891 |
| | After appropriation | 4,996,588 | 6,317,275 | 6,291,540 | 6,322,514 | Note 2 |
| Note 1: The financial data of every year have been audited and attested or reviewed by a CPA. | | | | | | |
| Note 2: The 2022 earning Distribution plan was pending approval in the shareholders' meeting. | | | | | | |

4. Condensed balance sheets - IFRSs (Individual)

Unit: NT\$ Thousand

| Item \ Year | Financial data of the last five years | | | | |
|--|---------------------------------------|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Operating income | 1,525,556 | 5,013,181 | 1,342,142 | 1,438,415 | 1,977,670 |
| Gross profit | 503,671 | 1,904,484 | 391,661 | 372,769 | 319,617 |
| Operating profit and loss | 364,044 | 1,525,205 | 198,152 | 214,123 | 150,899 |
| Non-operating income and expense | -23,025 | 53,962 | 21,144 | -2,042 | -11,469 |
| Net income before tax | 341,019 | 1,579,167 | 219,296 | 212,081 | 139,430 |
| Net income of the continuing unit | 346,652 | 1,588,304 | 182,975 | 222,278 | 139,677 |
| Loss of the discounted unit | — | — | — | — | — |
| Net income (loss) | 346,652 | 1,588,304 | 182,975 | 222,278 | 139,677 |
| Other comprehensive profit and loss – current (net amount after tax) | -50 | 10,993 | 7,842 | 42,660 | -6,300 |
| Total comprehensive profit and loss – current | 346,602 | 1,599,297 | 190,817 | 264,938 | 133,377 |
| Net income attributable to the shareholders of the parent company | 346,652 | 1,588,304 | 182,975 | 222,278 | 139,677 |
| Net income attributable to non-controlling interests | — | — | — | — | — |
| Total comprehensive profit and loss attributable to the shareholders of the parent company | 346,602 | 1,599,297 | 190,817 | 264,938 | 133,377 |
| Total comprehensive profit and loss attributable to the non-controlling interests | — | — | — | — | — |
| Earnings per share | 1.15 | 4.80 | 0.53 | 0.68 | 0.43 |

Note 1: The financial data of every year have been audited and attested or reviewed by a CPA.

(II) Names of CPAs for the Last Five Years

| Year | Name of CPA | Verification Opinions |
|-------------|--------------------------------|---|
| 2018 | Jacky Chen, Shu-Yin Chang | No Qualified Opinion |
| 2019 | Jacky Chen, Shu-Yin Chang | No Qualified Opinion |
| 2020 | Jacky Chen, Shu-Yin Chang | No Qualified Opinion |
| 2021 | Hung Shiau Fang, Xinting Huang | No Qualified Opinions See emphasis paragraph |
| 2022 | Hung Shiau Fang, Xinting Huang | No Qualified Opinions See emphasis paragraph |

II. FINANCIAL ANALYSIS FOR THE LAST FIVE YEARS

(I) Financial Analysis-International Financial Reporting Standards (Consolidated)

| Item | | Financial data of the last five years | | | | |
|---------------------|--|---------------------------------------|--------|--------|--------|--------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Financial structure | Ratio of Liabilities to Assets (%) | 55 | 42 | 40 | 57 | 58 |
| | Ratio of Long-Term Fund to Property, Plant and Equipment (%) | 8,979 | 11,245 | 11,143 | 10,665 | 13,305 |
| Solvency | Current ratio (%) | 256 | 414 | 482 | 208 | 274 |
| | Quick ratio (%) | 27 | 134 | 133 | 38 | 55 |
| | Times Interest Earned Ratio | 380 | 1518 | 316 | 286 | 187 |
| Operating ability | Account Receivable Turnover (times) | 8 | 21 | 15 | 27 | 53 |
| | Days Sales in Account Receivable | 48 | 17 | 24 | 13 | 7 |
| | Inventory Turnover (times) | 0 | 0 | 0 | 0 | 0 |
| | Account Payable Turnover (times) | 1 | 7 | 5 | 5 | 6 |
| | Average Days in Sales | 3,610 | 1,043 | 2,607 | 2,607 | 2,281 |
| | Property, Plant and Equipment Turnover (times) | 19 | 64 | 19 | 22 | 29 |
| | Total Assets Turnover (times) | 0 | 0 | 0 | 0 | 0 |
| Profitability | Ratio of Return on Total Assets (%) | 4 | 14 | 2 | 2 | 2 |
| | Ratio of Return on Shareholders' Equity (%) | 7 | 27 | 3 | 3 | 2 |
| | Ratio of net income before tax to paid-in capital (%) | 12 | 53 | 7 | 7 | 4 |
| | Net profit rate (%) | 22 | 31 | 12 | 13 | 6 |
| | Earnings per share (NTD) | 1.15 | 4.80 | 0.53 | 0.68 | 0.43 |
| Cash flows | Cash flow ratio (%) | -0.49 | 143 | 7 | Note 8 | 7 |
| | Cash Flow adequacy Ratio (%) | -4 | 262 | 171 | Note 8 | 5 |
| | Cash Re-Investment ratio (%) | -3 | 42 | 0 | Note 9 | 2 |
| Balance | Operation Balance | 1 | 1 | 1 | 1.46 | 1.59 |
| | Financial Balance | 1 | 1 | 2 | 2.1 | 19.69 |

Please explain the reasons for the changes in financial ratios in the last two years. (Items with a change for less than 20% are exempted from the requirement of performing an analysis)

1. Ratio of long-term fund to property, plant and equipment (%): Mainly caused by the increase in non-current liabilities.
2. Current ratio and quick ratio (%): Mainly caused by the decrease in current liabilities.

3. Times Interest Earned Ratio: Mainly caused by the increase in interest expenses.
4. Account receivable turnover, account receivable turnover, turnover of property and plant and equipment: Mainly caused by the increase in net sales.
5. Ratio of return on shareholders' equity, ratio of net income before tax to paid-in capital, net profit rate and earnings per share: Mainly caused by the decrease in net income.

Note 1: The financial data of every year have been audited and attested or reviewed by a CPA.

Note 2: Calculation formulas for various financial analysis are as follows:

1. Financial Structure

- (1) Liabilities to assets ratio = total liabilities/total assets.
- (2) Ratio of long-term funds to real estate, plant, and equipment = (total equity + non-current liabilities) / net amount for property and plant.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Interest protection multiples = net profit before income tax and interest expense / interest expense in the current period.

3. Management Capacity

- (1) Turnover rate for accounts receivable (including accounts receivable and bills receivable due to businesses) = net sales / average balance of accounts receivable (including accounts receivable and bills receivable due to businesses) for each period.
- (2) Average number of days for cash collection = 365 / turnover rate for accounts receivable.
- (3) Inventory turnover rate = cost of goods sold / average inventory value.
- (4) Turnover rate for accounts payable (including accounts payable and bills payable due to businesses) = net sales / average balance of accounts payable (including accounts payable and bills payable due to businesses) for each period.
- (5) Average number of sales days = 365 / inventory turnover rate.
- (6) Real estate, plant and equipment turnover rate = net sales / average net amount for real estate, plant, and equipment.
- (7) Turnover rate for total assets = net sales / total average assets.

4 Profitability

- (1) Return on assets = [after-tax profit and loss + interest expense × (1 - tax rate)] / average total assets.
- (2) Return on equity = after-tax profit and loss / average total equity.
- (3) Net profit rate = after-tax profit and loss / net sales.
- (4) Earnings per share = (profit and loss attributable to owners of the parent company - special stock dividends) / weighted average number of issued shares.

5. Cash Flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = (net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years.
- (3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (total fixed assets + long-term investment + other assets + working capital). (Note 5)

6. Balance:

Operation balance = (net operating income - operating variable cost and expense) / operating profit (Note 6).

Financial balance = operating profit / (operating profit- interest expense).

Note 3: Please pay special attention to the following matters when assessing the aforesaid formula of the earnings per share.

- (1) The basis should be the weighted average number of common shares instead of the number of

outstanding shares at the end of the year.

- (2) In case of cash capital increase or treasury stock trading, consider the circulation period and calculate the weighted average number of shares.
- (3) In case of surplus transfer to capital increase or capital reserve transfer to the capital increase, retrospective adjustments should be made according to the ratio of capital increase when calculating earnings per share for the previous year and the previous six-months, and the capital increase issuance period need not be considered.
4. If the special shares are non-convertible cumulative special shares, the dividends for the current year (whether issued or not) shall be deducted from the after-tax net profit, or the net loss after-tax should be increased. If the special stock is non-cumulative and if there is after-tax net profit, the dividend of the special stock shall be deducted from the after-tax net profit. No adjustment is necessary if there is a loss.

Note 4: Please pay special attention to the following matters when assessing the cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow from capital investment.
3. The increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory is decreased at the end of the year, it shall be calculated as zero.
4. Cash dividends shall include cash dividends on ordinary shares and special shares.
5. Gross real estate, plant, and equipment refers to the total amount of real estate, plant, and equipment prior to the deduction of accumulated depreciation.

Note 5: The issuer shall classify the various operating costs and expenses as fixed or variable according to their nature. If estimates or subjective judgments are involved, pay attention to reasonableness and maintain consistency.

Note 6: If the Company's stock has no denomination or the denomination per share is not NT\$10, the aforesaid paid-in capital ratio calculation shall be calculated based on the equity ratio attributable to the balance sheet of the parent company owner.

Note 7: Since operating activities are net cash outflows, the relevant ratio is not calculated.

Note 8: Since the numerator of the calculation formula is negative, it is not calculated.

(II) Financial Analysis—International Financial Reporting Standards (Individual)

| Item | | Financial analysis of the last five year | | | | |
|---------------------|--|--|--------|--------|--------|--------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Financial structure | Ratio of Liabilities to Assets (%) | 56 | 42 | 39 | 57 | 58 |
| | Ratio of Long-Term Fund to Property, Plant and Equipment (%) | 9,215 | 11,456 | 11,347 | 10,907 | 13,528 |
| Solvency | Current ratio (%) | 251 | 411 | 495 | 207 | 271 |
| | Quick ratio (%) | 24 | 131 | 133 | 35 | 49 |
| | Times Interest Earned Ratio | 374 | 1518 | 314 | 284 | 184 |
| Operating ability | Account Receivable Turnover (times) | 8 | 21 | 20 | 39 | 30 |
| | Days Sales in Account Receivable | 48 | 17 | 18 | 0 | 0 |
| | Inventory Turnover (times) | 0 | 0 | 0 | 0 | 0 |
| | Account Payable Turnover (times) | 1 | 6 | 6 | 5 | 5 |
| | Average Days in Sales | 3,650 | 1,043 | 2,808 | 3,318 | 2,607 |
| | Property, Plant and Equipment Turnover (times) | 19 | 64 | 17 | 19 | 26 |
| | Total Assets Turnover (times) | 0 | 0 | 0 | 0 | 0 |
| Profitability | Ratio of Return on Total Assets (%) | 4 | 14 | 2 | 2 | 2 |
| | Ratio of Return on Shareholders' Equity (%) | 7 | 27 | 3 | 3 | 3 |
| | Ratio of net income before tax to paid-in capital (%) | 12 | 53 | 7 | 6 | 4 |
| | Net profit rate (%) | 23 | 32 | 14 | 15 | 7 |
| | Earnings per share (NTD) | 1.15 | 4.80 | 0.53 | 0.68 | 0.43 |
| Cash flows | Cash flow ratio (%) | -1 | 142 | 10 | Note 7 | 8 |
| | Cash Flow adequacy Ratio (%) | -4 | 240 | 161 | Note 7 | 4 |
| | Cash Re-Investment ratio (%) | -3 | 42 | 0 | Note 8 | 2 |
| Balance | Operation Balance | 1 | 1 | 1 | 1.39 | 1.51 |
| | Financial Balance | 2 | 1 | 2 | 2.17 | -9.88 |

Please explain the reasons for the changes in financial ratios in the last two years. (Items with a change for less than 20% are exempted from the requirement of performing an analysis)

1. Ratio of long-term fund to property, plant and equipment (%): Mainly caused by the increase in non-current liabilities.
2. Current ratio and quick ratio (%): Mainly caused by the decrease in current liabilities.
3. Times Interest Earned Ratio: Mainly caused by the increase in interest expenses.
4. Account receivable turnover, and turnover of property, plant and equipment: Mainly caused by the increase in net sales.
5. Ratio of net income before tax to paid-in capital, net profit rate and earnings per share: Mainly caused by the decrease in net income.

Note 1: The financial data of every year have been audited and attested or reviewed by a CPA.

Note 2: Calculation formulas for various financial analysis are as follows:

1. Financial Structure

- (1) Liabilities to assets ratio = total liabilities/total assets.
- (2) Ratio of long-term funds to real estate, plant, and equipment = (total equity + non-current liabilities) / net amount for property and plant.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Interest protection multiples = net profit before income tax and interest expense / interest expense in the current period.

3. Management Capacity

- (1) Turnover rate for accounts receivable (including accounts receivable and bills receivable due to businesses) = net sales / average balance of accounts receivable (including accounts receivable and bills receivable due to businesses) for each period.
- (2) Average number of days for cash collection = 365 / turnover rate for accounts receivable.
- (3) Inventory turnover rate = cost of goods sold / average inventory value.
- (4) Turnover rate for accounts payable (including accounts payable and bills payable due to businesses) = net sales / average balance of accounts payable (including accounts payable and bills payable due to businesses) for each period.
- (5) Average number of sales days = 365 / inventory turnover rate.
- (6) Real estate, plant and equipment turnover rate = net sales / average net amount for real estate, plant, and equipment.
- (7) Turnover rate for total assets = net sales / total average assets.

4 Profitability

- (1) Return on assets = [after-tax profit and loss + interest expense × (1 - tax rate)] / average total assets.
- (2) Return on equity = after-tax profit and loss / average total equity.
- (3) Net profit rate = after-tax profit and loss / net sales.
- (4) Earnings per share = (profit and loss attributable to owners of the parent company - special stock dividends) / weighted average number of issued shares. (Note 4)

5. Cash Flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = (net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years.
- (3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (total fixed assets + long-term investment + other assets + working capital). (Note 5)

6. Balance:

Operation balance = (net operating income - operating variable cost and expense) / operating profit (Note 6).

Financial balance = operating profit / (operating profit- interest expense).

Note 3: Please pay special attention to the following matters when assessing the aforesaid formula of the earnings per share.

- (1) The basis should be the weighted average number of common shares instead of the number of outstanding shares at the end of the year.
- (2) In case of cash capital increase or treasury stock trading, consider the circulation period and calculate the weighted average number of shares.
- (3) In case of surplus transfer to capital increase or capital reserve transfer to the capital increase, retrospective adjustments should be made according to the ratio of capital increase when calculating earnings per share for the previous year and the previous six-months, and the capital

increase issuance period need not be considered.

4. If the special shares are non-convertible cumulative special shares, the dividends for the current year (whether issued or not) shall be deducted from the after-tax net profit, or the net loss after-tax should be increased. If the special stock is non-cumulative and if there is after-tax net profit, the dividend of the special stock shall be deducted from the after-tax net profit. No adjustment is necessary if there is a loss.

Note 4: Please pay special attention to the following matters when assessing the cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow from capital investment.
3. The increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory is decreased at the end of the year, it shall be calculated as zero.
4. Cash dividends shall include cash dividends on ordinary shares and special shares.
5. Gross real estate, plant, and equipment refers to the total amount of real estate, plant, and equipment prior to the deduction of accumulated depreciation.

Note 5: The issuer shall classify the various operating costs and expenses as fixed or variable according to their nature. If estimates or subjective judgments are involved, pay attention to reasonableness and maintain consistency.

Note 6: If the Company's stock has no denomination or the denomination per share is not NT\$10, the aforesaid paid-in capital ratio calculation shall be calculated based on the equity ratio attributable to the balance sheet of the parent company owner.

Note 7: Net cash from operating activities is considered as outflow and shall not be calculated.

Note 8: Since the numerator of the calculation formula is negative, it is not calculated.

III. Audit Committee Review Report on the Latest Financial Report

Sanfar Property Limited

Audit Committee Report

The board of directors has drafted the Company's 2022 business reports, financial statements and earnings distribution proposals. Among them, the financial statements have been audited by CPA Hung Shiau Fang and CPA Xinting Huang of KPMG Taiwan, who have also issued an audit report. The aforesaid financial statements, and business reports have been audited by the Audit Committee, and no discrepancy was found. A report is prepared and submitted for examination pursuant to Article 14 of the Securities and Exchange Act and Article 219 of the Company Act.

Best Regards

Sanfar Property Limited 2023 General Shareholders Meeting

Sanfar Property Limited

Convener of Audit Committee: Chin-Chang Wu

April 28, 2023

- IV. The latest annual financial statements, including CPA's audit report, two-year balance sheet, consolidated income statement, statement of changes in equity, cash flow, notes, or attachments: Please refer to pages 175~238
- V. The latest individual company financial report audited by the CAP: Please refer to pages 239~299.
- VI. In case of financial difficulties for the Company and its affiliated companies in the most recent year and as of the date of publication for the annual report, please indicate its impact on the Company's financial status: None.

SEVEN. REVIEW AND ANALYSIS OF FINANCIAL POSITION AND BUSINESS PERFORMANCE, AND RISK MANAGEMENT ISSUES

1. FINANCIAL STATUS

The main reasons for the major changes in assets, liabilities and equity in the last two years and their impacts, if significant impact is imposed, explain the future response plan

Comparative analysis of financial position

Unit: NT\$ Thousand

| Item \ Year | 2022 | 2021 | Difference | |
|---|------------|------------|------------|---------|
| | | | Amount | % |
| Current assets | 14,326,868 | 14,489,764 | -162,896 | -1.12% |
| Non-current assets | 1,153,537 | 815,785 | 337,752 | 41.40% |
| Total assets | 15,480,405 | 15,305,549 | 174,856 | 1.14% |
| Current liabilities | 5,226,107 | 6,957,224 | -1,731,117 | -24.88% |
| Noncurrent liabilities | 3,798,407 | 1,803,754 | 1,994,653 | 110.58% |
| Total liabilities | 9,024,514 | 8,760,978 | 263,536 | 3.01% |
| Capital stock | 3,265,542 | 3,265,542 | 0 | 0.00% |
| Additional paid-in capital | 185,955 | 185,955 | 0 | 0.00% |
| Retained earnings | 2,949,314 | 3,031,694 | -82,380 | -2.72% |
| Other equity | 55,080 | 61,380 | -6,300 | -10.26% |
| Treasury stock | 0 | 0 | 0 | 0.00% |
| Total shareholders' equity | 6,455,891 | 6,544,571 | -88,680 | -1.36% |
| Reasons for more than 20% of the change ratio (increase or decrease): | | | | |
| 1. Non-current assets: Mainly caused by the increase in other financial assets. | | | | |
| 2. Current liabilities: Mainly caused by the decrease in short-term borrowings and corporate bonds due within one year of the current period. | | | | |
| 3. Non-current liabilities: Mainly caused by the issuance of corporate bonds. | | | | |

II. FINANCIAL PERFORMANCE

The main reasons for the significant changes in operating income, net operating profits and net income before tax in the latest two years, as well as the expected sales volume and basis, the possible impact on the Company's future financial business and response plan

Comparative analysis of financial performance

Unit: NT\$ Thousand

| Year Item | 2022 | 2021 | Amount increase (decrease) | Change ratio (%) |
|---|-----------|-----------|----------------------------------|---------------------|
| Net operating income | 2,273,704 | 1,715,968 | 557,736 | 32.50% |
| Operating cost | 1,886,711 | 1,297,251 | 589,460 | 45.44% |
| Gross profit | 386,993 | 418,717 | -31,724 | -7.58% |
| Operating expense | 211,845 | 197,829 | 14,016 | 7.08% |
| Operating profit | 175,148 | 220,888 | -45,740 | -20.71% |
| Non-operating income and expense | -29,881 | -5,768 | -24,113 | 418.05% |
| Net income before tax of the continuing department | 145,267 | 215,120 | -69,853 | -32.47% |
| Income tax expense | 5,590 | -7,158 | 12,748 | -178.09% |
| Net income of the continuing department | 139,677 | 222,278 | -82,601 | -37.16% |
| Net income | 139,677 | 222,278 | -82,601 | -37.16% |
| Reasons for more than 20% of the change ratio (increase or decrease): | | | | |
| <ol style="list-style-type: none"> 1. Net operating income: Mainly caused by the dematerialization of available houses and the handover of newly completed projects. 2. Operating costs: Mainly caused by the increase in the income from the de-industrialization of available houses and the recognition of newly completed construction projects, and the relative increase in costs. 3. Operating expense: Mainly caused by the increase in marketing expense. 4. Non-operating income and expense: Mainly caused by the increase in financial costs. 5. Income tax expense: Mainly caused by the increase in Value Added Taxes on land. 6. Net income before tax and net income: Mainly caused by the increase in the financial costs. | | | | |

III. CASH FLOW

(I) Liquidity analysis for the last two years:

Unit: NT\$ Thousand

| Item \ Year | 2022 | 2021 | Difference | |
|--|----------|------------|------------|------------|
| | | | Amount | Percentage |
| Cash flow from operating activities | 379,355 | -4,046,183 | 4,425,538 | -109% |
| Cash flow from investing activities | -144,918 | -223,318 | 78,400 | -35% |
| Cash flow from financing activities | 26,532 | 3,902,303 | -3,875,771 | -99% |
| <p>The main reasons for material changes occurred:</p> <ol style="list-style-type: none"> 1. Increase in cash flow from operating activities: It is mainly due to the increase in current inventory is less than the decrease in last year. 2. Increase in cash flow from investing activities: It is mainly due to the increase in other financial assets. 3. Decrease in cash flow from financing activities: It is mainly due to the decrease in short-term borrowings for the current period. | | | | |

(II) Cash liquidity analysis for the coming year

Unit: NT\$ Thousand

| Cash balance – beginning | Expected cash inflow of the year | Expected cash outflow of the year | Expected cash balance of the year |
|---|----------------------------------|-----------------------------------|-----------------------------------|
| 2,426,747 | 3,346,815 | 3,661,609 | 2,111,953 |
| Improvement plan for the insufficient liquidity: None | | | |

IV. THE IMPACTS THAT MAJOR CAPITAL EXPENDITURES HAVE ON FINANCIAL OPERATIONS IN THE MOST RECENT YEAR: NONE.

V. REINVESTMENT POLICY IN THE MOST RECENT YEAR, THE MAIN REASONS FOR ITS PROFIT OR LOSS, IMPROVEMENT PLAN, AND INVESTMENT PLAN FOR THE COMING YEAR:

(I) The information on the Company's investees is as follows:

Unit: NT\$ Thousand

| Name of the investees | 2022 | | Improvement plan |
|---------------------------------------|--|--------------------------------|--|
| | Total profit and loss for the current period | Profit and loss on investments | |
| Jing Fu Xiang Construction | 23,103 | 20,859 | The operations were quite good with stable profits. |
| Jingo International Records Co., Ltd. | -3,064 | -3,064 | Actively expand business and increase profitability. |

(II) Investment plan for the coming year: In addition to focusing on the core business, the Company will also actively evaluate investment opportunities related to the Company and its subsidiaries' businesses in hopes of optimizing shareholder profits under the premise of stable growth.

