

Stock Code: 2596



ReaLy Development & Construction Corp.

ReaLy Development & Construction Corp.

Year 2022

Annual Report

Published on May 17th, 2023

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I. The name, position, contact number and email address of the Spokesperson and Deputy Spokesperson

Spokesperson

Name: Chih Hao Hsu

Title: Special Assistant to the President

Tel: (02)8787-8096Ext.: 312

E-mail: patrickh@realycorp.com.tw

Deputy Spokesperson

Name: Hsiu Chuan Lin

Title: Associate Financial Manager

Tel: (02)8787-8096 Ext.: 611

E-mail: jenniferl@realycorp.com.tw

II. Address and Telephone Number of Headquarter

Address: No. 69 , Sec. 5, Civic Blvd., Songshan Dist., Taipei City

Tel: (02)8787-8096

III. Name, Address, Web Address and Telephone Number of Stock Transfer Agent

Name: Grand Fortune Securities Co. Ltd.

Address: 6F, No.6, Section 1. Zhongxiao West Road Taipei, Taipei City

Web: <http://www.gfortune.com.tw>

Tel: (02)2371-1658

IV. Name, Agency Name, Address, Website and Telephone Number of Auditors in the Most Recent Year:

Auditors: Accountant Ming-Hong Huang and Bo-Shu Hang

Agency: KPMG in Taiwan

Address: Taipei 101 Tower, 68F, No.7, Sec. 5, Xinyi Road, Taipei City

Web: www.kpmg.com.tw

Tel: (02)8101-6666

V. Overseas Securities Exchange

Not Applicable

VI. Corporate Website:

<http://www.realycorp.com.tw>

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1. Letter to Shareholders

Dear Shareholders:

I would like to briefly report the Company's operating performance of the past year, the operating plan of this year, and development strategies for the future and changes in the general environment to all shareholders:

I. FY2023 Business Report:

As the COVID-19 pandemic abated, global economic growth slowed down due to the continuous upward trend of raw material prices and inflation. Central banks of developed countries have successively expressed their intentions to raise interest rates, which have forced emerging market central banks to raise interest rates early. The impact of geopolitical and climate changes still persists, indicating that the world will slide into a long period of instability and insecurity. Although the interest rate increase is in line with expectations and has a limited direct impact on the real estate market, it has led to a temporary wait-and-see attitude among homebuyers, prolonging their purchase decisions. Prior to the passage of the Amendments to The Equalization of Land Rights Act, the real estate market was already constrained by interest rate hikes, inflation, and selective credit controls on real estate. The market cooled down sharply, and transaction volume was greatly affected. Nevertheless, there was no regional sell-off last year. Building material prices remained high, and labor shortages continued, making it difficult for cost-side factors to bring down housing prices. Although the transaction volume decreased in the year 2022, a price decline is not easy to observe. After a year and a half of adjustments, there may be some case-by-case price adjustments, and the real estate market is in a state of "stable prices with a decreasing transaction volume".

The Company successfully launched the sale of reconstructed unsafe and old residential buildings on Jiukang Street, Wenshan District, Taipei City, and the three-dimensional industrial park in Da'an section (west of Da'an Station of MRT Circular Line) in Tucheng District, New Taipei City at the end of the FY2022. Moreover, the three-dimensional industrial zone in Yuanren section of Tucheng District of New Taipei City (north of Exit 1 of Yongning MRT Station) and the middle section of Zhongli Industrial Park (east of Zhongyuan Road) are scheduled to start their consignment sales by the end of FY2023.

(I) Implementation of FY2022 Business Plan:

The net parent-only operating income of the Company for FY2022 was NTD 295,873,000, which is a decrease of NTD 180,120,000 from the NTD 1,475,993,000 net operating income of FY2021. The net profit after tax was NTD 58,255,000, a decrease of NTD 246,459,000 from the net profit after tax of NTD 304,714,000 for FY2021. In FY2022, the Company prudently developed projects while adhering to the principle of zero housing inventory. We built solid construction quality and provided complete post-sales service, believing that our products will incessantly win the favor of customers.

(II) The Company is not required to prepare financial forecasts for FY2022 based on Regulations Governing the Publication of Financial Forecasts of Public Companies.

(III) Analysis of Financial Status and Profitability:

Parent-Only Information

Unit: NTD Thousand

Item		FY2022	FY2021
Financial Status	Operating income	295,873	1,475,993
	Operating margin	134,910	431,610
	Operating net profit	82,844	315,315
	Net profit for the period	58,255	304,714
Profitability Financial Status	Return on assets (%)	1.94	9.85
	Return on equity (%)	2.75	14.72
	Net profit before tax to paid-in capital (%)	8.15	35.32
	Net profit margin (%)	19.69	20.64
	Operating income	0.58	3.05

Note: Earnings for FY2022 has not yet been decided.

Consolidated Information

Unit: NTD Thousand

Item		FY2022	FY2021
Financial Status	Operating income	412,681	1,475,411
	Operating margin	151,989	488,180
	Operating net profit	78,215	348,521
	Net profit for the period	55,024	301,305
Profitability	Return on assets (%)	1.58	8.47
	Return on equity (%)	2.21	12.23
	Net profit before tax to paid-in capital (%)	8.03	35.16
	Net profit margin (%)	13.33	20.42
	EPS (NTD)	0.58	3.05

Note: Earnings for FY2022 has not yet been decided.

(IV) Research and Development:

1. Planning and Design: For product design, the Company focused on innovation and exceptional techniques for market segmentation. We aimed to rationalize and standardize our design to minimize construction costs, shorten the construction period, and avoid heavy work waste.
2. Project and Quality Management: For product features, we researched new construction methods and referred to industry experience to reduce errors, improve project quality and efficiency, ensure completion and delivery schedules, minimize material consumption, and save costs.
3. Market Research and Development: The Company conducted in-depth market research, understood regional characteristics and listened to customer needs to accurately grasp products under development, determine sales strategies and achieve the sales goal of zero inventory.
4. Post-sales Service: We advocated Mind Share and valued customer's feelings. realized a customer-oriented business philosophy, strengthened the customer service system, and rendered faster and more professional service quality.

II. FY2023 Annual Business Plan and Target:

The sales of ReaLy Jiukang in Wenshan District, Taipei City, and ReaLy Daylighting Skyfall in Tucheng District of the New Taipei City MRT Circular Line were stable and smooth. The sales of factory buildings on the north side of Exit 1 of Yongning MRT Station in Tucheng District and Chongyuan Road in Jhongli Industrial Park will be launched successively by the end of this year. The Company continues to actively acquire land for development in metropolitan areas through joint construction or buyout, grasp market demand, and strengthen product competitiveness.

III. The Future Strategy of The Company:

- (I) We will continue to penetrate the mainstream residential market to meet market demand, create company profits, prudently select investment projects in prime locations, strengthen overall development and planning capabilities, and evaluate investment benefits to forge a win-win strategy for customers and the Company.
- (II) Our plan is to reconstruct aged residential areas in prime urban locations. We aim to integrate the reconstruction of these areas through urban renewal or the reconstruction of old dangerous housing, while also leveraging new network capital concepts to build modern, high-tech, and multi-functional smart residential buildings.
- (III) We are actively developing the factory-run market to respond to the increasing demand for factory-run buildings from returning mainland Taiwanese businessmen. We are planning to diversify our products to meet consumer demand and reduce the risk of relying on a single product market.
- (IV) To echo the policies and expand our leasing market, we are establishing the leasing database during the sales process. We are also developing investment customer sources to collect rental remuneration and accelerate the achievement of our flexible business goals. Additionally, we are actively monitoring marketing trends and demand, and will adopt flexible price adjustment strategies to create the best sales opportunity and maximize the Company's interests.

IV. The impact of external competitive, regulatory, and business environments on the Company:

The global economy is facing substantial downside risks due to uncertainties such as rising inflation, repeated new COVID-19 outbreaks, and the deadlocked Russia-Ukraine War and the US-China technology war. The slowdown of globalization, or even deglobalization, weakened the economic resilience from globalization shocks, exposing prices to greater volatility. After the economic lockdown was lifted, demand in major economies warmed up significantly, supply chain bottlenecks occurred, and the outbreak of the Russian-Ukrainian war repeatedly pushed up the price of raw materials such as crude oil and grain. The global supply chain bottleneck lasted longer than expected, resulting in insufficient supply, high costs, and the unbalanced commodity market and tight labor market after the epidemic was lifted. While the collapse of the Bank of America had little impact on the Taiwan financial market, it is essential to remain vigilant of systemic risks.

Looking ahead to FY2023, we expect the bottleneck of the global supply chain to gradually ease, resulting in falling international freight rates and raw material prices such as crude oil. However, the international economy may slow down, which could affect Taiwan's export and investment momentum and result in a revised downward economic growth rate. The Equal Title Ordinance amendment passed in January 2023 will narrow the price gap between pre-sale and existing homes, shrink the transaction volume of the luxury residential market, and move funds towards hedging products. All of our developments are situated in regions with impeccable construction and fully-developed functionalities, rendering them highly valuable assets and a prudent choice for mitigating risks.

This concludes our business report. We kindly request the continued support and advice of all shareholders.

Wish all shareholders the best.

Sincerely,

Hsu,Teng-Chen, Chairman

Hsu,Teng-Chen, Manager

Lin, Hsiu Chuan, Accounting Head

2. Company Profile

I. Date of Incorporation

May 4, 2001

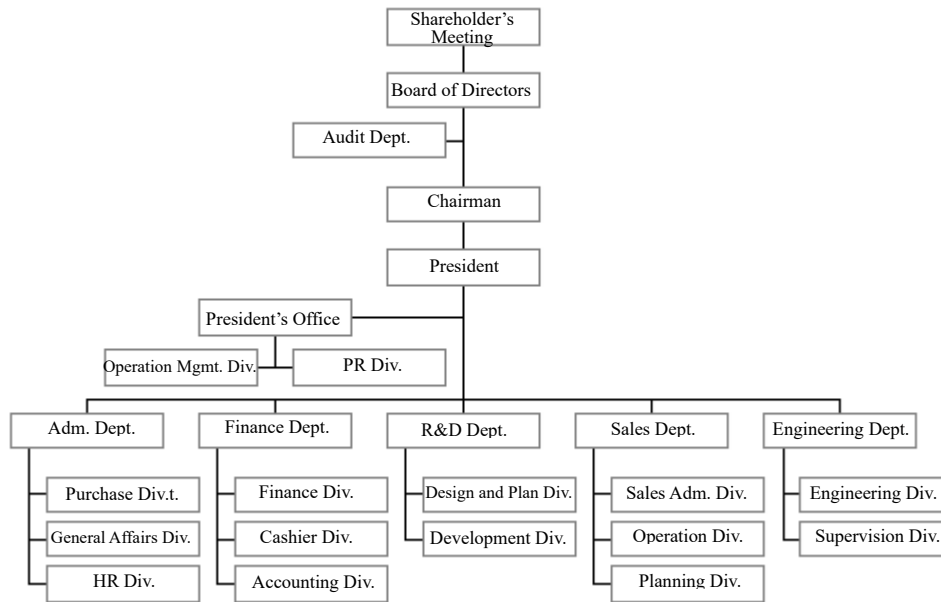
II. Company History

- 2001: Incorporated at 9th floor, No.74, Section 2, Xinyi Road, Taipei City, with registered paid-in capital of NTD 36 million. Engaged in commissioned construction of commercial buildings and rental/sale of residential properties. Signed the first joint development project, "ReaLy Residence."
- 2002: Signed the "ReaLy e23" townhouse joint development project. Increased capital by NTD 36 million, with a total capital of NTD 72 million.
- 2003: Signed the "ReaLy Spring" townhouse joint development project. Launched two residential projects, "ReaLy e23" detached houses and "ReaLy Residence" elevator apartments.
- 2004: Launched the "ReaLy Spring" detached house project in March. Increased capital by NTD 240 million in April, with a total capital of NTD 500 million and the paid-in capital of NTD 1.2 million. Acquired 100% equity of YouZen Construction Corp. Signed the "ReaLy Long Jetty" elevator apartment project in June. Signed the joint development project of "ReaLy East Taipei" elevator apartments in July. "ReaLy Spring" detached house project won the Golden Lion Award of Architecture in October.
- 2005: Launched the "ReaLy Long Jetty " elevator apartment and "ReaLy Master" detached house projects. Approved for public offering of stocks in September. Introduced the presale of the "ReaLy Capital" elevator apartment project in November.
- 2006: Launched the "ReaLy East Taipei" elevator apartment project. In August, signed a joint construction project, " ReaLy Flourishing", for elevator residential buildings. Increased capital by NTD 468 million from earnings, with a total capital of NTD 500 million. The actual paid-up capital is NTD 358,80,000..
- 2007: Launched the "ReaLy Fuchun" elevator apartment project. In July, the company increased its capital by NTD 33,792,000 in cash and NTD57,480,000 from capitalized earnings. After the capital increase, the total capital of the company amounted to NTD500 million, and the paid-in capital was NTD450 million. Applied for being listed on Emerging Stock Market, in September and started trading on September 29th. Received the Taiwan Trustworthy Constructor Award, Golden Elephant Award of Architecture, and Golden Lion Award of Architecture.
- 2008: Launched the "ReaLy Flourishing" elevator apartment. Completed construction of a self-built building and relocated in February. Increased capital by NTD 675 million from earnings in October, with a total capital of NTD 1 billion. The paid-in capital amounted to NTD 517.5 million. In December, the Company obtained approval from the Securities and Futures Bureau for TPEX-listing.
- 2009: Launched the "ReaLy Abundance" townhouse project. Listed and traded on the TPEX from June 1. Increased capital by NTD 50 million in cash and NTD 13.5 million in September from earnings , respectively. Total capital became NTD 1 billion and paid-in capital became NTD 681 million.
- 2011: In February, issued the very first secured convertible bonds in Taiwan, worth NTD 300 million. In March, launched the "ReaLy Crystal Residence" elevator apartment and "ReaLy Wish Villa" detached house projects.
- 2012: In April, earned CG6007 General Assessment Criteria for the Corporate Governance System from the Taiwan Corporate Governance Association. Increased capital by NTD 34.05 million in September from earnings , with a total capital of NTD 1 billion and the paid-in capital became NTD 715.05 million.
- 2013: Launched the "ReaLy Royal Palace" elevator apartment project in June. Won the Taiwan Trustworthy Constructor Award, Golden Elephant Award of Architecture, and Golden Lion Award of Architecture, as well as the Special Jury Award (The First Prize of Golden Lion Award) in November.
- 2014: After converting the bonds into common shares, the registered paid-in capital increased to NTD 827,315,240 with approval from Ministry of Economic Affairs. In February, the Company invested in Eastunion Development & Construction Corp., acquiring a 40% ownership stake. In April, the Company launched the "ReaLy Royal City" elevator apartment project. In June, the Company issued domestic secured convertible bonds for NTD300 million for the second time.
- 2015: The Company's subsidiary launched the "ReaLy New Century" elevator industrial office building in April. In December, Launched the "ReaLy Chongshan Technology Headquarter No.1 " elevator industrial office building project.
- 2017: After the conversion of corporate bonds into common stocks, the Ministry of Economic Affairs approved the registration of an increased paid-in capital of NTD 973,812,290. In November, the Company received the 2017 National Architecture Gold Award, including the Taiwan Trustworthy Constructor Award, Gold Elephant Award of Architectural, and Gold Lion Award of Architecture.
- 2018: In October, increased capital by NTD 26,181,710 of earnings. The total capital after the increase was NTD 15 billion, with paid-in capital of NTD 100 million.
- 2019: In March, introduced residential projects "ReaLy Xianji" and " ReaLy East Residence," both featuring elevator apartments. In September, won the 2019 Taiwan Trustworthy Constructor Award, Golden Elephant Award, and Golden Lion Award in National Architecture Golden Award.
- 2020: In January, launched the industrial office project "ReaLy Chianlong Industrial Office Zone," a building with elevator-equipped industrial office spaces.
- 2021: In September, introduced the industrial office project "ReaLy Shunguang World," a multi-dimensional industrial office building.
- 2022: In November, won Taiwan Trustworthy Constructor Award, Golden Elephant Award, and Golden Lion Award in the 2022 National Architecture Gold Award. In December, launched the residential project "ReaLy Jiukang," featuring elevator apartments.

3. Corporate Governance Report

I. Organization

(I) Organizational Chart



(II) Functions of Major Departments

1. Sales Department: Sales, planning, and post-sale service.
2. Engineering Department: Construction management, subcontracting, and quality control affairs.
3. Administration Department: Human resources, general affairs, and procurement.
4. Finance Department: Finance, treasury, accounting, and stock operations.
5. Research and Development Department: Design planning, material specifications, land development, and land economy.
6. President's Office: Business management, public relations, and information system integration and coordination.
7. Audit Department: Internal auditing, internal control matters, and improvement tracking.

II. Information on Directors, Supervisors, President, Vice President, Senior Vice Presidents and the Chiefs of All the Company's Divisions and Branch Units

(I) Directors and Supervisors

1. Background of directors

April 23, 2023

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term(Years)	Date First Elected	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relati on	
							Chairman	ROC	Reyea Realty Investment & Advisory Corp.	-	06.18.2020	3 Years	04.24.2001	21,579			21.58%	21,579	21.58%	
ROC	Representative: Teng-Chen Hsu	Male 71~80Y/O	-	-	-	-		-	198	0.20%	-	-	-	-	Master's Degree, Chinese Studies, Chinese Culture University, Secretary to the Chairman of Taiwan Glass Ind Corp Special Assistant to the Chairman of Fareast Land Development Co., Ltd Chairman of Chiye Construction Co. Ltd. General Manager of Lily Construction Corp.	Chairman and President of the Company and YouZen Construction Chairman of Reyea Realty Investment & Advisory Corp. Appraiser, Macro Real Estate Appraiser Agency Chairman of Grand Sights Investment & Advisory Chairman of Eastunion Development & Construction Chairman of Ti Wang Investment Co., Ltd.	Director	Han-Ru Hsu	Father and Son	Note 3
Director	ROC	HyLin Investment Corp.	-	06.18.2020	3 Years	05.28.2008	12,580	12.58%	12,580	12.58%	-	-	-	-	-	-	-	-	-	-
	ROC	Representative: Guo Hao Shen	Male 71~80Y/O	-	-	-	-	-	103	0.10%	835	0.83%	-	-	Department of Architecture, Feng Chia University Chief Architect, Guo-Hao Shen Architects	Principal Architect of Guo Hao Shen Architects Chairman of HyLin Investment Corp. Director of YouZen Construction Corp.	-	-	-	-
Director	ROC	Grand Sights Investment & Advisory	-	06.18.2020	3 Years	06.18.2020	10,945	10.94%	11,232	11.23%	-	-	-	-	-	-	-	-	-	-
	ROC	Representative: Han-Ru Hsu	Male 41~50Y/O	-	-	-	-	-	2,036	2.04%	20	0.02%	-	-	China Junior College of Industrial and Commercial Management Business Manager, ReaLy Development & Construction Corp. Credit Specialist of Makoto Bank	Sales Manager of the Company Supervisor of YouZen Construction Corp. Director of Reyea Realty Investment & Advisory Corp. Director of Grand Sights Investment & Advisory Director of Eastunion Development & Construction	President	Teng-Chen Hsu	Father and Son	-
Independent Director	ROC	Ching-Chyuan Soong	Male 71~80Y/O	06.18.2020	3 Years	08.16.2006	-	-	-	-	-	-	-	Master's degree, Graduate School of Land Economics, National Chengchi University Director, Department of Land Administration, Taipei City Government Senior Specialist, Industry Bureau, Ministry of Economic Affairs	None	-	-	-	-	
Independent Director	ROC	Ming-Tau Fang	Male 71~80Y/O	06.18. 2020	3 Years	08.16.2006	-	-	-	-	-	-	-	LL.M., New York University Master of Comparative Laws, George Washington University Passed the Junior Examinations for Fiscal and Tax Administrator in 1974. Specialist in the Third Division of the Securities and Futures Bureau at the Ministry of Finance. Executive Vice President, Taiwan International Securities Co., Ltd. General Manager, Taiwan Branch, Lehman Brothers Securities	Chief Attorney, Chongfa International Business Law Firm Independent Director, Chi Sheng Pharma & Biotech Co. Ltd.	-	-	-	-	
Independent Director	ROC	Wei-Zen Chen	Male 61~70Y/O	06.18.2020	3 Years	06.18.2020	-	-	-	-	-	-	-	Ph.D. in Engineering, Graduate School of Industrial Planning, Chinese Culture University Secretary-General of the Executive Yuan Minister of the Interior Top Advisor to Formosa Plastics Enterprises	Independent Director, of Tekcore Co. Ltd	-	-	-	-	

Note 1: Chang Chun Investment Co., Ltd. was discharged on October 8, 2021.

Note 2: Currently, apart from Chairman Teng-Chen Hsu and Director Han-Ru Hsu, the other four directors do not concurrently hold any positions as managerial officers or employees.

Note 3: Mr. Teng-Chen Hsu, Chairman of the Company, represents Reyea Realty Investment & Advisory Corp. Co., Ltd., the largest shareholder of ReaLy Development, with no pledge on the shares, which demonstrates his strong commitment to protecting the legal rights and interests of shareholders. Additionally, Mr. Teng-Chen Hsu has extensive experience in the construction industry, devotes himself to his profession, upholds good corporate governance, and is reputable for his integrity. He sets an exceptional example for all employees and is highly respected. With Mr. Teng-Chen Hsu serving as the President, he is best suited to lead the Company and create legal benefits for shareholders. Requiring the Chairman and President positions to be held by different individuals, as stipulated by conventional rules, may be detrimental to the Company and other stakeholders instead.

Note 4: As of December 31st, 2023, the Company has 17 employees and 6 directors, averaging approximately 3 employees per director. This current governance structure has been effective, and the Company plans to further increase the number of independent directors in the future.

2. Major shareholders of the institutional shareholders

April 23, 2023

Name of Institutional Shareholders	Major Shareholders
Reyea Realty Investment & Advisory Corp.	Teng-Chen Hsu (45%)、Chih Hao Hsu (25%)、Chih Wei Hsu (25%)
HyLin Investment Corp.	Yi Cheng Shen (28%)、Yu-Chiao Shen (28%)、Yu-Chin Shen (28%)
Grand Sights Investment & Advisory	Reyea Realty (26%)、Han-Ru Hsu (20%)、Chih Hao Hsu (20%)、Chih Wei Hsu (20%)

3. Major shareholders of the Company's major institutional shareholders: None.

4. Professional qualifications of directors and supervisors and independence of independent directors:

Name	Criteria Professional Qualifications and Experiences (Note 1)	Independence (Note 2)	Number of Other Public Companies Where the Individual is Concurrently Serving as an Independent Director
Reyea Realty Investment & Advisory Corp. Representative: Teng-Chen Hsu	Master's Degree, Chinese Studies, Chinese Culture University Secretary to the Chairman of Taiwan Glass Ind Corp Special Assistant to the Chairman of Fareast Land Development Co., Ltd Chairman of Chiye Construction Co. Ltd. President of Lily Construction Corp.	None	0
HyLin Investment Corp. Representative: Guo Hao Shen	Department of Architecture, Feng Chia University Chief Architect, Guo-Hao Shen Architects	None	0
Grand Sights Investment & Advisory Corp Representative: Han-Ru Hsu	China Junior College of Industrial and Commercial Management Business Manager, ReaLy Development & Construction Corp. Credit Specialist of Makoto Bank	None	0
Ching-Chyuan Soong	Master's degree, Graduate School of Land Economics, National Chengchi University Director, Department of Land Administration, Taipei City Government Director of the Land Administration Office at the Kaohsiung City Government The Land Readjustment Team Leader at the Land Administration Office of the Kaohsiung City Government. Senior Specialist, Industry Bureau, Ministry of Economic Affairs Deputy Engineering Officer of Ret-Ser Engineering Agency at Veterans Affairs Council	In compliance with independence requirements	0
Ming-Tau Fang	LL.M., New York University Master of Comparative Laws, George Washington University Chief of the First Division, Department of Commerce at the Ministry of Economic Affairs. Specialist in the third group of the Securities and Futures Bureau at the Ministry of Finance. Executive Vice President, Taiwan International Securities Co., Ltd. President, Taiwan Branch, Lehman Brothers Securities Business Lawyer, Li Mo & Associates Attorneys-at-Law Chief Attorney, Chongfa International Business Law Firm No violation against any provisions under Article 30 of the Company Act	In compliance with independence requirements	1
Wei-Zen Chen	Ph.D. in Engineering, Graduate School of Industrial Planning, Chinese Culture University Administrative Vice Minister at the Ministry of Transportation Deputy Mayor of the Taipei City Government Secretary-General of the Executive Yuan Minister of the Interior Top Advisor to Formosa Plastics Enterprises	In compliance with independence requirements	1

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates? Specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? Specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

5. The Diversity and Independence of Board of Directors

(1) Board Diversity

- The Company fervently advocates and respects the policy of board diversity. To enhance corporate governance and promote the robust development of the Board composition and structure, the Company firmly believes that a diverse approach aids in elevating the overall performance of the Company. The appointment of board members abides by a merit-based principle, considering the specific characteristics of the industry and the vision for company development, while constructing a board with diverse talents and experiences, including expertise in real estate appraisal, construction, land administration, finance, law, aesthetics, etc. Each director possesses their corresponding industry experience and relevant skills, as well as capabilities in operation judgement, business management, leadership and decision making and crisis management.