VI. THE FOLLOWING ITEMS DURING THE MOST RECENT YEAR AND AS OF THE PRINTING DATE OF THE ANNUAL REPORT MUST BE ANALYZED AND ASSESSED AS RISK ITEMS

(1) The effects that interest rate, exchange rate fluctuations, and inflation have on the profits and losses of the Company as well as the future response measures:

1. Impact on the Company's Profit and Loss

Unit: NT\$ Thousand

| Item | 2022 |
|--|----------|
| Net interest income and expense | -160,641 |
| Net exchange profit and loss | - |
| Ratio of net interest income and | -7.07% |
| Ratio of net interest income and | -110.58 |
| Ratio of net exchange profit and | 0.00% |
| Ratio of net exchange profit and loss to net profit before tax | 0.00% |

2. Description

(1) Interest Rate Change:

For the cash flow risk of the Company and its subsidiaries at the end of 2022 due to interest rate changes for their financial assets and liabilities, the combined cost

increase for the Company is approximately NT\$43,661 thousand if the interest rate is increased by 1% while all other variables remain unchanged.

Future countermeasures:

Observe the monetary policy and market lending rate trends from the central bank's quarterly board of directors' meetings, collect interest rate market information and prudently negotiate prices with banks, and issue fixed-rate bonds in a timely manner.

(2) Exchange Rate Fluctuation:

The core business of the Company and its subsidiaries is building sales. Both land acquisition or sales are based on the domestic market, and the main currency is New Taiwan dollars. The exchange rate fluctuation has little impact on the Company's profit and loss.

Future countermeasures: None.

(3) Inflation

Inflation is both advantageous and disadvantageous to the Company. The disadvantage is that the cost of raw materials can increase, and the advantage is that housing prices can increase in response to market reactions. So, these two factors are often offset, and inflation has relatively little impact on profit and loss.

Future countermeasures:

Cost: Observe the economic indicators and price index statistics announced by the DBGAS, maintain good partnerships with suppliers, conduct market inquiries to expand supplier contacts, and design procurement strategy and supplier bargaining based on comprehensive volume and price considerations in order to reduce the impact of inflation on costs.

Sales: Consider the selling price based on the impact of inflation and reflect the cost in a timely manner.

(II) 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:

The Company has not engaged in high-risk and high-leverage investments, fund loans to others, endorsements, and derivative products. Moreover, the Company has established the "Loan to Others and Endorsement Guarantee Method" and the "Asset Acquisition and Disposal Processing Procedures" as the basis to handle the relevant operations.

(III) Future R&D plans and anticipated investments in R&D expenses:

The Company and its subsidiaries are mainly engaged in investment and construction

of residence, under no R&D plan, no R&D department, and no provision for R&D expenses. Before the launch of each project, the Planning Department and the Engineering Department will plan suitable and most recent materials and construction methods, and have invested considerable human resources and costs over the years to meet consumer demand, except for R&D investment.

(IV) The effects that the key domestic and international policy and law changes have on the financial operations of the Company as well as the response measures:

The construction industry is subject to the government's measures to lower housing prices, such as the Equalization of Land Rights Act, integration of real estate and land tax, the adjustment of road section rates, and the announcement of land price increase, high construction costs, rising interest rates in the global market and restrictions on land loans, etc. These measures have increased the funds for operation by constructors, curbed the investors, property buyers, and luxury home seekers while indirectly degrading the market's buying sentiment. Moreover, the construction industry recognizes revenue using the full completion method. Revenue is significantly impacted by the revenue recognized at the time of completion, resulting in larger fluctuation in monthly or annual revenue under industrial characteristics.

Countermeasures:

1. Carefully select project location, pay attention to building quality, and enhance product competitiveness.
2. Launch products that meet market needs and customer segmentation.
3. Reduce land inventory and residual housing risks.

(V) The effects that technological changes (including cyber security risks) and industry changes have on the financial operations of the Company as well as the countermeasures: None.

(VI) The effects that corporate image has on corporate crisis management as well as the countermeasures: None.

(VII) Expected benefits and possible risks of merger and acquisition as well as the countermeasures: None.

(VIII) Expected benefits and possible risks of factory expansions as well as the countermeasures: Not applicable.

(IX) The risks of concentrated procurement or sales as well as the countermeasures:

The procurement by the Company's construction business is mainly based on the purchase of land and construction projects, all of which are scattered entities. Sales are generally made to ordinary consumers, and there is no risk of concentrated

procurement or sales.

- (X) The effects and risks that large-number transfers or replacements of directors, supervisors, or major shareholders holding over 10% of the Company's shares have to the Company as well as the countermeasures:

No massive transfer of equity interest by directors or shareholders holding more than 10% of shares during the most recent fiscal year and up to the date of publication of the annual report.

- (XI) The effects and risks that operating rights changes have to the Company as well as the response measures:

There is no impact on the Company's operations due to changes in management rights in the most recent year and up to the date of publication of the annual report.

- (XII) Finalized judgments or pending litigations, non-litigations, or administrative disputes associated with the Company's directors, supervisors, or major shareholders holding over 10% of the Company's shares whereby the results may have major impacts on the shareholders' rights or share prices; the facts of the dispute, the amount of the subject matter, the start date of the litigation, the main parties involved in the litigation, and the handling status as of the printing date of the annual report must be disclosed: None.

- (XIII) Other important risks and countermeasures:

1. Risk Management Organization Operation:

According to Article 44 of the Internal Control System Best Practice Principles for TWSE/TPEX Listed Companies, listed companies are advised to formulate appropriate policies and procedures for risk management and an effective risk management mechanism to assess and monitor their risk appetite, current risk tolerance, risk response strategies and compliance with risk management procedures.

On November 9, 2021, the Board of Directors of the Company approved the 'Risk Management Policy and Procedures' to strengthen corporate governance and improve risk management to ensure the sustainable operation and development of the Company. The heads of each department will evaluate the possible risks in the future every year and propose countermeasures to strengthen the control over enterprise risks, including risk detection, assessment, reporting and treatment, and report to the general manager for approval after discussions among each department, and report the implementation at the meeting of the Board of Directors every year.

2. Risk Management Organization Operation Table:

| Important Risk Assessment items | Risk Control Unit | Risk Review and Control | Board of Directors |
|---|--------------------------------|---|---|
| Interest Rate, Exchange Rate, and Financial Risk | Accounting Unit | General Manager's Office | Board of Directors (Risk Assessment & Control Policies and Final Control) |
| High-risk & High-leverage Investment, Capital Loan to Others, Derivative Financial Products, Financial Wealth Management Investment | Accounting Unit | General Manager's Office | |
| Land Development | Business Department | Review meeting (Heads of relevant units of members) | |
| Subcontracting | Purchasing Unit | Procurement/subcontract Meeting | |
| R&D Plan | Engineering Unit | General Manager's Office | |
| Policy and Legal Changes | Personnel of each unit | General Manager's Office | |
| Industry Changes | Business Department | General Manager's Office | |
| Investment, Reinvestment, and M&A Benefits | Financial unit | General Manager's Office | |
| Centralized Sales or Purchase | Purchasing unit, business unit | General Manager's Office | |
| Transfer of shares for directors and major shareholders | Share unit | Chairman's Office | |
| Change in Operating Rights | Share unit | Chairman's Office | |
| Litigation and Non-litigation Matters | Legal Affairs | General Manager's Office | |
| Other Operation Items | Personnel of each unit | General Manager's Office | |
| Personnel Conduct, Ethics, and Integrity | Personnel of each unit | Chairman's Office | |
| SOP and Legal Compliance | Personnel of each unit | Legal Affairs, Audit Unit | |
| Board of Directors' Meeting Management | Share unit | Audit | |

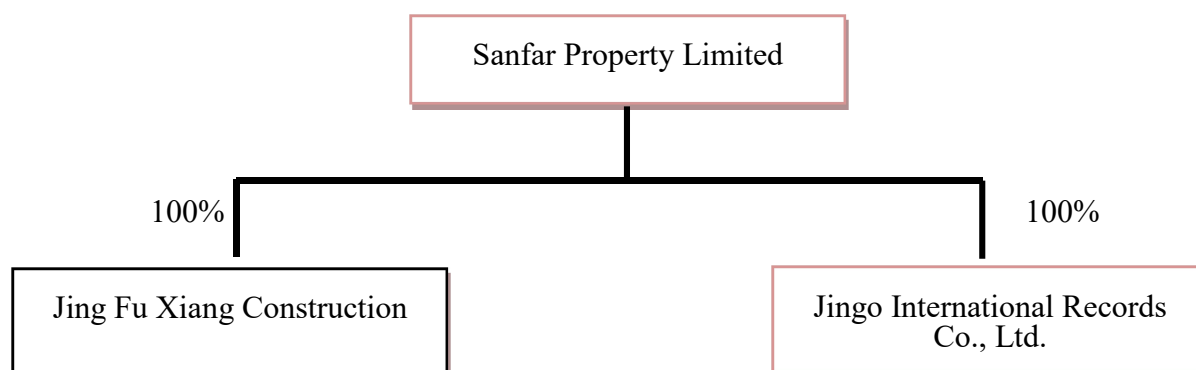
VII. OTHER IMPORTANT ISSUES: NONE.

EIGHT. SPECIAL DISCLOSURES

I. AFFILIATED ENTERPRISES RELATED INFORMATION:

(1) For details on the consolidated business report and consolidated financial report of affiliated enterprises, please refer to page 175.

(2) Affiliated enterprise organization chart



(III) Information on Investees

Unit: NT\$ Thousand

| Name of corporation | Date of establishment | Paid-in capital | Major operating items | Loss after tax in 2022 |
|---------------------------------------|-----------------------|-----------------|--|------------------------|
| Jing Fu Xiang Construction | 1996.04.17 | 300,000 | Civil and architectural engineering | 23,103 |
| Jingo International Records Co., Ltd. | 2021.01.27 | 20,000 | Production, publishing, import and export of all kinds of CDs and DVDs | -3,064 |

II. IN CASE OF ANY PRIVATE PLACEMENT OF NEGOTIABLE SECURITIES IN THE MOST RECENT YEAR AND AS OF THE PUBLICATION DATE OF THE ANNUAL REPORT; THE DATE AND AMOUNT ADOPTED BY THE SHAREHOLDERS' MEETING OR THE BOARD OF DIRECTORS' MEETING, THE PRICE-SETTING BASIS AND REASONABLENESS, THE SPECIFIC PERSON SELECTION METHOD, THE NECESSARY REASON FOR PRIVATE PLACEMENT, THE PRIVATE PLACEMENT TARGETS, THE QUALIFICATION CONDITIONS, THE NUMBER OF SUBSCRIPTIONS, THE RELATIONSHIP WITH THE COMPANY, THE OPERATION STATUS OF THE PARTICIPATING COMPANIES, THE ACTUAL SUBSCRIPTION (OR CONVERSION) PRICE, THE DIFFERENCE BETWEEN THE ACTUAL

SUBSCRIPTION (OR CONVERSION) PRICE AND THE REFERENCE PRICE, THE IMPACT OF THE PRIVATE PLACEMENT ON SHAREHOLDER RIGHTS, THE FUND UTILIZATION PLAN THAT HAS BEEN COMPLETED SINCE THE STOCK PAYMENT OR PRICE PAYMENT IS FULLY RECEIVED, THE USE OF FUNDS IN PRIVATELY PLACED SECURITIES, AND THE PLAN IMPLEMENTATION PROGRESS, AS WELL AS THE BENEFITS OF THE PLAN, MUST BE DISCLOSED: NONE.

III. COMPANY STOCK HOLDING OR DISPOSITION STATUS BY A SUBSIDIARY IN THE MOST RECENT YEAR AND AS OF THE PUBLICATION DATE OF THE ANNUAL REPORT: NONE.

IV. OTHER MATTERS REQUIRING SUPPLEMENTAL EXPLANATIONS: NONE.

NINE. MATTERS THAT OCCURRED IN THE MOST RECENT YEAR AND AS OF THE PUBLICATION DATE OF THE ANNUAL REPORT THAT HAVE A SIGNIFICANT IMPACT ON THE SHAREHOLDERS' EQUITY OR SECURITIES PRICES PURSUANT TO SUBPARAGRAPH 2, PARAGRAPH 3, ARTICLE 36 OF THE SECURITIES AND EXCHANGE ACT

- I. Insufficient deposit funds, dishonored account, or bad credit standing: None.
- II. Litigation, non-litigation, administrative sanction, administrative dispute, preservation procedures, or compulsory enforcement matters that have a significant impact on the Company's finances or operations: None.
- III. Major production reduction, full or partial shutdown, lease of the Company's plant or major equipment, or all or major parts of the assets are pledged and significantly impacted the Company's operations: None.
- IV. Any one of the matters listed in Paragraph 1, Article 185, of the Company Act: None.
- V. Share transfer prohibited by court order pursuant to Subparagraph 5, Paragraph 1, Article 287 of the Company Act: None.
- VI. The chairman, general manager, or over one-third of the directors have changed: None.
- VII. The CPA has changed. None.
- VIII. Signing, changing, terminating, or dissolving important memorandums, strategic alliances, or other business cooperation plans or important contracts; changing important business plan contents, completing new product

development, and testing products that have been successfully developed and officially entered the mass production phase; acquisition of another enterprise; and acquisition or assignment of patent rights, exclusive trademark rights, copyrights, or other intellectual property rights that have a significant impact on the Company's finances or operations: None.

IX. OTHER MATTERS THAT HAVE A SIGNIFICANT IMPACT ON THE SHAREHOLDERS OR THE SECURITIES PRICES:

- (I) The Company was investigated and searched for on February 17, 2022, since it is still in the investigation stage, and based on the principle of non-disclosure of investigation, the relevant facts and legal liabilities will be subject to the investigation and clarified by judicial department before taking relative measures. At present, according to results of review by the CPAs appointed by the Audit Committee of the Company, the project review lawyers appointed by the Board of Directors and the results of the Company's own review, the three advertising companies such as Dage Advertising Co., Ltd., Yuedeng Advertising Co., Ltd. and Hongtai Advertising Co., Ltd. have genuine sales agency and construction transactions with the Company, under the conditions not materially unreasonable compared with the trading conditions of the market peers.
- (II) For the protection of the rights and interests of investors, although the case is still under investigation, in order to be conservative and steady, the Company disclosed the three advertising companies described above as other related persons and compiled them into the Company's annual financial report for 2021 and 2022 in advance. Due to the principles of restricted investigation and non-disclosure, the pre-disclosure treatment may not be the final result. The Company will wait for subsequent judicial proceedings to clarify the facts before taking actions appropriately.
- (III) At present, the Company's finances and business are normal, and the investigation case has no significant impact on the Company's operations.

Statement of Declaration for the Consolidated Financial Report on Affiliate Enterprises

Statement of Declaration

For the 2022 fiscal year (January 1, 2022 to December 31, 2022), the Company has included its affiliated enterprises into the consolidated financial report pursuant to the “Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations.” No separate consolidated financial statement covering the affiliated enterprises is made since this consolidated financial report contains entirely the same affiliated enterprises as those required by IFRS 10 to be included in preparing the consolidated financial report comprising the parent and its subsidiaries, and the required disclosures to be made in the consolidated financial statements covering affiliated enterprises are already made in this consolidated financial report comprising the parent and its subsidiaries.

This statement is hereby declared as true and correct.

Company name: Sanfar Property Limited

Chairman of the Board: Ting-Chen Chung

Date: February 22, 2023

Representation Letter

The entities that are required to be included in the combined financial statements of San Far Property Limited as of and for the year ended December 31, 2022 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 prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, San Far Property Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: San Far Property Limited

Chairman: Ting Chen, Chung

Date: February 22, 2023

Independent Auditors' Report

To the Board of Directors of San Far Property Limited:

Opinion

We have audited the consolidated financial statements of San Far Property Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As mentioned in Note 12 (b) of the consolidated financial statements, the Ministry of Justice Investigation Bureau, Kaohsiung City has conducted an investigation in the group on February 17, 2022 and seized its subsidiary ledgers, as well as all the contracts entered into with, and the vouchers of commission paid to, the related three advertising companies, Yueteng Advertising Co., Ltd., Dage Advertising Co., Ltd., and Hong Tai Advertising Co., Ltd., within 2014 to 2020. Please refer to note 12 (b) for information related to the above transactions. We did not revise the review opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters that, in our professional judgment, should be communicated are as follows:

1. Revenue recognition

For the revenue recognition account policy, please refer to Note 4(n); for the details of the revenue recognition during the years, please refer to Note 6(q).

Description of key audit matter:

A major income of Sanfa real Estate Company Limited and its subsidiaries is from selling the real estate, and the risk of material misrepresentation lies in the authenticity of income. Since operating income involves the operating performance of the management, a possible risk of material misstatement may occur if the management does not recognize the income at the right point of time in accordance with the regulations. Therefore, the recognition of sales revenue is one of the most important evaluation in performing our audit procedures.

Audit procedures performed:

- Test on the control of sales and payments received, evaluate and eliminate any possible misstatement or fraud recognized;
- Test on the appropriateness of the time income is recognized; randomly select samples to check whether the contract and relevant documents are transferred between the Company and customers; check the documents in the selling systems and general ledger to evaluate whether the Company' s revenue recognition policy is in accordance with relevant regulations.

2. Valuation of inventories

Please refer to Note 4(h) and Note 5 for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in Note 6(d) of the consolidated financial statements.

Description of key audit matter:

The key asset of Sanfa real Estate Company Limited and its subsidiaries is its inventories, with a portion of 73% of the total assets. Inventory evaluation of the Company is in accordance with International Accounting Standards for Report No. 2. There may be a misstatement of financial report when the net realizable value is inappropriate. The real estate for sale is compared with the latest nearby transaction price or the contract price of the recent sale, and the uncertainty of the future investment cost of the land for construction and the land under construction is higher, and it is difficult to obtain a comparable sales price. Therefore, the judgment of net realizable value of the land for construction and the land under construction depends on the subjective judgment or estimation of the management. Thus, the valuation of the land for construction and the land under construction is one of the most important valuation in performing our audit procedures.

Audit procedures performed:

Analysis tables of investment return by cases are also acquired to compare with the market condition and evaluate whether the assessment data of the net realizable value of inventories are fairly measured and presented.

Other Matter

San Far Property Limited has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yilien Han and Hsin-Ting Huang.

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2023

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2022 | | December 31, 2021 | | | | December 31, 2022 | | December 31, 2021 | |
|----------------------------|--|--------------------------|------------|--------------------------|------------|-------------------------------------|---|--------------------------|------------|--------------------------|------------|
| | | Amount | % | Amount | % | | | Amount | % | | |
| Assets | | | | | | Liabilities and Equity | | | | | |
| Current assets: | | | | | | Current liabilities: | | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | \$ 2,426,747 | 16 | 2,165,778 | 14 | 2100 | Short-term borrowings (notes 6(i) and 8) | \$ 4,366,060 | 29 | 4,967,892 | 32 |
| 1140 | Current contract assets (notes 6(q) and 7) | 172,951 | 1 | 39,893 | - | 2110 | short-term transaction instrument payables (notes 6(n) and 8) | - | - | 140,000 | 1 |
| 1150 | Notes receivable, net (notes 6(c) and (q)) | 173 | - | 356 | - | 2130 | Current contract liabilities (notes 6(k), (q), 7 and 9) | 354,081 | 2 | 421,852 | 3 |
| 1170 | Accounts receivable, net (notes 6(c) and (q)) | 4,519 | - | 3,203 | - | 2150 | Notes payable | 149,942 | 1 | 87,471 | 1 |
| 1180 | Accounts receivable due from related parties, net (notes 6(c), (q) and 7) | 16,590 | - | 60,417 | - | 2170 | Accounts payable (note 11) | 227,092 | 1 | 189,311 | 1 |
| 1300 | Inventories, merchandising business, net (note 6(d)) | 4,787 | - | 4,702 | - | 2200 | Other payables (notes 6(r) and 7) | 98,323 | 1 | 119,973 | 1 |
| 1320 | Inventories (for construction business), net (notes 6(d), 7, 8 and 9) | 11,352,790 | 73 | 11,801,569 | 77 | 2230 | Current tax liabilities | 3,935 | - | 3,430 | - |
| 1410 | Prepayment | 88,653 | 1 | 67,667 | 1 | 2321 | Current Portion of puttable bonds (notes 6(i) and 8) | - | - | 999,808 | 7 |
| 1476 | Other financial assets-current (notes 6(k), 7 and 8) | 116,193 | 1 | 185,461 | 1 | 2399 | Other current liabilities, others | 26,674 | - | 27,487 | - |
| 1479 | Other current assets, others | 20,042 | - | 31,791 | - | | | 5,226,107 | 34 | 6,957,224 | 46 |
| 1480 | Current assets recognised as incremental costs to obtain contract with customers (note 6(e)) | 123,423 | 1 | 128,927 | 1 | | | | | | |
| | | 14,326,868 | 93 | 14,489,764 | 94 | | | | | | |
| Non-current assets: | | | | | | Non-Current liabilities: | | | | | |
| 1510 | Total non-current financial assets at fair value through profit or loss | 4,914 | - | 4,429 | - | 2530 | Bonds payable (notes 6(j) and 8) | 3,794,540 | 25 | 1,798,644 | 12 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (note 6(b)) | 117,280 | 1 | 122,580 | 1 | 2600 | Total other non-current liabilities | 3,867 | - | 5,110 | - |
| 1600 | Property, plant and equipment (notes 6(f) and 8) | 77,068 | - | 78,277 | 1 | | | 3,798,407 | 25 | 1,803,754 | 12 |
| 1760 | Investment property (notes 6(g) and 8) | 115,799 | 1 | 91,568 | 1 | | | 9,024,514 | 59 | 8,760,978 | 58 |
| 1780 | Intangible assets | 15,507 | - | 16,679 | - | | | | | | |
| 1840 | Deferred tax assets (note 6(n)) | 133,654 | 1 | 112,481 | 1 | | | | | | |
| 1975 | Net defined benefit asset, non-current (note 6(m)) | - | - | 5,636 | - | | | | | | |
| 1980 | Other non-current financial assets (note 8) | 680,090 | 4 | 371,583 | 2 | | | | | | |
| 1990 | Other non-current assets, others | 9,225 | - | 12,552 | - | | | | | | |
| | | 1,153,537 | 7 | 815,785 | 6 | | | | | | |
| | Total assets | \$ 15,480,405 | 100 | 15,305,549 | 100 | | | | | | |
| | | | | | | Total liabilities and equity | | | | | |
| | | | | | | | | \$ 15,480,405 | 100 | 15,305,549 | 100 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

| | | <u>2022</u> | | <u>2021</u> | |
|------|--|-------------------|----------|----------------|-----------|
| | | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| 4000 | Operating revenue (notes 6(q) and 7) | \$ 2,273,704 | 100 | 1,715,968 | 100 |
| 5000 | Operating cost (notes 6(d) and (m)) | 1,886,711 | 83 | 1,297,251 | 76 |
| 5900 | Gross profit from operations | 386,993 | 17 | 418,717 | 24 |
| 6000 | Operating expenses (notes 6(e), (m), (r), 7 and 11): | | | | |
| 6100 | Selling expenses | 107,994 | 5 | 96,118 | 6 |
| 6200 | Administrative expenses | 103,851 | 5 | 101,711 | 6 |
| | | 211,845 | 10 | 197,829 | 12 |
| 6900 | Operating profit | 175,148 | 7 | 220,888 | 12 |
| 7000 | Non-operating income and expenses: | | | | |
| 7100 | Total interest income | 5,611 | - | 3,503 | - |
| 7010 | Other income (notes 6(l), (m) and 7) | 5,222 | - | 9,151 | 1 |
| 7020 | Other gains and losses (note 6(s)) | (2,611) | - | (262) | - |
| 7050 | Finance costs, net | (38,103) | (1) | (18,160) | (1) |
| | | (29,881) | (1) | (5,768) | - |
| 7900 | Profit from continuing operations before tax | 145,267 | 6 | 215,120 | 12 |
| 7950 | Less: Income tax expense (note 6(n)) | 5,590 | - | (7,158) | - |
| 8200 | Profit | 139,677 | 6 | 222,278 | 12 |
| 8300 | Other comprehensive income (loss): | | | | |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8316 | Unrealized (losses) gain from investments in equity instruments measured at fair value through other comprehensive income (notes 6(b) and (o)) | (6,300) | - | 42,660 | 2 |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| 8300 | Other comprehensive income (net of tax) | (6,300) | - | 42,660 | 2 |
| 8500 | Total comprehensive income | \$ 133,377 | 6 | 264,938 | 14 |
| | Basic earnings per share (note 6(p)) | | | | |
| 9750 | Basic earnings per share | \$ 0.43 | | 0.68 | |
| 9850 | Diluted earnings per share | \$ 0.43 | | 0.68 | |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | Total other equity interest | Treasury shares | Total equity |
|--|---|-----------------|----------------|----------------------------------|------------------|-------------------------|---|------------------|--------------|
| | Retained earnings | | | | | Total retained earnings | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | | |
| | Ordinary shares | Capital surplus | Legal reserve | Unappropriated retained earnings | | | | | |
| Balance at January 1, 2021 | \$ 3,309,030 | 196,752 | 575,954 | 2,618,211 | 3,194,165 | 18,720 | (178,324) | 6,540,343 | |
| Profit | - | - | - | 222,278 | 222,278 | - | - | 222,278 | |
| Other comprehensive income (net for tax) | - | - | - | - | - | 42,660 | - | 42,660 | |
| Comprehensive income | - | - | - | 222,278 | 222,278 | 42,660 | - | 264,938 | |
| Appropriation and distribution of retained earnings: | | | | | | | | | |
| Legal reserve appropriated | - | - | 18,290 | (18,290) | - | - | - | - | |
| Cash dividends of ordinary share | - | - | - | (93,301) | (93,301) | - | - | (93,301) | |
| Stock dividends of ordinary share | 155,502 | - | - | (155,502) | (155,502) | - | - | - | |
| Other changes in capital surplus: | | | | | | | | | |
| Purchase of treasury share | - | - | - | - | - | - | (167,409) | (167,409) | |
| Retirement of treasury share | (198,990) | (10,797) | - | (135,946) | (135,946) | - | 345,733 | - | |
| Balance at December 31, 2021 | 3,265,542 | 185,955 | 594,244 | 2,437,450 | 3,031,694 | 61,380 | - | 6,544,571 | |
| Profit | - | - | - | 139,677 | 139,677 | - | - | 139,677 | |
| Other comprehensive income | - | - | - | - | - | (6,300) | - | (6,300) | |
| Comprehensive income | - | - | - | 139,677 | 139,677 | (6,300) | - | 133,377 | |
| Appropriation and distribution of retained earnings: | | | | | | | | | |
| Legal reserve appropriated | - | - | 8,633 | (8,633) | - | - | - | - | |
| Cash dividends of ordinary share | - | - | - | (222,057) | (222,057) | - | - | (222,057) | |
| Balance at December 31, 2022 | \$ 3,265,542 | 185,955 | 602,877 | 2,346,437 | 2,949,314 | 55,080 | - | 6,455,891 | |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|---|------------|-------------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 145,267 | 215,120 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 7,925 | 7,041 |
| Amortization expense | 2,583 | 2,439 |
| Net (gain) loss on financial assets or liabilities at fair value through profit or loss | (485) | 79 |
| Gain on disposal of property, plan and equipment | (2) | - |
| Interest expense | 38,103 | 18,160 |
| Interest income | (5,611) | (3,503) |
| Pension | - | (3,294) |
| Total adjustments to reconcile profit (loss) | 42,513 | 20,922 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Increase in contract assets | (133,058) | (18,913) |
| Decrease in notes receivable - related parties | 183 | 39,612 |
| Decrease(increase) in accounts receivable - related parties | 42,511 | (41,122) |
| Decrease (increase) in inventories | 551,405 | (4,342,512) |
| Increase in other prepayments | (20,986) | (18,635) |
| Decrease (increase) other current assets | 12,570 | (11,851) |
| (Increase) decrease in other financial assets | (90,738) | 33,957 |
| Decrease in deferred debits | 5,636 | - |
| Decrease (increase) in assets recognised as incremental costs to obtain contract with customers | 5,504 | (54,798) |
| Total changes in operating assets | 373,027 | (4,414,262) |
| Changes in operating liabilities: | | |
| (Decrease) Increase in contract liabilities | (67,771) | 192,585 |
| Increase in notes payable | 62,471 | 32,873 |
| Increase in accounts payable | 37,781 | 48,491 |
| (Decrease) increase in other receivable | (30,039) | 25,183 |
| (Decrease) increase in other current liabilities | (253) | 6,739 |
| Total changes in operating liabilities | 2,189 | 305,871 |
| Total changes in operating assets and liabilities | 375,216 | (4,108,391) |
| Total adjustments | 417,729 | (4,087,469) |
| Cash inflow generated from operations | 562,996 | (3,872,349) |
| Interest paid | (156,562) | (114,975) |
| Income taxes paid | (27,079) | (58,859) |
| Net cash flows from (used in) operating activities | 379,355 | (4,046,183) |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT' D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | <u>2022</u> | <u>2021</u> |
|--|----------------------------|-------------------------|
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (1,000) | (4,508) |
| Acquisition of property, plant and equipment | (732) | (1,526) |
| Disposal of property, plant and equipment | 2 | - |
| Acquisition of intangible assets | (1,411) | (1,437) |
| Increase in other financial assets | (148,501) | (221,630) |
| Decrease in other non current assets | 1,113 | 2,280 |
| Interest received | 5,611 | 3,503 |
| Net cash flows from (used in) investing activities | <u>(144,918)</u> | <u>(223,318)</u> |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term borrowings | 410,460 | 4,878,770 |
| Decrease in short-term borrowings | (1,012,292) | (1,451,088) |
| (Decrease) increase in short-term notes and bills payable | (140,000) | 140,000 |
| Proceeds from issuing bonds | 1,994,787 | 599,155 |
| Repayments of bonds | (1,000,000) | - |
| Payment of lease liabilities | (4,789) | (4,226) |
| Increase in other non-current liabilities | 423 | 402 |
| Cash dividends paid | (222,057) | (93,301) |
| Payments to acquire treasury shares | - | (167,409) |
| Net cash flows from used in financing activities | <u>26,532</u> | <u>3,902,303</u> |
| Net increase (decrease) in cash and cash equivalents | 260,969 | (367,198) |
| Cash and cash equivalents at beginning of period | <u>2,165,778</u> | <u>2,532,976</u> |
| Cash and cash equivalents at end of period | <u>\$ 2,426,747</u> | <u>2,165,778</u> |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

San Far Property Limited (the “Company”) was incorporated in 1993 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The major business activities are residential and building development, leasing and sales, and real estate leasing.

The company was renamed San Far Property Limited in May 2012 by a resolution of the shareholders’ meeting. It was listed and traded on the Taiwan Stock Exchange since September 17, 2013.

(2) Approval date and procedures of the consolidated financial statements:

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on February 22, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
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- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized as below. The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC.

(b) Basis of preparation

(i) Basis of Measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles for preparing consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

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The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

- (ii) List of subsidiaries in the consolidated financial statements:

| Name of investor | Subsidiaries | Principal activity | Shareholding | | Description |
|------------------|---|--|-------------------|-------------------|-------------|
| | | | December 31, 2022 | December 31, 2021 | |
| The Company | Jing Fu Xiang Construction Co., Ltd . (here in after referred to as Jing Fu Xiang Company) | Civil and building works | 100.00% | 100.00% | Note 1 |
| " | Jingo International Records Co., Ltd . (here in after referred to as Jingo Company) | Various CD and DV production, publication and import and export trades | 100.00% | 100.00% | Note 1 |

Note 1: Subsidiaries in which the company holds more than 50% of its total outstanding common shares.

- (iii) Subsidiaries excluded from the consolidated financial statements: None.

- (d) Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each subsequent reporting period (hereinafter referred to as the reporting date) are retranslated to the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- (i) Fair value through other comprehensive income equity investment ;

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective ; or

(iii) Qualifying cash flow hedges to the extent the hedge are effective.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(g) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI) – equity investment.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, other financial assets and refundable deposits), debt investments measured at FVOCI and contract assets.

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

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

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

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 1 year past due.

The time deposits held by the Group was determined as low credit risk since the trading and performing parties are the financial institutions above the investment grade.

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 1 year past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(h) Inventory

(i) Inventories, merchandising business

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(ii) Construction

The cost of inventories shall comprise all costs of purchase and other costs incurred in bring the inventories to their present location and condition. When the cost of inventories is higher than the net realizable value, it should be offset against the cost to net realizable value, and the amount of inventory should be recognized as cost of goods sold in the current period. The methods of determining the net realizable value are as follows:

- 1) Construction Site: Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value (development analytical method or comparison method).

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

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- 2) Construction in progress: Net realizable value is the estimated selling price (prevailing market condition) in the ordinary course of business, less the estimated costs and selling expenses needed to complete.
- 3) Real estate for sale: Net realizable value is the estimated selling price (refer to the market condition estimated by authority) in the ordinary course of business, less the estimated selling cost and expenses need to sell the real estate.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

- | | |
|--------------|----------|
| 1) Buildings | 50 years |
|--------------|----------|

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

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| | |
|-----------------------------|-----------|
| 2) Transportation equipment | 5 years |
| 3) Office equipemnt | 3~5 years |
| 4) Leasehold improvement | 3 years |

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

(k) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

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- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery, and instead, recognize related lease payments as expenses on a straight-line basis during the lease period.

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Group applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

(ii) As a lessor

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

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

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When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

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

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives of significant items of property, plant and equipment has an unlimited useful life and therefore are as follows:

- | | |
|----------------------|--|
| 1) Computer software | 1 ~ 5 years |
| 2) Copyright | is subject to the term of the contract |

Amortization methods, useful lives, and residual values are reviewed at the end of each financial period, and adjusted if needed.

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash generating units (CGUs).

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

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

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

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

(n) Revenue

(i) Revenue from contracts with customers

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

1) Land development and sale of real estate

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

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

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

Certain contracts include multiple deliverables, such as sale of residential properties and a decoration service. The Group accounts for the decoration service as a single performance obligation, and the transaction price is allocated to the decoration service on a relative stand alone selling price basis. If a stand alone selling price is not directly observable, it is estimated based on expected cost plus margin. Revenue from providing the decoration service is recognized in the accounting period in which the services are rendered and is determined based on the costs incurred to date as a proportion of the total estimated costs of the contract.

2) Revenue of services

The Group recognizes revenue from providing project and concert services in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the costs incurred to date as a proportion of the total estimated costs of the transaction.

Estimates of revenues, costs, or extent of progress toward completion, are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

In case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and a consideration is payable when invoiced.

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Construction contracts

The Group enters into contracts to build residential properties, commercial buildings and public constructions. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations (for example, a penalty payment calculated based on delay days) the Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

4) Financing components

The Group does not expect the time interval between the transfer of promised goods or services to customer and the payment made within any contract to exceeds more than one year. Therefore, the Group does not adjust any of the transaction price for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Short-term employee benefits

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

(p) Income Taxes

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

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

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

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(q) Earnings per share

The basic and diluted EPS attributable to shareholders of the Company are disclosed in the consolidated financial statements. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares. The Group's dilutive potential common shares are profit sharing for employees to be settled in the form of common stock.

(r) Operating segments

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

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

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

The Company may face economic uncertainties, such as politics, reform of the real estate tax system and inflation. The following accounting estimates made by the Company may be significantly affected because these estimates involve forecasting the future.

Uncertainties in the following assumptions and estimates have the effect of causing the carrying amount of assets and liabilities to be adjusted in the next financial year, and have reflected the impact of the Covid-19, the relevant information of which is as follows:

(a) Valuation of inventories

Inventories are measured at the lower of cost or net realizable value. The Group evaluate the selling price in the market is below the cost and write off the cost of inventory to net realizable value. The estimation of net realizable value is based on current market conditions. Please refer note 6(d) for inventory valuation.

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The fair value measurement of investment property is based on the website of Department of Land Administration and estate agency's website or the close deal in similar district.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. For assumptions used in measuring fair value. Please refer notes as follows:

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | December 31, 2022 | December 31, 2021 |
|---|------------------------------|------------------------------|
| Petty cash | \$ 520 | 620 |
| Demand deposits | 2,421,186 | 2,160,118 |
| Checking account deposits | 41 | 40 |
| Time deposits | 5,000 | 5,000 |
| Cash and cash equivalents in the consolidated statement of cash flows | \$ 2,426,747 | 2,165,778 |

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

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

| | December 31, 2022 | December 31, 2021 |
|--|------------------------------|------------------------------|
| Equity investments at fair value through other comprehensive income: | | |
| Listed common share of domestic company | \$ 116,280 | 122,580 |
| Unlisted common share of domestic company | 1,000 | - |
| Total | \$ 117,280 | 122,580 |

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.
- (ii) The Group did not dispose any strategic investment in 2022 and 2021, and the accumulated profits and losses during the period were not transferred in equity.
- (iii) For credit risk (including the impairment of debt investments) and market risk, please refer to Note 6(t).

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) The above financial assets have not been used as guarantees for long-term and short-term loans and financing collateral.

(c) Note and account receivables

| | December 31, 2022 | December 31, 2021 |
|--|----------------------|----------------------|
| Notes receivable from operating activities | \$ 173 | 356 |
| Accounts receivable | 21,148 | 63,635 |
| Less: loss allowance | (39) | (15) |
| | \$ 21,282 | 63,976 |

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

| December 31, 2022 | | | |
|--------------------------|--------------------------|--------------------------------|--------------------------------|
| | Gross carrying amount | Weighted-ave rage loss rate | Loss allowance Provision |
| Current | \$ 20,896 | 0% | - |
| 1 to 30 days past due | 319 | 1% | 3 |
| 31 to 120 days past due | 45 | 10% | 5 |
| 121 to 300 days past due | 37 | 20% | 7 |
| 300 days past due | 24 | 100% | 24 |
| | \$ 21,321 | | 39 |
| December 31, 2021 | | | |
| | Gross carrying amount | Weighted-ave rage loss rate | Loss allowance Provision |
| Current | \$ 63,686 | 0% | - |
| 1 to 30 days past due | 168 | 1% | 2 |
| 31 to 120 days past due | 137 | 10% | 13 |
| | \$ 63,991 | | 15 |

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movement in the allowance for notes and accounts receivable was as follows :

| | For the years ended December 31 | |
|------------------------------|--|-------------|
| | 2022 | 2021 |
| Balance on January 1 | \$ 15 | 6 |
| Impairment losses recognized | 24 | 9 |
| Balance on December 31 | \$ 39 | 15 |

As of December 31, 2022 and 2021, the investment property of the Group had been pledged as collateral for long-term and short-term borrowings.

Please refer to note(t) for other credit risk information.

(d) Inventory

| | December 31, 2022 | December 31, 2021 |
|--|------------------------------|------------------------------|
| Inventories, merchandising business | | |
| Merchandise inventory | \$ 4,787 | 4,702 |
| Construction | | |
| Construction in progress | \$ 6,512,787 | 6,490,923 |
| Buildings and land held for sale | 2,126,868 | 2,597,511 |
| Land held for construction site | 2,713,135 | 2,713,135 |
| | \$ 11,352,790 | 11,801,569 |
| Inventory that is expected to be recovered more than 12 months later | \$ 8,127,559 | 8,155,557 |

(i) The details of the cost of goods sold related to inventories recognized by The Group in 2022 and 2021 are as follows

| | For the years ended December 31 | |
|---|--|------------------|
| | 2022 | 2021 |
| Mmerchandising: | | |
| Inventory that has been sold | \$ 6,252 | 6,644 |
| Write-down of inventories (Reversal of write-downs) | 129 | 817 |
| | \$ 6,381 | 7,461 |
| Construction: | | |
| Inventory that has been sold | \$ 1,630,862 | 1,054,137 |

(ii) Please refer to note 8 for details of pledged inventory during the year ended December 31, 2022 and 2021.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(e) Incremental costs to obtaining a contract

The Group expects to recover the commission paid to the agency company for obtaining the real estate sales contract, therefore, it is recognized as an asset. It is amortized when the revenue from the sale of real estate is recognized, and the amortization expenses of \$91,326 thousand and \$74,634 thousand were recognized in 2022 and 2021 under selling expense.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021, were as follows:

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Leasehold improvements</u> | <u>Other equipment (including transportation and office equipment)</u> | <u>Total</u> |
|------------------------------|-------------------------|---|-----------------------------------|--|-----------------------|
| Cost: | | | | | |
| Balance on January 1, 2022 | \$ 57,169 | 35,554 | 1,728 | 7,992 | 102,443 |
| Additions | - | - | - | 732 | 732 |
| Disposal | - | - | - | (20) | (20) |
| Balance on December 31, 2022 | <u>\$ 57,169</u> | <u>35,554</u> | <u>1,728</u> | <u>8,704</u> | <u>103,155</u> |
| Balance on January 1, 2021 | \$ 57,169 | 35,554 | 1,116 | 7,952 | 101,791 |
| Additions | - | - | 612 | 914 | 1,526 |
| Disposal | - | - | - | (874) | (874) |
| Balance on December 31, 2021 | <u>\$ 57,169</u> | <u>35,554</u> | <u>1,728</u> | <u>7,992</u> | <u>102,443</u> |
| Depreciation and Impairment: | | | | | |
| Balance on January 1, 2022 | \$ - | 17,138 | 1,271 | 5,757 | 24,166 |
| Depreciation | - | 697 | 204 | 1,040 | 1,941 |
| Disposal | - | - | - | (20) | (20) |
| Balance on December 31, 2022 | <u>\$ -</u> | <u>17,835</u> | <u>1,475</u> | <u>6,777</u> | <u>26,087</u> |
| Balance on January 1, 2021 | \$ - | 16,441 | 1,116 | 5,734 | 23,291 |
| Depreciation for the year | - | 697 | 155 | 897 | 1,749 |
| Disposal | - | - | - | (874) | (874) |
| Balance on December 31, 2021 | <u>\$ -</u> | <u>17,138</u> | <u>1,271</u> | <u>5,757</u> | <u>24,166</u> |
| Carrying amounts: | | | | | |
| Balance on December 31, 2022 | <u>\$ 57,169</u> | <u>17,719</u> | <u>253</u> | <u>1,927</u> | <u>77,068</u> |
| Balance on January 1, 2021 | <u>\$ 57,169</u> | <u>19,113</u> | <u>-</u> | <u>2,218</u> | <u>78,500</u> |
| Balance on December 31, 2021 | <u>\$ 57,169</u> | <u>18,416</u> | <u>457</u> | <u>2,235</u> | <u>78,277</u> |

Please refer to note 8 for more information on pledged inventories and financing collateral.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(g) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right-of-use assets, as well as properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 5 to 10 years. Some leases provide the lessees with options to extend at the end of the term.

For all investment property leases, the rental income is fixed under the contracts.

| | Land | Buildings and construction | Total |
|------------------------------|-------------------------|----------------------------------|--------------------------|
| Cost: | | | |
| Balance on January 1, 2022 | \$ 40,310 | 53,313 | 93,623 |
| Transfer from inventory | 6,035 | 19,403 | 25,438 |
| Balance on December 31, 2022 | <u>\$ 46,345</u> | <u>72,716</u> | <u>119,061</u> |
| Balance on January 1, 2021 | \$ 24,267 | 43,615 | 67,882 |
| Transfer from inventory | 16,043 | 9,698 | 25,741 |
| Balance on December 31, 2021 | <u>\$ 40,310</u> | <u>53,313</u> | <u>93,623</u> |
| Depreciation and Impairment: | | | |
| Balance on January 1, 2022 | \$ - | 2,055 | 2,055 |
| Depreciation | - | 1,207 | 1,207 |
| Balance on December 31, 2022 | <u>\$ -</u> | <u>3,262</u> | <u>3,262</u> |
| Balance on January 1, 2021 | \$ - | 1,041 | 1,041 |
| Depreciation | - | 1,014 | 1,014 |
| Balance on December 31, 2021 | <u>\$ -</u> | <u>2,055</u> | <u>2,055</u> |
| Carrying amounts: | | | |
| Balance on December 31, 2022 | <u>\$ 46,345</u> | <u>69,454</u> | <u>115,799</u> |
| Balance on January 1, 2021 | <u>\$ 24,267</u> | <u>42,574</u> | <u>66,841</u> |
| Balance on December 31, 2021 | <u>\$ 40,310</u> | <u>51,258</u> | <u>91,568</u> |
| Fair Value : | | | |
| Balance on December 31, 2022 | | | <u>\$ 195,859</u> |
| Balance on December 31, 2021 | | | <u>\$ 107,755</u> |

Investment property includes the company's own assets leased out by operating leases to third parties, and other relevant information (Chartered rental income and direct operating expenses incurred) Please refer to Note 6 (l) or details.

The fair value of investment real estate refers to similar regions and categories of real estate transaction real price inquiry service network of the Ministry of the Interior The model is based on the transaction price in the near future. The input value used in its fair value assessment technique is third-class class.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Please refer to note 8 for more information on pledged Investment properties and financing collateral.

(h) Short-term notes and bills payable

| | December 31, 2021 | |
|--------------------------|--------------------------------------|---------------------------|
| | Guarantee or acceptance institute | Range of interest rate |
| | | Amount |
| Commercial paper payable | Financial institute | 1.94% |
| | | \$ 140,000 |

(i) Issuance and repayment of short-term notes

For the years ended December 31, 2022 and 2021, the incremental amounts are \$80,000 thousand and \$140,000 thousand, respectively; the repayment amounts are \$220,000 thousand and \$0, respectively.