2. To fortify the functionality of the Board and achieve the ideal target of corporate governance, Article 20 of the Company's "Corporate Governance Best Practice Principles" explicitly stipulates that the Board as a whole should possess the following abilities: 1. Operation Judgement 2. Accounting and Financial Analysis 3. Business Management 4. Crisis Management 5. Industry Knowledge 6. Global Market Outlook 7. Leadership 8. Decision Making. The current implementation of the Company's Board Diversity Policy is as follows:

Name		Diversified items	Basic composition						Professional Background				Diverse Expertise and Skills								
			Nationality	Gender	Employee	Age			Length of tenure of Independent Directors			Finance and Accounting	Industry	Laws	Technology	Operation Judgement	Business Management	Leadership	Crisis Management	Industry Knowledge	Global Market Outlook
						41 to 50	61 to 70	71 to 80	Under 3 years	3-9 years	Over 9 years										
Director	Teng-Chen Hsu	ROC	M	✓			✓				✓		✓	✓	✓	✓	✓	✓	✓	✓	
	Guo Hao Shen		M				✓				✓		✓	✓	✓	✓	✓	✓	✓	✓	
	Han-Ru Hsu		M	✓	✓						✓		✓	✓	✓	✓	✓	✓	✓	✓	
Independent Directors	Ching-Chyuan Soong		M				✓		✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	
	Ming-Tau Fang		M				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Wei-Zen Chen		M			✓		✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	

3. The current board members of the Company have achieved the requirements of diversity. Nonetheless, to comply with future development needs, the composition of diversity will continue to be examined and the goal of diversity will be continuously enhanced during the re-election. Currently, the tenure of two independent directors exceeds nine years. To achieve gender equality in the composition of the Board, the future goal remains to ensure that the continuous tenure of independent directors does not exceed nine years and at least one female director's seat is maintained.

(2) Board Independence

The current board of the Company consists of six members, including three independent directors and one employee director (accounting for 50% and 17% of all board members, respectively), with independent director seats exceeding half. As of the end of Year 2022, all independent directors complied with the regulations of the Securities and Futures Bureau of Financial Supervisory Commission regarding independent directors, and no more than two directors had relatives within the second degree of kinship. There are no violations against provisions in Article 26(3) of the Securities and Exchange Act. For information on the independence of the Company's Board, please refer to "Professional qualifications of directors and supervisors and independence of independent directors" on Page 6 of this Annual Report. For the education, gender, and work experience of each director, please refer to "Background of directors" on Page 5 of this Annual Report.

(II) Information on President, Vice Presidents, Senior Vice Presidents, Department Heads and Branch Heads

April 23, 2023

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Currently holding positions in other companies	Managerial officers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares (Thousand)	%	Shares (Thousand)	%	Shares (Thousand)	%			Title	Name	Relation	
President	ROC	Teng-Chen Hsu	Male	.07.01.201	198	0.20%	-	-	-	-	Master's Degree, Chinese Studies, Chinese Culture University, Secretary to the Chairman of Taiwan Glass Ind Corp Special Assistant to the Chairman of Fareast Land Development Co., Ltd Chairman of Chiye Construction Co. Ltd. General Manager of Lily Construction Corp.	Chairman and President of the Company and YouZen Construction Chairman of Reyea Realty Investment & Advisory Corp. Appraiser, Macro Real Estate Appraiser Agency Special Assistant to the Chairman of Grand Sights Investment & Advisory Chairman of Eastunion Development & Construction Chairman of Ti Wang Investment Co., Ltd.	Special Assistant to President	Chih Hao Hsu	Father and Son	Note
Special Assistant to President	ROC	Chih Hao Hsu	Male	07.01.2020	2,501	2.50%	62	0.06%	-	-	Master's degree in accounting, National Taiwan University Auditor, KPMG in Taiwan Special Assistant to the President of Everspring Industry Co., Ltd. Special assistant to the President of YouZen Construction Corp.	Director of YouZen Construction Corp. Supervisor of Reyea Realty Investment & Advisory Corp. Supervisor of Grand Sights Investment & Advisory Corp. Director of Eastunion Development & Construction	President	Teng-Chen Hsu	Father and Son	-
Special Assistant to President	ROC	Guang-Min Chuang	Male	03.01.2012	-	-	40	0.04%	-	-	BA in International Trade, Tunghai University Certifying Appraiser of Pan Asia Real Estate Appraiser Firm Deputy Director of Minda Real Estate Appraiser Firm Appraiser of Liye Real Estate Appraisers Firm	Certifying Appraiser Liye Real Estate Appraiser Firm	-	-	-	-
Special Assistant to President	ROC	Yu Chun Hsu	Male	07.01.2020	210	0.21%	10	0.01%	-	-	A.S in Architecture, Taiwan Institute of Technology Junior Manager, Chiyeh Construction Co., Ltd. Deputy Manager of Engineering, Liyi Construction Co., Ltd. Deputy Manager of Engineering, ReaLy Development & Construction Corp.	None	-	-	-	-
Associate Manager of Sales	ROC	Tsz-Wei Bai	Male	08.03.2018	45	0.04%	-	-	-	-	Diploma, Songshan High School of Agriculture and Industry Vice President of Sales, Taichiao Advertising Co., Ltd. Director of Sales, Leili Construction Co., Ltd. Sales Manager, Liyi Construction Co., Ltd.	Director, Eastunion Development & Construction	-	-	-	-
Associate Manager of Finance	ROC	Hsiu Chuan Lin	Female	08.03.2018	227	0.23%	9	0.01%	-	-	B.B.A, Soochow University Assistant Finance Manager of Liyi Construction Co., Ltd. Deputy Finance Manager, ReaLy Development & Construction Corp.	None	-	-	-	-
Engineering Manager	ROC	Chao-Ming Wu	Male	07.01.2020	10	0.01%	-	-	-	-	AA in Civil Engineering, Tung Nan Junior College Junior Engineering Manager, HengKang Engineering Consulting Engineering Manager, Hua Chen Construction Engineering Worksite Director, Yuan Fu Construction Co. Ltd.	Engineering Manager of YouZen Construction Corp.	-	-	-	-
Administration Manager	ROC	Chi-Yuan Liu	Male	04.26.2007	131	0.13%	31	0.03%	-	-	National Kangshan Senior High School Adm. Supervisor, Wan Yi Company Salesman, Feishun International Co., Ltd. Special Assistant to the General Manager of Liyi Construction Co., Ltd. Deputy Adm. Manager, ReaLy Development & Construction Corp.	Administration Manager, YouZen Construction Corp.	-	-	-	-
Auditor	ROC	Ching-Yu Yuan	Female	07.24.2006	24	0.02%	-	-	-	-	Department of Accounting, Tamkang University Deputy Audit Manager, KPMG Accounting Firm Senior Audit Specialist, Li Peng Enterprise Co., Ltd Audit Director, E-TEN Information Systems Co., Ltd.	None	-	-	-	-

Note: Mr. Teng-Chen Hsu, Chairman of the Company, represents Reyea Realty Investment & Advisory Corp. Co., Ltd., the largest shareholder of ReaLy Development, with no pledge on the shares, which demonstrates his strong commitment to protecting the legal rights and interests of shareholders. Additionally, Mr. Teng-Chen Hsu has extensive experience in the construction industry, devotes himself to his profession, upholds good corporate governance, and is reputable for his integrity. He sets an exceptional example for all employees and is highly respected. With Mr. Teng-Chen Hsu serving as the President, he is best suited to lead the Company and create legal benefits for shareholders. Requiring the Chairman and President positions to be held by different individuals, as stipulated by conventional rules, may be detrimental to the Company and other stakeholders instead.

As of December 31, 2023, the Company has 17 employees and 6 directors, averaging approximately 3 employees per director. This current governance structure has been effective, and the Company plans to further increase the number of independent directors in the future.

III. Remuneration of Directors, Independent Directors, Supervisors, President, and Vice Presidents for FY 2022

(I) Remuneration of Directors (Including) Independent Directors

Unit: NTD Thousand

Title	Name	Director's Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements			The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company				
										Cash	Stock							Cash	Stock			
Chairman	Representative of Reyea Realty Investment & Advisory Corp.: Teng-Chen Hsu	0	0	0	0	137	137	240	240	377	377	2,629	3,853	0	0	120	0	124	0	3,126	4354	None
										0.65%	0.65%									5.37%	7.48%	
Director	Representative of HyLin Investment Consultant Co., Ltd.: Guo-Hao Shen	0	0	0	0	139	139	240	240	379	379	0	0	0	0	0	0	0	0	379	379	None
										0.65%	0.65%									0.65%	0.65%	
Director	Representative of Grand Sights Investment & Advisory Corp.: Han-Ru Hsu	0	0	0	0	139	139	240	240	379	379	1,288	1,288	58	58	59	0	59	0	1,783	1,783	None
										0.65%	0.65%									3.06%	3.06%	
Independent Director	Ching-Chyuan Soong	0	0	0	0	139	139	280	280	419	419	0	0	0	0	0	0	0	0	419	419	None
										0.72%	0.72%									0.72%	0.72%	
Independent Director	Ming-Tau Fang	0	0	0	0	139	139	280	280	419	419	0	0	0	0	0	0	0	0	419	419	None
										0.72%	0.72%									0.72%	0.72%	
Independent Director	Wei-Zen Chen	0	0	0	0	139	139	260	260	399	399	0	0	0	0	0	0	0	0	399	399	None
										0.68%	0.68%									0.68%	0.68%	

1. Remunerations to independent directors is paid according to the compensation policy, system, and scale, along with such factors as the duties, risks, and time investment into their positions. The director's remuneration of our company includes director's remuneration and transportation reimbursements provided according to the bylaws, with no other remuneration or retirement benefits. The director's remuneration of the Company is paid according to the individual director's (independent director) participation in company operations and their contributions. Under normal circumstances, independent directors provide their opinions on various operational issues (finance, accounting, regulations, business plans, etc.) based on their expertise and experience, and fully discuss to reach a consensus at board meetings. If there are no significant issues in operations, independent directors do not need to invest additional resources. In the event of significant issues which require additional resources for study or expert consultation, their compensation will be raised according to the needs of individual cases. The Company sticks to its main business scope, operates with simple nature, and currently face no significant issues with high operational risks. Hence, independent directors can adequately respond to the operational risks of the Company by investing an appropriate amount of time. Accordingly, this year, according to the year-end dividend policy, independent directors were offered a remuneration of NTD 360 thousand each.
2. Beyond the disclosure in the above table, in 2022, the directors of the Company received zero compensation for services provided to the parent company/all companies within the financial reports/invested businesses (such as serving as consultants who are not employees).
3. Chang Chun Investment was relieved of its duties on October 8, 2021.

Remuneration Bracket Table

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the financial statements I	The Company	Companies in the financial statements J
Below NTD 1,000,000	Teng-Chen Hsu, Guo Hao Shen, Han-Ru Hsu, Ching-Chyuan Soong, Ming-Tau Fang, Wei-Zen Chen	Teng-Chen Hsu, Guo Hao Shen, Han-Ru Hsu, Ching-Chyuan Soong, Ming-Tau Fang, Wei-Zen Chen	Guo Hao Shen, Ching-Chyuan Soong, Ming-Tau Fang, Wei-Zen Chen	Guo Hao Shen, Ching-Chyuan Soong, Ming-Tau Fang, Wei-Zen Chen
NTD 1,000,000 (included)~NTD 2,000,000 (not included)	-	-	Han-Ru Hsu	Han-Ru Hsu
NTD 2,000,000 (included) ~ NTD 3,500,000 (not included)	-	-	Teng-Chen Hsu	-
NTD 3,500,000 (included) ~ NTD 5,000,000 (not included)	-	-	-	Teng-Chen Hsu
NTD 5,000,000 (included) ~ NTD 10,000,000 (not included)	-	-	-	-
NTD 10,000,000 (included) ~ NTD 15,000,000 (not included)	-	-	-	-
NTD 15,000,000 (included) ~ NTD 30,000,000 (not included)	-	-	-	-
NTD 30,000,000 (included) ~ NTD 50,000,000 (not included)	-	-	-	-
NTD 50,000,000 (included) ~ NTD 100,000,000 (not included)	-	-	-	-
NTD 100,000,000 and above.	-	-	-	-
Total	6	6	6	6

(II) Remuneration of Supervisors: Not Applicable.

(III) Remuneration for President and Vice Presidents

Unit: NTD Thousand

Title	Name	Compensation (A)		Severance Pay (B)		Bonus and Allowance (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company		Companies in the financial statements		The Company	Companies in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Teng-Chen Hsu	1,972	2,890	0	0	657	963	120	0	124	0	2,749	3,977	None
												4.72%	6.83%	

Remuneration Bracket Table

Range of Remuneration	Name of President and Vice Presidents	
	The Company	All Companies in the Financial Report E
Below NTD 1,000,000	-	-
NTD 1,000,000 (included)~NTD 2,000,000 (not included)	-	-
NTD 2,000,000 (included) ~ NTD 3,500,000 (not included)	Teng-Chen Hsu	-
NTD 3,500,000 (included) ~ NTD 5,000,000 (not included)	-	Teng-Chen Hsu
NTD 5,000,000 (included) ~ NTD 10,000,000 (not included)	-	-
NTD 10,000,000 (included) ~ NTD 15,000,000 (not included)	-	-
NTD 15,000,000 (included) ~ NTD 30,000,000 (not included)	-	-
NTD 30,000,000 (included) ~ NTD 50,000,000 (not included)	-	-
NTD 50,000,000 (included) ~ NTD 100,000,000 (not included)	-	-
NTD 100,000,000 and above.	-	-
Total	1	1

(IV) Names and status of the managerial officers received distributed employee remuneration

Unit: NTD Thousand April 23, 2023

Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to After Tax Net Income (%)
President	Teng-Chen Hsu	0	324	324	0.56%
Associate Manager of Sales	Tsz-Wei Bai				
Associate Manager of Finance	Hsiu Chuan Lin				
Corporate Governance Supervisor	Chih Hao Hsu				

(V) The names and distribution details of ten employees in terms of remuneration (based on FY 2021 employee remuneration received in FY2022)

Top ten employee remunerations, excluding managerial officers, are as follows:

Unit: NTD Thousand

Title	Name	Shares	Cash (NTD)
Special Assistant to President	Guang-Min Chuang	0	1,855
Special Assistant to President	Yu Chun Hsu		
Sales Manager	Han-Ru Hsu		
Deputy Sales Manager	Chi-Yu Meng		
Sales Specialist	Li-Chong Wang		
Deputy R&D Manager	Cheng-Hong Lin		
Chief of Finance Division	Wei-Nong Huang		
Administration Specialist	Chi-Yao Chen		
Director of Audit Office	Ching-Yu Yuan		

Note : The Company has 17 employees (4 managers , 13 general employees)

(VI) The ratios of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income and elaborate on policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

- The ratios of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income are as follows:

	Ratio of total remuneration to net income	
	2022	2021
Director	4.07%	1.75%
President	6.83%	1.62%

In 2022, the ratio of Directors' and President's remuneration to after-tax net income has increased compared to the year 2021, mainly due to the decrease in after-tax net income by NT\$1,063 thousand in 2022 compared to 2021.

- The remuneration for the Company's Directors executing the company's business is determined by the Board of Directors based on their level of participation and contribution to the Company's operations when there is distributable profit based on the annual financial statements. The remuneration for the Company's President is based on the scope of duties of the position and the contribution to achieving company profitability, taking into account the salary level of similar positions in the industry. The procedure for determining remuneration is based on their level of participation and contribution value to the Company's operations, fully considering the overall business performance of the company, future financial crises, diversified operations, and cost fluctuation risks, in order to provide reasonable compensation.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in FY2022. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note 2)	Remarks
Chairman	Reyee Realty Investment & Advisory Corp. Representative: Teng-Chen Hsu	7	0	100%	Re-elected Re-Election Date:109.06.18
Director	HyLin Investment Corp. Representative: Guo Hao Shen	7	0	100%	Re-elected Re-Election Date:109.06.18
Director	Grand Sights Investment & Advisory Corp Representative: Han-Ru Hsu	7	0	100%	Newly Elected Re-Election Date:109.06.18
Independent Director	Ching-Chyuan Soong	6	1	86%	Re-elected Re-Election Date:109.06.18
Independent Director	Ming-Tau Fang	7	0	100%	Re-elected Re-Election Date:109.06.18
Independent Director	Wei-Zen Chen	7	0	100%	Newly Elected Re-Election Date:109.06.18

Note 1: Where directors are corporate entities, the names of corporate shareholders and their representatives are stated.

Note 2: (1) The date of resignation is specified for directors who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of board of directors meetings held and the number of actual attendances during active duty.

- If a re-election of directors had taken place prior to the close of the financial year, directors of both the previous and the current term are listed; in which case, the remarks column would specify the re-election date and whether the director/supervisor was elected in the previous term, the new term, or both. Actual attendance rate (%) was calculated on the basis of the number of board meetings held during each director's term and the number of meetings actually attended by that director.

Other mentionable items:

- If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:

- Matters referred to in Article 14-3 of the Securities and Exchange Act:

Date	Session	Motion
111/02/23	The Eighth Meeting of The Eighth Term	The Amendments to Partial Provisions in "Procedures for Acquisition or Disposal of Assets."
111/05/04	The Ninth Meeting of The Eighth Term	The Appointment of Certified Public Accountants for 2022.
111/08/03	The Eleventh Meeting of The Eighth Term:	The Amendments to "Managerial Guidelines on Operation of Remuneration Committee" and "Remuneration Committee Operation Management Methods," addition of "Audit Committee Operation Management Methods," "Internal Significant Information Processing Procedures."
112/02/23.	The Thirteenth Meeting of The Eighth Term:	The Amendments to Partial Articles of the "Board of Directors Meeting Rules" The Switch in Certified Public Accountant and Appointment

- Except for the above-mentioned matters, other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.

- Directors' avoidance of motions in conflict of interest:

Date	Name	Content	Reasons For Avoiding Conflicts of Interests	Voting Participation
02/23/2022	Teng-Chen Hsu	Employee's remuneration and managerial officer's year-end bonus for 202. Salary adjustment for the Company's Managerial Officers.	Concurrently serving as the Company's President	Excused from Voting as required by the law to avoid conflicts of interest
05/04/2022	All directors	Director's and Supervisor's remuneration for 2021	Involving self-interests of directors	Excused from Voting as required by the law to avoid conflicts of interest
02/23/2023	All directors	Director's and Supervisor's remuneration 2022	Involving self-interests of directors	Excused from Voting as required by the law to avoid conflicts of interest
02/23/2023	Teng-Chen Hsu	Employee's remuneration and managerial officer's year-end bonus for 2022	Concurrently serving as the Company's President	Excused from Voting as required by the law to avoid conflicts of interest

3. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out "Implementation Status of Board Evaluations."

Implementation of Board Evaluations

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Evaluation results
Once a year	01/01/2022~12/31/2022	Board of Directors	The self-evaluation of the Board	(1) The level of involvement in the Company's operations (2) Enhancing the decision-making quality of the Board (3) Composition and structure of the Board (4) The election and continuous training of directors (5) Internal Control	The assessment report was acquired on January 31, 2023, and the results were reported to the Board on February 23, 2023. The self-evaluation of the Board is based on qualitative indicators so there are no scores to measure. Only 2 out of 45 indicators were not achieved, which shows an excellent assessment result. The self-evaluation of individual directors is also based on qualitative indicators so there are no scores to measure. The overall evaluation result is good.
		Individual Board Member	The self-evaluation of the Board member	(1) The comprehension for the Company's goals and missions (2) Perception of directorial responsibilities (3) The level of involvement in the Company's operations (4) Management and communication of internal relations (5) The expertise and continuous training of directors (6) Internal Control	
		Functional Committees	The self-evaluation of the committees	(1) The level of involvement in the Company's operations (2) Perception of directorial responsibilities (3) Enhancement of decision quality of functional committees (4) The composition and member selection of functional committees (5) Internal Control	

4. Evaluation of the goals to enhance the functions of the Board of Directors in the current year and the most recent year (such as establishing an Audit Committee, improving information transparency, etc.) and their implementation status:

(1) Strengthening the functions of the Board

a. The current Board of Directors of the Company were completely re-elected on June 18, 2020. All directors were elected through a candidate nomination system at the shareholders' meeting on June 18, 2020. Apart from Chairman Teng-Chen Hsu and Director Han-Ru Hsu, who are father and son, the remaining five directors do not have spouse or second-degree kinship relationships.

b. The Company resolved at the shareholders' meeting on May 28, 2008 to incorporate the purchase of directors and supervisors' liability insurance into the Company's Articles of Association. The information on the directors and managerial officers' liability insurance was reported to the Board on June 15, 2022. The details are as follows:

Number	Insured parties	Insurance Company	Insured Amount	Insurance Period	Status
1	All directors, supervisors and managerial officers	Cathay Century Insurance	84,030,000	06.12.2021-06.12.2022	Renewal
2	All directors and managerial officers	Cathay Century Insurance	84,030,000	06.12.2022-06.12.2023	Renewal

c. The Company legally established Audit Committee to replace the supervisors on June 18, 2020. The Audit Committee, composed entirely of independent directors, is operating smoothly.

d. The Board of Directors resolved to establish a Corporate Governance Supervisor on February 23, 2022. The new Corporate Governance Supervisor is Chih Hao Hsu, the Special Assistant to the President, who will be responsible for corporate governance-related business, including providing the directors with the information they need to carry out their duties, handling matters related to the board meetings and shareholder meetings, and producing minutes for board and shareholder meetings.

(2) Enhancing transparency

The Company's financial statements are regularly reviewed and signed by KPMG in Taiwan. All legally required information is correctly and timely completed. A dedicated person is in charge of collecting and disclosing company information, and a spokesperson system has been established to ensure that all material information is timely and properly disclosed.

(3) Stipulating policies on the diversity of the Board:

To strengthen the structure of the Board, the Company passed the amendment to the "Guidelines on Election of Directors" at the shareholders' meeting in 2020, adding relevant provisions on the diversity of the Board.

(4) Enhancing the expertise of directors:

In response to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" and considering the Company's main business scope, the Company sets the annual training hours for re-elected directors at 6 hours (12 hours for new directors) to enhance their professionalism. In 2022, all directors and corporate governance supervisors of the Company participated in training courses on corporate governance, with a total training time of 50 hours. The training details are as follows:

Title	Name	Date	Organizer	Course Title	Hours
Chairman	Teng-Chen Hsu	03.09.2022	Taiwan Institute of Directors	"Reboot in New Reality - Envisioning the Digital Future of Taiwan" Forum	3
		08.31.2022	Taipei Exchange	Orientation on Insider Equity of TPEX-Listed and ESM-listed Companies	3
Director	Guo Hao Shen	03.09.2022	Taiwan Institute of Directors	"Reboot in New Reality - Envisioning the Digital Future of Taiwan" Forum	3
		08.25.2022	Taipei Exchange	Orientation on Insider Equity of TPEX-Listed and ESM-listed Companies	3
Director	Han-Ru Hsu	03.09.2022	Taiwan Institute of Directors	"Reboot in New Reality - Envisioning the Digital Future of Taiwan" Forum	3
		09.28.2022	Independent Director Association Taiwan.	In-depth Analysis of the Impact and Risk of Financial Statements on Business Operations from the Perspective of a Group CFO - Deciphering Key Information	3
Independent Director	Ching-Chyuan Soong	09.27.2022	The Institute of Internal Auditors-Chinese Taiwan	Regulatory Analysis and Audit Focus of the Board of Directors and Functional Committees (Audit, Remuneration)	6
Independent Director	Ming-Tau Fang	03.09.2022	Taiwan Institute of Directors	"Reboot in New Reality - Envisioning the Digital Future of Taiwan" Forum	3
		08.05.2022	Taiwan Corporate Governance Association	The Board of Directors' Understanding and Application of Corporate Financial Information	3
Independent	Wei-Zen	09.30.2022	Taiwan Corporate	Variables of International Order and the Response of Corporate	3

Director	Chen		Governance Association	Governance	
		10.25.2022	Taiwan Corporate Governance Association	Interpretation of Important Corporate Governance Rulings: Centering on Directors' Responsibilities	3
Corporate Governance Supervisor	Chih Hao Hsu	07.13.2022	Taipei Exchange	Roadmap to Sustainability: An Industry-Centered Information Session	2
		09.21.2022	Accounting Research and Development Foundation	Concept Analysis of ISSB S1 Standard: "General Requirements for Disclosure of Sustainability-related Financial Information"	3
		09.23.2022	Accounting Research and Development Foundation	Concept Analysis of ISSB S2 Standard: "Climate-related Information Disclosure"	3
		09.29.2022	Taipei Exchange	Release of the Year 2022 Reference Guide for Independent Directors and Audit Committees in Exercising Their Powers/Directors and Supervisors Advocacy Meeting	3

(II) Operation of the Audit Committee

- The Company's Audit Committee was established on June 18, 2020, replacing the original supervisor system. The committee members are all independent directors, with a term of three years, and can be re-elected consecutively. At least one person should possess accounting or financial expertise, and all members elect the convener. In the event that any member does not perform their duties, the Committee is authorized to conduct any appropriate audit and investigation according to the organizational rules. In addition, the Committee has direct contact channels with the Company's internal audit supervisors, certified accountants, and all employees. The operation system is executed in accordance with the Company's "Articles of Associations for Audit Committee".
- The Audit Committee aims to assist the Board of Directors in supervising the quality and integrity of the Company's execution of accounting, audit, financial reporting processes, and financial controls. The agenda discussed by the Audit Committee include: financial statements, internal control systems, major asset or derivative transactions, significant loans, endorsements or guarantees, matters involving directors' own interests, fundraising or issuance of securities, appointment, discharge or remuneration of certified accountants, and appointment or discharge of financial, accounting or internal audit supervisors.