(ii) Collateral for short-term notes

For collaterals of short-term notes pledged by the Company's assets, please refer to note 8.

(i) Short-term borrowings

The short-term borrowings were summarized as follows:

| | December 31, 2022 | December 31, 2021 |
|-------------------------|----------------------|----------------------|
| Unsecured bank loans | \$ 222,000 | - |
| Secured bank loans | 4,144,060 | 4,967,892 |
| Total | \$ 4,366,060 | 4,967,892 |
| Unused credit time | \$ 5,765,180 | 5,315,900 |
| Range of interest rates | 2.10%~2.67% | 0.94%~2.25% |

(i) The issue of bank loan and repayment

For the years ended December 31, 2022 and 2021, the incremental amounts are \$410,460 thousand and \$4,878,770 thousand, respectively; the repayment amounts are \$1,012,292 thousand and 1,451,088 thousand, respectively.

(ii) Collateral for Bank Loans

For the collateral for short-term borrowings, please refer to note 8.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (j) Bonds payable/ Bonds due or executed within one year or one business cycle

The details of unsecured convertible bonds were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|------------------------------|------------------------------|
| Secured convertible bonds, non-current | \$ 3,794,540 | 2,798,452 |
| Less: Bonds due or executed with one year or one business cycle | - | (999,808) |
| | \$ 3,794,540 | 1,798,644 |

- (i) Please refer to note 6(s) for information of the Group' s recognition on ordinary bonds and amortized interest expenses in 2022 and 2021.
- (ii) Information of Group' s secured corporate bonds were as follows:

| Item | First secured ordinary corporate bond in 2017 |
|--------------------|--|
| 1)Total issuance | \$1,000,000 thousand |
| 2)Issuance date | 2017.09.14 |
| 3)Interest rate | 0.97% |
| 4)Period ended | 2017.09.14~2022.09.14 |
| 5)Repayment | Due five years from the issuance date |
| 6)Guarantee agency | Agricultural Bank of Taiwan |

| Item | First secured ordinary corporate bond in 2019 |
|--------------------|--|
| 1)Total issuance | \$1,200,000 thousand |
| 2)Issuance date | 2019.01.07 |
| 3)Interest rate | 0.96% |
| 4)Period ended | 2019.01.07~2024.01.07 |
| 5)Repayment | Due five years from the issuance date |
| 6)Guarantee agency | Taiwan Cooperative Bank |

| Item | First secured ordinary corporate bond in 2021 |
|--------------------|--|
| 1)Total issuance | \$600,000 thousand |
| 2)Issuance date | 2021.12.24 |
| 3)Interest rate | 0.67% |
| 4)Period ended | 2021.12.24~2026.12.24 |
| 5)Repayment | Due five years from the issuance date |
| 6)Guarantee agency | Agricultural Bank of Taiwan |

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Item | Second secured ordinary corporate bond in 2021 |
|---------------------|--|
| (1)Total issuance | 1,000,000 thousand |
| (2)Issuance date | 2022.01.10 |
| (3)Interest rate | 0.68% |
| (4)Period ended | 2022.01.10~2027.01.10 |
| (5)Repayment | Due five years from the issuance date |
| (6)Guarantee agency | Hua Nan Commercial Bank,Co. Ltd. |

| Item | First secured ordinary corporate bond in 2022 |
|---------------------|---|
| (1)Total issuance | 1,000,000 thousand |
| (2)Issuance date | 2022.09.14 |
| (3)Interest rate | 1.70% |
| (4)Period ended | 2022.09.14~2027.09.14 |
| (5)Repayment | Due five years from the issuance date |
| (6)Guarantee agency | Agricultural Bank of Taiwan |

Please refer to Note 8 for details of pledged assets with guarantee.

(k) Contract liability

| | December 31, 2022 | December 31, 2021 |
|--|----------------------|----------------------|
| Land | \$ 61,350 | 48,514 |
| Buildings | 292,731 | 370,007 |
| Construction | - | 3,331 |
| | \$ 354,081 | 421,852 |
| Amount expected to be realized after twelve months | \$ 138,117 | 198,331 |

Please refer to note 9(a) for the total price of the real estate of signed provisions listed above.

(l) Operating lease

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------|------------------------------|------------------------------|
| Less than one year | \$ 5,615 | 3,934 |
| One to two years | 5,784 | 4,091 |
| Two to three years | 5,812 | 4,164 |
| Three to four years | 4,479 | 4,180 |
| Four to five years | 3,536 | 2,807 |
| More than five years | 4,788 | 7,349 |
| | <u>\$ 30,014</u> | <u>26,525</u> |

Rental revenues from investment properties was \$4,364 thousand and \$3,271 thousand for the years ended December 31, 2022 and 2021, , respectively.

(m) Employee benefit

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets were as follows:

| | <u>December 31, 2021</u> |
|-------------------------------|------------------------------|
| Fair value of plan asset | \$ (5,636) |
| Net defined benefit liability | <u>\$ (5,636)</u> |

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for its employees upon retirement. The plans entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee' s retirement.

1) Composition of plan assets

The Group set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two year time deposits with the interest rates offered by local banks.

As of December 31, 2022, the merged company had no employees who qualified for the defined benefit plan. In the 2021, the special account for retirement preparation was completed, and the relevant procedures ended in the 2022.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

| | For the year ended December 31, 2021 |
|--|---|
| Defined benefit obligations at January 1 | \$ 5,181 |
| Remeasurement on the net defined benefit liabilities (assets): | |
| – Actuarial losses (gains) arising from experience adjustments | 132 |
| Past service credit | 20 |
| Benefits paid | (2,039) |
| Contributions paid by the employer | (3,294) |
| Defined benefit obligations at December 31 | \$ - |

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

| | For the years ended December 31 | |
|--|--|--------------|
| | 2022 | 2021 |
| Fair value of plan assets at January 1 | \$ 5,636 | 7,523 |
| Remeasurements loss (gain): | | |
| – Return on plan assets excluding interest income | - | 132 |
| Benefits paid | - | 20 |
| Contributions paid by the employer | - | (2,039) |
| The amount to be returned when the plan is settled | (5,636) | - |
| Fair value of plan assets at December 31 | \$ - | 5,636 |

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

| | For the year ended December 31, 2021 |
|---|---|
| Current service costs | \$ 18 |
| Net interest of net liabilities for defined benefit obligations | - |
| | \$ 18 |

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | |
|-----------------|---|
| | For the year ended December 31, 2021 |
| Selling expense | <u><u>\$ 18</u></u> |

Note: Gain on clean-up pension planis \$3,294 thousands (account on other income).

- 5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group' s remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the year ended December 31, 2021, was as followed:

| | |
|---------------------------|---|
| | For the year ended December 31, 2021 |
| Balance as of January 1 | <u>\$ 1,703</u> |
| Balance as of December 31 | <u><u>\$ 1,703</u></u> |

- (ii) Defined contribution plans

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

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2022 and 2021 amounted to \$4,848 thousand and \$4,727 thousand, respectively.

- (n) Income tax

- (i) The components of income tax expense were as follows:

| | For the years ended December 31 | |
|--|--|-----------------------|
| | 2022 | 2021 |
| Current tax expense | | |
| Current period | \$ 5,808 | 4,123 |
| Adjustment for prior periods | (417) | - |
| Land value increment tax | <u>21,372</u> | <u>10,502</u> |
| | <u>26,763</u> | <u>14,625</u> |
| Deferred tax expense | | |
| Change in reversal and unrecognized deductible temporary differences | (21,173) | (5,996) |
| Recognition of previously unrecognized tax losses | <u>-</u> | <u>(15,787)</u> |
| | <u>(21,173)</u> | <u>(21,783)</u> |
| Income tax (benefit) expense | <u><u>\$ 5,590</u></u> | <u><u>(7,158)</u></u> |

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) The reconciliation of income tax expense and income before income tax was as follows:

| | For the years ended December 31 | |
|--|--|----------------|
| | 2022 | 2021 |
| Profit excluding income tax | \$ 145,267 | 215,120 |
| Income tax expense at domestic statutory tax rate | 29,053 | 43,024 |
| Tax exempt income | - | (256) |
| Land tax exempt income | (54,395) | (48,929) |
| Book-tax difference of capitalization | (22,547) | (15,011) |
| Non-deductible expenses | 49 | 5 |
| Unrecognized tax losses from the previous period | - | (15,787) |
| Current-year losses for which no deferred tax asset was recognized | - | 7,109 |
| Change in unrecognized temporary differences | - | (7,088) |
| Adjustment for prior periods | (417) | - |
| Land value increment tax | 21,372 | 10,502 |
| Other | 32,475 | 19,273 |
| | \$ 5,590 | (7,158) |

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

| | December 31, 2022 | December 31, 2021 |
|-----------------------|------------------------------|------------------------------|
| Tax loss carryforward | \$ 8,588 | 9,044 |

The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The deferred tax assets have not been recognized in respect of these items because they are not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

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

| Year of loss | Unused tax losses | Expiry date |
|---------------------|--------------------------|--------------------|
| 2017 | \$ 4,932 | 2027 |
| 2019 | 1,126 | 2029 |
| 2020 | 1,140 | 2030 |
| 2021 | 35,741 | 2031 |
| | \$ 42,939 | |

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

| | Deferred Tax Assets | | |
|-------------------------------------|----------------------------------|--------------|----------------|
| | Tax loss carryforward | Other | Total |
| Balance on January 1, 2022 | \$ 109,986 | 2,495 | 112,481 |
| Recognized in profit or loss | 22,481 | (1,308) | 21,173 |
| Balance on December 31, 2022 | \$ 132,467 | 1,187 | 133,654 |
| Balance on January 1, 2021 | \$ 87,801 | 3,365 | 91,166 |
| Recognized in profit or loss | 22,185 | (870) | 21,315 |
| Balance on December 31, 2021 | \$ 109,986 | 2,495 | 112,481 |

| | Deferred tax liabilities |
|-------------------------------------|-------------------------------------|
| | Other |
| Balance on January 1, 2021 | \$ 468 |
| Recognized in profit or loss | (468) |
| Balance on December 31, 2021 | \$ - |

(iv) The Group has income tax returns approved by the Tax Authority were as follows:

| Name | Approved year |
|--|----------------------|
| The Company | 2020 |
| Jing Fu Xiang Construction Co., Ltd . | 2020 |
| Jingo International Records Co., Ltd . | 2020 |

(o) Capital and other equity

As of December 31, 2022 and 2021, the total value of authorized ordinary shares were amounted to 4,500,000 thousand, with par value of \$10 per share. As of that date, the number of ordinary shares issued were 326,554 thousand in December 31, 2022 and 2021. All issued shares were paid up upon issuance.

(i) Ordinary shares

A resolution was passed during the shareholder's meeting held on 27 July, 2021, for the issuance of capital surplus transferred to common stock with a 15,550 thousand shares , amounted to \$155,502 thousand . The related registration procedures were completed.

A resolution was passed during the shareholder's meeting held on 19, April, 2021, for the cancellation of the treasury stock 10,000 thousand, amounting to \$100,000 thousand. The related registration procedures were completed.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

| | December 31, 2022 | December 31, 2021 |
|--|------------------------------|------------------------------|
| Capital surplus—premium from issuance of stock | \$ 168,736 | 168,736 |
| Employee share options | 16,860 | 16,860 |
| Other | 359 | 359 |
| | \$ 185,955 | 185,955 |

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

(iii) Retain earning

According to the company’ s articles of association, if there is a surplus after the annual accounts, it shall be distributed in the following order:

- 1) Tax payment;
- 2) Recovery of loss;
- 3) Attribute ten percent of the current net profit as a statutory surplus reserve unless the statutory surplus reserve has reached the paid-in capital.
- 4) The special surplus reserve shall be set aside or transferred as required by laws and regulations or operations.
- 5) If there is a balance, it will be combined with the accumulated undistributed surplus of the previous year. Then the board of directors shall decide to retain or distribute shareholder dividends according to the capital condition and economic development of the current year, and finally submit it to the shareholders meeting for approval

To pursue sustainable and stable business development, the Company considers capital needs and long-term financial planning, set dividend policies, and considers retained earnings and future profitability comprehensively to determine the amount that can be allocated each year. Dividends are issued in two ways: stock dividends and cash dividends. The proportion of cash dividends shall not be less than 10% of the total dividends for the year by principle. However, when the cash dividend per share is less than \$0.5, issuing stock dividends is allowed.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Legal reserve

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

2) Earnings distribution

Earnings distribution for 2021 was decided by the resolution of the shareholder's meeting on 6 May, 2022 and 19 April, 2021 for that of 2020. In addition, the Company was approved by the shareholder's meeting on June 30, 2022 and July 27, 2021 to allocate cash with capital reserve in 2021 and 2020.

The relevant dividend distributions to shareholders were as follows:

| | For the years ended December 31 | | | |
|---|---------------------------------|-------------------|-------------------------|----------------|
| | 2021 | | 2020 | |
| | Dividend per share (\$) | Total amount | Dividend per share (\$) | Total amount |
| Dividends distributed to common shareholders: | | | | |
| Cash | \$ 0.68 | 222,057 | 0.30 | 93,301 |
| Shares | - | - | 0.50 | 155,502 |
| | | \$ 222,057 | | 248,803 |

(iv) Treasury shares

In 2021, in accordance with the requirements under section 28(2) of the Securities Exchange Act, the Group repurchased and 10,000 thousand shares, amounted to \$167,409 thousand, as treasury shares in order to protect the Group's integrity and shareholders' equity. As of December 31, 2021, a total of 19,899 thousand shares were cancelled, total amount \$345,733 thousand, the related registration procedures were completed.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Group should not be pledged, and do not hold any shareholder rights before their transfer.

(v) Other comprehensive income accumulated in reserves, net of tax

| | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income |
|---|--|
| Balance on January 1, 2022 | \$ 61,380 |
| Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income | (6,300) |
| Balance on December 31, 2021 | \$ 55,080 |

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income |
|---|--|
| Balance on January 1, 2021 | \$ 18,720 |
| Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income | 42,660 |
| Balance on December 31, 2021 | <u><u>\$ 61,380</u></u> |

(p) Earnings per share

The Group's earnings per share are calculated as follows:

| | For the years ended December 31 | |
|--|--|----------------|
| | 2022 | 2021 |
| Basic earnings per share | | |
| Profit attributable to ordinary shareholders of the Company | <u>\$ 139,677</u> | <u>222,278</u> |
| Weighted average number of ordinary shares outstanding (shares in thousands) | <u>326,554</u> | <u>328,698</u> |
| Basic earnings per share | <u>\$ 0.43</u> | <u>0.68</u> |
| Diluted earnings per share | | |
| Profit attributable to ordinary shareholders of the Company (diluted) | <u>\$ 139,677</u> | <u>222,278</u> |
| Weighted average number of ordinary shares (thousand shares) | 326,554 | 328,698 |
| Effect of employee share bonus | 156 | 170 |
| Weighted average number of ordinary shares outstanding (diluted) | <u>326,710</u> | <u>326,706</u> |
| Diluted earnings per share | <u>\$ 0.43</u> | <u>0.68</u> |

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the year ended December 31, 2022 | | |
|--------------------------------|---|--------------------|------------------|
| | Construction Department | Audio/video | Total |
| Primary geographical markets: | | | |
| Taiwan | <u>\$ 2,241,046</u> | <u>32,658</u> | <u>2,273,704</u> |
| Major products/services lines: | | | |
| Sales of real estates | \$ 1,977,670 | - | 1,977,670 |
| Sale of goods | - | 11,802 | 11,802 |
| Servicing rights | 263,376 | - | 263,376 |
| Other | - | 20,856 | 20,856 |
| | <u>\$ 2,241,046</u> | <u>32,658</u> | <u>2,273,704</u> |

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | For the year ended December 31, 2021 | | |
|--------------------------------|---|--------------------|------------------|
| | Construction Department | Audio/video | Total |
| Primary geographical markets: | | | |
| Taiwan | \$ 1,680,911 | 35,057 | 1,715,968 |
| Major products/services lines: | | | |
| Sales of real estates | \$ 1,438,416 | - | 1,438,416 |
| Sale of goods | - | 14,892 | 14,892 |
| Servicing rights | 242,495 | - | 242,495 |
| Other | - | 20,165 | 20,165 |
| | \$ 1,680,911 | 35,057 | 1,715,968 |

(ii) Contract balances

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|--|------------------------------|------------------------------|------------------------|
| Notes receivable due from related parties | \$ 173 | 356 | 39,968 |
| Accounts receivable due from related parties | 21,148 | 63,635 | 22,504 |
| Less: allowance for impairment | (39) | (15) | (6) |
| Total | \$ 21,282 | 63,976 | 62,466 |
| Contract assets | \$ 172,951 | 39,893 | 20,980 |
| Contract liabilities-Sales of real estates | \$ 354,081 | 418,521 | 229,267 |
| Contract liabilities-Construction | - | 3,331 | - |
| | \$ 354,081 | 421,852 | 229,267 |

- 1) The amount of revenue recognized for years ended December 31, 2022 and 2021, that were included in the contract liabilities balance at the beginning of the period were \$223,521 thousand and \$37,525 thousand, respectively.
 - 2) The change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.
- (r) Employee compensation and directors' and supervisors' remuneration

According to the Articles of Association of the Company, the profit before tax not included in the employees' and Directors' remuneration during the year, if there is a surplus after making up for the losses, no more than 5% should be provided for directors' remuneration, and no less than 1% for employees' remuneration. The recipients of shares and cash may include the employees of affiliated companies who meet certain conditions, such conditions shall be stipulated by the Board of Directors.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The remunerations to employees amounted to \$1,423 thousand and \$2,164 thousand, as well as the remunerations to directors amounted to \$1,423 thousand and \$2,164 thousand for the years ended December 31, 2022 and 2021, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Association. These remunerations were expensed under operating expenses for each period. The related information can be accessed from market observation post system website. There were no differences between the amounts of employees' and directors' remuneration allocated by the aforesaid Board resolutions and the amounts in the consolidated financial statements of 2022 and 2021.

(s) Finance costs

The details of finance expenses were as follows:

| | For the years ended December 31 | |
|-----------------------------------|--|--------------------|
| | 2022 | 2021 |
| Bank loan | \$ 87,785 | 67,302 |
| Other expenses | | |
| Interest on corporate bonds | 78,333 | 48,106 |
| Interest expense, others | 134 | 178 |
| Less: Capitalized interest | (128,149) | (97,426) |
| Finance costs, net | \$ 38,103 | 18,160 |
| Average capitalized interest rate | 0.67%~2.67% | 0.67%~2.25% |

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amounts of financial assets and contract assets represented the maximum credit risk exposure of the Group.

2) Concentration of credit risk

As the Group has a large customer base, it does not significantly concentrate on transactions with a single customer and the sales scope scattered; hence, geographically, there was no concentration of credit risk. To reduce credit risk, the Group also regularly and continuously evaluates the financial situation of customers, and usually does not require customers to provide collateral.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

| | Carrying amount | Contractual cash flows | 1 year | 1-5 years | Over 5 years |
|---|----------------------------|---------------------------|-------------------------|-------------------------|-------------------|
| December 31, 2022 | | | | | |
| Non derivative financial liabilities | | | | | |
| Floating-interest-rate instruments | \$ 4,366,060 | 4,633,005 | 721,601 | 3,911,404 | - |
| Fixed-interest-rate instruments | 3,794,540 | 3,935,176 | 39,340 | 3,895,836 | - |
| Non-interest-bearing liabilities | 477,992 | 477,992 | 476,773 | 752 | 467 |
| Lease liability (including current portion and non-current) | 4,974 | 5,052 | 3,800 | 1,252 | - |
| | <u>\$ 8,643,566</u> | <u>9,051,225</u> | <u>1,241,514</u> | <u>7,809,244</u> | <u>467</u> |
| December 31, 2021 | | | | | |
| Non derivative financial liabilities | | | | | |
| Floating-interest-rate instruments | \$ 5,107,892 | 5,405,042 | 777,071 | 4,627,971 | - |
| Fixed-interest-rate instruments | 2,798,452 | 2,852,840 | 1,025,240 | 1,827,600 | - |
| Non-interest-bearing liabilities | 398,998 | 398,998 | 398,175 | 357 | 466 |
| Lease liability (including current portion and non-current) | 7,200 | 7,312 | 4,396 | 2,916 | - |
| | <u>\$ 8,312,542</u> | <u>8,664,192</u> | <u>2,204,882</u> | <u>6,458,844</u> | <u>466</u> |

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

(iii) Currency risk: None

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1% basis points, the Group's interest expense would have increased/decreased by \$43,661 thousands and \$51,079 thousands for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates and investment in variable-rate bills. The Company's other comprehensive income would have increased/decreased by \$10,006 thousands and \$8,025 thousands for the years ended December 31, 2022 and 2021 respectively.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

| Price of securities at reporting date | For the years ended December 31 | | | |
|---------------------------------------|--------------------------------------|--------------|--------------------------------------|--------------|
| | 2022 | | 2021 | |
| | Other comprehensive income after tax | Net income | Other comprehensive income after tax | Net income |
| Increasing 5% | \$ 5,864 | 197 | 6,129 | 177 |
| Decreasing 5% | \$ (5,864) | (197) | (6,129) | (177) |

(vi) Information of fair value

1) Valuation techniques for financial instruments measured at fair value

The Group is not required to disclose fair value information for loans, receivables, and financial liabilities measured at amortized cost whose carrying amount is reasonably close to the fair value and financial assets measured at cost that cannot be measured reasonably are not quoted in the active market. The Group disclosure of fair value information of financial assets and liabilities were as follows:

| | December 31, 2022 | | | | |
|---|---------------------|----------------|----------|--------------|----------------|
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic markets | \$ 116,280 | 116,280 | - | - | 116,280 |
| unquoted equity instruments | 1,000 | - | - | 1,000 | 1,000 |
| Subtotal | 117,280 | 116,280 | - | 1,000 | 117,280 |
| Financial assets at fair value through profit or loss | | | | | |
| Privately offered fund | \$ 4,914 | - | - | 4,914 | 4,914 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 2,426,747 | - | - | - | - |
| Notes and accounts receivable | 21,282 | - | - | - | - |
| Other financial assets, current | 116,193 | - | - | - | - |
| Other financial assets- non-current | 680,090 | - | - | - | - |
| Refundable deposits | 4,322 | - | - | - | - |
| Subtotal | 3,248,634 | - | - | - | - |
| Total | \$ 3,370,828 | 116,280 | - | 5,914 | 122,194 |

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | December 31, 2022 | | | | |
|---|---------------------|----------------|------------------|--------------|------------------|
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term loans | \$ 4,366,060 | - | - | - | - |
| Corporate bonds payable | 3,794,540 | - | 3,738,989 | - | 3,738,989 |
| Notes payable, accounts payable (incl. related parties) | 377,034 | - | - | - | - |
| Other payables to related parties | 98,323 | - | - | - | - |
| Guarantee deposits | 2,635 | - | - | - | - |
| Lease liabilities | 4,974 | - | - | - | - |
| Total | \$ 8,643,566 | - | 3,738,989 | - | 3,738,989 |
| | | | | | |
| | December 31, 2021 | | | | |
| | Book amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic markets | \$ 122,580 | 122,580 | - | - | 122,580 |
| Financial assets at fair value through profit or loss | | | | | |
| Privately offered fund | \$ 4,429 | - | - | 4,429 | 4,429 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 2,165,778 | - | - | - | - |
| Notes and accounts receivable | 63,976 | - | - | - | - |
| Other current financial assets | 185,461 | - | - | - | - |
| Other non-current financial assets | 371,583 | - | - | - | - |
| Refundable deposits | 15,106 | - | - | - | - |
| Subtotal | 2,801,904 | - | - | - | - |
| Total | \$ 2,928,913 | 122,580 | - | 4,429 | 127,009 |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term loans | \$ 4,967,892 | - | - | - | - |
| Bonds due or executed with one year or one business cycle | 140,000 | - | - | - | - |
| Bonds payable | 2,798,452 | - | 2,815,448 | - | 2,815,448 |
| Notes and Accounts receivable (included related parties) | 276,782 | - | - | - | - |
| Other payables to related parties | 120,003 | - | - | - | - |
| Guarantee deposits | 2,213 | - | - | - | - |
| Lease liabilities | 7,200 | - | - | - | - |
| Total | \$ 8,312,542 | - | 2,815,448 | - | 2,815,448 |

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial liabilities measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted. The fair value of ordinary corporate bonds payable is measured by Level 2 input value, and the fair value is calculated based on the weighted average price of one hundred dollars at the reporting date of the Taipei Exchange.