(1) Review of Financial Reports

The Company's annual business report, financial report, and profit distribution proposal are all submitted to the Board for review after being reviewed by the Audit Committee and submitted to the shareholders' ordinary meeting for ratification after being approved by the Board.

(2) Evaluating the Effectiveness of the Internal Control System

The Company's self-assessment of the internal control system is completed every year by all of the Company's units based on the internal control cycle, and the Audit Committee confirms the effectiveness of the design and implementation of the Company's internal control system, including understanding the effectiveness of the operation, the efficiency of the goal achievement, the reliability, timeliness, transparency of reporting and its compliance with applicable regulations and regulations. Further, the Committee must ensure relevant goals are achieved.

(3) Appointment and Evaluation of Certified Accountants

The Audit Committee regularly evaluates the professionalism, independence, and reasonableness of the remuneration of certified accountants at the end of each accounting year. The results of the service evaluation of the certified accountants in 2022 have been reviewed and approved by the Audit Committee and the Board on February 23, 2023. Ming-Hong Huang 會計師及 Bo-Shu Hang 會計師 of KPMG in Taiwan met the Company's standards for independence and suitability.

The Operation of Audit Committee

A total of 6 (A) Audit Committee meetings were held in FY2022. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note 1)	Remarks
Independent Director	Ming-Tau Fang	6	0	100%	Re-elected Re-Election Date: 06.18.2020
Independent Director	Ching-Chyuan Soong	5	1	83%	Re-elected Re-Election Date: 09.06.18.2020
Independent Director	Wei-Zen Chen	6	0	100%	Newly Elected Re-Election Date: 09.06.18.2020

Other mentionable items:

- If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

- Matters referred to in Article 14-5 of the Securities and Exchange Act:

Date	Session	Motion
02/23/2022	The Seventh Meeting of the First Term	The 2021 Financial Statements. The 2021 "Internal Control System Effectiveness Assessment" and "Internal Control System Statement". Assessment of the independence and suitability of the Company's Certified Public Accountants. Amendment to Partial Provisions in "Procedures for Acquisition or Disposal of Assets."
05/04/2022	The Eighth Meeting of The First Term	The Appointment of Certified Public Accountants for 2022.
08/03/2022	The Ninth Meeting of The First Term	The 2022Q2 Financial Statements. The Amendments to "Managerial Guidelines on Operation of Remuneration Committee" and "Remuneration Committee Operation Management Methods," addition of "Audit Committee Operation Management Methods," "Internal Significant Information Processing Procedures."
11/02/2022	The Tenth Meeting of The First Term	The 2022Q3 Financial Statements

02/23/2023	The Eleventh Meeting of The First Term	The 2022 Financial Statements. The 2022 “Internal Control System Effectiveness Assessment” and “Internal Control System Statement”. Assessment of the independence and suitability of the Company's Certified Public Accountants. The Switch in Certified Public Accountant and Appointment.
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(2) In addition to aforementioned items, other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

2. Independent directors’ avoidance of motions in conflict of interest: None.

3. Communications between the independent directors, the Company's chief internal auditor and CPAs.

(1) The communication approach between the independent directors, the Company's chief internal auditor and CPAs
The Company maintains direct communication channels with its independent directors, internal audit managers, and certifying accountants in accordance with the regulations of the competent authorities; it periodically audits the Company's finances, operations, and status, and communicates directly with the management and governance units.

1. The Chief Internal Auditor communicates the result of the audit reports to the members of the Audit Committee periodically. Should the urgency of the matter require it, he/she will instantly inform the members of the Audit Committee. No aforementioned special condition was found during FY2022. The communication channel between the Audit Committee and the Chief Internal Auditor has been functioning well.

2. The certifying accountant of The Company fully communicates with the independent directors in writing or face-to-face about their audit or review scope and findings and attends audit committee and board meetings to provide related opinions. If there are unusual circumstances, they will report to the audit committee members immediately. There were no such unusual circumstances in Year 2022.

(2) The independent directors and the internal audit managerial officer maintain excellent communication channels and the independent directors have no further suggestions. Summaries of the communication in the year 2021 are as follows:

Date	Communication Method	Motion
111/02/23	Board of Directors	The 2021 Q4 Audit Report – The Audit Deficiency Compilation and Tracking Report
111/02/23	Audit Committee	The 2021 “Internal Control System Effectiveness Assessment” and “Internal Control System Statement”
111/05/04	Board of Directors	The 2022 Q1 Audit Report – The Audit Deficiency Compilation and Tracking Report
111/08/03	Board of Directors	The 2022 Q2 Audit Report – The Audit Deficiency Compilation and Tracking Report
111/11/02	Board of Directors	The 2022 Q3 Audit Report – The Audit Deficiency Compilation and Tracking Report
112/02/23	Audit Committee	The 2022 “Internal Control System Effectiveness Assessment” and “Internal Control System Statement”
112/02/23	Board of Directors	The 2022 Q4 Audit Report – – The Audit Deficiency Compilation and Tracking Report
112/05/03	Board of Directors	The 2023 Q1 Audit Report – The Audit Deficiency Compilation and Tracking Report

Note 1. Where a specific independent director may be relieved from duties before the end of the fiscal year, specify the date of discharge in the “Remark” section. Actual attendance rate (%) was calculated based on the number of board meetings held during each director’s term and the number of meetings actually attended by that director.

Note 2. Where a reelection may be held for filling the vacancies of independent directors before the end of the fiscal year, list out both the new and the discharged independent directors, and specify if they are the former independent directors, or newly elected, re-elected and the date of the reelection in the “Remark” section. Actual attendance rate (%) was calculated on the basis of the number of meetings held by the audit committee during each independent director’s term and the number of meetings actually attended by that independent director.

(III) Corporate Governance Implementation, Its Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the Corresponding Reasons:

Evaluation Item	Implementation (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
I. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has established a "Corporate Governance Best Practice Principles” and has also set up an "Investor Relations/Corporate Governance/Key Corporate Rules" section on the Company website to fully disclose the information on its corporate governance.	No material deviation.
II. Shareholding structure & shareholders’ rights				
(I) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company has implemented a spokesperson system and designated a dedicated individual to appropriately handle relevant inquiries.	No material deviation.
(II) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		A shareholder roster is maintained to keep track of the major shareholders who have actual control of the Company at all times.	No material deviation.
(III) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	✓		Transactions with affiliated companies are all conducted in accordance with applicable laws and regulations as well as the Company's internal control system.	No material deviation.
(IV) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		The Company has established the "Insider Trading Prevention Procedures", which includes the "Procedures for Handling Material Internal Information", serving as a behavioral guideline for the Company's directors, managerial official officers, and employees.	No material deviation.
III. Composition and Responsibilities of the Board of Directors				
(I) Does the Board develop and implement a diversified policy for the composition of its members?	✓		Given the nature of this industry and our vision, the Company has constituted a Board of Directors with a diverse array of talents and experiences, including professionals with backgrounds in real estate appraisal, architecture, land administration, finance, law, and aesthetics.	No material deviation.
(II) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		The Company has set up the Remuneration Committee and an Audit Committee.	No material deviation.
(III) Does the Company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓		The Company has established the Board Performance Evaluation Policies and conducts performance evaluations before the first board meeting every year. The performance evaluation results for 2022 were approved by a resolution of the board meeting on February 22, 2023, and are employed as references for compensation and reappointment.	No material deviation.
(IV) Does the Company regularly evaluate the independence of CPAs?	✓		Following “Integrity, Objectivity and Independence “ of Bulletin No.10 of The Norm of Professional Ethics for Certified Public Accountant of the Republic of China”, the Company has established a CPAs Independence Evaluation Form and obtained an independence statement issued by a CPA. The Board of Directors assesses the independence of the certifying CPA every year. The independence assessment for 2022 was approved by a resolution of the Board of the Directors on February 22, 2023.	No material deviation.
IV. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	✓		The board meeting of the Company on February 23, 2023, approved the appointment of Chih Hao Hsu as the Corporate Governance Supervisor - Special Assistant to the President.	No material deviation.
V. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		He is responsible for handling corporate governance-related business, including providing directors with the necessary information for executing business, handling matters related to board and shareholder meetings, and producing the minutes of board and shareholder meetings.	No material deviation.
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		Stakeholders can promptly obtain the Company's operation information through Market Observation Post System or the Company website. The Company has designated a spokesperson and deputy spokesperson as the external communication channels for the Company.	No material deviation.
VII. Information Disclosure				
(I) Does the Company have a corporate website to disclose both financial standings	✓		The Company has appointed Grand Fortune Securities Co. Ltd. for matters related to the shareholders' meeting.	No material deviation.

Evaluation Item	Implementation (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
and the status of corporate governance?				
(II) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		The Company has set up a website in accordance with regulations to disclose information on financial operations and corporate governance.	No material deviation.
(III) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		✓	The Company have designated a dedicated individual to collect and disclose company information and have implemented a spokesperson system in accordance with regulations. All relevant information is publicly accessible on the Company website. All information which should be publicly available is disclosed on the specified website.	Under prudent assessment.
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>1. Employee Behavior or Ethical Guidelines The Company has established "Employee Service Regulations" as employee's guide and regulations for duty performance, which are disclosed on the Company's internal public website for all employees' reference at any time. An internal control system and various rules and procedures have been also developed to handle employee rights in accordance with the Labor Standards Act and relevant laws, and a Welfare Committee has been established to extend a plethora of assistance and activities. The Employee Service Regulations Include (1) Code of Conduct, (2) Service Hours, (3) Appointment and Dismissal, (4) Guarantee, (5) Attendance, (6) Leave of Absence, (7) Business Travel, (8) Duty, (9) Overtime, (10) Relocation, (11) Termination, and (12) Rewards and Penalties.</p> <p>2. Investor Relations In addition to focusing on the core business, the Company is also dedicated to enhancing social responsibility awareness, implementing product quality management to render customers with quality products and incessantly improving customer satisfaction, achieving its goal of sustainable business operation, and in turn giving back to society and investors. We are able to maintain a pleasant interactive relationship with suppliers, customers, financial institutions, or shareholders. For details, please refer to the "Fulfillment of Sustainable Development" in this Annual Report (Pages 19-20).</p> <p>3. Relationship with Suppliers and the Rights of Stakeholders The Company has established the "Procedures for Financial Operation with Group Enterprises, Specific Companies and Related Parties" to protect the rights and interests of the Company and stakeholders. Moreover, the Company signs procurement contracts with all suppliers to clearly define the cooperation relationship between the buyer and the seller and protect the legal rights of both parties.</p> <p>4. Training of Directors In addition to the training and study for directors stipulated by regulations, to further promote corporate governance, we also regularly arrange for directors and managerial officers to participate in financial, internal control, legal and business-related training courses on corporate governance.</p> <p>5. Risk Management Policies and Risk Measurement Standards: Please refer to the "Analysis of Risk Management" in this Annual Report (Page 59).</p> <p>6. Customer Policy Execution The Company strictly complies with the contracts and relevant regulations signed with clients to ensure the related rights of clients. Post-sale service of products is provided by a dedicated unit to ensure that relevant policies are thoroughly executed.</p> <p>7. The Company's Purchase of Liability Insurance for Directors The Company amended the Company's Articles of Association to specify in Article 13-2 that the Company may purchase liability insurance for directors and supervisors for the compensation liability that they should bear by law within the scope of their duties during their term of office, following a resolution passed by the Year 2008 Shareholder's Ordinary Meeting. Currently, the Company has purchased the Director and Managerial Officer Liability Insurance for its directors and managerial officers in accordance with the Articles of Association to transfer the risk caused by the negligence or</p>	No material deviation.

Evaluation Item	Implementation (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>misconduct of directors and managerial officers.</p> <p>8. Financial Transparency Personnel: The following personnel have obtained the relevant licenses specified by the competent authority: R.O.C Certified Public Accountant: Chih Hao Hsu, Special Assistant to the President. R.O.C Internal Auditor: Chih Hao Hsu, Special Assistant to the President, and Ching-Yu Yuen, Audit Director.</p>	
<p>IX. Please elaborate on the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved (Companies not among the evaluated companies do no need to fill this field). The results of the 8th Corporate Governance Evaluation put the Company in the 66%-80% percentile in the TPEX Group with a score of 43.8. Explanations for areas in which we failed to score are as follows: Improved Areas:</p> <ol style="list-style-type: none"> 1. Issue 1.15: Has the Company established and disclosed on the Company website the internal rules prohibiting insiders such as directors and employees from profiting from non-public information? → On May 21, 2009, the Board approved the Insider Trading Prevention Procedures, which is disclosed on the Company website now (Investor Section/Corporate Governance/Corporate Governance Regulations). 2. Issue 2.1: Has the Company established The Corporate Governance Code which has been approved by the Board? → On February 29, 2012, the Board approved the Corporate Governance Practice Code, which is disclosed on the Company website now (Investor Section/Corporate Governance/Corporate Governance Regulations). 3. Issue 2.7: Are more than half of the Board seats filled by independent directors? → The corporate director, Chang Chun Investment, was discharged on October 8, 2021. Now, 3 of the 6 seats on the Board are filled by independent directors, reaching the required 1/2. 4. Issue 2.10: Has the Company disclosed the high priorities of the Audit Committee's annual work and operation? →The 2021 Annual Report disclosed the Operation of the Audit Committee on Page 13 and the major resolutions of the Audit Committee for the year on Page 23. 5. Issue 2.13: Does the Remuneration Committee meet at least twice a year and disclose its regular review on the performance and remuneration policies, systems, standards, and structures for directors, supervisors, and managerial officers? → The 2021 Annual Report disclosed the Attendance of the Remuneration Committee on Page 17, and Important Decisions of the Remuneration Committee for the year on Page 22. 6. Issue 2.21: Has the Company appointed a Corporate Governance Supervisor to handle related affairs and disclosed their job scope and ongoing education on the Company website and annual report? →On February 23, 2022, the Board resolved to appoint a Corporate Governance Supervisor. The Company's website and 2022 Annual Report (P.12) have disclosed their job scope and ongoing education. 7. Issue 3.17: Does the Company's website disclose information on finance, business, and corporate governance? → The Company's website discloses the "House Purchase Section", Investor Section/Financial Information, and Investor Section/Corporate Governance. 8. Issue 3.19: Does the Company's website provide shareholder meeting-related information, including at least the most recent annual report, meeting notices, meeting handbooks and minutes? → The Company's website (Investor Section/Shareholder Rights/Shareholder Meeting) has disclosed the information on the shareholder' s meeting convened on June 15, 2022, including the annual report, meeting notices, meeting handbooks and minutes. 9. Issue 4.14: Does the Company's website or annual report disclose the identities of identified stakeholders, concerned issues, communication channels, and responsive measures? → This is disclosed on the Company's website (Investor Section/Financial Information/Stakeholder Section). 10. Issue 4.15: Does the Company's website or annual report disclose its ethical operation policy, specified practical measures and plans to prevent unethical behavior? → This is disclosed on the Company's website (Investor Section/Corporate Governance/Corporate Governance Related Regulations). <p>Areas to Be Improved:</p> <ol style="list-style-type: none"> 11. Issue 2.2: Has the Company established policies to diversify the Board disclosed the implementation of this diversity policy on the Company's website and in its annual report? →The said information has been disclosed in (1) The Diversity of the Board of Directors on Page 6 of the 2021 Annual Report and will be publicly accessible on the Company's website in future plans. 12. Issue 4.10: Does the Company's website and annual report disclose measures for employee safety and the protection of the work environment and their implementation? → It is under the Company' s plan to disclose this in the Company's annual report and on the website. 				

Note: Regardless of whether the evaluation item is achieved or not, the Company shall state an appropriate explanation.

(IV) Composition, Duties and Operations of the Remuneration Committee:

1. Information on Members of Remuneration Committee

Identity	Name	Condition	Eligibility and Experience	Independence	Number of Other Public Companies where the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director	Ching-Chyuan Soong		Note	Note	0
Independent Director	Ming-Tau Fang		Note	Note	1
Independent Director	Wei-Zen Chen		Note	Note	1

Note: For independent directors, please refer to Appendix 1- Background of directors (1) on Page 5 .

2. Information on the operation of the Remuneration Committee

- (1) There are 3 members in the Remuneration Committee.
- (2) The term of office of the current committee members: August 5 , 2020 to June 17, 2023 , member's eligibilities and attendance

A total of 3 (A) Remuneration Committee meetings were held in FY2022 and the current year until the publication date of this annual report. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note 1)	Remarks
Convener	Ming-Tau Fang	3	0	100%	Re-appointed Re-appointment date: 08.05.2020
Committee Member	Ching-Chyuan Soong	2	1	67%	Re-appointed Re-appointment date: 08.05.2020
Committee Member	Wei-Zen Chen	2	0	100%	Newly appointed Appointment Date: 02.23.2022
Committee Member	Wan-Chin Huang	1	0	100%	Discharged Discharge Date: 02.23.2022

Other mentionable items:

1. If the Board of Directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors , and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified) .
2. For resolutions of the Remuneration Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified.

Note: (1) The date of resignation is specified for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.

- (2) If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the current Remuneration Committee are listed; in which case, the remarks column would specify whether the committee member was elected in the previous board, the new board, or both. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty

3. Duties of the Remuneration Committee

The duties of the Remuneration Committee are as follows:

- (1) Proposes the overall remuneration policy and structure of The Company and its subsidiaries.
- (2) Proposes the remuneration of directors and supervisors (including the Chairperson) of The Company and its subsidiaries.
- (3) Proposes the remuneration of managerial officers (including the President) of The Company and its subsidiaries.
- (4) Other matters to be discussed by the Board of Directors.

(V) Fulfillment of Sustainable Development

Fulfillment of Sustainable Development, Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Their Reasons

Evaluation Item	Implementation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
I. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?		✓	The Company does not maintain a dedicated (or multi-tasking) entity for propelling sustainable growth. The President's Office is tasked with advocating and executing sustainable development and bears the responsibility of reporting to the Board of Directors.	Under prudent assessment.
II. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? (Note 2)		✓	The Company has not performed risk assessments in respect of environmental, social, and corporate governance (ESG) issues associated with company operations, nor has it instituted correlated risk management guidelines or strategies.	Under prudent assessment.
III. Environmental issues (I) Does the Company establish proper environmental management systems based on the characteristics of their industries?		✓	The Company is committed to its principal operations and has not instituted a codified environmental management system.	Under prudent assessment.
(II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		We collaborate with suppliers on environmentally cognizant and energy-efficient construction methodologies, endorsing the notion of "Green Building" for energy conservation and environmental preservation in new construction instances.	No material deviation.
(III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?		✓	The Company has not evaluated the prospective risks and opportunities posed by climate alteration to the Company at present and in the future.	Under prudent assessment.
(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?		✓	Albeit the Company has not formulated strategies for energy conservation, carbon reduction, and greenhouse gas diminution, in order to actualize environmental protection initiatives, conserve various resources, the Company propels the environmental protection movement and adheres to pertinent environmental regulations.	Under prudent assessment.
IV. Social issues (I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?		✓	The Company has instituted "Employee Service Regulations " in adherence with the Labor Standards Act and correlated laws and regulations.	No material deviation.
(II) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?		✓	Although the Company has established a reasonable salary and compensation policy, it has not combined the employee performance appraisal system with operational performance or results.	Under prudent assessment.
(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		Engineering safety and health operations are available and handled according to labor safety and health regulations by contract manufacturers as per the contract. Site safety is managed by contract manufacturers in line with labor safety and health regulations.	No material deviation.
(IV) Does the Company provide its employees with career development and training sessions?		✓	The Company has not devised an effective training plan on career capability development for employees.	Under prudent assessment.
(V) Do the Company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		The formulation of real estate sales contracts is in accordance with relevant laws and regulations, and after-sales service operations have been established. "Customer satisfaction" is regarded as a business goal. In order to achieve this goal, in addition to paying attention to product quality and actively responding to customer complaints, the Company also prepares a complaint mailbox for customers, consumers, suppliers, etc.	No material deviation.
(VI) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results?		✓	The contracts with our major suppliers currently do not include issues such as environmental protection, occupational safety and health, or labor rights in accordance with relevant regulations.	Under prudent assessment.
V. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the Company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third-party verification unit?		✓	The Company has not compiled a CSR report.	Under prudent assessment.
VI. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the Company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: : Under prudent assessment.				
VII. Other useful information for explaining the status of corporate social responsibility practices:				
1. The Company is dedicated to its core business, and, in order to promote the environmental protection movement, conserves various types of resources, and complies with various related environmental regulations. The Company operates within a low-pollution industry, and there have been no environmental pollution incidents, but the Company still fulfills its social responsibility to protect the environment.				

Evaluation Item	Implementation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
2. In order to safeguard the rights and interests of shareholders, the Company has established " Insider Trading Prevention Procedures " to avoid improper leakage of information and ensure the consistency and accuracy of the information externally released by the Company. We hope to more effectively establish a corporate governance system of the Board of Directors and enhance supervisory functions.				
3. The Company participates in community development and charity activities through business activities, physical donations, corporate volunteer services, or other free professional services.				
· Continued the adoption and maintenance of flower beds along Chong Yuan Road and Ji Lin Road intersection in Zhongli Industrial Park throughout 2022.				
· In 2022, extended the commitment to care for and maintain the landscaping of the traffic island in Chong Yuan Road within the Zhongli Industrial Park in Taoyuan City.				
· In August 2022, a donation of NTD 300,000 was made to the 2023 Pan Pacific Congress of Appraisers, Valuers and Counselors.				
· From September 9 to September 11, 2022, Plants in Tailin Section, Taishan, was rendered as a free venue for Meeting of Styles, an international graffiti art festival.				
· On September 17, 2022, a farewell dinner party was organized for the employees of Plants in Tailin Section, Taishan, before its demolition.				
· In October, 2022, a sponsorship of NTD 50,000 was provided for the Tamsui Fisherman's Wharf Summer Festival.				
· In December, 2022, a donation of NTD 50,000 was made to the 2022 Dance with Love and Peace, a charity performance.				
· In December, 2022, a donation of NTD 30,000 was made to the Genesis Social Welfare Foundation as fund for Lunar New Year's red packets for the needy.				

Note 1 : If "Yes" is checked under implementation, please describe the key policies, strategies, and measures and results adopted. If "No" is checked under implementation, please give reasons and describe relevant strategies and measures to be adopted in the future.

Note 2 : The materiality principle refers to environmental, social, or corporate governance issues that have a material impact on the investors or other stakeholders of the Company.

(VI) Fulfillment of Ethical Corporate Management:

Fulfillment of Ethical Corporate Management, Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Their Reasons

Evaluation Item	Implementation (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policies and programs (I) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		The Company has set an " Ethical Corporate Management Best Practice Principles", as well as "Ethical Behavior Guidelines for Directors, Supervisors, and Managerial officers". We demand that all directors, supervisors, managerial officers, and employees conduct business in an objective and efficient manner, and not exploit their positions to bring undue benefits to themselves, their spouses or relatives within two degrees of kinship. We urge the legitimate use of company assets, avoiding any opportunity to seek personal or private interests because one's position, and avoiding any competitive behavior within the Company's scope of business for oneself or others.	No material deviation.
(II) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?		✓	While we have yet to establish a program to prevent fraudulent behavior, we have set up an Illegality Reporting System and reinforce the importance of ethical operation during the training of new employees.	Under prudent assessment.
(III) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?		✓	The Company has not yet established operational procedures to prevent fraudulent activities; however, it has implemented the "Ethical Corporate Management Best Practice Principles", "Ethical Behavior Guidelines for Directors, Supervisors, and Managerial officers" and the "Insider Trading Prevention Procedures" to manage material internal information, preventing improper disclosure, and ensuring the consistency and accuracy of information disclosed by the Company to the public.	Under prudent assessment.
II. Fulfill operations integrity policy (I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		The Company engages in business activities in a fair and transparent manner, ensuring the confidentiality of business data, and respects the business assets and intellectual property of our clients and partners.	No material deviation.
(II) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?		✓	The Company has not set up a dedicated (/ multi-tasking) unit under the Board of Directors to promote business integrity. The implementation and promotion of business integrity is carried out by the President's Office, which also bears an obligation to report to the Board of Directors.	Under prudent assessment.
(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?		✓	The Company has not established policies to prevent conflicts of interest, but for relevant matters of conflicts of interest, staff can report to their immediate supervisor or directly to the President's Office.	Under prudent assessment.

Evaluation Item	Implementation (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
(IV) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?		✓	The Company has established an accounting system and an internal control system. Auditing is carried out in accordance with the annual audit plan, with regular reviews and amendments to its effectiveness. Nonetheless, there has been no audit to prevent fraudulent behavior or commissioning of auditors to conduct audits.	Under prudent assessment.
(V) Does the Company regularly hold internal and external educational trainings on operational integrity?		✓	The Company does not regularly hold internal and external education and training on integrity management.	Under prudent assessment.
III. Operation of the integrity channel (I) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The Company has established an "Illegality Reporting System", with the President's Office as its dedicated unit.	No material deviation.
(II) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		The Company has established an "Illegality Reporting System", clearly defining the reporting channels and processing procedures.	No material deviation.
(III) Does the Company provide proper whistleblower protection?	✓		The Company has established an "Illegality Reporting System", clearly specifying that, when processing the reporting, it shall be declared in written that the identity of the whistleblower and the reported content shall be kept confidential, and the Company promises to protect the informant from being improperly treated due to the report.	No material deviation.
IV. strengthening information disclosure (I) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?		✓	The Company's website has disclosed the content of its integrity management code and the Company plans to disclose information on the implementation of integrity management on the Company's website in the future.	Under prudent assessment.
V. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: None.				
VI. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies): None.				

Note: Regardless of whether the evaluation item is achieved or not, the Company shall state an appropriate explanation.

(VII) If the Company has established corporate governance guidelines and related regulations, their access method should be disclosed:

The Company has set up "Corporate Governance Best Practice Principles" and related regulations for adherence. Apart from fully disclosing financial and operational information in the Market Observation Post System in accordance with the regulations of the competent authority, we have also set up "Investor Section/Corporate Governance" on the Company's website to fully disclose the status of corporate governance. The method for querying the Market Observation Post System is as follows: Visit Market Observation Post System (URL <http://mops.twse.com.tw/mops/web/index#>), enter the Company's stock code '2596', click on "Corporate Governance", select "Establishment of rules and regulations for corporate governance", and then click on "TPEX-listed Companies" to inquire about the corporate governance practice guidelines and related regulations of the Company.

(VIII) Other important information which can enhance the understanding of the Company's governance operations:

1. The Company's Board of Directors has approved the establishment of functional committees such as the Remuneration Committee and Audit Committee and has also approved Mr. Chih Hao Hsu to serve as the Corporate Governance Supervisor to assist the Board of Directors in the thorough execution of authority.
2. The Company adheres to legal amendments and takes into account environmental changes, timely revising various corporate governance regulations, which serve as a behavioral guideline for directors, managerial officers, and employees. We have established a "Corporate Governance" section on the Company's website to completely disclose corresponding procedures. Moreover, under the philosophy of sustainable business operations, the Company will continue to enhance its corporate governance operation from various perspectives, such as organizational structure, rules and regulations, and execution review.

(IX) Disclosures Required for the Implementation of the Internal Control System:

1. Statement of Internal Control System

ReaLy Development & Construction Corp.
Statement of Internal Control System

Date: February 23, 2023

The following declaration has been made based on the 2022 self-assessment of the Company's internal control system:

1. The Company is aware that creation, implementation, and maintenance of internal control system are the responsibilities of its Board of Directors and management and has duly established such a system. The purpose of internal control system is to provide reasonable assurances concerning the outcome and efficiency of the Company's operations (including profitability, business performance, and asset security), the reliability, timeliness, and transparency of reported information, and compliance and accomplishment of relevant regulations and goals.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure the achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
3. The Company evaluates the effectiveness of its internal control system design and execution using the criteria outlined in "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (hereinafter referred to as the "Regulations"). The criteria introduced by the "Regulations" consists of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring activities. Each major element is further broken down into several sub-elements. Please refer to the "Regulations" for more details.
4. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
5. Based on the assessment result in the preceding paragraph, the Company holds that the design and implementation of the Company's internal control system (including the supervision and management of subsidiaries and the overall implementation of information security) as of December 31, 2022 can provide reasonable assurance regarding the management understands the degree of achievement of operational effectiveness and efficiency objectives; the reporting is reliable, timely, and transparent and complies with applicable rules; and applicable laws, regulations, and bylaws have been complied with.
6. This statement constitutes part of the Company's annual report and prospectus and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This declaration was passed unanimously without objection by all 6 Directors present at the board meeting dated February 23, 2023.

ReaLy Development & Construction Corp.

Chairman: Teng-Chen Hsu (Signature)

President: Teng-Chen Hsu (Signature)

2. The public companies shall disclose its CPA's audit report if it engage a CPA to conduct a special audit of its internal control system: Noe applicable.

(X) If there has been any legal penalty against the Company and its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during FY2022 and the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder interests or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Important resolutions of shareholders' meeting, the Board of Director's meeting, and the functional committee's meeting in FY 2022 and the current year up to the publication date of the annual report:

1. Important resolutions of the 2022 shareholders' meeting

Date	Important Resolutions	Implementation
06/15/2022	Ratification items 1. The Company's 2021 financial statements. 2. The Company's 2021 profit distribution plan.	It has been decided that August 7, 2022, will be the ex-dividend date, and cash dividends will be distributed on August 30, 2022.

2. Important resolutions of the Board of Directors as of 2022 and the publication date of the annual report

Date	Important Resolutions
02/23/2022	Discussion items 1. The 2021 employee and director remuneration plan. 2. The 2021 employee remuneration and managerial officer's year-end bonus distribution plan. 3. The managerial officer salary adjustment plan. 4. The 2021 financial statement. 5. "The Effectiveness Assessment of Internal Control System" and "Internal Control System Statement" for FY2021. 6. The evaluation on the independence and suitability of the Company's certified public accountants. 7. Amendment to some provisions of the "Procedures for Acquisition or Disposal of Assets". 8. The proposal to supplement the appointment of a member of the Remuneration Committee. 9. The Proposal to establish the Corporate Governance Supervisor. 10. The renewal of banks' financial limit. 11. The decision on the date, location and agenda for the 2022 Shareholders' Meeting. 12. The announcement on acceptance of shareholders' written proposals.
05/04/2022	Discussion items 1. The 2021 director remuneration plan. 2. The 2021 business report. 3. The 2021 profit distribution plan. 4. The appointment of certified public accountants for FY 2022. 5. The financial statement for the 2022Q1. 6. The proposal to apply for financing from Cathay United Bank or E.SUN Bank due to operating turnover needs.
06/15/2022	Discussion Items: 1. The greenhouse gas inventory and verification timeline plan. 2. The proposal to apply for financing from E.SUN Bank for operating turnover.
08/03/2022	Discussion Items: 1. The 2022Q2 Financial Statements. 2. The amendments to the Internal Control System, amendments to the Articles of Association for Remuneration Committee and Managerial Guidelines on Operation of Remuneration Committee", and additions to "Internal Significant Information Processing Procedures." 3. The proposal to apply for financing from Cathay United Bank for operating turnover.
11/02/2022	Discussion Items: 1. The 2022Q3 Financial Statements. 2. Proposal to establish general principles of the Advanced Approval Policy for Non-assurance Services. 3. The 2022 operation plan. 4. The 2022 audit plan.
02/23/2023	Discussion items: 1. The 2022 employee and director remuneration plan. 2. The 2022 employee remuneration and managerial officer's year-end bonus distribution plan. 3. The assessment on the independence and suitability of the Company's Certified Public Accountant. 4. The 2022 financial statements. 5. The 2022 'Internal Control System Effectiveness Assessment' and 'Internal Control System Statement' Plan. 6. Amendments to partial clauses of the 'Board of Directors Meeting Rules'. 7. The switch in the Company's Certified Public Accountants. 8. The renewal of banks' financing limit. 9. The Greenhouse Gas Inventory and Verification Timeline Plan of the subsidiary in the Company's consolidated financial statements. 10. The decision on the date, location and agenda for the 2022 Shareholders' Meeting. 11. The complete re-election of the Board of Directors. 12. The announcement on acceptance of shareholders' written proposals.
112/05/03	Discussion Items: 1. The 2022 Business Reports. 2. The 2022 Profit Distribution Plan. 3. The 2023Q1 Financial Statements. 4. Nomination and Review of the candidate list of director and independent directors. 5. Abolishment of the restriction on competition for newly appointed directors and their representatives.

3. Important resolutions of the Remuneration Committee as of 2022 and the publication date of the annual report

Date	Important Resolutions
111/02/23	Discussion Items: 1. The 2021 Employee and Director Remuneration Plan. 2. The 2021 Employee remuneration and managerial officer's year-end bonus distribution plan. 3. The managerial officer's salary adjustment.
111/05/04	1. The 2021 director remuneration distribution Plan.
112/02/23	Discussion Items: 1. Remuneration to employees and directors for 2022. 2. Remuneration distribution to directors for 2022. 3. Employee remuneration and managerial officer's year-end bonus distribution for 2022

4. Important resolutions of the Audit Committee as of 2022 and the publication date of the annual report

Date	Important Resolutions
111/02/23	Discussion Items: 1. The 2021 Financial Statements. 2. The 2021 'Internal Control System Effectiveness Assessment' and 'Internal Control System Statement' Plan. 3. evaluation of the independence and suitability of the Company's Certified Public Accountant. 4. Amendments to partial clauses of the 'Procedures for Acquisition or Disposal of Assets'.
111/05/04	Discussion Items: 1. The Company's 2021 Business Report Plan. 2. The Company's 2021 Profit Distribution Plan. 3. The Company's 2022 Certified Accountant Appointment Plan. 4. The Company's 2022 Q1 Financial Statement Plan.
111/08/03	Discussion Items: 1. The Company's 2022 Q2 Financial Statement Plan. 2. Amendment to Internal Control System, revision of 'Remuneration Committee Organization Rules', 'Remuneration Committee Operation Management Methods', addition of 'Audit Committee Operation Management Methods', and 'Internal Significant Information Processing Procedures'.
111/11/02	Discussion Items: 1. The 2022 Q3 Financial Statement Plan. 2. The proposal to establish the general principles of the Advanced Approval Policies for Non-assurance Services.
112/02/23	1. Evaluation of the independence and appropriateness of the Company's Certified Public Accountant. 2. The 2022 Financial Statements. 3. Internal Control System Effectiveness Assessment' and 'Internal Control System Statement' Plan for FY2022. 4. The Switch in the Company's Certified Public Accountants.
112/05/03	Discussion Items: 1. The 2022 Business Reports. 2. The 2022 Profit Distribution Plan. 3. The 2023Q1 Financial Statements.

(XII) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors during FY2022 and the current fiscal year up to the publication date of this Annual Report: None.

(XIII) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D during FY2022 and the current fiscal year up to the publication date of this Annual Report: None.

V. Certified Public Accountants' Audit Fee

Information on Certified Public Accountants' Audit Fee

Unit: NTD Thousand

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee	Total	Remark
KPMG in Taiwan	Ming-Hong Huang	2022	1,729	347	2,076	
	Bo-Shu Hang					
	Wei-Dun Yeh		0	80	80	

Non-audit Public Fees: NTD 427 Thousand

1. Audit and certification of corporate income tax reporting: NTD 257 Thousand
2. non-supervisor salary survey: NTD 20 thousand
3. Business Tax certification: NTD 80 Thousand
4. Annual report review and trust account audit, etc.: NTD 70 thousand.

(I) If change of accounting firm and the audit fee of the changing year is less than previous year, the amount of audit fee respectively and the reason of change shall be disclosed: None ◦

(II) Any decrease in audit fees by more than 10% compared to the previous year: None.

VI. Replacement of CPAs

Replacement of CPAs

(I) Regarding the former CPA

Replacement Date	02.23.2023		
Replacement reasons and explanations	In response to internal rotation of the agency.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	√	
The Opinions Other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions	No longer accepted (continued) appointment		
	None		
Is There Any Disagreement in Opinion with the Issuer	Yes	Accounting principles or practices	
		Disclosure of Financial Statements	
		Audit scope or steps	
		Others	
	No	√	
Remarks			
Other Revealed Matters (Those which should be disclosed according to Item 4 to Item 7 of Paragraph 6 of Article 10 of this Code)	None		

(II) Regarding the succeeding CPA

Name of accounting firm	KPMG in Taiwan
Name of CPA	Ya-Lin Chen, Chia-Chien Tang
Date of appointment	112.02.23
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports which the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(III) Formal response from former CPA regarding Article 10, Paragraph 6, Subparagraph 1, and Subparagraph 2, Item 3 of the Guidelines: None.

VII. The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managerial officers in charge of its finance and accounting operations who held any positions in the Company's independent auditing firm or its affiliates during the most recent year: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

(I) Changes in equity transfer and pledging

Title	Name	FY2022		As of April 23, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Reyea Realty Investment & Advisory Corp. Representative: Teng-Chen Hsu	-	-	-	-
Director	HyLin Investment Corp. Representative: Guo Hao Shen	-	-	-	-
Director	Grand Sights Investment & Advisory Corp. Representative: Han-Ru Hsu	-	-	-	-
Independent Director	Ching-Chyuan Soong	-	-	-	-
Independent Director	Ming-Tau Fang	-	-	-	-
Independent Director	Wei-Zen Chen	-	-	-	-
President	Teng-Chen Hsu	-	-	-	-
Sales Manager	Tsz-Wei Bai	-	-	-	-
Finance Manager	Hsiu Chuan Lin	-	-	-	-
Corporate Governance Supervisor	Chih Hao Hsu (Note 2)	-	-	-	-

(II) The counterparty in any transfer of equity interests is a related party: None.

(III) The counterparty in any pledge of equity interests is a related party: None.

IX. Relationship information, if, among the Company's 10 largest shareholders, any one is a related party, the spouse, or a relative within the second degree of kinship of another

Inter-relationship information among the 10-largest shareholders

April 23, 2023

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Reyea Realty Investment & Advisory Corp.	21,578,809	21.58%	-	-	-	-	Han-Ru Hsu Chih Hao Hsu Chih Wei Hsu Grand Sights Investment	Children of the Representative Children of the Representative Children of the Representative Representatives are father and son	
Representative of Reyea: Teng-Chen Hsu	198,494	0.20%	-	-	-	-	Han-Ru Hsu Chih Hao Hsu Chih Wei Hsu Grand Sights Investment	Father and son Father and son Representatives are father and son	
HyLin Investment Corp.	12,579,518	12.58%	-	-	-	-	Guo Hao Shen	Representative	
HyLin Representative: Guo Hao Shen	102,689	0.10%	834,754	0.83%	-	-	-	-	
Grand Sights Investment & Advisory Corp	11,231,679	11.23%	-	-	-	-	Teng-Chen Hsu Chih Hao Hsu Chih Wei Hsu Reyea Realty	Representative is Father Representatives are brothers Representatives are father and son	
Representative of Grand Sights: Han-Ru Hsu	2,036,170	2.04%	20,000	0.02%	-	-	Teng-Chen Hsu Chih Hao Hsu Chih Wei Hsu Reyea Realty	Father and Son Brothers Brothers Representatives are father and son	
Chih Hao Hsu	2,500,967	2.50%	62,494	0.06%	-	-	Teng-Chen Hsu Han-Ru Hsu Chih Wei Hsu	Father and Son Brothers Brothers	
Chih Wei Hsu	1,965,062	1.97%	-	-	-	-	Teng-Chen Hsu Han-Ru Hsu Chih Hao Hsu	Father and Son Brothers Brothers	
Chi-Chia Chen	1,373,000	1.37%	-	-	-	-	-	-	
Han-Hu Shieh	1,140,000	1.14%	-	-	-	-	-	-	
Yu-Chin Shen	1,041,117	1.04%	-	-	-	-	Guo Hao Shen	Father and Daughter	
Lian Chang	1,026,000	1.03%	-	-	-	-	-	-	

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

Ratios of Total Shareholding

April 30, 2023

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managerial officers		Total Ownership	
	Shares	%	Shares	Shares	%	Shares
YouZen Construction Corp.	5,000,000	100.00%	-	-	5,000,000	100.00%
Eastunion Development & Construction	16,560,000	36.36%	7,866,000	17.27%	24,426,000	53.63%

4. Capital Overview

I. Capital and Shares

(I) Source of Capital

1. Source of Shares

Unit: Thousand Shares, NTD Thousand

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
04.2001	10	3,600,000	36,000	3,600,000	36,000	Cash Capital Increase 36,000	—	Note 1
12.2002	10	7,200,000	72,000	7,200,000	72,000	Cash Capital Increase 36,000	—	Note 1
04.2004	10	50,000,000	500,000	31,200,000	312,000	—	Offsetting stock with stock funds 240,000	—
08.2006	10	50,000,000	500,000	35,880,000	358,800	Capitalized Earnings 46,800	—	Jin-Guan-Zheng-Yi-Zhi No.0950131122, dated 07.18.2006
07.2007	15	50,000,000	500,000	39,259,200	392,592	Cash Capital Increase 33,792	—	Jin-Guan-Zheng-Yi-Zhi No.0960034967, dated 07.09.2007
07.2007	10	50,000,000	500,000	45,000,000	450,000	Capitalized Earnings 57,408	—	07.09.2007, Jin-Guan-Zheng-Yi-Zhi No.0960034967, dated
08.2008	10	100,000,000	1,000,000	51,750,000	517,500	Capitalized Earnings 67,500	—	Jin-Guan-Zheng-Yi-Zhi No.0970041329, dated 08.14.2008
04.2009	13	100,000,000	1,000,000	56,750,000	567,500	Cash Capital Increase 50,000	—	Jin-Guan-Zheng-Yi-Zhi No.0980017870, dated 04.29.2009
07.2009	10	100,000,000	1,000,000	68,100,000	681,000	Capitalized Earnings 113,500	—	Jin-Guan-Zheng-Fa-Zhi No. 0980036528, dated 07.21, 2009
07.2012	10	100,000,000	1,000,000	71,505,000	715,050	Capitalized Earnings 34,050	—	MOEA Jin-Guan-Zheng-Fa-Zhi No. 101003135707, dated 16.2012
05.2013	10	100,000,000	1,000,000	72,892,232	728,922	Bond conversion 13,872	—	Approved by MOEA Letter Jing-Shou-Shang-Zi No.~dated 10201096570, dated 05.23.2013
08.2013	10	100,000,000	1,000,000	75,826,076	758,260	Bond conversion 29,338	—	Approved by MOEA Letter Jing-Shou-Shang-Zi No.~dated 10201167830, dated 08.16.2013
11.2013	10	100,000,000	1,000,000	76,609,879	766,098	Bond conversion 7,838	—	Approved by MOEA Letter Jing-Shou-Shang-Zi No.~dated 10201229870 dated 11.11.2013
03.2014	10	100,000,000	1,000,000	82,731,524	827,315	Bond conversion 61,217	—	Approved by MOEA Letter Jing-Shou-Shang-Zi No.~dated 10301045550, dated 03.19.2014
03.2017	10	100,000,000	1,000,000	84,786,213	847,862	Bond conversion 20,547	—	Approved by MOEA Letter Jing-Shou-Shang-Zi No. 10601031640, dated 03.13.2017
06.2017	10	100,000,000	1,000,000	97,381,229	973,812	Bond conversion 125,950	—	Approved by MOEA Letter Jing-Shou-Shang-Zi No. 10601065720, dated 06.02.2017
09.2018	10	150,000,000	1,500,000	100,000,000	1,000,000	Capitalized Earnings 26,188	—	Approved by MOEA Letter Jing-Shou-Shang-Zi No. 10701117570, dated 09.19.2018

Note 1: The Company was approved to issue stock public offering on September 29 2005, so there is no approval number from the Financial Supervisory Commission.

2. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Registered common shares	100,000,000	50,000,000	150,000,000	—

Shelf Registration: None

(II) Shareholder structure

April 23, 2023

Shareholder structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Personal	Total
Number of Shareholders	0	0	18	11	4,488	4517
Shareholding (shares)	0	0	46,830,706	725,294	52,444,000	100,000,000
Percentage	0.00	0.00	46.83	0.73	52.44	100.00

(III) Shareholding Distribution

1. Common Shares

Par Value Per Share: NTD 10 April 23, 2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 To 999	1,142	165,254	0.16
1,000 To 5,000	2,307	4,719,987	4.72
5,001 To 10,000	472	3,556,953	3.56
10,001 To 15,000	178	2,213,993	2.21
15,001 To 20,000	94	1,682,759	1.68
20,001 To 30,000	88	2,139,029	2.14
30,001 To 40,000	56	1,976,119	1.98
40,001 To 50,000	29	1,294,036	1.29
50,001 To 100,000	69	4,636,834	4.64
100,001 To 200,000	39	5,464,645	5.46
200,001 To 400,000	14	3,613,521	3.61
400,001 To 600,000	11	5,167,824	5.17
600,001 To 800,000	3	2,067,040	2.07
800,001 To 1,000,000	4	3,815,684	3.82
Above 1,000,001 (included) Shares	11	57,486,322	57.49
Total	4,517	100,000,000	100.00

2. Preferred Shares: None.

(IV) List of Major Shareholders

The number of shares and stake held by the shareholder with a stake of 5 percent or greater, or the shareholder who ranks among the top 10 in shareholding percentage

April 23, 2023

Major Shareholder	Shareholding	Proportion (%)
Reyea Realty Investment & Advisory Corp.	21,578,809	21.58
HyLin Investment Corp.	12,579,518	12.58
Grand Sights Investment & Advisory Corp.	11,231,679	11.23
Chih Hao Hsu	2,500,967	2.50
Han-Ru Hsu	2,036,170	2.04
Chih Wei Hsu	1,965,062	1.97
Chi-Chia Chen	1,373,000	1.37
Han-Yu Shieh	1,140,000	1.14
Yu-Chin Shen	1,041,117	1.04
Lian Chang	1,026,000	1.03

(V) Market Price, Net Worth, Earnings and Dividends per Share and Relevant Information during the Past Two Years:

Item		Year		As of March 31, 2023	
		2021	2022		
Market Price per Share	Highest Market Price	26.25	23.00	22.00	
	Lowest Market Price	19.30	16.70	17.50	
	Average Market Price	22.58	19.48	19.74	
Net Worth per Share	Before Distribution	21.62	20.71	20.58	
	After Distribution (Note 1)	20.12	Distribution to be resolved	—	
Earnings per Share	Weighted Average Shares	100,000,000	100,000,000	100,000,000	
	Earnings Per Share (NTD)	3.05	0.58	(0.12)	
Dividends per Share	Cash Dividends		1.50	Distribution to be resolved	
	Stock Dividends	Dividends from Retained Earnings	—		
		Dividends from Capital Surplus	—		
	Accumulated Undistributed Dividends		—	—	—
Return on Investment	Price / Earnings Ratio (Note 2)		7.41	33.44	(164.50)
	Price / Dividend Ratio (Note 3)		15.05	Distribution to be resolved	—
	Cash Dividend Yield Rate (Note 4)		6.64	Distribution to be resolved	—

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share.

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share.

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.

Note 4: Cash dividend yield = Cash dividend per share / Average closing price per share for the current year.

(VI) Dividend Policy and Implementation

1. Dividend policies stipulated by Article of Association

In consideration of operation growth, capital needs and the objectives of the financial structure, the Company shall distribute its earnings via cash dividend and stock dividend, where cash dividend shall not be less than 10% of the total distributable earnings.

2. Implementation

The Company's distributable earnings for 2022 amounted to NTD 590,964,286. The Board of Directors of the Company proposed on May 3, 2023 to distribute a cash dividend of NTD 100,000,000, which means a cash dividend of NTD 1 per share.

(VII) Impact of Stock Dividend Distribution to Be Approved by Shareholders' Meeting on Business Performance and EPS:

Item		Year	2023 (Estimated)
Paid-in Capital, Beginning (in NTD Thousand)			1,000,000
Current Dividend	Cash Dividend Per Share		Distribution to be resolved
	Capitalized Earnings Per Dividend Share		
	Shares allotted as Capitalization of Capital Reserve		
Change to Business Performance			Note 1
Hypothetic EPS and Cost/Profit Ratio			Note 1

Note 1: There is no public financial forecast for 2023, so there is no need to disclose forecast for FY2023.

(VIII) Compensation of Employees, Directors and Supervisors

1. Percentage or scope of the remuneration for employees, directors and supervisors, as stated by the Articles of Association

When achieving a profit for the year, the Company should set aside not less than one percent for employee compensation and not more than two percent for director remuneration. However, the Company shall reserve a sufficient amount to offset its accumulated losses, if any, before it calculates appropriated amounts based on its remaining balance.

The aforementioned employee remuneration can be distributed by means of stock or cash, and the recipients may include employees of subsidiaries who meet certain criteria.

If the Company reports earnings in its annual financial statements, the Company shall reserve the income taxes to be paid, offset its losses, set aside a legal capital reserve at 10%, then provide or reverse a special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. If any earnings remain, with accumulated undistributed earnings, the Board of Directors shall propose distribution of earnings via stock or cash dividend and submit the proposal to shareholders' meeting for the resolution.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period

The Company calculates the estimated employee remuneration and director remuneration for 2022 as NTD 832 thousand by multiplying the pretax net profit of the current period by the distribution rate of 1% for employee remuneration and 1% for director remuneration as set forth in the Company's Articles of Association. The estimated employee remuneration and director remuneration for 2021 were both NTD 3,604 thousand. If the employee remuneration is distributed in the form of stocks, the calculation basis of the number of shares is based on the average price of the day before the Board of Directors' resolution, considering the effect of ex-rights and

ex-dividends. If there is a difference between the estimated amount and the actual amount distributed as resolved by the Board of Directors afterwards, it will be regarded as a change in accounting estimates and will be listed as profit or loss in the year the Board of Directors makes the resolution.

3. The approval of remuneration distribution by Board of Directors

(1) If the amount of employee remuneration and director remuneration distributed in cash or stock differs from the estimated amount recognized in the expense year, the difference, reasons, and responsive measures should be disclosed:

The Company resolved at the Board Meeting on February 23, 2023, to distribute employee cash remuneration, stock remuneration, and director remuneration, for FY 2022, of NTD 832 thousand, 0, and 832 thousand, respectively, which is consistent with the amount of expense recognized in 2022, so there is no difference.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income for the current period and total employee compensation:

The Company did not distribute employee remuneration by stock.