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

If the financial instruments held by the company have an active market, the fair values are listed below according to their categories and attributes:

If the financial instruments possessed by the Group has quoted market prices in active markets, the fair value was as follows:

- Fair value of listed redeemable corporate bonds listed(counter) company stocks, bills of exchange and corporate bonds are financial assets and financial liabilities that coordinate standard terms and conditions, are determined with reference to market quotes.

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Notes to the Consolidated Financial Statements

Except for the above-mentioned financial instruments with active markets, the fair value of the remaining financial instruments is based on evaluation technology or by referring to the counterparty' s quotation. The fair value obtained through valuation techniques may be calculated by reference to the current fair value of other financial instruments with substantially similar conditions and characteristics, discounted cash flow method or other valuation techniques, including the use of models based on market information available at the reporting date (e.g., over-the-counter (OTC) reference yield curves, Reuters average quoted commercial paper rates).

If the financial instruments held by the Company don not have an active market , the fair values are listed below according to their categories and attributes:

Equity instruments without public quotations: the fair value is estimated using the market comparable company method, the main assumption is based on the estimated earnings before tax, interest, depreciation, and amortization of the investee and the earnings multiplier derived from market quotations of comparable listed (over-the-counter) companies. The estimate has been adjusted for the effect of discount on the lack of marketability of the equity securities.

4) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2022 and 2021.

(u) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group' s exposure information, objectives, policies and processes for measuring and managing the above mentioned risks For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the consolidated financial statements.

(ii) Structure of risk management

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

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

1) Accounts and other receivables

The credit risk of the Group is affected by its clients individually based on their conditions. Accounts receivable generated by selling real estate has a lower credit risk since the payment is completed mostly by individuals through transfers, checks, or loans from the bank. The Group's has full control on its construction quality and progress since all projects are contracted out to the conformed and reputable building contractors based on the Group's contracting operation methods.

The Group discloses the estimation of accounts receivables' and other receivables' loss with allowance for bad debt account. Allowance for bad debt account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

As of December 31, 2022 and 2021, respectively, the Group has no outstanding guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

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

(Continued)

SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders or issue new shares.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2022, the Group's capital management strategy is consistent with the prior year as 2021, and the gearing ratio is maintained to ensure credit rating and ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2022 and 2021, respectively, is as follows:

| | December 31, 2022 | December 31, 2021 |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities | \$ 9,024,514 | 8,760,978 |
| Less: cash and cash equivalents | (2,426,747) | (2,165,778) |
| Net debt | 6,597,767 | 6,595,200 |
| Total Equity | 6,455,891 | 6,544,571 |
| Adjusted equity | \$ 13,053,658 | 13,139,771 |
| Debt-to-equity ratio | 51% | 50% |

(7) Related-party transactions:

(a) Related-party transactions

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

| Name of related party | Relationship with the Group |
|--|------------------------------------|
| Sanfar Education Foundation | Other related parties |
| Pleasant Hotels International Inc | Other related parties |
| Minfar Real Estate Development Co., Ltd. | Other related parties |
| Zenfar Architecture Co., Ltd. | Other related parties |
| Xian Ling, Yang | Other related parties |
| Zeng Rong, Zhung | Other related parties |
| Yueteng Advertising Co., Ltd. | Other related parties |
| Dage Advertising Co., Ltd. | Other related parties |
| Hong Tai Advertising Co., Ltd | Other related parties |

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Construction

- 1) The Group undertakes contracts with related parties and receives payments in accordance with the contract as follows:

| | <u>December 31,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> |
|---------------------------------|------------------------------------|------------------------------------|
| Signed contract price | <u>\$ 759,867</u> | <u>759,867</u> |
| Amount received on an agreement | <u>\$ 505,229</u> | <u>319,516</u> |

- 2) Construction contracts

The following are the circumstances in which the combined company has secured income from the related party in respect of the project and the consideration is as follows:

| | <u>Engineering service revenue</u> <u>For the years ended December 31</u> | | <u>Recognition</u> <u>Engineering</u> <u>service revenue</u> |
|-------------------------------------|--|----------------|--|
| | <u>2022</u> | <u>2021</u> | |
| Other related party-Pleasant Hotels | <u>\$ 263,376</u> | <u>242,495</u> | <u>639,979</u> |

| | <u>The amount of the current period</u> <u>For the years ended December 31</u> | | <u>Accumulated</u> <u>Priced amount</u> |
|-------------------------------------|---|----------------|--|
| | <u>2022</u> | <u>2021</u> | |
| Other related party-Pleasant Hotels | <u>\$ 141,886</u> | <u>253,533</u> | <u>521,819</u> |

| <u>Financial Statement Account</u> | <u>Related Party</u> <u>Categories</u> | <u>December 31,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> |
|---|---|------------------------------------|------------------------------------|
| Current contract assets | | | |
| The right to receive payment has not been reached | Pleasant Hotels International Inc. | \$ 118,160 | - |
| Construction retainage receivable | " | 54,791 | 39,893 |
| | | <u>\$ 172,951</u> | <u>39,893</u> |
| Contract liability-Construction | Pleasant Hotels International Inc. | <u>\$ -</u> | <u>3,331</u> |

The engineering works contracted by the merger company to the related party are carried out for the related party at a price charged by the head of the company with reasonable management fees and profits in accordance with the project budget. The profit margin and the terms of receipt for the contract works of the combined company are comparable to those of the non-related party.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Purchases

| | <u>Purchasing</u> | | <u>Accumulated amount</u> | |
|--|--|------------------|--|------------------|
| | <u>For the years ended December 31</u> | | <u>For the years ended December 31</u> | |
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Other related parties-Minfar | \$ - | 135,700 | - | 135,700 |
| Other related parties-Xian Ling, Yang | - | 1,596,000 | - | 1,596,000 |
| Other related parties-Zeng Rong, Zhung | - | 287,860 | - | 287,860 |
| Other related parties | - | 407 | - | 407 |
| | <u>\$ -</u> | <u>2,019,967</u> | <u>-</u> | <u>2,019,967</u> |

- In January 2021, the Group purchased the land located in Kaohsiung, amounting to \$1,596,000 thousand, from a related party, Yang Hsien Ling, for its building construction to be sold thereafter. All relevant payments had been completed as of the reporting date.
- In May 2021, the Group purchased the land located in Tainan, amounting to \$287,860 thousand, from a related party, Chung Tseng Jung, for its building construction to be sold thereafter. All relevant payments had been completed as of the reporting date. The above engagement with non-related parties is not comparable to other transactions.
- In January and May 2021, the group purchased the construction permits of the lands located in Kaohsiung and Tainan, amounting to \$108,000 thousand and \$27,700 thousand, respectively, from a related party, Ming Fa, for its building construction to be sold thereafter. All relevant payments had been completed as of the reporting date. The above engagements with non-related parties is not comparable to other transactions.

(iii) Accounts receivable from related parties

The amounts of accounts receivable between the Group and related parties were as follows:

| <u>Accounted items</u> | <u>Catagories</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------|------------------------------------|--------------------------|--------------------------|
| Accounts receivable | Pleasant Hotels International Inc. | <u>\$ 16,590</u> | <u>60,417</u> |

(iv) Accounts payable to Related Parties

The amounts of accounts payables between the Group and related parties were as follows:

| <u>Financial Statement Account</u> | <u>Related Party Categories</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------------------|--|--------------------------|--------------------------|
| Other payable | Other Related party- Sanfar Education Foundation | <u>\$ -</u> | <u>6,425</u> |

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Operating expenses

| | For the years ended December 31 | |
|---------------------|--|-------------|
| | 2022 | 2021 |
| Other related party | \$ (4,925) | (4,191) |

The Company cancels the contribution fund in accordance with the annual plan of the San far Education Foundation, which amounted to \$4,925 thousands and \$4,616 thousand for the years ended December 31, 2022 and 2021, respectively. The actual amount of donation was \$1,500 thousand in both 2022 and 2021.

(vi) Guarantee

In February 2022, the Group signed a contract with other related parties – Zenfar Architecture Co., Ltd. to act as a joint and several guarantor for the Group’s pre-sale contract in Chengde Section, Renwu District, Kaohsiung City. According to the contract, the paid a handling fee of \$618 thousand in 2022.

(vii) Other

- 1) The remaining amount of \$4,662 thousand paid by the group to its other related parties in 2021 resulted in the total amount of the retention in construction of \$66,062 thousand to be reclassified from account payable to sales and marketing expenses in December 31, 2020. Please refer to 12(b) for more details.

(c) Transactions with key management personnel

The compensation of key management is as follows:

| | For the years ended December 31 | |
|------------------------------|--|---------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 25,355 | 23,926 |
| Post-employment benefits | 664 | 606 |
| | \$ 26,019 | 24,532 |

(8) Pledged assets:

The carrying amounts of the assets pledged as collateral are detailed below:

| Pledged assets | Object | December 31, 2022 | December 31, 2021 |
|---|--------------------------------------|------------------------------|------------------------------|
| Inventories | Mortgage and bonds payable | \$ 10,117,193 | 10,794,147 |
| Other financial assets classified under current and non-current) | Mortgage and bonds payable | 680,090 | 531,589 |
| Property, plant and equipment | Short-term notes and bill payable | 74,888 | 75,585 |
| Investment property | Mortgage and bonds payable | 87,569 | 37,485 |
| | | \$ 10,959,740 | 11,438,806 |

The book value of the above-mentioned pledged assets, which were pledged as collateral for unused credits, amounted to \$541,251 and \$0 as of December 31, 2022 and 2021, respectively.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

(a) The Group's unrecognized contractual commitments are as follows:

| | December 31, 2022 | December 31, 2021 |
|--|----------------------|----------------------|
| <u>Signed contract price</u> | | |
| Contractual liabilities - Sale of real estates | <u>\$ 2,155,689</u> | <u>2,316,566</u> |
| Construction in progress | <u>\$ 759,867</u> | <u>759,867</u> |
| <u>Price charged or paid</u> | | |
| Contractual liabilities - Sale of real estates | <u>\$ 354,081</u> | <u>418,521</u> |
| Construction in progress | <u>\$ 505,229</u> | <u>319,516</u> |

(b) The legal litigation cases related to the Company demanded a total amount of \$7,245 thousand plus legal interest from the Company. The lawsuits are all under trial, and have not been finalized as of the reporting date.

(c) The Company was approved by the board of directors on November 18, 2022, to donate an amount not to exceed \$2,500 thousand to Kaohsiung City San far Education Foundation for the purpose of promoting the Foundation's business. In 2022, \$1,500 thousand was actually donated.

(10) Losses due to major disasters:None

(11) Subsequent Events:None

(12) Other:

(a) Employee benefits, depreciation and amortization expenses categorized by function were as follows:

| | For the year ended December 31 | | | | | |
|----------------------------|--------------------------------|-------------------|---------|-----------------|-------------------|---------|
| | 2022 | | | 2021 | | |
| | Operating costs | Operating expense | Total | Operating costs | Operating expense | Total |
| By item | | | | | | |
| Employee benefits | | | | | | |
| Salary | 74,295 | 31,944 | 106,239 | 73,629 | 35,018 | 108,647 |
| Labor and health insurance | 6,285 | 3,483 | 9,768 | 6,257 | 3,262 | 9,519 |
| Pension | 3,381 | 1,467 | 4,848 | 3,324 | 1,421 | 4,745 |
| Remuneration of directors | - | 3,043 | 3,043 | - | 3,826 | 3,826 |
| Others | 2,279 | 3,004 | 5,283 | 2,400 | 3,337 | 5,737 |
| Depreciation | - | 7,925 | 7,925 | - | 7,041 | 7,041 |
| Amortization | 632 | 1,951 | 2,583 | 861 | 1,578 | 2,439 |

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Other

The Ministry of Justice Investigation Bureau, Kaohsiung City has conducted an investigation on the group on February 17, 2022, wherein it seized the group's subsidiary ledgers, as well as all the contracts entered into with, and the vouchers of commission paid to, the related three advertising companies. Since the case is still in progress, the group assessed that the above matter will not have an impact on its financial statements.

| | <u>2020.12.31</u> | <u>2019.12.31</u> | <u>2018.12.31</u> | <u>2017.12.31</u> | <u>2016.12.31</u> | <u>2015.12.31</u> | <u>2014.12.31</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Current assets recognized as incremental costs to obtain contract with customers | \$ - | 47,550 | 109,612 | 47,974 | 23,786 | 11,034 | - |
| Notes payable | \$ - | 2,694 | 7,282 | 8,743 | 8,494 | - | - |
| Construction Retainage Received (account on Accounts Payable) | \$ 4,662 | 4,461 | 1,778 | 1,907 | 205 | - | - |
| Other payables | \$ - | 6,814 | 5,313 | 932 | 5,911 | - | - |
| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Selling expense | \$ 66,062 | 204,103 | 24,076 | 47,693 | 77,332 | - | 995 |

For the year ended December 31, 2021, The Group paid \$4,662 thousand in the retention payable by the three advertising companies (accounts payable).

- (i) On February 17, 2022, the company was prosecuted and searched. Since it is still in the investigation stage and based on the principle of secret investigation, the general finding and legal liability will wait for the investigation by the Prosecutors Office and the Judiciary to clarify before taking relative measures. At present, according to the project audit accountants appointed by the audit committee of the company, the project attorney appointed by the board of directors and the company's own review, the consignment sales and construction transactions between the three advertising companies, Dage Advertising Co., Ltd., Yuedeng Advertising Co., Ltd. and Hongtai Advertising Co., Ltd. and the company are authentic. The transaction conditions have no significant unreasonable circumstances compared with the same industry in the market.
- (ii) In order to be conservative, although the case is still under investigation, the company disclosed the above three advertising companies in the form of other related parties in the 2021 financial report based on protecting the rights and interests of investors. Due to the principle of secret investigation, the method of prior disclosure may not be the final result. The company will deal with the case appropriately after the case is clarified by the judicial proceeding.
- (iii) At present, the company's finance and business are normal, and the investigation case has no significant impact on the company's operations.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | Fair value | Highest Percentage of ownership (%) | Note |
|----------------|---|---------------------------|--|--------------------------|----------------|-----------------------------|------------|-------------------------------------|------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | | | |
| The Company | Stock - Pleasant Hotels International Inc. | Other related parties | Financial assets at fair value through other comprehensive income, non-current | 3,600 | 116,280 | 4.26% | 116,280 | 4.96% | |
| The Company | Stock - Best Education Service & Tech Co., Ltd. | - | Financial assets at fair value through other comprehensive income, non-current | 20 | 1,000 | 0.33% | 1,000 | 0.33% | |
| The Company | Privately offered fund-Sparklabs Taipei Fund I | - | Financial assets at fair value through profit or loss, non-current | - | 4,914 | - % | 4,914 | - % | |

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|----------------------|-------------------------|------------------------|---------------------|-----------|-------------------------------------|---------------------------|---|---------------|-------------------------------------|---|------|
| | | | Purchase/Sale | Amount | Percentage of total purchases/sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Jin Fu Xiang Co.,Ltd | Subsidiary Company | Contracting project | 527,613 | 43.64% | Pay by contract terms | - | - | (182,246) | 55.72% | Note |
| Jin Fu Xiang Co.,Ltd | The Company | Parent Company | Contracting project | (527,613) | (78.81)% | Receive by contract terms | - | - | (182,246) | 71.86% | Note |
| Jin Fu Xiang Co.,Ltd | Pleasant Hotels Co.,LTD | Other related parties | Contracting project | (141,886) | (21.19)% | Receive by contract terms | - | - | 71,381 | 28.14% | |

Note: The transactions were written off in the consolidated financial statements.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts |
|-----------------------|---------------|------------------------|----------------|---------------|---------|--------------|---------------------------------------|-------------------------|
| | | | | | Amount | Action taken | | |
| Jin Fu Xiang Co., Ltd | The Company | Parent Company | 182,246 | 2.71% | - | | 51,551 | - |

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

| No. | Name of company | Name of counter-party | Nature of relationship | Intercompany transactions | | | Percentage of the consolidated net revenue or total assets |
|-----|------------------------------------|-----------------------|------------------------|---------------------------|---------|----------------------------|--|
| | | | | Account name | Amount | Trading terms | |
| 1 | Jin Fu Xiang Construction Co., Ltd | The Company | 2 | Sale revenue | 551,070 | As agreed in the agreement | 24.24% |
| | | | 2 | Receivables | 182,246 | " | 1.18% |
| | | | 2 | Construction in progress | 615,545 | " | 3.98% |

Note 1: The numbers denote the following

(1) 0 represents the Company.

(2) Subsidiaries are numbered sequentially from the Arabic numeral 1 according to the company.

Note 2: Relationship with the listed companies :

(1) The Company to subsidiary.

(2) Subsidiary to the Company.

(3) Subsidiary to subsidiary.

Note 3: For the business and important transactions between the parent company and the subsidiary company, only the sales and accounts receivable information are disclosed, and the corresponding purchases and accounts payable will not be described in detail.

Note 4: It is calculated by dividing the transaction amount by the consolidated operating income or consolidated total assets.

Note 5: The transactions were written off in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2022 | | | Highest Percentage of ownership | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|---------------------------------------|----------|------------------------------|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|---------------------------------|-------------------------------------|------|
| | | | | December 31, 2022 | December 31, 2021 | Shares (thousands) | Percentage of ownership | Carrying value | | | | |
| The Company | Jing Fu Xiang Construction Co., Ltd. | Taiwan | Construction industry | 295,875 | 155,875 | 30,000 | 100.00% | 308,934 | 100.00% | 23,103 | 20,859 | |
| " | Jingo International Records Co., Ltd. | Taiwan | Record industry | 22,529 | 22,529 | 2,000 | 100.00% | 16,747 | 100.00% | (3,064) | (3,064) | |

Note: The transactions were written off in the consolidated financial statements.

(c) Information on investment in mainland China: None

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Major shareholders:

| Shareholder' s Name | Shareholding | Shares | Percentage |
|--|--------------|------------|------------|
| Chengxin Investment Co., Ltd. | | 49,482,844 | 15.15% |
| Jinji Investment Co., Ltd. | | 27,263,263 | 8.34% |
| Zhiyi Investment Co., Ltd. | | 20,657,313 | 6.32% |
| Shangfeng Investment Co., Ltd. | | 20,482,290 | 6.27% |
| Jun Rong, Zhong | | 19,282,287 | 5.90% |
| Xian Ling, Yang trust property account for UBS Taipei Branch | | 19,000,000 | 5.81% |
| Changyi Investment Co., Ltd. | | 17,478,869 | 5.35% |

Note: (i) The main shareholder information in this table is calculated based on the last business day at the end of each quarter by Security Group, for shareholders holding more than 5% of the company' s ordinary and preference shares that have been delivered without physical registration. There may be differences between actual shares recorded in of the Group' s financial statement and shares delivered without physical registration due to different calculation bases.

(ii) If the above-mentioned shareholder delivers the shares to the trust, it is disclosed in individual accounts of the trustee who opens the trust account. As for the shareholders' declaration of insider' s equity holdings exceeding 10%, it is filed based on the shareholding, including their own shareholding plus the shares delivered to the trust, in accordance with the Securities and Exchange Act. Please refer to Market Observation Post System for more detailed information

(14) Segment information:

(a) General information

The Group has two reportable segments, which are the Group' s strategic divisions. The Group' s strategic divisions provide different products and services, and are managed separately because they require different technology and marketing strategies. Operating results of the strategic divisions are quarterly reviewed by the Group' s chief operating decision maker. The four reportable segments are described as follows:

- (i) Construction department: Mainly responsible for residential development, building, construction, civil and construction business.
- (ii) The AV department: Mainly responsible for CD and DVD production, Production, publication and import and export trading.

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SAN FAR PROPERTY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) Information about reportable segments and their measurement and reconciliations

| | <u>Construction Department</u> | <u>Audio/ video</u> | <u>Adjustment and Elimination</u> | <u>Total</u> |
|--|------------------------------------|-------------------------|---|-------------------|
| For the year ended December 31, 2022 | | | | |
| Revenue: | | | | |
| Revenue from external customers | \$ 2,241,046 | 32,658 | - | 2,273,704 |
| Intersegment revenues | 551,070 | 321 | (551,391) | - |
| Interest income | 5,512 | 99 | - | 5,611 |
| Total revenue | <u>\$ 2,797,628</u> | <u>33,078</u> | <u>(551,391)</u> | <u>2,279,315</u> |
| Interest expenses | <u>\$ 38,032</u> | <u>71</u> | <u>-</u> | <u>38,103</u> |
| Depreciation and amortization | <u>\$ 4,898</u> | <u>5,610</u> | <u>-</u> | <u>10,508</u> |
| Reportable segment net operating income (loss) | <u>\$ 148,331</u> | <u>(3,064)</u> | <u>-</u> | <u>145,267</u> |
| Reportable segment assets | <u>\$ 15,441,671</u> | <u>38,764</u> | <u>(30)</u> | <u>15,480,405</u> |
| Reportable segment liabilities | <u>\$ 9,002,528</u> | <u>22,016</u> | <u>(30)</u> | <u>9,024,514</u> |
| For the year ended December 31, 2021 | | | | |
| Revenue: | | | | |
| Revenue from external customers | \$ 1,680,911 | 35,057 | - | 1,715,968 |
| Intersegment revenues | 456,140 | 413 | (456,553) | - |
| Interest revenue | 3,443 | 60 | - | 3,503 |
| Total revenue | <u>\$ 2,140,494</u> | <u>35,530</u> | <u>(456,553)</u> | <u>1,719,471</u> |
| Interest expenses | <u>\$ 18,026</u> | <u>134</u> | <u>-</u> | <u>18,160</u> |
| Depreciation and amortization | <u>\$ 3,956</u> | <u>5,524</u> | <u>-</u> | <u>9,480</u> |
| Reportable segment net operating income (loss) | <u>\$ 217,110</u> | <u>(1,990)</u> | <u>-</u> | <u>215,120</u> |
| Reportable segment assets | <u>\$ 15,260,851</u> | <u>44,774</u> | <u>(76)</u> | <u>15,305,549</u> |
| Reportable segment liabilities | <u>\$ 8,736,076</u> | <u>24,909</u> | <u>(7)</u> | <u>8,760,978</u> |

- (c) Product information

Revenue from the external customers of the Group's continuing operations please refer to note 6(o).