4. Information of FY2022 Distribution of Compensation of Employees, Directors and Supervisors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

Remuneration to Employees and Directors

Unit: NTD

Item		Resolved in the shareholder's meeting on June 15, 2022	Actual distribution	Difference	Reason
Employee Remuneration	Cash	3,603,596	3,603,596	—	
	Stock	0	0	—	
Director Remuneration		3,603,596	3,603,596	—	

(IX) The Company's repurchase of the Company's shares: None

II. Corporate Bonds (including Overseas Corporate Bonds):

(I) Issuance: None.

(II) Corporate bonds due within one year: None.

(III) Issuance of convertible corporate bonds: None.

III. Status of Preferred Stock: None.

IV. Global Depository Receipts: None.

V. Employee Stock Warrants: None.

VI. Issuance of New Restricted Employee Shares: None.

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

VIII. Financing Plans and Implementation

(I) Financial Plans:

For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the annual report shall provide a detailed description of the plan for each such public issue and private placement. Such descriptions shall include any and all changes to the plan, the source of funds and the manner of their utilization, the reason(s) for any changes to the plan, the benefits yielded by the funds before and after any change to the plan, the date on which the change to the plan was reported at a shareholders' meeting, and the date on which such information was uploaded to the information disclosure website specified by the FSC: None.

(II) Implementation: Noe applicable.

5. Operational Highlights

I. Business Content

(I) Business Scope

1. Main activities of the company include:
 - (1) Development and leasing/selling of residential properties and apartment buildings.
 - (2) Development and leasing/selling of industrial factories.
 - (3) Development of designated professional zones.
 - (4) Investment in the construction of public infrastructure.
 - (5) Real estate agency and brokerage services.
 - (6) Urban renewal and redevelopment.
 - (7) Urban renewal project maintenance.
 - (8) Apart from licensed operations, engaging in business activities permitted by laws and regulations.
 - (9) Civil engineering and construction business.
2. Business Composition: The business revenue of the company is entirely derived from the development, construction, and leasing/selling of residential properties, apartment buildings, and industrial factories through commissioned contractors, accounting for 100% of the company's operating revenue.
3. Current product offerings of the company: Residential properties, commercial spaces, office spaces, and parking spaces, among others.
4. Planned development of new products: In addition to continuing to launch residential apartment buildings or detached villas in Taipei City, New Taipei City, Taoyuan City, and Keelung City, the company plans to develop mixed-use buildings and commercial office buildings in accordance with government policies on aging society and urban verticalization, as well as the development needs of the northern metropolitan area. Furthermore, considering the increasing demand for leisure facilities and real estate among the elderly population, the company is actively exploring the development and operation of leisure industries and retirement homes for senior citizens.

(II) Industry Overview

1. Current Situation and Development of the Industry:

The business operations of the company primarily involve commissioning contractors to construct residential complexes, commercial office buildings, office buildings with factories, and parking spaces for sale or lease. In terms of its business activities, the company operates in the real estate investment industry. The current state of the real estate investment industry is analyzed as follows:

The domestic real estate market has experienced a long period of recovery, although there have been occasional downturns and adjustments. Especially in emerging markets, the decline has been faster than expected, coupled with slow economic recovery in major economies, fluctuations in oil prices, and intensified financial market volatility, resulting in the global economy not reaching previous levels. While there were signs of recovery from 2019 onwards, the real estate market has been facing instability and slow recovery due to the impact of the US-China trade war, cooling cross-strait relations, changes in local election politics, and the COVID-19 pandemic. In 2020, the overall bargaining power of the domestic housing market expanded, prices stabilized with increased sales volume, and there were clear signs of sales rate stabilization. Many emerging regions showed a trend of increased activity, with the northern regions (Taipei, New Taipei) experiencing insufficient demand while the Taoyuan-Hsinchu region and the central-southern regions performed better. In 2021, as countries around the world expanded lending or relief measures to cope with the continued impact of the COVID-19 pandemic, ample liquidity resulted in significant increases in stock and housing prices, exacerbating inflation. Consequently, a substantial amount of capital flowed into the real estate market, creating a booming scene. However, in 2022, with the re-election of the governing party and the introduction of amendments to the Land Act, as well as a continued rise in interest rates, the real estate market faced another wave of setbacks.

Regarding the domestic real estate business environment, in 2020, the situation was characterized by a mixed market. Positive factors included a historically low interest rate in March 2020, with a reduction of one percentage point. In July 2020, the M2B (M2B: Monetary Aggregate of M1B and M2) reached a record high of 20.56 trillion NT dollars, indicating abundant liquidity. During the third quarter of 2020, more than 40% of consumers considered real estate investment to be a safer option, given the uncertainties caused by the COVID-19 pandemic, changing economic conditions, and the widespread phenomenon of inflation. Real estate was perceived as the best hedge against financial instability. However, there were also negative factors to consider. The development of the COVID-19 pandemic remained uncertain, and the timing of complete recovery and return to normalcy was unknown. Compared to the SARS epidemic, there was more resilience in the market, but the global economy experienced a significant recession due to the impact of COVID-19. Domestic economic growth faced downward pressure, leading to limitations on people's ability to purchase homes. The number of business closures and unpaid leave in traditional manufacturing and service industries, both domestically and internationally, increased, significantly affecting people's purchasing power. Furthermore, there were still over 80,000 surplus housing units nationwide that needed to be addressed, indicating a period of adjustment for the real estate market. However, in 2021, the global impact of central banks reducing interest rates throughout the previous year to stimulate the economy was felt. Mortgage interest rates reached historically low levels. Additionally, as a result of various relief plans implemented by major countries worldwide, speculative funds flowed into emerging markets and commodity markets, causing severe inflation in the United States and significant fluctuations in Taiwan. In May,

there were concerns about inflation, with the Consumer Price Index (CPI) reaching 2.48%. A large influx of capital flowed into Taiwan's capital market, causing the New Taiwan Dollar to appreciate significantly to 27.5 NT dollars. Foreign capital poured into the real estate and stock markets. In the United States, encouraged by the reduction in surplus housing, housing prices soared, and in Tainan, the housing market experienced a 50% increase in five years, which was extraordinary.

Despite the global impact of the COVID-19 pandemic, we were fortunate that our government successfully controlled the situation. Although there were temporary outbreaks and economic recessions in April and May, the overall housing market in 2020 showed an upward trend in transaction volume and experienced a certain degree of growth. In the land market, the entrance of self-use buyers, developers, and life insurance companies continued to challenge historical highs. While some industries were affected by the pandemic, causing a stagnation in commercial activities and a decline in retail lease market performance, buyers remained active, resulting in significant increases in both prices and transaction volume. Overall, in 2020, the domestic real estate market was supported by ample liquidity, ultra-low interest rates, and the demand for value preservation and investment, resulting in simultaneous increases in both prices and transaction volume. However, by 2022, with the intensification of the US-China trade war, the ongoing conflict between Russia and Ukraine with no signs of resolution, severe global inflation, and countries worldwide raising interest rates, domestic rates also followed suit and continued to rise.

In early 2021, the domestic real estate market began to surge, attracting increased attention and stronger measures from the government to curb housing prices. In line with the policy of housing justice, several measures were proposed to strengthen the real estate market. While issues such as the hoarding tax remained controversial, other measures such as the implementation of Real Price Registration 2.0 and the integration of property and land taxes (Property and Land Consolidated Tax 2.0) were officially launched in July of the same year. The central bank also implemented its fourth round of selective credit controls, and the Ministry of the Interior introduced measures to suppress rising housing prices using a five-point strategy. Although the effectiveness of these policies was not significant, the government's various departments began implementing the "Comprehensive Plan for a Sound Real Estate Market" in 2022, and in early February 2023, the Average Land Rights Act was announced and is expected to be implemented soon. Under these expectations, the majority of high-priced metropolitan housing markets began to cool in the fourth quarter of 2022. It is anticipated that the real estate market will be driven primarily by end-users, and speculative activities will be significantly reduced.

In terms of the international economic situation, the US-China trade war is expected to become a prolonged and normalized conflict, making it difficult to return to the pre-war trade situation. The two major powers will continue to contend in areas such as tariffs, technology, and finance. The friction between the US and China has expanded, and following the second outbreak of the COVID-19 pandemic in China, the government's handling of the situation has been chaotic, leading to an acceleration of Taiwanese businesses returning to Taiwan. Therefore, the US-China trade war, industrial chain relocation, and industry transformation will continue to drive increased demand for commercial real estate in the industrial and commercial sectors in 2023.

After the beginning of 2022, the COVID-19 pandemic escalated in China, particularly in Shanghai, and wreaked havoc domestically and globally. Although the international economy has continued to recover due to measures such as loose monetary policies and fiscal stimulus in various countries, the pressure of inflation has deepened due to supply chain and transportation bottlenecks. Meanwhile, the ongoing conflict between Russia and Ukraine showed no signs of resolution, plunging the economy into darkness. The global supply chain, stock and bond markets, and oil prices experienced severe volatility. While the Taiwanese economy managed moderate growth in 2022, exports have been in decline for several consecutive months since 2023. After the outbreak of the Russia-Ukraine war in early 2022, global inflation accelerated, prompting countries to raise interest rates in response. At the same time, annual economic growth rate estimates were revised downwards. As a result, the US Federal Reserve raised interest rates by 1% in the first quarter, and the central bank in Taiwan subsequently increased policy rates by 0.25% in mid-March to dampen the momentum in the housing market. However, with the recent improvement in the COVID-19 situation and the lifting of restrictions in many countries, there will be a significant impact on both domestic exports and domestic demand. The future development of the US-China economic war, the situation in the Taiwan Strait, and the Russia-Ukraine conflict will undoubtedly become important factors affecting the changes in the domestic economy. Therefore, Taiwan's economic growth rate is expected to be conservative, with the central bank predicting a 2.21% economic growth rate for the full year of 2023.

In terms of the domestic real estate market, after the prosperous market in 2018 and 2019, both the number of property listings and transaction volumes increased. The overall sales rate also showed an upward trend. In 2021, sellers insisted on maintaining significant profits and raised prices accordingly. There was no room for price concessions. However, developers were affected by fluctuations in material prices, significant increases in construction costs, and government efforts to curb speculative activities. As a result, some developers started delaying new project launches, leading to a decrease in housing sales and transaction volumes. In response, the government implemented measures to control the risks of real estate credit by financial institutions, increase interest rates, and announced proposed amendments to the average land rights regulations in February 2023 to restrict speculative activities and impose heavy penalties on contract flipping. Some local governments also reached a consensus and began implementing measures to impose property hoarding taxes. It is believed that these measures will significantly curb speculative investment in the real estate market. However, whether there will be a breakthrough in transaction volume remains a key factor for future development.

In the fourth quarter of 2022, the national real estate index of Cathay Financial showed a decline in both prices and transaction volume compared to the previous quarter, indicating a declining performance of the housing market. The transaction volume decreased significantly compared to the same period last year, while the transaction prices increased moderately. Apart from the Tainan area, which still had a decent housing market performance, other regions showed a decreasing trend in recent months, and price growth momentum also slowed down. The global economic momentum continued to weaken. Since 2021, the United States has been greatly affected by severe inflation and has started raising interest rates accordingly. Other countries around the world have also made adjustments one after another. Therefore, the future prospects of major currency policies are still uncertain.

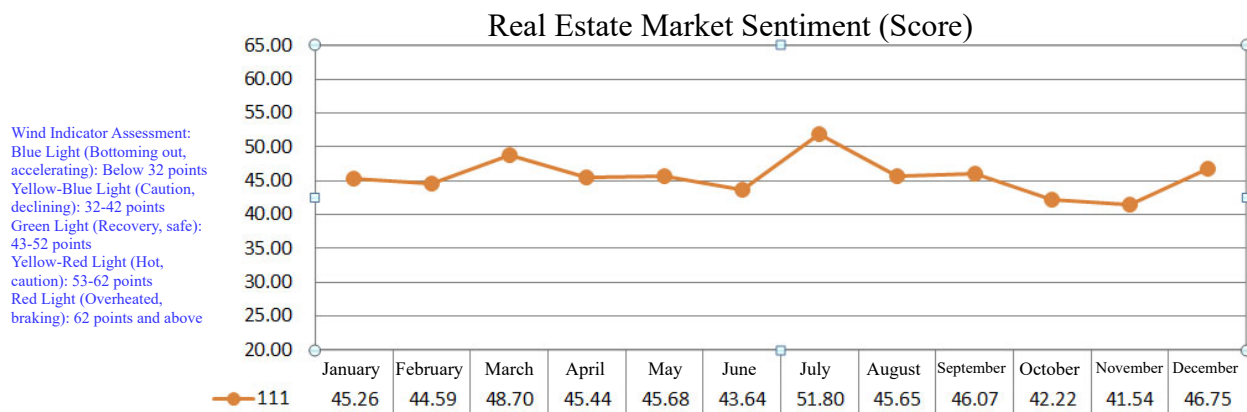
After the COVID-19 pandemic, the pressure of inflation has become evident. Going forward, new property launches will need to have outstanding locations, planning, and competitive pricing to achieve remarkable performance. While the residential market shows a slight increase in quantity and stable prices, the land transaction market has also become more active and growing. As for the commercial real estate market, due to China's unsuccessful control of the pandemic and a large number of Taiwanese businessmen returning home to purchase factories or homes, the market sentiment in 2023 is expected to be conservative compared to the previous year, but prices remain stable except for some overheated areas.

Overall, the performance of various cities and counties in 2022 was still good, and prices gradually increased. However, transaction volumes showed mixed developments. The areas north of Taoyuan and Hsinchu are still relatively low, while the central and southern regions are approaching or surpassing the previous peak levels. The overall real estate market was active throughout the year compared to the previous year, but these are short-term structural performances, and the subsequent developments are still being observed. However, with the central government continuously implementing various regulations on the housing market and the uncertainty factors of significant increases in raw material and construction costs, some developers have slowed down new project launches, resulting in a noticeable decrease in supply. Limited downward adjustments in housing prices and cautious market sentiment have led to the lowest transaction volume in five years, which should be closely monitored.

Observing the performance of the Cathay Real Estate Index in various regions throughout 2022, the new development market exhibited a pattern of stable prices and reduced volume. This has led to a gradual trend of simultaneous price and volume increases in some areas, supported by the rigid demand for self-use housing. However, the sustained upward trajectory of overall transaction prices and volumes remains uncertain. The domestic housing market faces uncertainties due to various factors, including the ongoing trade and economic tensions between China and the United States, the Russia-Ukraine conflict, tension in the Taiwan Strait, the easing of the COVID-19 pandemic, gradual reopening of countries, risks associated with the geopolitical presidential election, inflation, tightening of construction financing, interest rate hikes, the government's anti-speculation policies through amendments to average land right regulations, and the subsequent impact of post-pandemic developments. These factors are key determinants for the continued recovery of the residential market in 2023.

According to statistics from Housing Expo Magazine, the trend of the housing market indicator score throughout 2022 was positive, except for November, which showed a cautionary signal. Consequently, the housing market performed well throughout the year. Despite government measures to control an overheated market by implementing various regulatory policies and banks' cooperation with the central bank to raise mortgage interest rates for market control, the expansion of presale and newly completed housing projects and a steady inflow of potential buyers persisted. However, uncertainties arose due to significant increases in the costs of raw materials and construction, as well as project delays by some developers, resulting in a noticeable contraction in the new housing market. Buyers were apprehensive about substantial price hikes and demonstrated a clear inclination towards a return to the market at reasonable prices. Therefore, the second half of 2022 witnessed an optimistic market sentiment with a substantial return of buyers and rising prices. With developers adjusting prices and stabilizing the market, the housing market gradually moved towards stability. Additionally, several projects in 2022 achieved excellent sales results due to favorable locations and well-planned offerings at reasonable prices.

However, in early 2022, the Ministry of the Interior introduced stringent regulations to curb property speculation. These measures included the implementation, starting from July 1, 2021, of the revised version of the Integrated Housing and Land Tax 2.0 and the Real Transaction Price Tax 2.0. These policy reforms marked a groundbreaking change in Taiwan's real estate tax system. The most significant reform was the requirement to combine the taxation of transaction income from both housing and land and calculate it based on the actual transaction price. In the future, individuals selling properties within two years of ownership will face a high tax rate of up to 45%, equivalent to the rate for wealthy individuals. Sellers within five years of ownership will be subject to a 35% tax rate, while those within ten years will face a 25% tax rate. In addition to these changes, the introduction of a property hoarding tax, adjustments to the road section rate in property tax, and the increase in the standard unit price of properties signify a gradual increase in the property tax burden in the Taiwanese real estate market. The era of low taxation for real estate investment will become history. Furthermore, the revised Average Land Right Regulations will restrict speculative activities, imposing heavy penalties on the resale of pre-sale properties and imposing regulations on real estate brokerage practices. These measures, including amendments to the Real Estate Brokerage Industry Management Regulations, were passed in February 2023 and are expected to be implemented in the near future, greatly influencing the future dynamics of the housing market.



Source: Housing Expo Magazine, Taiwan Economic Research Institute Production and Economic Database, December 2022.

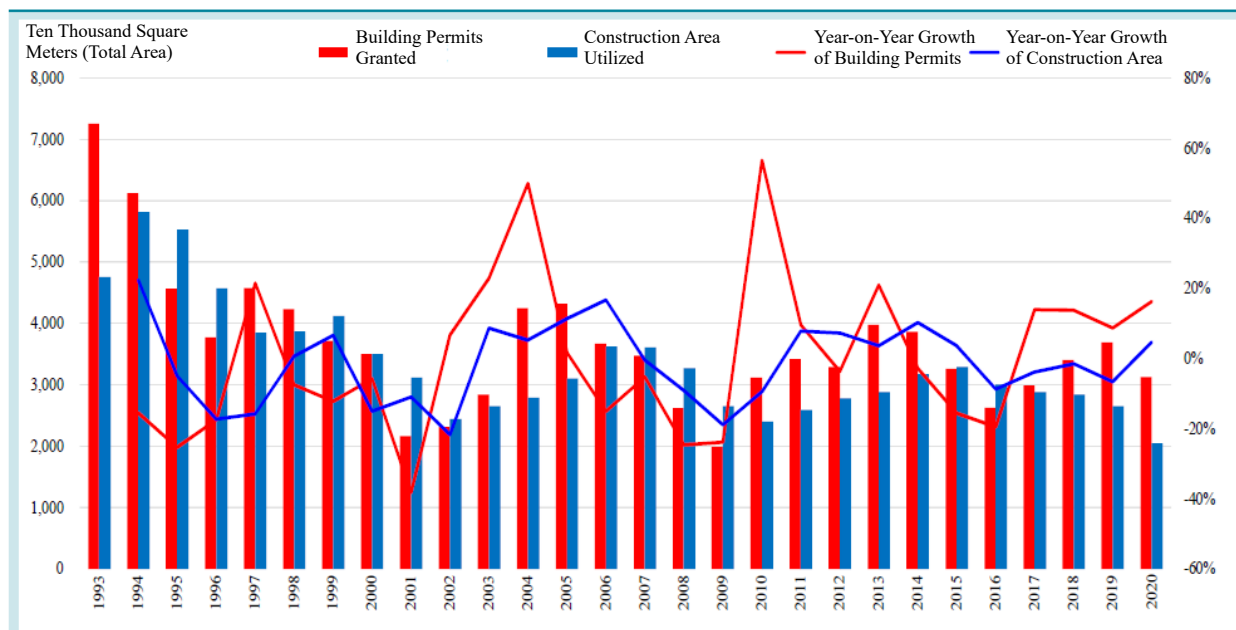
In recent years, due to the rising domestic housing prices and declining exchange rates, there has been a trend of Taiwanese people buying properties overseas. The wave of overseas property purchases has extended beyond Southeast Asia and Japan to various locations in Europe and America. The life insurance industry has also been affected as it faces difficulties finding domestic investment targets with satisfactory yields, leading to a significant outflow of funds to overseas markets with higher returns. All of these factors have had a significant impact on the domestic real estate industry. However, the government has recently been actively promoting urban renewal and accelerating the redevelopment of dangerous and old buildings. Since the re-election of the president in 2020, the government has introduced more favorable conditions. Additionally, the return of Taiwanese businesses from mainland China due to the impact of the US-China trade war, along with rising prices and the optimistic outlook on the domestic real estate market by developers and real estate experts, has led to the consensus that "boosting the economy" will be the most important development focus in the future. Despite the impact of the government's new Average Land Right Act Amendment, which aims to control speculation, homebuyers are still actively searching for properties in the face of rising prices.

In 2022, there was a significant increase in the number of new housing projects launched, but in March 2023, the central bank raised interest rates by half a percentage point. Due to significant price fluctuations and the impact of the international economy, particularly the US economic recovery and increased inflationary pressure, international hot money or capital may withdraw from emerging markets and flow back to the United States. Consequently, the value of the US dollar is gradually appreciating against the Taiwanese dollar, resulting in a situation where customers' funds are being diverted to the US for real estate investments.

Taking a comprehensive view of the domestic real estate market since 2020, the limited supply from developers reluctant to sell, coupled with the rise in raw materials and labor costs, has led to a reduction in selling pressure on houses. Developers have also aggressively priced their projects closer to the market, attracting first-time homebuyers seeking properties for self-use and investors looking to hedge against inflation. In 2022, many emerging redevelopment areas were developed and released, with prices continuing to rise reasonably. Self-use buyers were no longer hesitant and transactions continued. However, in 2022, the market will inevitably be affected by the US-China trade war, the Russia-Ukraine conflict, and the overall inflationary pressure. The continuous factors, such as Taiwanese businesses returning from China to purchase homes in Taiwan, will have a lasting impact. If key factors such as "strong brand reputation," "excellent location with development prospects," "reasonable pricing," and "flexible payment terms" are properly utilized, each project launch can achieve remarkable results, and some areas have even created a buzz with high prices. However, starting from 2023, with the global economic momentum slowing down and Taiwan's exports experiencing several months of negative growth, the central bank has revised down the annual economic growth rate to 2.21% to curb inflation expectations. At this time, various government departments have implemented measures to strengthen the real estate market, including the announcement of the Average Land Right Act Amendment. As a result, property transactions have significantly slowed down in an uncertain real estate market, and there are signs of declining prices in some areas that were previously overheated or subject to speculation.

Chart 3: Trends in Building Permits and Construction Area in Taiwan

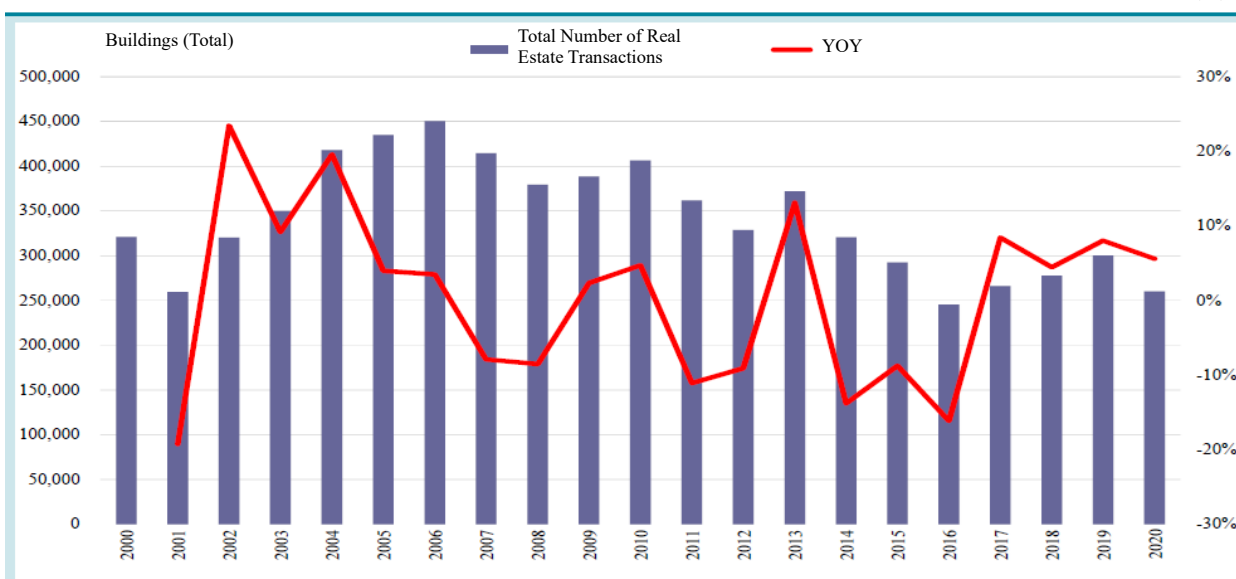
Unit: Ten Thousand Square Meters (%)



Source: Cmoney, compiled by Fubon Securities.

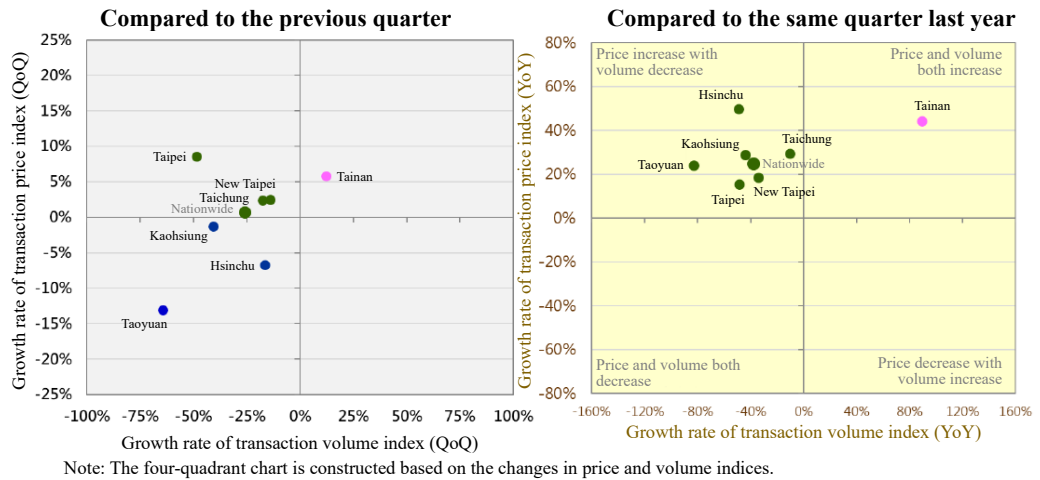
Chart 2: Trends in the Number of Real Estate Transactions in Taiwan

Unit: Households (%)



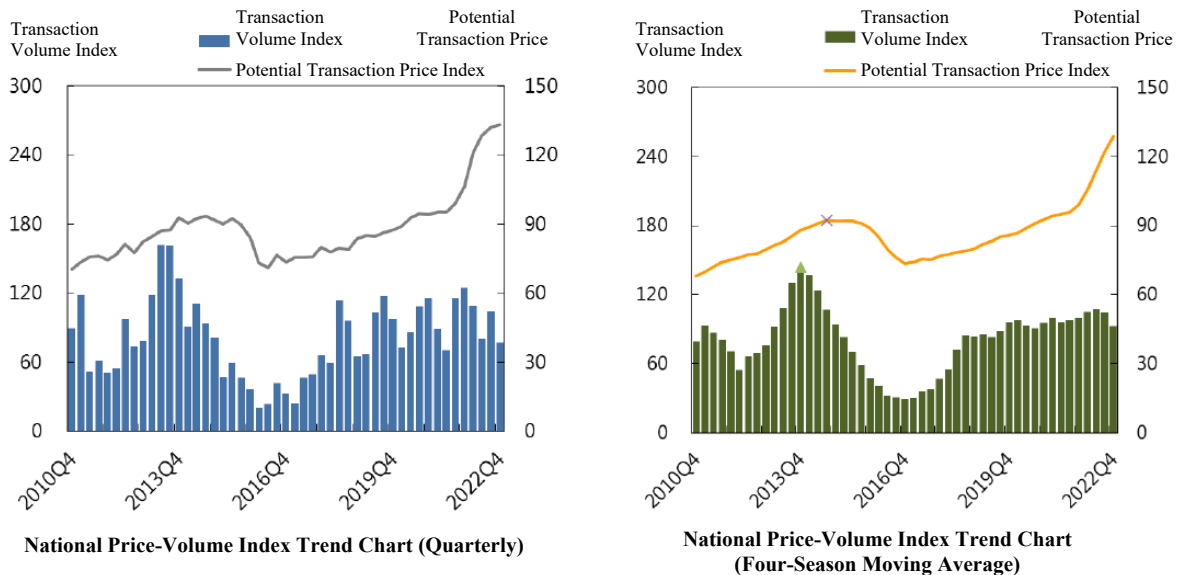
Source: Cmoney, compiled by Fubon Securities.

Upon reviewing the housing market performance since the fourth quarter of last year, there has been a noticeable decline in both prices and transaction volume. Following the arrival of spring in 2023, the domestic housing market has faced numerous negative factors such as uncertain economic prospects, central bank interest rate hikes, and the passing of the Average Land Rights Act. In addition, escalating construction costs and delayed project launches by developers have contributed to a cautious sentiment among buyers in certain regions, resulting in price adjustments and a significant drop in transaction volume, reaching a five-year low. After two years of consecutive increases, the pace of price growth has slowed down, but overall, due to the support of rigid housing demand, most areas have not witnessed significant price reductions and have maintained a certain level. Notably, there have been cases where prices and transaction volume have increased simultaneously.



- Compared to the previous quarter, transaction prices declined in Taoyuan, Hsinchu, and Kaohsiung, while they increased in other regions. Transaction volumes decreased in all regions except Tainan.
 - Compared to the same quarter last year, transaction prices increased across all regions. Transaction volumes decreased in all regions except Tainan.
- A four-quadrant diagram has been created based on the changes in the price-volume index.

Trend chart of Cathay National Price-Volume Index (Quarterly and Annually).



- Based on the long-term trend observed through the four-season moving average
- The current wave of transaction prices has surpassed the previous peak in the 2014Q3 period, indicating a continuous upward trend in prices.
 - The current wave of transaction volume is approximately 60% of the peak observed in the 2013Q4 period, with a slight recent decline.

According to Cathay Real Estate Index, the housing market has shown signs of decline in both prices and transaction volume since the fourth quarter of last year. When compared to the previous peaks in 2013 and 2014, the current wave has reached new highs in transaction prices across various regions. However, the transaction volume has exhibited divergent trends. The northern regions, specifically the areas north of Taoyuan and Hsinchu, remain relatively subdued, while the central and southern regions have surpassed the previous peak. Nevertheless, recent data indicates a downward trend in prices for Taichung and Kaohsiung.

Overall, the six major cities from north to south have experienced a decline in both transaction prices and volume compared to the previous quarter, with prices rising and volumes shrinking compared to the same quarter last year. The domestic housing market is facing several negative factors, including an uncertain economic outlook, central bank interest rate hikes, and the passage of the average land rights amendment. Additionally, rising construction costs and a slowdown in project launches by developers, coupled with limited price reductions, have resulted in cautious buyer sentiment and record-low transaction volumes. After two years of continuous price increases, the momentum of price growth has slowed down, and the overall market remains resilient due to strong underlying demand. The market continues to maintain prices above a certain level, and there are frequent cases of simultaneous increases in both prices and volumes.

Based on the above, the real estate transaction prices and volumes in Taipei City have declined compared to the previous quarter, while prices remained stable but with reduced volumes compared to the same quarter last year. It is worth noting that Taipei's projects are mostly located in prime areas or regions with development themes, with prices remaining above one million. Over 60% of the projects are priced at or above 1.1 million

NTD per unit. Despite a significant reduction in supply due to negative market factors, the mismatch in price expectations between buyers and sellers has resulted in slow turnover and near-seven-year low transaction volume. Overall, compared to the same period last year, prices remain stable, but transaction volume has significantly declined, indicating a weak performance in the housing market. In New Taipei City, prices remained stable with reduced volumes compared to the previous quarter, while prices increased but with reduced volumes compared to the same quarter last year. The project locations are mainly concentrated in areas such as Sanchong, Banqiao, Zhonghe, and Tucheng redevelopment zone, with the majority of projects priced at or above 600,000 NTD per ping (3.3 square meters), accounting for over 60% of the total projects launched. As long as the prices are set reasonably, the sales rate is relatively good. Compared to the same quarter last year, transaction prices have significantly increased, while transaction volume has reached a six-year low. The price-volume disparity indicates a weak performance in the housing market, requiring further observation. In the Taoyuan and Hsinchu regions, transaction prices have decreased compared to the same quarter last year, indicating a contraction in volume. The housing prices in the Hsinchu region have doubled within five years, demonstrating a favorable performance. However, recent market conditions have resulted in weaker sales volume and price levels. The performance of Taichung, Tainan, and Kaohsiung is relatively weaker compared to the northern regions. Transaction prices have experienced slight increases, while transaction volume has hit all-time lows, suggesting a price-volume disparity that requires further observation in the housing market.

However, it is expected that global supply chain bottlenecks will persist, the conflict between Russia and Ukraine will end, the escalating international prices of raw materials affected by the war will further intensify domestic inflationary pressures. The domestic real estate market is facing geopolitical risks, upcoming national elections for the president and legislators, inflation, rising interest rates, increased risk weights for real estate loans, continued government efforts to curb property speculation through policies such as the average land rights act, and the lifting of COVID-19 restrictions. The future development of these factors, whether they will become intermittent bombs, adds significant uncertainty to the outlook of the real estate market.

Comprehensive analysis: Firstly, in the residential sector, the housing market in 2022 continues to face pressure from excess supply that has not been relieved. In particular, the issuance of residential construction permits reached a 24-year high in 2019, indicating an excess supply in the housing market from 2022 to 2023. Additionally, the expiration of grace periods for housing loans, the unified property and land tax, and the completion of public housing projects will contribute to selling pressure and expansion. The Financial Supervisory Commission has imposed strict controls on banks' mortgage-to-loan ratios, and the impact of rising interest rates will continue, putting pressure on housing sales in 2023. However, this year's economic growth rate has slightly declined compared to 2022, which is conducive to strengthening people's motivation to purchase homes as a value preservation measure. The government also continues to implement various key policies such as elderly care and urban renewal, injecting new momentum into the housing market. Moreover, with countries worldwide injecting money to stimulate their economies, the market has abundant capital. Although mortgage rates have increased, the inflationary pressures caused by rising raw material prices create a sense of urgency among people to hedge against value depreciation, leading to continued real estate purchases and pushing up housing prices. Therefore, the domestic real estate market is still operating in a favorable environment. Overall, there is a chance that the overall number of property transactions in 2023 will surpass the 10-year moving average, and the annual growth rate will improve from the low level of 2020 to the median level, resulting in a slight upward trend in prices. The performance of commercial real estate can also be expected to remain positive, with overall higher vacancy rates and rental levels in the storefront leasing market in 2022 compared to 2021. However, the land market faces a high base period, and the potential three-year vacancy period for land rights cases in Taipei City may result in less favorable overall land transactions in 2023 compared to 2022.

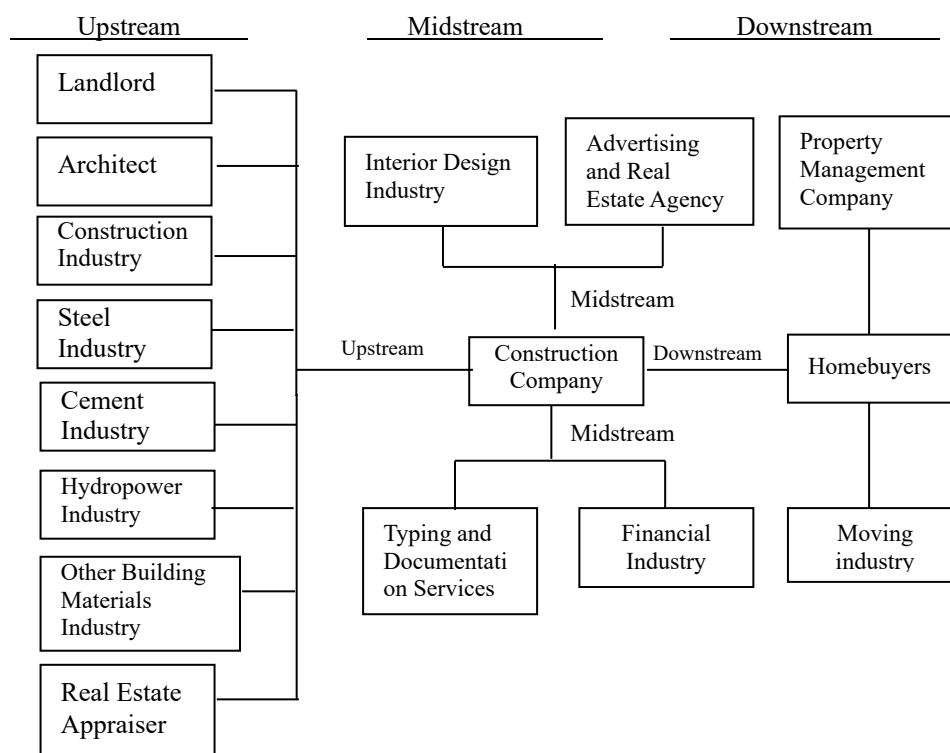
In summary, in February 2023, the Executive Yuan passed an amendment to the average land rights act, which restricts the resale and speculative behaviors of pre-sold houses and imposes severe penalties. It also prohibits sales using hunger marketing methods. In March, loans were once again raised by an additional 0.125%, reducing the momentum of real estate investment to control the upward trend of housing prices. However, these measures have not been able to suppress the rise in housing prices. Nevertheless, the good visibility of the commercial property and storefront rental prices, industrial plants, and other sectors to the economy, along with the continued upward trend in the residential market, will lead to a stable and upward housing market in 2023 with a balanced increase in prices and transaction volume.

2. Industry Upstream, Midstream, and Downstream Relationships :

In the real estate market, the upstream sector primarily consists of land and construction materials. The supply of land comes from private sources through sales or joint development, while state-owned non-public land is acquired through bidding. Additionally, land is obtained through urban renewal processes for redevelopment in older areas. As for construction materials, the availability of certain materials such as sand, gravel, and steel may be limited or imbalanced due to limited resources or insufficient production. There are also environmentally friendly technological building materials that incorporate new components such as nanomaterials through research and development. In summary, during the initial stages of development projects, architects are responsible for housing planning and design, while upstream materials include steel, cement, glass, stone, wood, mechanical and electrical components, hardware, tiles, and other related building material industries, which almost cover all basic materials for daily living. Emphasizing the design of living functions also incorporates facilities such as interior decoration, landscaping, community network construction, and security surveillance systems into an integrated structure.

In the downstream sector of the real estate market, there are mainly sales agents and intermediaries. In the past, there was more business collaboration between the construction investment industry and sales agents. However, in recent times, intermediaries have been actively seeking sales business, providing more diversified choices for developers. The construction industry has a wide range of related industries both upstream and downstream, with the construction industry playing a coordinating and integrating role.

Upstream and downstream industry relationship diagram :



3. Product Development Trends and Competitive Landscape:

The real estate market is characterized by its large scale, regional distribution, and the regional nature of its products. Therefore, the market competition is less adversarial between companies compared to other industries and mostly revolves around competition among regional cases. As homebuyers increasingly value living quality, the planning and utilization of space in individual projects have become important considerations when choosing a property. Construction quality is also crucial for building brand reputation, and customer satisfaction has become a key indicator of a company's competitiveness. Therefore, the development trends of future housing products will focus on refinement, humanization, practicality, ReaLy building practices, and the establishment of construction production records.

In addition to emphasizing land development, our company has spared no effort in enhancing the market competitiveness of our products, shaping product quality and image, and striving to obtain multiple awards to gain recognition from the market and customers

a. Product Differentiation, Segmentation, and Competitiveness

In addition to emphasizing land development, our company pays great attention to product planning, market positioning, and regional characteristics. We align our product offerings with the specific characteristics of each land region, designing appropriate products that integrate human-centric architectural concepts and incorporate concepts such as home networking and AI artificial intelligence. We have been implementing these concepts since our first project in 2002 and have received favorable feedback from customers.

Our sales cases include high-priced projects such as "ReaLy Prime" and "ReaLy Crystal Stack," as well as projects catering to the middle-class demand, such as "ReaLy e23," "ReaLy Heart's Delight," "ReaLy Spring," "ReaLy Expert," "ReaLy Changdang," "ReaLy Rich Spring," "ReaLy East Taipei," "ReaLy Qinghe," "ReaLy Abundance," "ReaLy Wish Villa," "ReaLy Royal Jade," "ReaLy Royal City," "ReaLy Fairyland," "ReaLy East Residence," and "ReaLy Jiukang." Each case is specifically tailored to its regional characteristics, setting unique product attributes and positioning to differentiate them from homogeneous offerings in the market. This approach enhances the competitiveness of our products and enables them to stand out in a highly competitive landscape, catering to the diverse needs of different customers.

Especially in the current uncertain economic situation and volatile pricing, our company launched projects in 2019 that target the needs of young people in the Wen Shan District of Taipei City, such as "ReaLy Fairyland," and a project in Qidu, called "ReaLy East Residence," which caters to the needs of first-time homebuyers. Furthermore, in early 2023, we will introduce a 14-story residential building named "ReaLy Jiukang," located near Muzha Elementary School in the Wen Shan District. The project will offer two-bedroom and three-bedroom units, featuring high standards, high pricing, and top-quality materials, creating an epidemic-resistant residence known as "ReaLy Jiukang." This product aligns perfectly with the post-pandemic needs of customers, local retirees, and young first-time buyers in the area.

In 2015, as wages continued to rise in China, Taiwanese businesses began to withdraw from the Chinese market and shifted their focus to Southeast Asia or returned to Taiwan. The demand for commercial office and industrial spaces gradually increased. Seizing the opportunity and understanding the trend, our company proactively sought industrial land for the deployment and construction of multi-purpose industrial office buildings. We also expanded our scale by investing in the construction of the three-dimensional industrial office building "Donglian New Century" in the Zhongli Industrial Park. Due to the excellent response and successful completion of this project, we gained confidence and proceeded to launch the "ReaLyfield

Zhongshan No.1 Technology Headquarters" in the Tucheng Industrial Zone in 2016, to supplement the company's income during the downturn in the residential market.

In 2019, we continued to meet market demands by introducing the "ReaLyfield Qianlong Industrial Office Zone" in the Longtan Wushulin Industrial Zone, which sold out with a total sales volume of over 1.4 billion yuan. Donglian Development also acquired land in the Taishan Mingzhi Road Section, intending to construct industrial office buildings. Furthermore, last year, our company commenced construction on "ReaLyfield Shunguang Tianda" on Jincheng Road in the Tucheng District of New Taipei City, with a pre-sale offering. This industrial office building occupies an area of over 1,000 square meters, consisting of eleven above-ground floors and two basement levels. It is strategically located adjacent to the Yongning MRT Station in the same area, and our company obtained over 3,000 square meters of industrial land, where construction will commence in 2023 to build two multi-story office buildings, comprising seventeen above-ground floors, seven floors, and two basement levels. The height of these buildings will make them a landmark in the Tucheng Yongning area, not only generating revenue but also enhancing the company's image and reputation. Simultaneously, during the same period, we acquired over 3,000 square meters of land on Zhongyuan Road in the Zhongli Industrial Zone, where construction has begun for a twelve-story office building with two basement levels. As a result, our company is recognized in the market as a pioneer and expert in industrial office building planning, and our chairman is referred to as the architect of industrial office buildings

b. Brand Image and Reputation

Although our company has been established for over 20 years, our workforce has significantly increased in a short period of time. We have gained a prominent position in terms of operational scale and reputation among listed companies. In particular, our products have always adhered to the design philosophy of "humanization, practicality, refinement, and marketability." We pride ourselves on launching products that have excellent locations, reasonable prices, and high quality. Over the years, we have received numerous architectural awards, including the 5th FULMO Architecture Award in 2004, the Architectural Golden Lion Award for "ReaLyfield Spring" in 2004, the National Architecture Triple Crown in 2007, the Taiwan Integrity Construction Award in 2007, the National Architecture Golden Lion Award in 2007, the National Architecture Golden Elephant Award in 2007, the Golden Image Award presented by the Chinese Business Science and Technology Economic and Trade Development Association in 2010, and the approval of the Building Development Industry Identification Logo by the Construction and Planning Agency of the Ministry of the Interior on January 1, 2013. Our ranking in the Top 5000 Service Industry Performance of China Credit Information has improved from 146th place in 2008 to 15th place in 2009, as well as being ranked 45th in the construction investment industry. In November, we received the Taiwan Integrity Construction Award, Architectural Golden Elephant Award, and Architectural Golden Lion Award, and also won the Special Jury Award (Golden Lion Award First Prize). In 2017, we achieved the triple crown award of Taiwan Integrity Construction and the National Architecture Golden Award with the case of "ReaLyfield Zhongshan No.1." Furthermore, in 2019, "ReaLyfield Dongju" and in 2022, "ReaLyfield Shunguang Tianda" both received the National Architecture Golden Award and the Taiwan Integrity Construction Award, achieving the triple crown. These accolades not only boost the confidence of our colleagues but also contribute to our company's brand recognition, visibility in the capital market, customer trust, and ultimately enhance our competitiveness in the real estate industry.

(III) Technological and Research & Development Overview

Our company operates in the real estate development industry, primarily engaged in investing in and constructing residential properties. According to regulations, we are not allowed to engage in construction activities directly. Instead, we subcontract the construction projects to qualified contractors. As a result, our company does not engage in construction activities but focuses on land development, product planning, and design, which differentiates us from traditional manufacturing industries. We do not have a dedicated department for product research and development, and therefore this section does not apply.

(IV) Long-term and Short-term Business Development Plans

1. Short-term Business Development Plans:

- a. Land Development Plan Our company primarily focuses on developing residential and commercial land within the metropolitan area from Hsinchu to Keelung. We prioritize selecting prime locations with convenient transportation access and aim to offer products that meet market demands, including excellent location, reasonable pricing, and high quality.
- b. Business Development Plan Recognizing the risks associated with relying on a single product market, we differentiate our products by incorporating diversified, user-friendly, and refined designs. In addition to continuing to launch residential high-rises and detached houses in northern Taiwan, we also develop investment apartments, factory offices, and commercial office buildings in the metropolitan area of the north. We emphasize providing satisfactory after-sales service to ensure competitiveness.
- c. Construction Management Plan We stay updated with the latest market information and align it with market characteristics and product strategies. We adopt innovative construction methods and materials to enhance construction quality, control project budgets, maintain progress, and meet scheduled delivery dates.
- d. Enhancing Operational Efficiency We implement a responsibility-based management system that emphasizes employee pride and a sense of accomplishment. We emphasize getting things right the first time and strengthen operational efficiency.
- e. Adhering to our consistent approach, we collaborate with reputable sales companies and implement comprehensive marketing strategies to achieve good results during pre-sales periods. We aim to sell all completed units promptly, maintaining our longstanding practice of having no unsold inventory.

2. Long-term Business Development Plans:
 - a. Land Development Strategy In recent years, the prices of government-owned land have reached new highs, leading to landowners becoming reluctant to sell and increased operational risks. In addition to adopting a gradual growth model by acquiring development land through direct purchase or joint ventures, we actively seek opportunities to develop old urban areas through urban renewal and rebuilding projects.
 - b. Business Development Strategy Regarding residential properties, we respond to the aging population and the increasing popularity of leisure and wellness concepts by timely entering the leisure and wellness real estate market. In addition to continuing to launch products in the metropolitan area of northern Taiwan, we plan to introduce affordable and mass-market products in suburban areas in line with government policies to provide more options for middle- and low-income families, alleviating the burden of high housing prices. Regarding factory offices, we actively attract Taiwanese businesses returning from abroad and seek suitable land for constructing multi-story factory office spaces in northern Taiwan, creating a vibrant tech park that not only generates additional income for the company but also serves as a base for small and medium-sized startups with aspirations.
 - c. Engineering Management Strategy We study engineering information management systems and establish comprehensive construction management standards and guidelines, introducing standardized operating procedures.
 - d. Brand Development Strategy We create added value for our brand by developing age-friendly and eco-friendly residences. We emphasize integrating digital, technological, safety, non-toxic, environmentally friendly, energy-efficient, and humanistic and literary services to combine our company's brand with high-quality buildings.

II. Market and Production Overview

(I) Market Analysis

1. In recent years, our company has primarily focused on selling housing projects in the northern regions of Taipei, New Taipei City, and Taoyuan. The following are the housing projects we have launched in recent years :

Promotion Year	Region	Project Name	Product Type	Number of Units
2011	Zhongshan District, Taipei City	ReaLy Crystal Pavilion	Residential Tower	61
2011	Taoyuan District, Taoyuan City	ReaLy Wish Villa	Detached House	32
2013	Nuannuan District, Keelung City	ReaLy Royal Jade	Residential Tower	118
2014	Xizhi District, New Taipei City	ReaLy Royal City	Residential Tower	107
2015	Tucheng District, New Taipei City	ReaLy No. 1 Technology Headquarters, Zhongshan	Industrial Factory Office	49
2016	Taoyuan District, Taoyuan City	Donglian New Century	Industrial Factory Office	59
2019	Wenshan District, Taipei City	ReaLy Fairy Trail	Residential Tower	39
2019	Qidu District, Keelung City	ReaLy East Residence, Zone A, B, C	Residential Tower	158
2019	Longtan District, Taoyuan City	ReaLy Qianlong Factory Office Zone	Industrial Factory Office	63
2022	Tucheng District, New Taipei City	ReaLy Light World	Industrial Factory Office	40
2023	Wenshan District, Taipei City	ReaLy Jiukang	Residential Tower	56
2023	Tucheng District, New Taipei City	Yongning MRT Station, Exit 1	Industrial Factory Office	142
2023	Zhongli District, Taoyuan City	Zhongli Industrial Zone, Zhongyuan Road	Industrial Factory Office	158
2024	Taisan District, New Taipei City	Section 1 of Mingzhi Road	Commercial and Industrial Factory Office	In the process of applying for building permits.

Note:

1. The number of households refers to the total number of residential units in each housing project.
2. The "ReaLy Sunlight World" project is located near Exit LG12 of the Tucheng MRT Circular Line. Construction began in September 2022, and sales were initiated to the public.
3. The "ReaLy Everlasting Health" project is developed under the "Renovation for the Elderly" program. Construction began in May 2022, and sales were initiated in January 2023.

2. Market Share :

Since its establishment in 2001, our company has primarily focused on developing housing projects in the northern region of Hsinchu and beyond. We have entrusted construction contractors to build affordable housing as our main business. Due to our continuous engagement in land development and keeping a close eye on market trends to timely introduce new projects, coupled with rigorous construction standards and a commitment to maintaining a well-defined market positioning and reasonable pricing, our sales volume is based on thorough market research rather than pursuing high sales volume or market share. Consequently, even though our sales volume and market share may not be substantial, our overall gross profit margin remains at a considerable level.