- (d) Geographic information

The Group did not Set up department overseas for the years ended December 31, 2022 and 2021.

- (e) Major customers

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------------------|------------------------------|------------------------------|
| Contruccion Department-Customer A | <u>\$ 263,376</u> | <u>242,495</u> |

Independent Auditors' Report

To the Board of Directors of San Far Property Limited:

Opinion

We have audited the financial statements of San Far Property Limited(“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As mentioned in note 12 (b) of the parent-company-only financial statements, the Ministry of Justice Investigation Bureau, Kaohsiung City has conducted an investigation in the Company on February 17, 2022 and seized its subsidiary ledgers, as well as all the contracts entered into with, and the vouchers of commission paid to, the related three advertising companies, Yueteng Advertising Co., Ltd., Dage Advertising Co., Ltd., and Hong Tai Advertising Co., Ltd., within 2014 to 2020. Please refer to note 12 (b) for information related to the above transactions. We did not revise the review opinion.

Key Audit Matters

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

1. Revenue recognition

Please refer to note 4(m) for the Company' s individual financial statement on revenue recognition, and 6(q) for detailed contract revenue from customers.

Description of key audit matter:

A major income of the Company is from selling the real estate, and the risk of material misrepresentation lies in the authenticity of income. Since operating income involves the operating performance of the management, a possible risk of material misstatement may occur if the management does not recognize the income at the right point of time in accordance with the regulations. Therefore, the recognition of sales revenue is one of the most important evaluation in performing our audit procedures.

Audit procedures performed:

- Test on the control of sales and payments received, evaluate and eliminate any possible misstatement or fraud recognized;
- Test on the appropriateness of the time income is recognized; randomly select samples to check whether the contract and relevant documents are transferred between the Company and customers; check the documents in the selling systems and general ledger to evaluate whether the Company' s revenue recognition policy is in accordance with relevant regulations.

2. Inventory valuation

Please refer to note 4(f) of individual financial statement for detailed inventory valuation policy, and to note 6(c) for assumptions and uncertainties.

Description of key audit matter:

The key asset of the Company is its inventories, with a portion of 74% of the total assets. Inventory evaluation of the Company is in accordance with International Accounting Standards for Report No. 2. There may be a misstatement of financial report when the net realizable value is inappropriate. The real estate for sale is compared with the latest nearby transaction price or the contract price of the recent sale, and the uncertainty of the future investment cost of the land for construction and the land under construction is higher, and it is difficult to obtain a comparable sales price. Therefore, the judgment of net realizable value of the land for construction and the land under construction depends on the subjective judgment or estimation of the management. Thus, the valuation of the land for construction and the land under construction is one of the most important valuation in performing our audit procedures.

Audit procedures performed:

Through reviewing the recent selling price of the premises, or by inquiring the selling price of premises nearby from the "Actual Selling Price of Real Estate" website.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee or supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yilien Han and Hsin-Ting Huang.

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2023

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SAN FAR PROPERTY LIMITED

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

| | | <u>2022</u> | | <u>2021</u> | |
|------|---|-------------------|------------|------------------|------------|
| | | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| 4000 | Operating revenue (note 6(q)) | \$ 1,977,670 | 100 | 1,438,415 | 100 |
| 5000 | Operating cost (Note 6(m)) | <u>1,658,053</u> | <u>84</u> | <u>1,065,646</u> | <u>74</u> |
| 5900 | Gross profit from operations | <u>319,617</u> | <u>16</u> | <u>372,769</u> | <u>26</u> |
| 6100 | Selling expenses (Notes 6(d), 7 and 11) | 92,359 | 5 | 74,938 | 5 |
| 6200 | Administrative expenses (Notes 6(m), (r) and 7) | <u>76,359</u> | <u>4</u> | <u>83,708</u> | <u>6</u> |
| | | <u>168,718</u> | <u>9</u> | <u>158,646</u> | <u>11</u> |
| 6900 | Net operating income | <u>150,899</u> | <u>7</u> | <u>214,123</u> | <u>15</u> |
| 7000 | Non-operating income and expenses: | | | | |
| 7100 | Total interest income | 5,279 | - | 3,425 | - |
| 7010 | Other income (Notes 6(l) and 7) | 4,633 | - | 3,982 | - |
| 7020 | Other gains and losses | (1,160) | - | (134) | - |
| 7050 | Finance costs, net (Note 6(s)) | (38,016) | (2) | (18,001) | (1) |
| 7070 | Share of profit of associates and joint ventures accounted for using equity method, net | <u>17,795</u> | <u>1</u> | <u>8,686</u> | <u>1</u> |
| | | <u>(11,469)</u> | <u>(1)</u> | <u>(2,042)</u> | <u>-</u> |
| 7900 | Profit from continuing operations before tax | 139,430 | 6 | 212,081 | 15 |
| 7950 | Less: Income tax expenses (profits) (Note 6(n)) | <u>(247)</u> | <u>-</u> | <u>(10,197)</u> | <u>(1)</u> |
| | Profit | <u>139,677</u> | <u>6</u> | <u>222,278</u> | <u>16</u> |
| 8300 | Other comprehensive income: | | | | |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8316 | Unrealized (losses)gains from investments in equity instruments measured at fair value through other comprehensive income (note 6(o)) | (6,300) | - | 42,660 | 3 |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 8300 | Other comprehensive income | <u>(6,300)</u> | <u>-</u> | <u>42,660</u> | <u>3</u> |
| | Total comprehensive income | <u>\$ 133,377</u> | <u>6</u> | <u>264,938</u> | <u>19</u> |
| | Basic earnings per share (Note 6(p)) | | | | |
| | Basic earnings per share(NT dollars) | <u>\$ 0.43</u> | | <u>0.68</u> | |
| | Diluted earnings per share(NT dollars) | <u>\$ 0.43</u> | | <u>0.68</u> | |

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SAN FAR PROPERTY LIMITED

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | Retained earnings | | | | | Total other equity interest | Treasury shares | Total equity |
|--|---------------------|-----------------|----------------|----------------------------------|-------------------------|---|-----------------|------------------|
| | Ordinary shares | Capital surplus | Legal reserve | Unappropriated retained earnings | Total retained earnings | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | | |
| Balance at January 1, 2021 | \$ 3,309,030 | 196,752 | 575,954 | 2,618,211 | 3,194,165 | 18,720 | (178,324) | 6,540,343 |
| Profit (loss) | - | - | - | 222,278 | 222,278 | - | - | 222,278 |
| Other comprehensive income | - | - | - | - | - | 42,660 | - | 42,660 |
| Total comprehensive income | - | - | - | 222,278 | 222,278 | 42,660 | - | 264,938 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve appropriated | - | - | 18,290 | (18,290) | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | (93,301) | (93,301) | - | - | (93,301) |
| Stock dividends of ordinary share | 155,502 | - | - | (155,502) | (155,502) | - | - | - |
| Other changes in capital surplus: | | | | | | | | |
| Purchase of treasury share | - | - | - | - | - | - | (167,409) | (167,409) |
| Retirement of treasury share | (198,990) | (10,797) | - | (135,946) | (135,946) | - | 345,733 | - |
| Balance at December 31, 2021 | 3,265,542 | 185,955 | 594,244 | 2,437,450 | 3,031,694 | 61,380 | - | 6,544,571 |
| Profit (loss) | - | - | - | 139,677 | 139,677 | - | - | 139,677 |
| Other comprehensive income | - | - | - | - | - | (6,300) | - | (6,300) |
| Total comprehensive income | - | - | - | 139,677 | 139,677 | (6,300) | - | 133,377 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve appropriated | - | - | 8,633 | (8,633) | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | (222,057) | (222,057) | - | - | (222,057) |
| Balance at December 31, 2022 | \$ 3,265,542 | 185,955 | 602,877 | 2,346,437 | 2,949,314 | 55,080 | - | 6,455,891 |

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SAN FAR PROPERTY LIMITED

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|---|------------|-------------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 139,430 | 212,081 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 3,113 | 2,255 |
| Amortization expense | 664 | 496 |
| Net (gain) loss on financial assets or liabilities at fair value through profit or loss | (485) | 79 |
| Interest expense | 38,016 | 18,001 |
| Interest income | (5,279) | (3,425) |
| Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method | (17,795) | (8,686) |
| Total adjustments to reconcile profit (loss) | 18,234 | 8,720 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Decrease (increase) in notes receivable | 30 | (30) |
| (Increase) decrease in accounts receivable | (100) | 44 |
| Decrease (increase) in inventories | 572,734 | (4,449,717) |
| Increase in prepayments | (21,974) | (26,696) |
| Decrease (increase) in other current assets | 1,630 | (6,015) |
| (Increase) decrease in other financial assets | (82,125) | 34,387 |
| Decrease (increase) in assets recognised as incremental costs to obtain contract with customers | 5,504 | (54,798) |
| Total changes in operating assets | 475,699 | (4,502,825) |
| Changes in operating liabilities: | | |
| (Decrease) increase in contract liabilities | (64,440) | 189,254 |
| (Decrease) increase in notes payable | (22,707) | 103,096 |
| Increase in accounts payable | 68,641 | 64,789 |
| (Decrease) increase in other payable | (29,952) | 21,242 |
| (Decrease) increase in other current liabilities | (1,494) | 4,720 |
| Total changes in operating liabilities | (49,952) | 383,101 |
| Total changes in operating assets and liabilities | 425,747 | (4,119,724) |
| Total adjustments | 443,981 | (4,111,004) |
| Cash inflow (outflow) generated from operations | 583,411 | (3,898,923) |
| Interest paid | (156,475) | (114,816) |
| Income taxes paid | (21,881) | (62,022) |
| Net cash flows from (used in) operating activities | 405,055 | (4,075,761) |

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SAN FAR PROPERTY LIMITED

Statements of Cash Flows (CONT' D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | <u>2022</u> | <u>2021</u> |
|--|----------------------------|-------------------------|
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (1,000) | (4,508) |
| Acquisition of investments accounted for using equity method | (140,000) | - |
| Acquisition of property, plant and equipment | (398) | (422) |
| Increase in refundable deposits | 1,230 | 8 |
| Acquisition of intangible assets | (287) | (320) |
| Increase in other financial assets | (148,501) | (231,303) |
| Interest received | 5,279 | 3,425 |
| Dividends received | 13,197 | 3,810 |
| Net cash flows from (used in) investing activities | <u>(270,480)</u> | <u>(229,310)</u> |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term loans | 410,460 | 4,878,770 |
| Decrease in short-term loans | (1,012,292) | (1,451,088) |
| Decrease(increase) in short-term notes and bills payable | (140,000) | 140,000 |
| Proceeds from issuing bonds | 1,994,787 | 599,155 |
| Repayments of bonds | (1,000,000) | - |
| Increase in other non-current liabilities | 396 | 358 |
| Cash dividends paid | (222,057) | (93,301) |
| Payments to acquire treasury shares | - | (167,409) |
| Lease liability principal repayment | (783) | (293) |
| Net cash flows from (used in) financing activities | <u>30,511</u> | <u>3,906,192</u> |
| Net increase (decrease) in cash and cash equivalents | 165,086 | (398,879) |
| Cash and cash equivalents at beginning of period | <u>2,097,346</u> | <u>2,496,225</u> |
| Cash and cash equivalents at end of period | <u>\$ 2,262,432</u> | <u>2,097,346</u> |

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SAN FAR PROPERTY LIMITED

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

SAN FAR PROPERTY LIMITED (the “Company”). was incorporated in 1993 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The major business activities are residential and building development, leasing and sales, and real estate leasing.

The company was renamed San Far Property Limited in May 2012 by a resolution of the shareholders’ meeting. It was listed and traded on the Taiwan Stock Exchange since September 17, 2013.

(2) Approval date and procedures of the financial statements:

The individual financial report was approved and released by the board of directors on February 22, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

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

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

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

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

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

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

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The significant accounting presented in the parent company only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the individual financial statement.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(c) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

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

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

An entity shall classify a liability as current when:

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

(d) Cash and cash equivalents

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

(e) Financial instruments

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

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI) – equity investment.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, other financial assets and refundable deposits), debt investments measured at FVOCI and contract assets.

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

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

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

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

The Company considers a financial asset to be in default when the financial asset is more than 1 year past due.

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

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

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

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

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

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

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. The cost of inventories includes expenditures incurred in bringing them to their existing location and condition and capitalized costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The net realizable value is estimated as follows:

(i) Land held for construction

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value (development analytical method or comparison method).

(ii) Construction-in-progress

Net realizable value is the estimated selling price (prevailing market condition) in the ordinary course of business, less the estimated costs and selling expenses needed to complete.

(iii) Properties and land held

Net realizable value is the estimated selling price (refer to the market condition estimated by authority) in the ordinary course of business, less the estimated selling cost and expenses need to sell the real estate.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(g) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the parent company only financial statements. Under equity method, the net income, other comprehensive income, and equity in the parent company only financial statement are the same as those attributable to controlling interest in the consolidated financial statements.

If changes of ownership in the Company's subsidiaries does not lead to loss of control, the change is considered equity transaction between shareholders.

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

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

| | |
|-----------------------------|-----------|
| 1) Buildings | 50 years |
| 2) Transportation equipment | 5 years |
| 3) Office equipemnt | 3~5 years |

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

(j) Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful lives of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery, and instead, recognize related lease payments as expenses on a straight-line basis during the lease period.

For sale-and-leaseback transactions, the Company applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Company derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Company applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Company continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(ii) As a lessor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

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

(k) Intangible assets

(i) Recognition and measurement

Intangible assets acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follow:

| | |
|-------------------|-------------|
| Computer software | 1 ~ 3 years |
|-------------------|-------------|

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

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

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

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

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

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

(m) Revenue from contracts with customers

(i) Revenue from contracts with customers

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

1) Land development and sale of real estate

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

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

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

2) Financing components

The Company does not expect the time interval between the transfer of promised goods or services to customer and the payment made within any contract to exceeds more than one year. Therefore, the Company does not adjust any of the transaction price for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

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

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(o) Income Taxes

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

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

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

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

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. The company's potentially diluted ordinary shares include dividends to employees based on share-based payment.

(q) Operating segments

Please refer to the consolidated financial report of San Far Ltd. for the years ended December 31, 2022 and 2021 for operating segments information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

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

The Company may face economic uncertainties, such as politics, reform of the real estate tax system and inflation. The following accounting estimates made by the Company may be significantly affected because these estimates involve forecasting the future.

Uncertainties in the following assumptions and estimates have the effect of causing the carrying amount of assets and liabilities to be adjusted in the next financial year. Big risk, and has reflected the impact of the Covid-19, the relevant information is as follows:

(a) Inventory valuation

Inventories are measured at the lower of cost and net realizable value. Company's evaluate the selling price in the market is below the cost and write off the cost of inventory to net realizable value. The estimation of net realizable value is based on current market conditions. Please refer note 6(d) for inventory valuation.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | December 31, 2022 | December 31, 2021 |
|--|------------------------------|------------------------------|
| Petty cash | \$ 220 | 220 |
| Demand deposits | 2,262,212 | 2,097,126 |
| Cash and cash equivalents in the statement of cash flows | <u>\$ 2,262,432</u> | <u>2,097,346</u> |

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

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

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

| | December 31, 2022 | December 31, 2021 |
|---|------------------------------|------------------------------|
| Equity investments at fair value through other comprehensive income | | |
| Listed common share of domestic company | \$ 116,280 | 122,580 |
| Unlisted common share of domestic company | 1,000 | - |
| Total | \$ 117,280 | 122,580 |

- (i) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.
- (ii) The company did not dispose any strategic investment in 2022 and 2021, and the accumulated profits and losses during the period were not transferred in equity.
- (iii) For credit risk (including the impairment of debt investments) and market risk, please refer to note 6(t).
- (iv) The above financial assets have not been used as guarantees for long-term and short-term loans and financing collateral.

(c) Inventory

| | December 31, 2022 | December 31, 2021 |
|--|------------------------------|------------------------------|
| Construction in progress | \$ 6,476,329 | 6,469,569 |
| Buildings and Land held for sale | 2,155,977 | 2,632,760 |
| Land held for construction sites | 2,713,135 | 2,713,135 |
| Total | \$ 11,345,441 | 11,815,464 |
| Inventory expected to be recovered after more than twelve months | \$ 8,131,430 | 8,142,407 |

- (i) Since construction inventory must be priced at the lower of cost and net realizable value, the Company must use judgment and estimation to determine the net realizable value of construction inventory at the end of the financial reporting period. The Company estimates the net realizable value based on historical experience and estimation of the future of the market, hence significant changes might occur.
- (ii) The Company did not recognize inventory loss in 2022 and 2021.
- (iii) Please refer to Note 8 for details of pledged inventory during the year ended December 31, 2022 and 2021.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(d) Incremental costs of obtaining a contract

The Company expects to recover the commission paid to the agency company for obtaining the real estate sales contract, therefore, it is recognized as an asset. It is amortized when the revenue from the sale of real estate is recognized, and the amortization expenses of \$91,326 thousand and \$74,634 thousand were recognized in 2022 and 2021 under selling expense.

(e) Investments accounted for using equity method

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

| | December 31, 2022 | December 31, 2021 |
|------------|----------------------|----------------------|
| Subsidiary | \$ 325,681 | 181,083 |

Please refer to the consolidated financial report for relevant information of Subsidiary.

On September 6, 2022, the board of directors of the company decided to increase the capital of Jing fu xiang Constuction Co., Ltd. by 14,000 thousand shares NT\$10 per share.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

| | Land | Buildings and construction | Other facilities (Including transportation and office equipment) | Total |
|------------------------------------|-----------|----------------------------------|---|--------|
| Cost or deemed cost: | | | | |
| Balance on January 1, 2022 | \$ 57,169 | 35,554 | 2,704 | 95,427 |
| Additions | - | - | 398 | 398 |
| Balance on December 31, 2022 | \$ 57,169 | 35,554 | 3,102 | 95,825 |
| Balance on January 1, 2021 | \$ 57,169 | 35,554 | 3,064 | 95,787 |
| Additions | - | - | 422 | 422 |
| Disposal | - | - | (782) | (782) |
| Balance on December 31, 2021 | \$ 57,169 | 35,554 | 2,704 | 95,427 |
| Depreciation and impairments loss: | | | | |
| Balance on January 1, 2022 | \$ - | 17,138 | 1,788 | 18,926 |
| Depreciation | - | 697 | 413 | 1,110 |
| Balance on December 31, 2022 | \$ - | 17,835 | 2,201 | 20,036 |

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Other facilities (Including transportation and office equipment)</u> | <u>Total</u> |
|------------------------------|------------------|---|---|---------------|
| Balance on January 1, 2021 | \$ - | 16,441 | 2,324 | 18,765 |
| Depreciation | - | 697 | 246 | 943 |
| Disposal | - | - | (782) | (782) |
| Balance on December 31, 2021 | \$ - | 17,138 | 1,788 | 18,926 |
| Carrying amounts: | | | | |
| Balance on December 31, 2022 | \$ 57,169 | 17,719 | 901 | 75,789 |
| Balance on January 1, 2021 | \$ 57,169 | 19,113 | 740 | 77,022 |
| Balance on December 31, 2021 | \$ 57,169 | 18,416 | 916 | 76,501 |

Please refer to note 8 for more information on pledged inventories and financing collateral.

(g) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right-of-use assets, as well as properties that are owned by the Company. The leases of investment properties contain an initial non-cancellable lease term of 5 to 10 years. Some leases provide the lessees with options to extend at the end of the term.

For all investment property leases, the rental income is fixed under the contracts.

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Total</u> |
|------------------------------------|------------------|---------------------------------------|----------------|
| Cost or deemed cost: | | | |
| Balance on January 1, 2022 | \$ 40,310 | 53,313 | 93,623 |
| Transfer from inventory | 6,035 | 19,403 | 25,438 |
| Balance on December 31, 2022 | \$ 46,345 | 72,716 | 119,061 |
| Balance on January 1, 2021 | \$ 24,267 | 43,615 | 67,882 |
| Transfer from inventory | 16,043 | 9,698 | 25,741 |
| Balance on December 31, 2021 | \$ 40,310 | 53,313 | 93,623 |
| Depreciation and impairments loss: | | | |
| Balance on January 1, 2022 | \$ - | 2,055 | 2,055 |
| Depreciation | - | 1,207 | 1,207 |
| Balance on December 31, 2022 | \$ - | 3,262 | 3,262 |
| Balance on January 1, 2021 | \$ - | 1,041 | 1,041 |
| Depreciation | - | 1,014 | 1,014 |
| Balance on December 31, 2021 | \$ - | 2,055 | 2,055 |

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Total</u> |
|------------------------------|-------------|---------------------------------------|--------------|
| Carrying amounts: | | | |
| Balance on December 31, 2022 | \$ 46,345 | 69,454 | 115,799 |
| Balance on January 1, 2021 | \$ 24,267 | 42,574 | 66,841 |
| Balance on December 31, 2021 | \$ 40,310 | 51,258 | 91,568 |

Fair Value :

| | |
|------------------------------|------------|
| Balance on December 31, 2022 | \$ 195,859 |
| Balance on December 31, 2021 | \$ 107,755 |

Investment property includes the Company's own assets leased out by operating leases to third parties. Please refer to note 6(l) for other related information (including rental income and direct operating expenses incurred).

The fair value of investment real estate refers to the recent transaction prices in similar locations and types on the Real Estate Transaction Real Price Inquiry Service Network of the Ministry of the Interior. The input values used in the fair value valuation technique are classified as Level 3.

Please refer to note 8 for more information on pledged Investment properties and financing collateral.

(h) Short-term notes and bills payable

| | <u>December 31, 2021</u> | | |
|--------------------------|--|-----------------------------------|---------------|
| | <u>Guarantee or acceptance institute</u> | <u>Range of interest rate</u> | <u>Amount</u> |
| Commercial paper payable | | 1.94% | \$ 140,000 |

(i) Issuance and repayment of short-term notest

For the years ended December 31, 2022 and 2021, the incremental amounts are \$80,000 thousand and \$140,000 thousand, respectively; the repayment amounts are \$220,000 thousand and \$0, respectively.