In 2014, the "ReaLy Sunlight Palace" project launched in Xizhi area achieved a total sales amount of approximately 1.4 billion, capturing a market share of 13.31%. In 2015, the subsidiary in Zhongli District, Taoyuan City, launched the "Donglian New Century" project with a total sales amount of around 1.3 billion. Additionally, in 2016, we introduced the "ReaLy Sunlight No. 1 Technology Headquarters" project in the Tucheng Industrial Zone of New Taipei City, which achieved a total sales amount of approximately 1.3 billion. These projects are notable for their rare sales of industrial factory buildings within the Zhongli and Tucheng industrial areas.

In April 2019, the "ReaLy Sunlight East Residence" project in Keelung Qidu was launched, with a total sales amount of 1 billion for residential units. It is the largest-scale project in Qidu District, accounting for over 60% of the local market share. In 2020, the "ReaLy Sunlight Qianlong Factory Office Zone" project was built in Longtan District, Taoyuan City, becoming the first multi-story factory office building in the local area. In 2022, the "ReaLy Sunlight World" project, with a sales value exceeding 1 billion, was launched in Tucheng and received significant attention for its product offerings and sales performance. In 2023, the "ReaLy Everlasting Health" project, a 14-story high-end epidemic prevention residential building, was introduced in the Wenshan District of Taipei City. Its construction quality and building materials have set new standards in the area. In the latter half of 2023, we will launch two buildings, one with 17 stories and the other with 7 stories, totaling approximately 5 billion in sales, adjacent to the Yongning MRT station in Tucheng. Additionally, in the same year, we will introduce another factory office building on Zhongyuan Road within the Zhongli Industrial Zone of Taoyuan City, with a total sales value exceeding 5 billion. This project is expected to create another sensation in the Taoyuan housing market following the successful completion of the "Donglian New Century" project.

3. Future Supply and Demand Situation and Growth Prospects in the Market :

With the advent of heavy real estate taxes and rising oil prices, the appeal of investing in real estate as a value-preserving asset has diminished. This has led to a gradual weakening of the investment attractiveness of the real estate market and an increase in market uncertainty. Investors have begun to shift their funds to other instruments. These factors have contributed to a deteriorating environment and market conditions for real estate businesses. After years of uncertainty in the real estate market, the government has gradually implemented more lenient policies.

Although the real estate market has seen a slight increase in project scale due to incentives such as the increase in volume incentives for government-reconstructed old houses and the adjustment of land values in the northern regions in 2017, the overall market sentiment remains weak, indicating that the overall transaction volume is still at a low level. It was not until the second half of 2017 when the government increased the minimum wage and salary increments for military and civil servants that developers began to offer discounts, which helped dispel the gloom that had plagued the real estate market for many years. This situation continued until early 2019 when the market experienced a surge in demand from owner-occupiers. However, starting in early 2020, the global outbreak of the COVID-19 pandemic led to a more conservative real estate market, supported mainly by resilient demand for self-use residential properties.

However, due to successful government efforts in controlling the pandemic and significant monetary injections by governments worldwide to stimulate the economy, the real estate market has been optimistic since 2021. Prices have remained stable and continued to rise. Simultaneously, starting from 2022, there has been a continuous surge in raw material prices and inflation, prompting people to invest heavily in the real estate market to preserve value and savings. Despite the government's attempts to curb the market, the desire of buyers to purchase properties remains strong. Thus, in February 2023, following the implementation of the consolidated real estate tax policy, the Executive Yuan passed various regulatory measures, such as the amendment to the Average Land Right Act. Although these measures may have temporary effects, they have been unable to dampen the market development driven by customers' desire to preserve value and the rigid demand for self-use properties.

In the office leasing market, the office leasing market itself experienced a significant slowdown in new supply. According to a report by Cushman & Wakefield in the fourth quarter of 2022, the vacancy rate of Class A office spaces in Taipei City was 3.8%, a slight increase of 0.1% compared to the previous quarter. The main reason for this increase was the impact of insufficient market supply. Looking at the overall vacancy rates in various districts of Taipei City in 2022, there were fluctuations, but the market as a whole still maintained a low vacancy rate. The leasing market continued to see a small but steady increase throughout the year, while other regions remained stable. As for rental prices, businesses in Taipei City adjusted their sizes and expansions in response to the pandemic, resulting in a slight increase in rental prices. In the current quarter, rental prices increased by 0.4 percentage points compared to the previous quarter, with an average monthly rental price of NT\$2,640 per ping. Among them, the highest rental prices were in the Xinyi District, averaging NT\$3,270 per ping per month. There were also reported transactions of higher floor rental prices exceeding NT\$4,000 per ping per month.

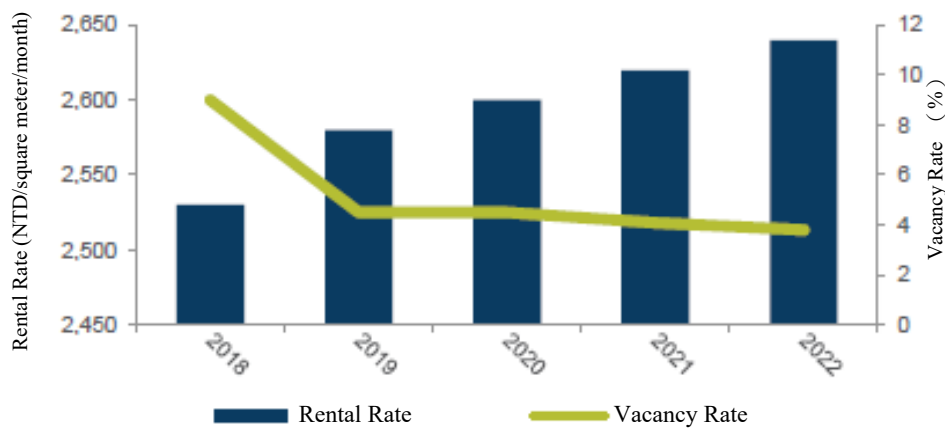
In terms of the land market, the transaction volume in the fourth quarter contracted by a total of NT\$29.38 billion, a decrease of 36.5% compared to the same period last year. Given the likelihood that the U.S.-China trade war will become a long-term and normalized trend, coupled with various government initiatives such as the development of industrial parks and incentives for three-dimensional volume in industrial areas, it is hoped that there will be growth in investment. Under the encouragement of the Executive Yuan's initiative to welcome Taiwanese businesses back to invest in Taiwan, and with factors such as the Russo-Ukrainian war, the U.S.-China trade war, industrial chain reshuffling, and industrial transformation, the overall market environment and international economic situation remain uncertain. Moreover, the interest rate cycle is ongoing, leading to a more cautious investment attitude from buyers, while sellers are reluctant to loosen prices. Looking ahead to 2023, the demand for commercial and industrial office spaces is expected to be conservative, although there is still residual warmth in short-term transactions.

In the post-pandemic era, some companies have implemented a combination of physical and remote work, adopting a hybrid office model. The area and lease term of office spaces are also being approached flexibly. This has become a new trend in the factory office rental market, with business centers and shared offices being the most prominent. They can provide customized leasing arrangements and flexible usage spaces, making them highly popular and becoming a new development target in the market.

In 2023, newly constructed Class A high-rise buildings in various districts of Taipei City will enter the market, driving significant increases in rental prices and demonstrating a stable demand trend. However, some traditional office tenants choose to renovate and downsize, but the majority still prefer to move to high-quality offices in line with contemporary office needs and to enhance their corporate image, resulting in a scarcity of office spaces that meet the ideal and expectations of business owners.

2022 Q4 Rental Prices and Vacancy Rates for Office Buildings in Taipei City (New Taiwan Dollars / per ping / per month)

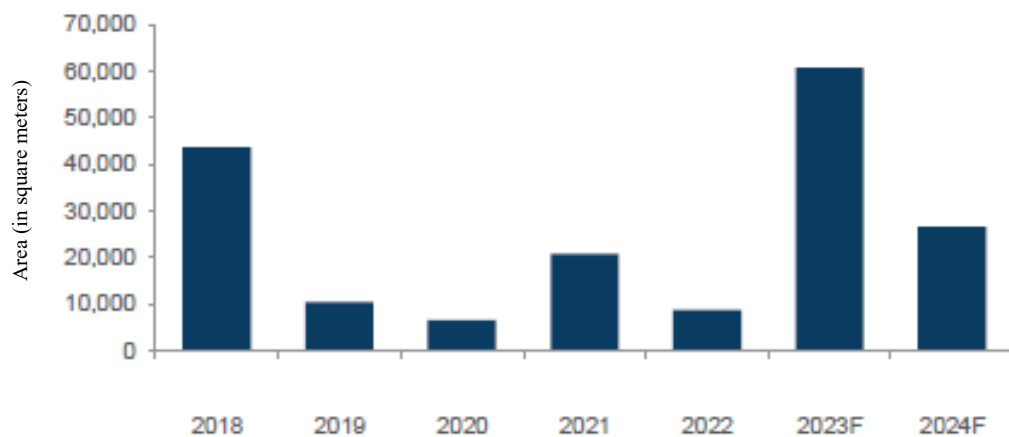
Rental and Vacancy Rate



Source: Research Department of Cushman & Wakefield

Future Supply Outlook

New Supply



Source: Research Department of Cushman & Wakefield

Overall, commercial real estate relies on self-use demand to support the market, particularly in the office and industrial sectors. The land market has shown promising performance, with developers remaining as the primary buyers. In 2020, land development in Taipei's prime areas was mainly focused on land leasehold rights, including two major projects: the World Trade Center 3 and Cathay Life Campus. As expected, the life insurance industry actively entered the market. The investment market surpassed the milestone of 150 billion NTD in 2021, with a 14.3% growth in annual transactions compared to the previous year. In the fourth quarter, investment amount grew by 40.8% compared to the previous quarter, primarily driven by self-use demand. Within the continuous driving force of industrial dynamics, factory buildings and industrial plants accounted for 85.1% of the total transaction volume, making the largest contribution in terms of investment amount throughout the year. REITs and life insurance companies also strategically deployed significant capital in office buildings. Benefiting from the global industrial chain restructuring due to the US-China trade war, foreign firms increased their investments in factory buildings. Taiwan Microsoft Operations Company also purchased a large amount of land in Nankan Industrial Park for the construction of industrial plants, leading to remarkable transactions in factory buildings and industrial plants in 2021, with transaction amounts significantly surpassing the levels seen in 2018. With the booming development of e-commerce, the retail industry, both online and offline, has shown strong demand for warehousing and logistics. It offers long-term stable income characteristics, making it particularly favored by institutional investors. The primary focus for purchasing warehousing locations is the logistics hub of Taoyuan City. Please note that the translation is provided for general understanding and may not capture the full nuance and context of the original text.

In general, the real estate market has experienced various trends in recent years. It reached its peak in 2013, underwent a reversal in 2014, showed signs of fatigue in 2015, and continued to decline in 2016. It hit a low point in June 2017 and gradually began to recover in early 2018. The market was briefly impacted by the COVID-19 pandemic in 2019 but showed a slow upward trend from 2020 to 2022. In 2023, the market started to experience

stagnation or a decline in sales, but prices, except in some notable areas, did not show any significant downward adjustment. (1) Transaction prices in the six major cities grew compared to the same period last year. (2) After the spring season, the number of visitors for presale and second-hand property viewings decreased, but it did not affect the overall transactions. Taipei City and New Taipei City, particularly Xindian, Banqiao, Zhonghe, and Tucheng, had good sales performance. (3) The presale market in the six major cities has seen a significant number of rigid demand buyers, including owner-occupiers and long-term investors. (4) The government continues to promote measures such as urban renewal, redevelopment of old buildings, and the construction of social housing. (5) Local governments have recognized that excessive tax increases are burdensome for the people, and they have taken steps to slow down the pace of tax hikes. As of July 1, 2021, policies such as the Comprehensive Real Estate Tax 2.0, Actual Transaction Price Taxation 2.0, interest rate hikes, and the Average Land Rights Act Amendment and Real Estate Brokerage Management Act were implemented in 2023 to curb speculative activities in the real estate market. (6) Due to government regulations and measures to combat inflation, bank interest rates are expected to rise, which may affect the economic recovery and purchasing intentions.

Currently, the reasons for the rise in property prices in the real estate market include increased material costs due to the Russia-Ukraine conflict and a slowdown in developers' project launches. Another significant factor is the entry of high-tech clientele making substantial purchases in the real estate market. In the future, if there is global fund tightening or an increase in loan interest rates, it will primarily affect the transaction volume in the housing market, with minimal impact on market prices. Therefore, when the psychological factors related to expected inflation diminish, it is expected that the Taiwan real estate market in 2023 will experience a gradual price increase and a steady rise in transaction volume.

4. Competitive Advantages:

The competitive advantages of our company are as follows:

a. Carefully selected and integrated building sites.

Our company possesses keen land development capabilities. Our research and development department regularly collects real estate data to strengthen our land sources and improve the quality of building sites. The acquisition of land by our company can be done through various methods such as buying and selling, joint development, and bidding.

We operate through joint development or self-development models. Depending on the considerations of landowners' willingness to sell, integrating landowner opinions, and the scale of funds, some projects are carried out through partial joint development, while others are developed through self-development due to landowner selling intentions or participation in government unit auctions.

b. Understanding market demand and rigorous design planning.

To establish a high-quality brand image in the market, our company focuses on the characteristics of the surrounding environment, customer needs, and relevant building regulations to create the best development plans. After acquiring land, we consult professional architects, refer to market research data, and plan the positioning of the products. We bring together professional architects, designers, and structural engineers to collaboratively design the products, ensuring meticulous planning that meets consumer expectations.

c. Precise operational strategies.

① Stable project promotion: In response to the impact of economic cycles, our company aims to maintain a low debt and zero unsold inventory policy. We promote projects steadily, relying on our own funds, avoiding overleveraging and excessive financial risks that could burden the company and shareholders.

② Selective land acquisition: Our company has always carefully selected land acquisitions, avoiding speculation and excessive expansion of land inventory. This not only reduces the pressure on capital costs but also lowers the financial risk in case of an economic downturn and imbalanced cash flows.

d. Concrete and feasible management systems and efficient decision-making models.

① Joint investment development strategy

By utilizing joint investment construction strategies, we collaborate with large and financially sound peers to jointly invest in land acquisition. This not only reduces the risk of capital investment in construction but also allows us to purchase larger plots of land or obtain more favorable land acquisition conditions and financing quotas through joint funding.

② Joint development strategy

Joint development strategies help reduce the payment of land costs, decrease the accumulation of capital costs, and relatively reduce reliance on bank financing.

③ Non-accumulation of inventory strategy

The real estate market has entered a mature period, where expertise is the best competitive advantage. Through proper planning and construction techniques, we aim to generate reasonable value-added and product differentiation. Therefore, our company will not accumulate land in order to expand operational scale, which would tie up funds and create pressure to promote projects hastily, resulting in significant unsold inventory. We will introduce projects with an appropriate capital scale to ensure smooth sales and avoid accumulating excess inventory.

④ Efficient capital utilization strategy

Our company is sensitive to interest rate fluctuations and proficient in understanding interest rate trends. We borrow and repay timely to reduce interest burden. In the future, we will maintain an appropriate ratio of self-owned funds to mitigate operational risks and adapt to changes in market interest rates, ensuring access to stable and low-interest funding.

e. Excellent management team.

Our company's management team has over 20 years of experience in the construction and investment industry. They possess rich and insightful experience in adapting to product changes, land policies, financial policies, and building regulations. Since the establishment of the company, all project promotions have adhered to a steady operational strategy, unaffected by market fluctuations.

As a construction company, our company is not allowed to engage in construction operations according to the regulations of the Building Act. Therefore, all construction projects are contracted to our subsidiary, Yao Ren Construction. The construction management personnel are stationed at the construction sites to supervise and control the construction quality and progress effectively.

Yao Ren Construction has accumulated years of construction experience and has implemented the following construction methods and new building materials to improve and meet the engineering needs of various projects :

- ① Diaphragm wall construction method: This method involves constructing a continuous wall with uniform thickness in the ground. It is primarily used for deep foundation excavation to ensure safety during the excavation process and the protection of adjacent buildings due to its high strength, stiffness, uniformity, and waterproofing properties.
- ② Ground improvement works: If the main soil layers in the project area are weak or soft clay, ground improvement works are carried out using solidification materials to enhance the geological conditions of the development area. This is to cope with the increasing number of high-rise buildings in the Taipei metropolitan area while ensuring the safety of nearby buildings during construction and protecting the newly constructed structures.
- ③ Implementation of various fire-resistant building materials and updated use of high-performance fire protection equipment to meet the requirements of building safety and automation.
- ④ Integration and standardization of construction planning and completion procedures to ensure construction quality and enhance the overall construction standards of buildings.

f. Strong brand image and on-demand after-sales service. Emphasis on construction quality:

Upholding the principles of "professionalism, innovation, service, and integrity," we provide cost-effective products and excellent after-sales service. We adopt a cautious and prudent approach to the development of hillside areas to maintain our brand reputation, safeguard consumer rights, and reduce disputes with buyers.

g. Understanding the market and customer preferences, always prepared for the future.

When the market undergoes price adjustments and sluggish sales of residential high-rise buildings, our company promptly adjusts its land acquisition strategy. For example, even before the government proposed initiatives to encourage Taiwanese investors to return and invest, we started launching industrial factories and achieved successful sales. Currently, we actively participate in the government's incentive programs for the development of updated industrial zones, launching new projects accordingly.

5. Factors and strategies related to the advantageous and disadvantageous aspects of the development vision:

(1) Advantageous factors:

a. Real estate remains an important investment tool for domestic residents.

According to statistics from Yung Ching Realty Group, although real estate as an investment tool has not reached its peak level, it still ranks among the top three important investment instruments for Taiwanese people in the fourth quarter of 2021, along with gold, stocks, and futures. This ranking is higher than funds and bonds, foreign currency, overseas real estate, investment-linked insurance policies, and NT dollar deposits, indicating that domestic residents still consider real estate as an important investment tool.

b. Government's strong promotion of urban renewal and accelerated reconstruction of dangerous and old buildings.

Since the government passed the Act Governing the Elimination of Urban Renewal Obstacles in August 2017, followed by the amendment of the Urban Renewal Act in May 2018, and the establishment of the Taiwan Financial Joint Urban Renewal Services Corporation by the eight major state-owned banks and Taiwan Gold Union, as well as the establishment of the National Housing and Urban-Rural Development Center in August 2018, it is expected to stimulate the elimination of old buildings. The industrial zone renewal and three-dimensional development plan was introduced in March 2018, and local governments began promoting it vigorously in 2019. As of 2022, there are still incentives for the volume of dangerous and old buildings, although not as favorable as urban renewal incentives, the reconstruction process is simpler, and the review is faster, which can stimulate the revitalization of small and medium-sized old properties.

d. Incentives for urban renewal contribute to the revitalization of renewal areas.

According to surveys and statistics, the homeownership rate in Taiwan has reached 86%, with over 75% of consumers owning houses built before 1981, which are now considered aged properties with over 30 years of history. These properties no longer meet the current needs of consumers in terms of space utilization, building materials, equipment, and structural safety. Additionally, the Tainan and Hualien earthquakes have raised concerns about soil liquefaction and building collapses. Therefore, through urban renewal, the pace of house replacement can be accelerated. The number of consumers waiting to replace their old houses each year does not decrease. This segment represents an important fundamental demand and support for the real estate market.

- e. Continued pressure from rising prices:
In 2022, both domestic and international prices experienced a significant increase, leading to the highest inflation in recent years. In the post-pandemic era, countries are releasing large amounts of stimuli to revitalize their economies, which further contributes to inflation. Real estate is considered an important investment to counteract the effects of rising prices.
- f. International buyers entering the Taiwanese real estate market:
Taiwan's economy has been performing well under effective government control of the COVID-19 pandemic. Foreign funds have been flowing into Taiwan, making it a hub for cross-strait flows of people and goods. International capital is also being channeled through Taiwan into mainland China, which not only stimulates the Taiwanese real estate market but also has a positive impact on property sales. Additionally, in the post-pandemic era, there will be a surge in revenge travel by tourists, and Taiwan has become their preferred destination. This will not only revive Taiwan's tourism industry but also potentially drive-up prices for commercial office buildings, storefronts, and leisure facilities, benefiting the real estate market.
- g. Higher domestic economic growth in 2022:
The COVID-19 pandemic did not significantly affect the economy in recent years, and global economic conditions have started to improve after the introduction of vaccines. Countries are also implementing stimulus measures, which have positive implications for the housing demand of domestic residents.
- h. Opening of new metro lines supporting regional market trends:
Since the opening of the Kaohsiung MRT Red Line - Kaohsiung Station (permanent station) in September 2018, the Taipei MRT Circular Line from New Taipei Industrial Park to Dapinglin in 2019, the Danhai Light Rail ReaLy Mountain Line from Tamsui to Kanding in December 2018, and the An-keng Line in March 2023, there are still remaining sections of the Taipei area's third circular line and the Kaohsiung MRT Circular Light Rail from Hamasen to Lizi. These developments are expected to bring positive effects to regional market trends. For example, Fubon Life Insurance acquired a large plot of land near the "Aozaidi Station," which not only benefits from the Red Line of the MRT but also connects to the construction of the Circular Light Rail, linking to the art district. This is expected to attract tourists and generate development momentum for the surrounding real estate market.
- i. Influx of hot money:
In 2022, countries around the world released a significant amount of stimulus to mitigate the impact of the post-pandemic era. Most of this hot money flowed into emerging countries. Taiwan has managed the situation relatively well under government efforts and has proposed several economic development plans. Although short-term growth was affected by the US-China trade war and did not meet expectations, the market is flush with funds. With interest rates still within an acceptable range, idle funds can only be invested in the housing market to preserve value and protect against inflation, which is a significant advantage for real estate investment.

(2) Negative Factor :

- a. Difficulties in acquiring prime land and rising construction costs hinder real estate development:
Land is a fundamental raw material for construction, and in Taiwan, most of the land is hilly or mountainous, limiting available land for development. Furthermore, developers have been active for many years, resulting in a scarcity of land with development potential. Additionally, the repatriation of Taiwanese businesses requires large plots of land, and landowners are reluctant to sell, leading to a situation where land supply falls short of demand. The government's land auction prices have also repeatedly reached new highs. Moreover, as the price level and wages fluctuate, construction costs have been steadily increasing, with a rise of over 30% in 2022. The upward trend in construction costs negatively affects real estate development, particularly for lower-priced properties.
- b. Selling pressure from the expiration of grace periods for mortgages:
According to statistics from the Yung Ching Realty Group, if we estimate that around 30% of those who purchased pre-sale properties in 2014 had a three-year grace period for their mortgages, approximately 54,700 households will face the expiration of grace periods between 2019 and 2020. Starting from 2021, these households will experience pressure to repay their mortgages, which could lead to selling pressure. However, due to increased customer caution amid inflation, there hasn't been a significant increase in selling pressure, and price adjustments have been limited.
- c. Slowing number of proxy sales in northern Taiwan, reducing selling pressure:
In 2020, the sales period for individual cases in northern Taiwan was shortened, and the clearance of remaining unsold inventory accelerated. Although there has been an increase in new projects in major redevelopment areas, resulting in a continuous accumulation of available cases, increased purchasing power due to the impact of raw material prices and inflation has led to a decrease in the number of new projects being launched in northern Taiwan. From 2022 to 2023, construction companies have faced increased costs of materials and labor, leading to fewer new project launches and a slight reduction in available cases, particularly in heavy redevelopment areas in New Taipei, Taoyuan, and Hsinchu.
- d. Significant impact from the COVID-19 pandemic:
Since spring 2022, the fourth wave of the COVID-19 pandemic has affected the global economy, and Taiwan has also been heavily impacted by the latest wave. This will have implications for the global economy as a whole, and the duration of the pandemic's effects is expected to be prolonged. It is estimated that countries will gradually reopen in 2023, and signs of recovery in the real estate market will only emerge after Taiwan's reopening. The long-term effects on the housing market are still subject to observation.