(ii) Collateral for short-term notes

For collaterals of short-term notes pledged by the Company's assets, please refer to note 8.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(i) Short-term borrowings

The short-term borrowings were summarized as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------|------------------------------|------------------------------|
| Unsecured bank loans | \$ 222,000 | - |
| Secured bank loans | 4,144,060 | 4,967,892 |
| Total | <u>\$ 4,366,060</u> | <u>4,967,892</u> |
| Unused credit time | <u>\$ 5,755,980</u> | <u>5,315,900</u> |
| Range of interest rates | <u>2.10%~2.67%</u> | <u>0.94%~2.25%</u> |

(i) The issue of bank loan and repayment

For the years ended December 31, 2022 and 2021, the incremental amounts are \$410,460 thousand and \$4,878,770 thousand, respectively; the repayment amounts are \$1,012,292 thousand and \$1,451,088, respectively.

(ii) Collateral for Bank Loans

For the collateral for short-term borrowings, please refer to note 8.

(j) Bonds payable/ Bonds due or executed within one year or one business cycle

The details of unsecured convertible bonds were as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|------------------------------|------------------------------|
| Secured convertible bonds, non-current | \$ 3,794,540 | 2,798,452 |
| Less: Bonds due or executed with one year or one business cycle | - | (999,808) |
| | <u>\$ 3,794,540</u> | <u>1,798,644</u> |

(i) Please refer to note 6(s) for information of the Company's recognition on ordinary bonds and amortized interest expenses in 2022 and 2021.

(ii) Information of Company's secured corporate bonds were as follows:

| <u>Item</u> | <u>First secured ordinary corporate bond in 2017</u> |
|--------------------|--|
| 1)Total issuance | \$1,000,000 thousand |
| 2)Issuance date | 2017.09.14 |
| 3)Interest rate | 0.97% |
| 4)Period ended | 2017.09.14~2022.09.14 |
| 5)Repayment | Due five years from the issuance date |
| 6)Guarantee agency | Agricultural Bank of Taiwan |

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

| Item | First secured ordinary corporate bond in 2019 |
|--------------------|--|
| 1)Total issuance | \$1,200,000 thousand |
| 2)Issuance date | 2019.01.07 |
| 3)Interest rate | 0.96% |
| 4)Period ended | 2019.01.07~2024.01.07 |
| 5)Repayment | Due five years from the issuance date |
| 6)Guarantee agency | Taiwan Business Bank Co., Ltd. |

| Item | First secured ordinary corporate bond in 2021 |
|--------------------|--|
| 1)Total issuance | \$600,000 thousand |
| 2)Issuance date | 2021.12.24 |
| 3)Interest rate | 0.67% |
| 4)Period ended | 2021.12.24~2026.12.24 |
| 5)Repayment | Due five years from the issuance date |
| 6)Guarantee agency | Agricultural Bank of Taiwan |

| Item | Second secured ordinary corporate bond in 2021 |
|---------------------|---|
| (1)Total issuance | 1,000,000 thousand |
| (2)Issuance date | 2022.01.10 |
| (3)Interest rate | 0.68% |
| (4)Period ended | 2022.01.10~2027.01.10 |
| (5)Repayment | Due five years from the issuance date |
| (6)Guarantee agency | Hua Nan Commercial Bank Co., Ltd. |

| Item | First secured ordinary corporate bond in 2022 |
|---------------------|--|
| (1)Total issuance | 1,000,000 thousand |
| (2)Issuance date | 2022.09.14 |
| (3)Interest rate | 1.70% |
| (4)Period ended | 2022.09.14~2027.09.14 |
| (5)Repayment | Due five years from the issuance date |
| (6)Guarantee agency | Agricultural Bank of Taiwan |

Please refer to note 8 for details of pledged assets with guarantee.

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SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(k) Contract liability

| | December 31, 2022 | December 31, 2021 |
|--|------------------------------|------------------------------|
| Land | \$ 61,350 | 48,514 |
| Buildings | 292,731 | 370,007 |
| | \$ 354,081 | 418,521 |
| Amount expected to be realized after twelve months | \$ 138,117 | 198,331 |

Please refer to note 9(a) for the total price of the real estate of signed provisions listed above.

(l) Operating lease

Leases as lessor

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

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

| | December 31, 2022 | December 31, 2021 |
|----------------------|------------------------------|------------------------------|
| Less than one year | \$ 5,615 | 3,934 |
| One to two years | 5,784 | 4,091 |
| Two to three years | 5,812 | 4,164 |
| Three to four years | 4,479 | 4,180 |
| Four to five years | 3,536 | 2,807 |
| More than five years | 4,788 | 7,349 |
| | \$ 30,014 | 26,525 |

Rental income from investment properties was \$4,364 thousand and \$3,271 thousand for the years ended December 31, 2022 and 2021, respectively.

(m) Employee benefit

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$2,348 thousand and \$2,216 thousand for the years ended December 31, 2022 and 2021, respectively.

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SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(n) Income tax

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

| | For the years ended December 31 | |
|--|--|------------------------|
| | 2022 | 2021 |
| Current tax expense | | |
| Current period | \$ - | 418 |
| Adjustment for prior periods | (417) | - |
| Land value increment tax | 21,372 | 10,502 |
| | <u>20,955</u> | <u>10,920</u> |
| Deferred tax expense | | |
| Change in reversal and unrecognized deductible temporary differences | (21,202) | (5,330) |
| Recognition of previously unrecognized tax losses | - | (15,787) |
| | <u>(21,202)</u> | <u>(21,117)</u> |
| Tax expense (profit) | <u>\$ (247)</u> | <u>(10,197)</u> |

(ii) Reconciliation of income tax and profit before tax for 2022 and 2021 is as follows.

| | For the years ended December 31 | |
|--|--|------------------------|
| | 2022 | 2021 |
| Profit excluding income tax | \$ 139,430 | 212,081 |
| Income tax expense at domestic statutory tax rate | 27,886 | 42,416 |
| Land tax exempt income | (54,395) | (48,929) |
| Book-tax difference of capitalization | (22,547) | (15,011) |
| Profit or loss from investment using equity method | (3,559) | (1,737) |
| Unrecognized tax losses from the previous period | - | (15,787) |
| Land value increment tax | 21,372 | 10,502 |
| Adjustment for prior periods | (417) | - |
| Others | 31,413 | 18,349 |
| | <u>\$ (247)</u> | <u>(10,197)</u> |

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(iii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

| | Deferred Tax Assets | | |
|-------------------------------------|----------------------------------|---------------------|-----------------------|
| | Tax loss carryforward | Others | Total |
| Balance on January 1, 2022 | \$ 109,986 | 1,545 | 111,531 |
| Recognized in profit or loss | 22,481 | (1,279) | 21,202 |
| Balance on December 31, 2022 | <u>\$ 132,467</u> | <u>266</u> | <u>132,733</u> |
| Balance on January 1, 2021 | \$ 87,801 | 2,613 | 90,414 |
| Recognized in profit or loss | 22,185 | (1,068) | 21,117 |
| Balance on December 31, 2021 | <u>\$ 109,986</u> | <u>1,545</u> | <u>111,531</u> |

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

| Year of loss | Unused tax loss | Expiry date |
|---------------------|--------------------------|--------------------|
| 2015 | \$ 3,923 | 2025 |
| 2016 | 88,865 | 2026 |
| 2017 | 27,069 | 2027 |
| 2019 | 269,289 | 2029 |
| 2020 | 125,367 | 2030 |
| 2021 | 35,039 | 2031 |
| 2022 | 112,785 | 2032 |
| | <u>\$ 662,337</u> | |

(iv) Assessment of tax

The Company' s tax returns for the years through 2020 were assessed by the Taipei National Tax Administration.

(o) Capital and other equity

As of December 31, 2022 and 2021, the total value of authorized ordinary shares were amounted to \$4,500,000 thousand with par value of \$10 per share. As of that date, the number of ordinary shares issued were 326,554 thousand in December 31, 2022 and 2021, respectively. All issued shares were paid up upon issuance.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(i) Ordinary shares

A resolution was passed during the shareholder's meeting held on 27 July, 2021 for the issuance of capital surplus transferred to common stock with a 15,550 thousand shares, amounted to \$155,502 thousand . The related registration procedures were completed.

A resolution was passed during the shareholder's meeting held on 19, April, 2021, for the cancellation of the treasury stock 10,000 thousand amounting to \$100,000 thousand respectively. The related registration procedures were completed.

(ii) Capital surplus

| | December 31, 2022 | December 31, 2021 |
|--|------------------------------|------------------------------|
| Capital surplus—premium from issuance of stock | \$ 168,736 | 168,736 |
| Employee share options | 16,860 | 16,860 |
| Other | 359 | 359 |
| | \$ 185,955 | 185,955 |

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

(iii) Retained earnings

According to the company' s articles of association, if there is a surplus after the annual accounts, it shall be distributed in the following order:

- 1) Tax payment
- 2) Recovery of loss
- 3) Attribute ten percent of the current net profit as a statutory surplus reserve unless the statutory surplus reserve has reached the paid-in capital.
- 4) The special surplus reserve shall be set aside or transferred as required by laws and regulations or operations.
- 5) If there is a balance, it will be combined with the accumulated undistributed surplus of the previous year. Then the board of directors shall decide to retain or distribute shareholder dividends according to the capital condition and economic development of the current year, and finally submit it to the shareholders meeting for approval.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

To pursue sustainable and stable business development, the Company considers capital needs and long-term financial planning, set dividend policies, and considers retained earnings and future profitability comprehensively to determine the amount that can be allocated each year. Dividends are issued in two ways: stock dividends and cash dividends. The proportion of cash dividends shall not be less than 10% of the total dividends for the year by principle. However, when the cash dividend per share is less than \$0.5, issuing stock dividends is allowed.

1) Legal reserve

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

2) Earnings distribution

Earnings distribution for 2021 was decided by the resolution of the shareholder's meeting on 6 May, 2022 and 19 April, 2021 for that of 2020. In addition, the Company was approved by the shareholder's meeting on June 30, 2022 and July 27, 2021 to allocate cash with capital reserve in 2021 and 2020.

| | For the years ended December 31 | | | |
|---|---|-------------------------|---|-------------------------|
| | 2021 | | 2020 | |
| | Amount per share (dollars) | Total amount | Amount per share (dollars) | Total amount |
| Dividends distributed to ordinary shareholders: | | | | |
| Cash | \$ 0.68 | 222,057 | 0.30 | 93,301 |
| Shares | - | - | 0.50 | 155,502 |
| Total | | \$ 222,057 | | 248,803 |

(iv) Treasury shares

In 2021, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 10,000 thousand shares, amounted to and \$167,409 thousand, as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2022, a total of 19,899 thousand shares were cancelled, total amount \$345,733 thousand the related registration produces were completed.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(v) Other equity items

| | | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income |
|---|-----------|--|
| Balance on January 1, 2022 | \$ | 61,380 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | | (6,300) |
| Balance on December 31, 2022 | <u>\$</u> | <u>55,080</u> |
| Balance on January 1, 2021 | \$ | 18,720 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | | 42,660 |
| Balance on December 31, 2021 | <u>\$</u> | <u>61,380</u> |

(p) Earnings per share

(i) Basic earnings per share

The details on the calculation of basic earnings per share as of December 31, 2022 and 2021 was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, respectively, as follows:

1) Profit attributable to ordinary shareholders of the Company

| | For the years ended December 31 | |
|---|--|----------------|
| | 2022 | 2021 |
| Profit attributable to ordinary shareholders of the Company | <u>\$ 139,677</u> | <u>222,278</u> |

2) Weighted average number of ordinary shares

Unit: thousand shares

| | For the years ended December 31 | |
|--|--|----------------|
| | 2022 | 2021 |
| Weighted average number of ordinary shares | <u>326,554</u> | <u>328,698</u> |
| Basic earnings per share (NTD) | <u>\$ 0.43</u> | <u>0.68</u> |

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(ii) Diluted earnings per share

The details on the calculation of diluted earnings per share as of December 31, 2022 and 2021 was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding after adjusting the effects of all dilutive potential ordinary shares, respectively, as follows:

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

| | For the years ended December 31 | |
|--|--|----------------|
| | 2022 | 2021 |
| Profit/(loss) attributable to ordinary shareholders of the Company (diluted) | \$ 139,677 | 222,278 |

2) Weighted average number of ordinary shares (diluted)

Unit: thousand shares

| | For the years ended December 31 | |
|---|--|----------------|
| | 2022 | 2021 |
| Weighted average number of ordinary shares(basic) | 326,554 | 328,698 |
| Effect of employee share bonus | 156 | 170 |
| Weighted average number of ordinary shares (diluted) at December 31 | 326,710 | 328,868 |
| Diluted earnings per share (NTD) | \$ 0.43 | 0.68 |

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the years ended December 31 | |
|--------------------------------|--|------------------|
| | 2022 | 2021 |
| Primary geographical markets: | | |
| Taiwan | \$ 1,977,670 | 1,438,415 |
| Major products/services lines: | | |
| Sales of real estate | \$ 1,977,670 | 1,438,415 |

(ii) Contract balances

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|--------------------------------|------------------------------|------------------------------|------------------------|
| Notes receivables | \$ - | 30 | - |
| Accounts receivables | 100 | - | 44 |
| Less: allowance for impairment | - | - | - |
| Total | \$ 100 | 30 | 44 |

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|--|----------------------|----------------------|-----------------|
| Contract liabilities, selling of real estate | <u>\$ 354,081</u> | <u>418,521</u> | <u>229,267</u> |

- 1) The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$220,190 thousand and \$37,525 thousand, respectively.
- 2) The contract liabilities differences primarily relate to the time when the Company meets its performance obligations, which is transferring goods or services to the customers, and the time the payments are made.

(r) Employee compensation and directors' and supervisors' remuneration

According to the Articles of Association of the Company the profit before tax not included in the employees' and Directors' remuneration during the year, if there is a surplus after making up for the losses, no more than 5% should be provided for directors' remuneration, and no less than 1% for employees' remuneration. The recipients of shares and cash may include the employees of affiliated companies who meet certain conditions, such conditions shall be stipulated by the Board of Directors.

The remuneration to employees amounted to \$1,423 thousand and \$2,164 thousand as well as the remunerations to directors amounted to \$1,423 thousand and \$2,164 thousand for the years ended December 31, 2022 and 2021, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Association. These remunerations were expensed under operating expenses for each period. The related information can be accessed from market observation post system website. There were no differences between the amounts of employees' and directors' remuneration allocated by the aforesaid Board resolutions and the amounts in the consolidated financial statements of 2022 and 2021.

(s) Finance costs

The details of finance costs were as follows:

| | For the years ended December 31 | |
|-----------------------------------|--|--------------------|
| | 2022 | 2021 |
| Interest expense | | |
| Bank loans | \$ 87,785 | 67,302 |
| Interest on corporate bonds | 78,333 | 48,106 |
| Other interest expense | 47 | 19 |
| Less: Capitalized interest | (128,149) | (97,426) |
| | \$ 38,016 | 18,001 |
| Average capitalized interest rate | 0.67%~2.67% | 0.67%~2.25% |

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As the Company has a large customer base, it does not significantly concentrate on transactions with a single customer and the sales scope scattered; hence, geographically, there was no concentration of credit risk. To reduce credit risk, the Company also regularly and continuously evaluates the financial situation of customers, and usually does not require customers to provide collateral.

3) Credit risk of receivables and debt securities

Other financial assets at amortized cost includes other receivables.

All the above mentioned are financial assets considered to have a low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low risk, please refer to note 4(e).

There is no loss allowance for the period ended December 31, 2022 and 2021, hence no losses are recognized.

(ii) Liquidity risk

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

| | Carrying amount | Contractual cash flows | 1 year | 1-5 years | Over 5 years |
|---|----------------------------|-----------------------------------|------------------|----------------------|-------------------------|
| December 31, 2022 | | | | | |
| Non derivative financial liabilities | | | | | |
| Floating-interest-rate instruments | \$ 4,366,060 | 4,633,005 | 721,601 | 3,911,404 | - |
| Fixed-interest-rate instruments | 3,794,540 | 3,935,176 | 39,340 | 3,895,836 | - |
| Non-interest-bearing liabilities | 413,150 | 412,159 | 410,940 | 752 | 467 |
| Lease liability (including current portion and non-current) | 2,381 | 2,442 | 1,190 | 1,252 | - |
| | \$ 8,576,131 | 8,982,782 | 1,173,071 | 7,809,244 | 467 |

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>1 year</u> | <u>1-5 years</u> | <u>Over 5 years</u> |
|--------------------------------------|----------------------------|-----------------------------------|------------------|----------------------|-------------------------|
| December 31, 2021 | | | | | |
| Non derivative financial liabilities | | | | | |
| Floating-interest-rate instruments | \$ 5,107,892 | 5,405,042 | 777,071 | 4,627,971 | - |
| Fixed-interest-rate instruments | 2,798,452 | 2,852,840 | 1,025,240 | 1,827,600 | - |
| Non-interest-bearing liabilities | 388,383 | 388,383 | 387,560 | 357 | 466 |
| Trade payables | 601 | 613 | 307 | 306 | - |
| | <u>\$ 8,295,328</u> | <u>8,646,878</u> | <u>2,190,178</u> | <u>6,456,234</u> | <u>466</u> |

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

- (iii) Currency risk: None
- (iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1 basis points, the Company's net income would have increased/decreased by \$43,661 thousand and \$51,079 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates and investment in variable-rate bills. The Company's other comprehensive income would have increased/decreased by \$9,989 thousand and \$7,966 thousand for the years ended December 31, 2022 and 2021, respectively.

- (v) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

| | <u>For the years ended December 31</u> | | | |
|--|---|-------------------|---|-------------------|
| | <u>2022</u> | | <u>2021</u> | |
| | <u>Other comprehensive income after tax</u> | <u>Net income</u> | <u>Other comprehensive income after tax</u> | <u>Net income</u> |
| <u>Price of securities at reporting date</u> | | | | |
| Increasing 5% | <u>\$ 5,864</u> | <u>197</u> | <u>6,129</u> | <u>177</u> |
| Decreasing 5% | <u>\$ (5,864)</u> | <u>(197)</u> | <u>(6,129)</u> | <u>(177)</u> |

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SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(vi) Fair value of financial instruments

1) Valuation techniques for financial instruments measured at fair value

The Company is not required to disclose fair value information for loans, receivables, and financial liabilities measured at amortized cost whose carrying amount is reasonably close to the fair value and financial assets measured at cost that cannot be measured reasonably are not quoted in the active market. The Company disclosure of fair value information of financial assets and liabilities were as follows:

| | December 31, 2022 | | | | |
|---|----------------------------|-----------------------|-------------------------|---------------------|-------------------------|
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Listed stock | \$ 116,280 | 116,280 | - | - | 116,280 |
| Unquoted equity instruments | 1,000 | - | - | 1,000 | 1,000 |
| Subtotal | <u>117,280</u> | <u>116,280</u> | <u>-</u> | <u>1,000</u> | <u>117,280</u> |
| Financial assets at fair value through profit or loss | | | | | |
| Privately offered fund | 4,914 | - | - | 4,914 | 4,914 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 2,262,432 | - | - | - | - |
| Notes and accounts receivable | 100 | - | - | - | - |
| Other financial assets, current | 109,678 | - | - | - | - |
| Other financial assets, non-current | 680,090 | - | - | - | - |
| Refundable deposits | 2,108 | - | - | - | - |
| Subtotal | <u>3,054,408</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 3,176,602</u> | <u>116,280</u> | <u>-</u> | <u>5,914</u> | <u>122,194</u> |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term loans | \$ 4,366,060 | - | - | - | - |
| Corporate bonds payable | 3,794,540 | - | 3,738,989 | - | 3,738,989 |
| Notes payable, accounts payable (incl. related parties) | 327,080 | - | - | - | - |
| Other payables (incl. related parties) | 84,839 | - | - | - | - |
| Guarantee deposits | 1,231 | - | - | - | - |
| Lease liabilities | 2,381 | - | - | - | - |
| Total | <u>\$ 8,576,131</u> | <u>-</u> | <u>3,738,989</u> | <u>-</u> | <u>3,738,989</u> |

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

| | December 31, 2021 | | | | |
|---|---------------------|----------------|------------------|--------------|------------------|
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Listed stock | \$ 122,580 | 122,580 | - | - | 122,580 |
| Financial assets at fair value through profit or loss | | | | | |
| | 4,429 | - | - | 4,429 | 4,429 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 2,097,346 | - | - | - | - |
| Notes and accounts receivable | 30 | - | - | - | - |
| Other financial assets, current | 187,559 | - | - | - | - |
| Other financial assets, non-current | 371,583 | - | - | - | - |
| Refundable deposits | 3,338 | - | - | - | - |
| Subtotal | 2,659,856 | - | - | - | - |
| Total | \$ 2,786,865 | 122,580 | - | 4,429 | 127,009 |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term loans | \$ 4,967,892 | - | - | - | - |
| Bonds are or executed with one year or one business cycle | 140,000 | - | - | - | - |
| Corporate bonds payable (incl. related parties) | 2,798,452 | - | 2,815,448 | - | 2,815,448 |
| Notes and accounts payable (incl. related parties) | 281,146 | - | - | - | - |
| Other payables (incl. related parties) | 106,402 | - | - | - | - |
| Guarantee deposits | 835 | - | - | - | - |
| Deposits received | 601 | - | - | - | - |
| Total | \$ 8,295,328 | - | 2,815,448 | - | 2,815,448 |

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial liabilities measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted. The fair value of ordinary corporate bonds payable is measured by Level 2 input value, and the fair value is calculated based on the weighted average price of one hundred dollars at the reporting date of the Taipei Exchange.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

- 3) Valuation techniques for financial instruments measured at fair value
- a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

If the financial instruments held by the company have an active market, the fair values are listed below according to their categories and attributes:

- Fair value of listed redeemable corporate bonds listed(counter) company stocks, bills of exchange and corporate bonds are financial assets and financial liabilities that coordinate standard terms and conditions, are determined with reference to market quotes.

Except for the above-mentioned financial instruments with active markets, the fair value of the remaining financial instruments is based on evaluation technology or by referring to the counterparty's quotation. The fair value obtained through valuation techniques may be calculated by reference to the current fair value of other financial instruments with substantially similar conditions and characteristics, discounted cash flow method or other valuation techniques, including the use of models based on market information available at the reporting date (e.g., over-the-counter (OTC) reference yield curves, Reuters average quoted commercial paper rates).

If the financial instruments held by the Company don not have an active market , the fair values are listed below according to their categories and attributes:

Equity instruments without public quotations: the fair value is estimated using the market comparable company method, the main assumption is based on the estimated earnings before tax, interest, depreciation, and amortization of the investee and the earnings multiplier derived from market quotations of comparable listed (over-the-counter) companies. The estimate has been adjusted for the effect of discount on the lack of marketability of the equity securities.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

4) Transfers between Level 1 and Level 2

No transfers are made during 2022 and 2021, respectively.

(u) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the risks mentioned above. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company' s risk management policies. The committee reports regularly to the Board of Directors on its activities.

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

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

(iii) Credit risk

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

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SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

1) Accounts and other receivables

The credit risk of the Company is affected by its clients individually based on their conditions. Accounts receivable generated by selling real estate has a lower credit risk since the payment is completed mostly by individuals through transfers, checks, or loans from the bank. The Company's has full control on its construction quality and progress since all projects are contracted out to the conformed and reputable building contractors based on the Company's contracting operation methods.

The Company discloses the estimation of accounts receivables' and other receivables' loss with allowance for bad debt account. Allowance for bad debt account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

At December 31, 2022 and 2021, respectively, the Company has no outstanding guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

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

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(v) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders or issue new shares.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2022, the Company's capital management strategy is consistent with the prior year as 2019, and the gearing ratio is maintained to ensure credit rating and ensure financing at reasonable cost. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2022 and 2021, respectively, is as follows:

| | December 31, 2022 | December 31, 2021 |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities | \$ 8,938,753 | 8,723,989 |
| Less: cash and cash equivalents | <u>(2,262,432)</u> | <u>(2,097,346)</u> |
| Net debt | 6,676,321 | 6,626,643 |
| Total Equity | <u>6,455,891</u> | <u>6,544,571</u> |
| Adjusted equity | <u>\$ 13,132,212</u> | <u>13,171,214</u> |
| Debt-to-equity ratio | <u>51%</u> | <u>50%</u> |

(7) Related-party transactions:

(a) Names and relationship with related parties

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

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|--|--------------------------------------|
| Jing Fu Xiang Construction Co., Ltd . | Subsidiary company |
| Jingo International Records Co., Ltd . | Subsidiary company |
| San Far Education Foundation | Other related parties |
| Pleasant Hotels International Inc. | Other related parties |
| Minfar Real Estate Development Co., Ltd. | Other related parties |
| Zenfar Architecture Co., Ltd. | Other related parties |
| Xian Ling, Yang | Other related parties |

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|-------------------------------|--------------------------------------|
| Zeng Rong, Zhung | Other related parties |
| Yueteng Advertising Co., Ltd. | Other related parties |
| Dage Advertising Co., Ltd. | Other related parties |
| Hong Tai Advertising Co., Ltd | Other related parties |

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

| | <u>Total contract price</u> | | <u>Purchasing</u> | | <u>Accumulated amount</u> | |
|---|-----------------------------|------------------|----------------------------|------------------|----------------------------|------------------|
| | | | <u>For the years ended</u> | | <u>For the years ended</u> | |
| | <u>December</u> | <u>December</u> | <u>December 31</u> | | <u>December 31</u> | |
| | <u>31, 2022</u> | <u>31, 2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Subsidiary company – JinFuXiang | \$ 4,110,337 | 3,460,407 | 527,613 | 552,897 | 940,370 | 763,284 |
| Other related parties – Minfar | - | 135,700 | - | 135,700 | - | 135,700 |
| Other related parties – Sian Ling, Yang | - | 1,596,000 | - | 1,596,000 | - | 1,596,000 |
| Other related parties – Zeng Rong, Zhung | - | 287,860 | - | 287,860 | - | 287,860 |
| Other related parties | - | 407 | - | 407 | - | 407 |
| | <u>\$ 4,110,337</u> | <u>5,480,374</u> | <u>527,613</u> | <u>2,572,864</u> | <u>940,370</u> | <u>2,783,251</u> |

The Company signed a contract with its subsidiary – Jing Fu Xian Construction Co., Ltd., with the price based on the pricing procedure and the construction budget. The payment method is according to the contractual requirements and the progress of the construction in accordance with the estimation of the numbers of trials, with duration period ranging from 60 to 120 days. There is no relevant profit rate from, and payment condition to, non-related parties to compare with for the construction agreements entered into by the Company.

In January 2021, the Company purchased the land located in Kaohsiung, amounting to \$1,596,000 thousand, from a related party, Yang Hsien Ling, for its building construction to be sold thereafter. All relevant payments had been completed as of the reporting date.

In May 2021, the Company purchased the land located in Tainan, amounting to \$287,860 thousand, from a related party, Chung Tseng Jung, for its building construction to be sold thereafter. All relevant payments had been completed as of the reporting date. The above engagement with non-related parties is not comparable to other transactions.

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

In January and May 2021, the Company purchased the construction permits of the lands located in Kaohsiung and Tainan, amounting to \$108,000 thousand and \$27,700 thousand, respectively, from a related party, Ming Fa, for its building construction to be sold thereafter. All relevant payments had been completed as of the reporting date. The above engagements with non-related

parties is not comparable to other transactions.

(ii) Payables to Related Parties

The payables to related parties were as follows:

| <u>Accounte</u> | <u>Relationship</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------------|--|------------------------------|------------------------------|
| Notes and accounts payables | Subsidiary company – Jing Fu Xiang | \$ 182,246 | 207,402 |
| Notes payables | Subsidiary company | 9 | 52 |
| Other payables | Subsidiary company –San Far Education Foundation | - | 6,425 |
| Other payables | Subsidiary company | 12 | 16 |
| | | <u>\$ 182,267</u> | <u>213,895</u> |

(iii) Operating expense

| <u>Relationship</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------|------------------------------|------------------------------|
| Subsidiary Company | \$ 999 | 6,265 |
| Other related parties | (4,925) | (4,191) |
| | <u>\$ (3,926)</u> | <u>2,074</u> |

The Company cancels the contribution fund in according with the annual plan of the San far Education Foundation, which amounted to \$4,925 thousand and \$4,616 thousand for the years ended December 31, 2022 and 2021, respectively. The actual amount of donation was \$1,500 thousand in both 2022 and 2021.

(iv) Lease

Jing Fu Xiang Construction Co., Ltd. leases office buildings from the Company and refer to the neighboring office rental price when signing lease contract. The rental income were \$137 thousand in the year ended 31 December 2022 and 2021.

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SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(v) Guarantee

In February 2022, the Company signed a contract with other related parties – Zenfar Architecture Co., Ltd. to act as a joint and several guarantor for the Company's pre-sale contract in Chengde Section, Renwu District, Kaohsiung City. According to the contract, the paid a handling fee of \$618 thousand in 2022.

(vi) Other

The remaining amount of \$4,662 thousand paid by the Company to its other related parties in 2021 resulted in the total amount of the retention in construction of \$66,062 thousand to be reclassified from account payable to sales and marketing expenses in December 31, 2020. Please refer to note 12 (b) for more details.

(c) Key management personnel compensation

Key management personnel compensation comprised:

| | For the years ended December 31 | |
|------------------------------|--|---------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 18,942 | 17,961 |
| Post-employment benefits | 440 | 459 |
| | \$ 19,382 | 18,420 |

(8) Pledged assets:

The carrying values of pledged assets were as follows:

| Pledged assets | Object | December 31, 2022 | December 31, 2021 |
|--|-----------------------------------|------------------------------|------------------------------|
| Inventories | Mortgage and bonds payable | \$ 10,095,688 | 10,793,912 |
| Other financial assets classified under current and non-current) | Mortgage and bonds payable | 680,090 | 531,589 |
| Property, plant and equipment | Short-term notes and bill payable | 74,888 | 75,585 |
| Investment property | Mortgage and bonds payable | 87,569 | 37,485 |
| | | \$ 10,938,235 | 11,438,571 |

The book value of the above-mentioned pledged assets, which were pledged as collateral for unused credits, amounted to \$549,670 thousand and \$0 as of December 31, 2022 and 2021, respectively.

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SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(9) Commitments and contingencies:

(a) The Company's unrecognized contractual commitments are as follows:

| | December 31, 2022 | December 31, 2021 |
|-------------------------------------|----------------------|----------------------|
| <u>Signed contracts</u> | | |
| Sales of real estate | \$ 2,155,689 | 2,316,566 |
| Contracted construction in progress | \$ 3,785,512 | 3,138,928 |
| <u>Received or paid contracts</u> | | |
| sales of real estate | \$ 354,081 | 418,521 |
| Contracted construction in progress | \$ 615,545 | 438,190 |

(b) The legal litigation cases related to the Company demanded a total amount of \$7,245 thousand plus legal interest from the Company. The lawsuits are all under trial, and have not been finalized as of the reporting date.

(c) The company was approved by the board of directors on November 18, 2022, to donate an amount not to exceed \$2,500 thousand to Kaohsiung City San far Education Foundation for the purpose of promoting the Foundation's business. In 2022, \$1,500 thousand was actually donated.

(10) Losses due to major disasters:None

(11) Subsequent Events:None

(12) Other:

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

| | For the year ended December 31 | | | | | | |
|----------------------------|--------------------------------|--------------|-------------------|--------|--------------|-------------------|-------|
| | By function | 2022 | | | 2021 | | |
| | | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| By item | | | | | | | |
| Employee benefits | | | | | | | |
| Salary | 47,854 | 7,900 | 55,754 | 47,465 | 8,412 | 55,877 | |
| Labor and health insurance | 3,850 | 874 | 4,724 | 3,572 | 773 | 4,345 | |
| Pension | 2,109 | 239 | 2,348 | 1,975 | 241 | 2,216 | |
| Remuneration of directors | - | 3,043 | 3,043 | - | 3,826 | 3,826 | |
| Others | 1,363 | 1,250 | 2,613 | 1,357 | 1,297 | 2,654 | |
| Depreciation | - | 3,113 | 3,113 | - | 2,255 | 2,255 | |
| Amortization | - | 664 | 664 | - | 496 | 496 | |

(Continued)

SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

More detailed information on the Company' s number of employees and employee benefits for 2022 and 2021 were as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-----------------|--------------|
| Number of employees | <u>61</u> | <u>60</u> |
| Number of directors not act as employees | <u>6</u> | <u>6</u> |
| Average employee benefits | <u>\$ 1,190</u> | <u>1,205</u> |
| Average employee salaries | <u>\$ 1,014</u> | <u>1,035</u> |
| Adjusted average employee salaries | <u>(2.03)%</u> | |
| Supervisor's remuneration | <u>\$ -</u> | <u>-</u> |

Information on the Company' s salary and remuneration policy (including directors, managers and employees) is as follows:

(i) Director' s remuneration

In addition to the fixed remuneration, the director' s remuneration is also entitled. If there is a balance after making up the loss based on the pre-tax benefits excluding the employee and director' s remuneration of the current year, the Company shall allocate no more than 5% of it as the director' s remuneration.

(ii) Managers remuneration:

In addition to the base salary, year-end and performance bonuses are evaluated based on the Company' s operational performance.

(iii) Employees remuneration:

In addition to the base salary, year-end and performance bonuses are also given and adjusted based on annual performance.

(b) Others

The Ministry of Justice Investigation Bureau, Kaohsiung City has conducted an investigation on the Company on February 17, 2022, wherein it seized the Company' s subsidiary ledgers, as well as all the contracts entered into with, and the vouchers of commission paid to, the related three advertising companies. Since the case is still in progress, the Company assessed that the above matter will not have an impact on its financial statements.

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SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

| | <u>2020.12.31</u> | <u>2019.12.31</u> | <u>2018.12.31</u> | <u>2017.12.31</u> | <u>2016.12.31</u> | <u>2015.12.31</u> | <u>2014.12.31</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Current assets recognized as incremental costs to obtain contract with customers | \$ - | 47,550 | 109,612 | 47,974 | 23,786 | 11,034 | - |
| Notes payable | \$ - | 2,694 | 7,282 | 8,743 | 8,494 | - | - |
| Construction Retainage Received (under Accounts Payable) | \$ 4,662 | 4,461 | 1,778 | 1,907 | 205 | - | - |
| Other payables | \$ - | 6,814 | 5,313 | 932 | 5,911 | - | - |
| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Selling expense | \$ 66,062 | 204,103 | 24,076 | 47,693 | 77,332 | - | 995 |

The Company paid of construction retainage received to the other parties 4,662 thousand (account on Accounts Payable) on 2021.

- (i) On February 17, 2022, the company was prosecuted and searched. Since it is still in the investigation stage and based on the principle of secret investigation, the general finding and legal liability will wait for the investigation by the Prosecutors Office and the Judiciary to clarify before taking relative measures. At present, according to the project audit accountants appointed by the audit committee of the company, the project attorney appointed by the board of directors and the company's own review, the consignment sales and construction transactions between the three advertising companies, Dage Advertising Co., Ltd., Yuedeng Advertising Co., Ltd. and Hongtai Advertising Co., Ltd. and the company are authentic. The transaction conditions have no significant unreasonable circumstances compared with the same industry in the market.
- (ii) In order to be conservative, although the case is still under investigation, the company disclosed the above three advertising companies in the form of other related parties in the 2021 financial report based on protecting the rights and interests of investors. Due to the principle of secret investigation, the method of prior disclosure may not be the final result. The company will deal with the case appropriately after the case is clarified by the judicial proceeding.
- (iii) At present, the company's finance and business are normal, and the investigation case has no significant impact on the company's operations.

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SAN FAR PROPERTY LIMITED

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Note |
|----------------|--|---------------------------|--|--------------------------|----------------|-----------------------------|------------|------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | |
| The Company | Stock - Pleasant Hotels International Inc. | Other related parties | Financial assets at fair value through other comprehensive income, non-current | 3,600 | 116,280 | 4.26% | 116,280 | |
| The Company | Stock - Best Education Service & Tech Co., Ltd. | - | Financial assets at fair value through other comprehensive income, non-current | 20 | 1,000 | 0.33% | 1,000 | |
| The Company | Privately offered fund - Sparklabs Taipei Fund I | - | Financial assets at fair value through profit or loss, non-current | - | 4,914 | - | 4,914 | |

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|----------------------|-------------------------|------------------------|---------------------|-----------|-------------------------------------|---------------------------|---|---------------|-------------------------------------|---|------|
| | | | Purchase/Sale | Amount | Percentage of total purchases/sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Jin Fu Xiang Co.,Ltd | Subsidiary Company | Contracting project | 527,613 | 43.64% | Pay by contract terms | - | | (182,246) | (55.72)% | |
| Jin Fu Xiang Co.,Ltd | The Company | Parent Company | Contracting project | (527,613) | (78.81)% | Receive by contract terms | - | | 182,246 | 71.86% | |
| Jin Fu Xiang Co.,Ltd | Pleasant Hotels Co.,LTD | Other related parties | Contracting project | (141,886) | (21.19)% | Receive by contract terms | - | | 71,381 | 28.14% | |

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts |
|----------------------|---------------|------------------------|----------------|---------------|---------|--------------|---------------------------------------|-------------------------|
| | | | | | Amount | Action taken | | |
| Jin Fu Xiang Co.,Ltd | The Company | Parent Company | 182,246 | 2.71% | - | | 51,551 | - |

- (ix) Trading in derivative instruments: None.

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SAN FAR PROPERTY LIMITED
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2022 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|---------------------------------------|----------|------------------------------|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------|
| | | | | December 31, 2022 | December 31, 2021 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | Jing Fu Xiang Construction Co., Ltd. | Taiwan | Construction industry | 295,875 | 155,875 | 30,000 | 100.00% | 308,934 | 23,103 | 20,859 | |
| The Company | Jingo International Records Co., Ltd. | Taiwan | Record industry | 22,529 | 22,529 | 2,000 | 100.00% | 16,747 | (3,064) | (3,064) | |

(c) Information on investment in mainland China: None

(d) Major shareholders:

| Shareholder' s Name | Shareholding | Shares | Percentage |
|--|--------------|------------|------------|
| Chengxin Investment Co., Ltd. | | 49,482,844 | 15.15% |
| Jinji Investment Co., Ltd. | | 27,263,263 | 8.34% |
| Zhiyi Investment Co., Ltd. | | 20,657,313 | 6.32% |
| Shangfeng Investment Co., Ltd. | | 20,482,290 | 6.27% |
| Jun Rong, Zhong | | 19,282,287 | 5.90% |
| Xian Ling, Yang trust property account for UBS Taipei Branch | | 19,000,000 | 5.81% |
| Changyi Investment Co., Ltd. | | 17,478,869 | 5.35% |

Note: (i) The main shareholder information in this table is calculated based on the last business day at the end of each quarter by Security Company, for shareholders holding more than 5% of the company' s ordinary and preference shares that have been delivered without physical registration. There may be differences between actual shares recorded in of the Company' s financial statement and shares delivered without physical registration due to different calculation bases.

(ii) If the above-mentioned shareholder delivers the shares to the trust, it is disclosed in individual accounts of the trustee who opens the trust account. As for the shareholders' declaration of insider' s equity holdings exceeding 10%, it is filed based on the shareholding, including their own shareholding plus the shares delivered to the trust, in accordance with the Securities and Exchange Act. Please refer to Market Observation Post System for more detailed information

(14) Segment information:

Please refer to the consolidated financial statements of 2022.

SAN FAR PROPERTY LIMITED
Statement of cash and cash equivalents
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(a) for relevant information.

Statement of inventories

| Item | Summary | Amount |
|--------------------------|------------------|-----------------------------|
| Land for construction | G015 | \$ 1,225,057 |
| | G020 | 1,084,484 |
| | G023 | 575,881 |
| | G025 | 569,305 |
| | G026 | 2,530,205 |
| | G028 | 482,153 |
| | Others | 9,244 |
| | | <u>6,476,329</u> |
| Real estate for sale | G008 | 247,423 |
| | G009 | 15,180 |
| | G011 | 56,533 |
| | G012 | 699,613 |
| | G013 | 256,171 |
| | G014 | 17,705 |
| | G017 | 11,440 |
| | G019 | 655,252 |
| | G022 | 196,660 |
| | <u>2,155,977</u> | |
| Construction in progress | G027 | 2,692,095 |
| | Others | 21,040 |
| | <u>2,713,135</u> | |
| Total | | <u><u>\$ 11,345,441</u></u> |

Note: Due to the nature of the construction company's industry, land under construction, land for sale, and land for construction are stated at the lower of cost or net realizable value, and the market value of the above inventory as of December 31, 2022 was \$21,573,609 thousand.

SAN FAR PROPERTY LIMITED

Statement of short-term borrowings

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

| <u>Types of loans</u> | <u>Year-end balance</u> | <u>Contract period</u> | <u>Interest rate</u> | <u>Financing amount</u> | <u>Nortgage/ guarantee</u> | <u>Note</u> |
|-----------------------|----------------------------|------------------------|----------------------|-------------------------|--------------------------------|-------------|
| Unsecured loan | \$ 222,000 | 112.10.11 | Note | 222,000 | - | |
| Secured loan | 1,037,400 | 115.04.12 | " | 1,037,400 | Inventories | |
| " | 77,580 | 115.04.12 | " | 1,551,500 | " | |
| " | 1,474,000 | 115.06.09 | " | 1,742,000 | " | |
| " | 197,400 | 112.11.07 | " | 552,400 | " | |
| " | 203,800 | 112.09.03 | " | 215,000 | " | |
| " | 558,000 | 113.01.03 | " | 558,000 | " | |
| " | 396,900 | 114.09.30 | " | 396,900 | " | |
| " | 187,100 | 115.07.21 | " | 187,100 | " | |
| " | 11,880 | 115.07.21 | " | 198,000 | " | |
| | <u>\$ 4,366,060</u> | | | | | |

Note1: All the money is borrowed from the bank.

Note2: The interest rate for loans is between 2.10%~2.67% ◦

SAN FAR PROPERTY LIMITED

Statement of bonds payable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

| <u>Title of the Bond</u> | <u>Trustee</u> | <u>Issuance Date</u> | <u>Interest Payment Date</u> | <u>Interest Rate</u> | <u>Account</u> | | | <u>Repayment Method</u> | <u>Guarantee Condition</u> |
|--------------------------------|-----------------------------|----------------------|------------------------------|----------------------|----------------------------|---------------------------|-------------------------|-------------------------|---|
| | | | | | <u>Taoal Issued Amount</u> | <u>Unamortized Amount</u> | <u>Book Value</u> | | |
| Ordinary Corporate Bonds (II) | Taiwan Cooperative Bank | 2019.01.07 | Annual | 0.96% | \$ 1,200,000 | 261 | 1,199,739 | Bullet loan | Other financial assets, non-current and inventories |
| Ordinary Corporate Bonds (III) | Agricultural Bank of Taiwan | 2021.12.24 | Annual | 0.67% | 600,000 | 675 | 599,325 | Bullet loan | Other financial assets, non-current |
| Ordinary Corporate Bonds (IV) | Hua Nan Commercial Bank | 2022.01.10 | Annual | 0.68% | 1,000,000 | 2,346 | 997,654 | Bullet loan | Inventories and investment properties |
| Ordinary Corporate Bonds (V) | Agricultural Bank of Taiwan | 2022.09.14 | Annual | 1.70% | 1,000,000 | 2,178 | 997,822 | Bullet loan | Other financial assets, non-current |
| | | | | | <u>\$ 3,800,000</u> | <u>5,460</u> | <u>3,794,540</u> | | |

SAN FAR PROPERTY LIMITED

Statement of operating revenue

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

| Item | Description (section) | Amount | Note |
|------------------|---|----------------------------|-------------|
| Land Revenue | Linkou Lilin, Fu Dou Sin 235, Qiyan, etc | \$ 1,252,116 | |
| Building Revenue | " | <u>725,554</u> | |
| Total | | <u>\$ 1,977,670</u> | |

Statement of operating costs

| Item | Description (Section) | Amount | Note |
|---------------|---|----------------------------|-------------|
| Land cost | Linkou Lilin, Fu Dou Sin 235, Qiyan, etc | \$ 793,421 | |
| Building cost | " | <u>864,632</u> | |
| Total | | <u>\$ 1,658,053</u> | |

SAN FAR PROPERTY LIMITED

Statement of administrative expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Selling Expense</u> | <u>Administration Expense</u> | <u>Total</u> |
|--------------------------------|------------------------|-------------------------------|----------------|
| Salaries and Wages Expenses | \$ - | 10,943 | 10,943 |
| Repair and Maintenance Expense | - | 3,117 | 3,117 |
| Advertising expense | 129 | 26 | 155 |
| Insurance Expense | - | 1,115 | 1,115 |
| Entertainment Expense | - | 2,519 | 2,519 |
| Tax Expense | - | 39,304 | 39,304 |
| Depreciation Expense | - | 3,113 | 3,113 |
| Employee Benefits | - | 989 | 989 |
| Administration Expense | - | 2,159 | 2,159 |
| Service Expense | - | 8,130 | 8,130 |
| Commission Expense | 91,326 | - | 91,326 |
| Other Expense | 904 | 4,944 | 5,848 |
| | <u>\$ 92,359</u> | <u>76,359</u> | <u>168,718</u> |

Sanfar Property Limited

Chairman of the Board: Ting-Chen Chung