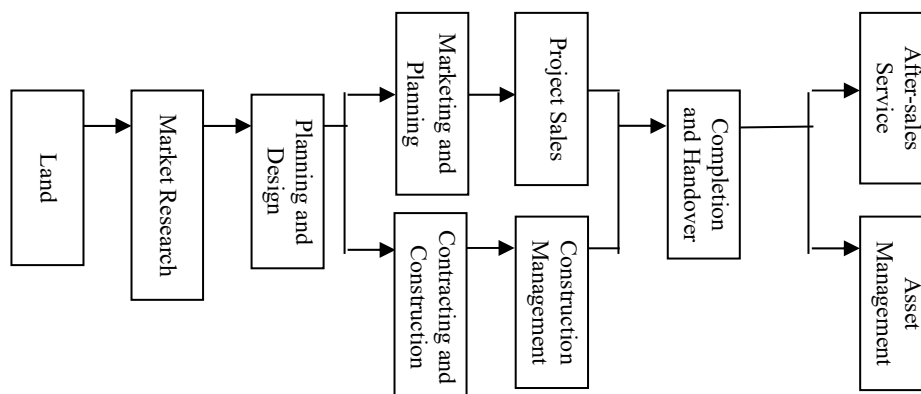
- e. Five major variables affecting the housing market:
 - i. Interest rates: The United States plans to raise interest rates three times in 2022. The extent to which Taiwan's central bank will follow suit remains uncertain.
 - ii. Capital influx: Interactions and connections between capital inflows and interest rates.
 - iii. Anti-speculation measures: In February 2023, the Ministry of the Interior passed amendments to the Average Land Rights Act to prevent housing market speculation. This will impact the movement of funds between pre-sale properties and existing homes.
 - iv. Soaring construction costs: Future developers may delay project launches or focus on selling completed properties, affecting the supply of pre-sale properties.
 - v. Inflation: If inflation intensifies and cannot be controlled, it will contribute to rising property prices.
- (3) Company Strategies:
- a. Carefully Selecting Project Locations Initially, our company focused on promoting projects in the Taoyuan area. As the company grew, we gradually expanded our project locations to include areas near metropolitan regions such as Taipei, New Taipei City, and Keelung. This expansion aimed to enhance our construction vision, emphasize architectural design, interior decoration, construction quality, and satisfactory customer service. However, we still pay attention to the development potential of areas north of Hsinchu to ensure competitiveness. Simultaneously, when selecting land, we prioritize the perspective of consumers and strive to choose areas close to MRT stations or future MRT development zones with convenient transportation. By deploying ahead of time, we can seize opportunities and establish an unbeatable position.
 - b. Focus on Construction Safety, Quality, and Product Competitiveness Our company has always adhered to the business philosophy of "professionalism, innovation, service, and practicality" in our products. In addition to offering well-located properties, reasonable prices, high-quality products, and excellent after-sales service, we gradually implement this philosophy in our daily operations. Over the years, this approach has been recognized by consumers, maintaining excellent sales performance. We also have a team of professional after-sales service personnel ready to assist customers with housing-related issues. It is our consistent policy not to construct mezzanine units, and we adopt a conservative and cautious attitude towards the development of sloping land to safeguard consumer rights and minimize disputes with buyers.
 - c. Cooperation with Banking Institutions for Financing and Loans We constantly monitor banking trends and prioritize convenient transportation areas when selecting project locations. This not only facilitates sales but also ensures smooth construction financing and company fund turnover. In the future, customer loans will not encounter issues due to the convenience of transportation. Furthermore, during sales, we choose customers with good credit to facilitate fast bank loan approval without affecting the company's fund management.
 - d. Product Diversification to Meet Current Market Demands We understand the risks associated with a single product market, so our product strategy is not static. We will continuously adjust the allocation ratio of residential, commercial, office, and retail properties based on changes in industry and market demand. We will also enter various real estate markets catering to leisure, wellness, or the silver population's needs. Additionally, we will address the challenges posed by an aging population, such as providing customized products or offering smaller units for future smaller households. Our goal is to meet the demands of the general public by delivering environmentally friendly, affordable, and high-quality products.
 - e. "Zero Inventory" Policy In response to fluctuations in the real estate market, despite the current upward trend, our company maintains the consistent "zero inventory" policy to avoid stockpiling. This allows us to utilize funds efficiently. Going forward, all projects will adopt a "pre-sale or concurrent construction and sale" strategy to timely seize favorable opportunities and reliable customer sources, while also saving on advertising expenses during the sales period. Since each project we launch undergoes careful evaluation and planning, and we grasp the favorable timing for each launch, the sales performance of both pre-sale and post-completion projects meets expectations.
 - f. Grasping Market and Price Fluctuations We continuously monitor market changes, keeping track of market trends and price fluctuations. We choose construction sites that avoid significant price decreases and opt for stable locations with potential for appreciation, maintaining an unbeatable competitive advantage.

(II) Significant Uses and Production Processes of Main Products

1. Significant Uses of Main Products :

Main Products	Uses
Residential Apartment Buildings	Residential apartment buildings are primarily used for residential units, commercial shops, and underground parking facilities.
Commercial and Industrial Office Buildings	Commercial and industrial office buildings are primarily used for office spaces, industrial facilities, and underground parking facilities.

2. Production process :



(III) Supply status of main raw materials

1. Land:

In order to maintain long-term business development, our company continues to develop suitable areas and acquire prime land through government public auctions and urban renewal operations. We do not anticipate any shortage in the supply of land.

2. Construction projects:

Our company chooses to collaborate with reliable construction contractors and has established strict project bidding procedures and construction specifications to ensure control over construction progress and quality.

3. Materials:

Building materials such as reinforcement bars, cement, bricks, and interior equipment are readily available both domestically and internationally, despite price increases during the current year.

(IV) List of major suppliers in the past two fiscal years, with sales or purchases exceeding 10% of the total sales or purchases

1. List of major suppliers :

Unit: Thousand New Taiwan Dollars (NTD)

Project	2021				2022				Until the end of the previous quarter of the fiscal year 2023.			
	Name	Amount	Percentage of Annual Net Purchase Amount	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Purchase Amount	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Purchase Amount	Relationship with the Issuer
1	Other	392,594	100.00%	None	Tung Ho Steel Enterprise Corp.	79,638	12.01%	None	Yuansheng construction co., Ltd.	39,305	17.07%	None
2				—	Other	583,339	87.99%	—	Tung Ho Steel Enterprise Corp.	36,787	15.98%	None
									Other	154,175	66.95%	—
	Net Purchases	392,594	100.00%		Net Purchases	662,977	100.00%		Net Purchases	230,267	100.00%	

Note: In the fiscal year 2021, there were no suppliers that accounted for more than 10% of the total purchase amount.

2. List of Major Sales Customers :

Unit: Thousand New Taiwan Dollars (NTD)

Project	2021				2022				Until the end of the previous quarter of the fiscal year 2023.			
	Name	Amount	Percentage of Annual Net Purchase Amount	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Purchase Amount	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Purchase Amount	Relationship with the Issuer
1	Other	1,475,411	100.00%	—	A Company	106,338	25.77%	None	A Company	39,032	78.86%	None
2					B Company	99,829	24.19%	None	C Company	7,523	15.20%	None
					Other	206,514	50.04%	—	Other	2,943	5.94%	—
	Net Purchases	1,475,411	100.00%		Net Purchases	412,681	100.00%		Net Purchases	49,498	100.00%	

Note: In the fiscal year 2021, there were no suppliers that accounted for more than 10% of the total purchase amount

(V) Recent two-year production volume :

Unit: Thousand New Taiwan Dollars (NTD)

Project Name	2021		2022	
	Production Volume (Units)	Production Value	Production Volume (Units)	Production Value
ReaLy East Residence A	27	118,646	32	113,550
ReaLy East Residence B	7	29,319	—	—
ReaLy Qianlong Factory Office	17	184,461	—	962
ReaLy Jiukang	—	3,086	5	32,872
Tucheng Yuanren Section	—	18,948	8	109,479
Zhongli Zhonggong Section	—	17,559	18	105,991
ReaLy Shunguang World	—	6,537	12	159,696
Taishan Tailin Section	—	4,981	—	1,910
Others:	—	12,735	—	1,430
Total:		396,272		525,890

Note: The production volume (units) is calculated based on the proportion of project completion.

(VI) Recent two-year sales volume :

Project Name	2021		2022	
	Sales Volume (Units)	Sales Value (Thousand NTD)	Sales Volume (Units)	Sales Value (Thousand NTD)
ReaLy Fuchun	—	5,224	—	10,286
ReaLy East Residence B	44	321,196	—	—
ReaLy Qianlong Factory Office	51	1,147,748	12	260,539
Land in Jilin Section, Taipei City	—	—	—	21,864
Zhongli Zhonggong Section Project Revenue	—	—	—	106,338
ReaLy Jiukang Project Revenue	—	—	—	11,053
Others		1,243		2,601
Total		1,475,411		412,681

III. Recent two-year employee headcount

Employee headcount	Annual	2021	2022	As of March 31, 2023 for the current fiscal year.
	Managers		3	4
Regular Employees		44	53	54
Total		47	57	58
Average Age		47.92	45.36	45.56
Average Years of Service		9.24	8.43	8.48
Educational Background Distribution Ratio	Doctorate	—	—	—
	Master's Degree	10.64%	10.53%	10.35%
	College/University	74.47%	77.19%	79.31%
	High School	14.89%	12.28%	10.34%
	Below High School	—	—	—

IV. Environmental Expenditure Information

In the most recent fiscal year and up until the printing date of this annual report, losses incurred due to environmental pollution (including compensation and violations of environmental protection regulations resulting from environmental protection inspections) should be disclosed. The disclosure should include the date of penalty, penalty reference number, violated regulatory provisions, nature of the violations, and details of the penalties imposed. The estimated amounts and corresponding measures for current and future occurrences should also be disclosed. If reasonable estimation is not possible, the fact of inability to reasonably estimate should be explained.

As a company engaged in real estate investment and construction business, our construction sites' environmental maintenance and waste disposal are contracted to qualified construction companies. Therefore, our business operations do not generate any pollution incidents.

V. Labor Relations

(I) Employee welfare measures, training and development, retirement systems, and the implementation status of agreements between labor and management, as well as the implementation status of various employee rights protection measures.

1. Employee welfare measures and their implementation status:

Our company places great emphasis on employee welfare to ensure sustainable operations and enhance employee morale. In addition to establishing a Workers' Welfare Committee in accordance with the law and

allocating welfare funds on a monthly basis, the committee formulates annual plans and organizes various activities. Currently, our main welfare programs include:

- (1) Labor insurance, health insurance, group accident insurance, and hospitalization medical insurance.
- (2) In-service education and training.
- (3) Bonuses for holidays and leaves.
- (4) Employee stock ownership, stock options, and profit sharing.
- (5) Employee retirement benefits.
- (6) Birthday celebrations and birthday gifts.
- (7) Marriage, funeral, and joyous event gifts.
- (8) Annal travel activities.
- (9) Prizes for holiday raffles.

2. Employee training and development and their implementation status :

- (1) Relevant training courses are arranged to meet employees' professional needs. The training expenditure for the fiscal year 2022 was 65,348 yuan.
- (2) External training and development attended by our employees in the fiscal year 2022 are as follows:

Job Title Name	Date	Organizer	Course	Duration (hours)
Sales Manager Bai Ciwei	2022.07.26	Taoyuan Real Estate Development Association	Legal Framework and Practices of Pre-sale Housing Transactions	3
Finance Manager Lin Xiujuan Sales Manager Bai Ciwei Finance Manager Lin Xiujuan	2022.02.17	Grand Fubon Securities Shareholder Services Department	Overview of Laws and Regulations on "Acquisition or Disposal of Assets" and "Loan and Endorsement Guarantee"	3
	2022.03.22	Securities and Futures Institute, SFI	Strengthening Internal Control Compliance through Analysis of Penalty Cases	6
	2022.04.19	Securities and Futures Institute, SFI	Operational Practices of Internal Audit in Compliance with Laws and Regulations	6
	2022.11.17	Securities and Futures Institute, SFI	Practical Workshop on Detecting Financial Statement Fraud Techniques	6
	2022.12.15	Securities and Futures Institute, SFI	Improving Financial Processes for Enhanced Performance: Practical Workshop	6
Corporate Governance Director Xu Zhihao	2022.07.13	Taipei Exchange	Industry-themed Advocacy Meeting on Sustainable Development Roadmap	2
	2022.09.21	Accounting Research and Development Foundation	Conceptual Analysis of ISSB S1 Standard: "General Provisions on Disclosing Sustainability-related Financial Information"	3
	2022.09.23	Accounting Research and Development Foundation	Conceptual Analysis of ISSB S2 Standard: "Disclosure of Climate-related Information"	3
	2022.09.29	Taipei Exchange	Release of the 2022 Guidelines for Independent Directors and Audit Committees and Directors and Supervisors Promotion Meeting	3

General staff

Department	Date	Organizer	Course	Duration (hours)
General Manager's Office	2022.03.25	The Real Estate Management Association of R.O.C.	Discussing Successful Urban Renewal Cases: Asset Revitalization and Pitfalls	3
	2022.09.28	Department of Land, Taipei City Government	Government's Perspective on Real Estate Value: Taxation and Acquisition	3
	2022.10.19	Department of Urban Development and Building Affairs, Taipei City Government	Explanation Seminar on Taipei City's Urban and Building Regulations	5
	2022.10.28	Taoyuan Real Estate Development Association	The Evolving Happy City: Starting with Taoyuan's Aerotropolis Development	3
	2022.11.09	The Real Estate Development Association Of Taipei	Latest Analysis of Urban Renewal Laws and Regulations for Aging Buildings	2
Research and Development Department	2022.12.20	Taiwan Architecture and Building Center	Seismic Building Health Analysis and Structural Safety Maintenance Seminar	7.5
Engineering Department	2022.02.19~2022.03.06	National Association of Construction Site Managers, Republic of China	Site Supervisor Refresher Training	32
	2022.03.31	Chinese Taipei Occupational Safety and Health Development Association	General Safety and Health Education Training	6
	2022.04.11	Chinese Taipei Association for Prevention of Occupational Injuries and Diseases	Occupational Safety and Health Card Refresher Training	6
	2022.04.14~2022.04.15	Chinese Taipei Occupational Safety and Health Development Association	Sales Manager Refresher Training	6
	2022.05.17~2022.06.11	Chinese Taipei Association for Prevention of Occupational Injuries and Diseases	Type A Occupational Safety and Health Supervisor Course	42
	2022.06.18~2022.06.26	National Association of Construction Site Managers, Chinese Taipei	Site Supervisor Refresher Training	32
	2022.07.15	Chinese Taipei Association for Prevention of Occupational Injuries and Diseases	General Safety and Health Education Training	6
	2022.07.16~2022.07.24	National Association of Construction Site Managers, Chinese Taipei	Site Supervisor Refresher Training	32
	2022.11.09	Taipei Real Estate Development Association	Latest Analysis of Urban Renewal Laws and Regulations for Aging Buildings	2
	2022.12.05~2022.12.09	"Chinese Society for Occupational Safety and Health	First Aid Training Course	35
	Management Department	2022.03.17	Ten Harvests Architectural Firm	Architectural Perception Experiment Institute X Architectural Rejuvenation Gathering
2022.11.09		Taipei Real Estate Development Association	Latest Analysis of Urban Renewal Laws and Regulations for	2

			Aging Buildings	
Audit Department	2022.02.17	Grand Fubon Securities Shareholder Services Department	Insight into the "Acquisition or Disposition of Assets" and "Loan and Endorsement Guarantees" Laws and Regulations	3
	2022.11.11	Securities and Futures Institute, SFI	Practical Operations and Case Analysis of Corporate Governance	6
	2022.11.29	Securities and Futures Institute, SFI	Strengthening Internal Control Compliance through Analysis of Penalty Cases	6

3. Retirement System and its Implementation Status :
Our company has established an employee retirement policy, and all matters related to employee retirement are handled in accordance with relevant laws and regulations. We have also set up a Labor Retirement Reserve Fund Supervisory Committee to oversee the monthly contribution of 6% of employees' salaries as retirement benefits to their individual retirement accounts, as mandated by law.
4. Agreements between Labor and Management :
Since its establishment, our company has maintained harmonious labor relations and has not encountered any situations requiring agreements due to labor disputes.
5. Measures for Protecting Employee Rights :
Our company has established comprehensive rules and regulations that specify employee rights, obligations, and welfare benefits to safeguard employee rights.

(II) Losses Incurred due to Labor Disputes: In the most recent fiscal year and up until the printing date of this annual report, any losses incurred by the company due to labor disputes (including violations of labor standards as indicated by labor inspections) should be disclosed. The disclosure should include the date of penalty, penalty reference number, violated regulatory provisions, nature of the violations, and details of the penalties imposed. The estimated amounts and corresponding measures for current and future occurrences should also be disclosed. If reasonable estimation is not possible, the fact of inability to reasonably estimate should be explained. :

1. Due to our company's emphasis on labor relations, no labor disputes have occurred, and no losses have been incurred as a result of labor disputes.
2. Current and Future Measures to Strengthen Labor Relations:
 - (1) Enhancing a sense of a family-like labor-employer relationship.
 - (2) Establishing interactive communication and complaint channels: Our company adopts a people-oriented management approach and provides various communication channels, such as suggestion boxes and department meetings, for employees to express their opinions or engage in two-way communication with supervisors at all levels.
 - (3) Full compliance with labor laws and regulations and enhancing welfare measures.
 - (4) Estimated losses for current and future occurrences: Our company operates based on the principle of rational and harmonious management, and under normal and harmonious labor relations, without any other external variables, there should be no financial losses incurred.

VI. Information Security Management

(I) Information Security Risk Management

In order to implement information security management, our company has established the "Company Information Management Regulations," "Information Business Sustainable Operation Plan," and "Information Security Inspection Operation Guidelines" to execute information-related tasks. We have also formulated the "Personal Data Protection Management Regulations" to strictly manage the use and security maintenance of data. Measures such as implementing firewalls, employing distributed database storage platforms, controlling personnel access rights and maintaining records are in place to ensure the normal operation of information systems. The General Manager's Office has established information security policies and conducts regular information security awareness campaigns. Information security audits are also conducted annually to reduce information security risks.

(II) Losses Incurred due to Significant Information Security Incidents:

In the most recent fiscal year and up until the printing date of this annual report, any losses incurred and potential impacts resulting from significant information security incidents, along with corresponding measures, should be disclosed. If reasonable estimation is not possible, the fact of inability to reasonably estimate should be explained. : None ◦

VII. Important Contracts

As of the printing date of this annual report, the parties involved, key contents, restrictive clauses, and contract start and end dates of valid and recently expired sales contracts, technical cooperation contracts, engineering contracts, long-term loan contracts, and other contracts that could significantly affect shareholder equity should be disclosed. :

Contract nature	Parties involved	Contract start and end dates	Main provisions or content	Restrictive clauses or provisions
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of July 5, 2018, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Near No. 6, Lane 2, Tai'an Road, Qidu District, Keelung City ReaLy Construction Permit No. 00007, Keelung City Government, 2018	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of October 3, 2018, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Near No. 6, Lane 2, Tai'an Road, Qidu District, Keelung City ReaLy Additional Construction Project, Section B, Qidu, Keelung City	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of October 15, 2018, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Next to Lane 533, Zhongfeng Road, Longtan District, Taoyuan City ReaLy Construction License No. Hui-Long 01077, Taoyuan City Government, 2018 - Structural Works	None

Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of April 1, 2019, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Next to Lane 533, Zhongfeng Road, Longtan District, Taoyuan City Realy Construction License No. Hui-Long 01077, Taoyuan City Government, 2018 - Interior Decoration and Mechanical and Electrical Works	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of May 15, 2019, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Near No. 6, Lane 2, Tai'an Road, Qidu District, Keelung City Realy Structural Works, Keelung City Government, Construction Permit No. 00009, 2019	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of July 20, 2020, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Near No. 2, Tai'an Road, Qidu District, Keelung City Realy East Residence, Section A, New Construction Project, Additional Decoration and Mechanical and Electrical Works	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of March 10, 2021, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Beside No. 16, Section 1, Jincheng Road, Tucheng District, New Taipei City Realy Construction Permit No. 00112, Tucheng District, New Taipei City Government, 2021	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of March 10, 2021, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Beside No. 16, Section 1, Jincheng Road, Tucheng District, New Taipei City Realy Demolition Project, Demolition Permit No. 00047, Tucheng District, New Taipei City Government, 2021	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of November 10, 2021, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Next to No. 192-1, Zhongyuan Road, Zhongli District, Taoyuan City Realy Construction Permit No. Hui-Li 01496, Taoyuan City Government, 2021 - Building Construction Project	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of March 10, 2022, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	No. 1, Lane 110, Jiukang Street, Wenshan District, Taipei City Realy Construction Permit No. 0010, Taipei City Government, 2022 - Building Construction Project	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of May 1, 2022, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Beside No. 16, Section 1, Jincheng Road, Tucheng District, New Taipei City Realy Construction Permit No. 00112, Tucheng District, New Taipei City Government, 2021 - Overall Construction Project	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of August 10, 2022, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Next to No. 192-1, Zhongyuan Road, Zhongli District, Taoyuan City Realy Construction Permit No. Hui-Li 01496, Taoyuan City Government, 2021 - Hypothetical Engineering, Foundation Engineering, and Other Building Construction Projects	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of December 6, 2022, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	Next to No. 192-1, Zhongyuan Road, Zhongli District, Taoyuan City Realy Construction Permit No. Hui-Li 01496, Taoyuan City Government, 2021 - Overall Construction Project	None
Construction contract	Yao Ren Construction Co., Ltd.	From the contract signing date of February 1, 2022, the party shall assume full warranty responsibility from the date of complete completion and acceptance.	No. 1, Lane 110, Jiukang Street, Wenshan District, Taipei City Realy Construction Permit No. 0010, Taipei City Government, 2022 - Overall Construction Project	None
Joint investment construction contract	Kuan Yeung Arch Co., Ltd.	After the completion of the case on January 6, 2014.	Land in Yucheng Section, Nangang District, Taipei City	None
Joint investment construction contract	Kuan Yeung Arch Co., Ltd.	After the completion of the case on October 25, 2013.	Land in Muzha Section, Wenshan District, Taipei City	None
Joint investment construction contract	Jinghe Construction Co., Ltd.	After the completion of the case on October 16, 2019.	Land in Zhonggong Section, Zhongli District, Taoyuan City	None
Joint development and allocation contract	Guo Jun	After the completion of the joint construction on May 24, 2007.	The land at No. 685, Nanhai Section 3, Xiaoduan, Taipei City, has a total area of 21.78 ping, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Zheng Jun	After the completion of the joint construction on June 8, 2011.	The land at No. 308, Yucheng Section 2, Nangang District, Taipei City, and three other parcels have a total area of 504.80 square meters, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Zheng Jun	After the completion of the joint construction on June 14, 2011.	The land at No. 299, Yucheng Section 2, Nangang District, Taipei City, and three other parcels have a total area of 47.22 square meters, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Zheng Jun	After the completion of the joint construction on June 14, 2011.	The land at No. 299, Yucheng Section 2, Nangang District, Taipei City, and two other parcels have a total area of 17.23 square meters, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Zheng Jun	After the completion of the joint construction on July 25, 2011.	The land at No. 299, Yucheng Section 2, Nangang District, Taipei City, and three other parcels have a total area of 23.61 square meters, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Delin Industries Co., Ltd.	After the completion of the joint construction on November 23, 2012.	The land at No. 299, Yucheng Section 2, Nangang District, Taipei City, and two other parcels have a total area of 70.50 square meters, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Lian Electric Appliances Co., Ltd.	After the completion of the joint construction on December 12, 2012.	The land at No. 299, Yucheng Section 2, Nangang District, Taipei City, and two other parcels have a total area of 70.50 square meters, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Zheng Jun	After the completion of the joint construction on May 23, 2013.	The land at No. 299, Yucheng Section 2, Nangang District, Taipei City, and five other parcels have a total area of 281.30 square meters, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Zheng Jun and four others	After the completion of the joint construction on September 3, 2013.	The land at No. 299, Yucheng Section 2, Nangang District, Taipei City, and three other parcels have a total area of 64.46 square meters, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Zheng Jun	After the completion of the joint construction on September 3, 2013.	The land at No. 299, Yucheng Section 2, Nangang District, Taipei City, and three other parcels have a total area of 33.12 square meters, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Zheng Jun and three others	After the completion of the joint construction on September 3, 2013.	The land at No. 299, Yucheng Section 2, Nangang District, Taipei City, and three other parcels have a total area of 64.46 square meters, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Zheng Jun and one other	After the completion of the joint construction on September 19, 2013.	The land at No. 299, Yucheng Section 2, Nangang District, Taipei City, and two other parcels have a total area of 32.90 square meters, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Zheng Jun and four others	After the completion of the joint construction on September 26, 2013.	The land at No. 685, Nanhai Section 3, Xiaoduan, Taipei City, has a total area of 21.78 ping, with a joint construction ratio of 40% for the builder and 60% for the landowner.	None
"	Wang Jun	After the completion of the joint construction on February 8, 2014.	Land at No. 774, Section 1, Muzha, Wenshan District, Taipei City, with a shared ownership of 40.54 ping. Each ping of land corresponds to a building right of 3.2 pings.	None
"	Fang Jun	After the completion of the joint construction on March 21, 2014.	Land at No. 1606, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 45.75 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Xie Jun	After the completion of the joint construction on March 21, 2014.	Land at No. 1614, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 82 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Su Jun	After the completion of the joint construction on March 21, 2014.	Land at No. 1616, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 53 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Xie Jun, heir	After the completion of the joint construction on March 21, 2014.	Land at No. 1614, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 82 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Chen Jun	After the completion of the joint construction on March 25, 2014.	Two parcels of land at No. 1617, Xin Feng Section, Xizhi District, New Taipei City, with a total shared ownership of 54 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Wang Jun	After the completion of the joint construction on March 27, 2014.	Land at No. 1615, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 53.333 square meters. The joint construction ratio is 45% for the builder and	None

			55% for the landowner.	
"	Zhan Jun	After the completion of the joint construction on March 30, 2014.	Land at No. 1609, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 94 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Zhan Jun	After the completion of the joint construction on March 30, 2014.	Land at No. 1609, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 94 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Zhang Jun	After the completion of the joint construction on April 11, 2014.	Two parcels of land at No. 1608, Xin Feng Section, Xizhi District, New Taipei City, with a total shared ownership of 152.333 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Zhang Jun	After the completion of the joint construction on April 11, 2014.	Three parcels of land at No. 1607, Xin Feng Section, Xizhi District, New Taipei City, with a total shared ownership of 153.084 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Zhang Jun	After the completion of the joint construction on April 16, 2014.	Two parcels of land at No. 1608, Xin Feng Section, Xizhi District, New Taipei City, with a total shared ownership of 105.334 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Li Jun	After the completion of the joint construction on April 17, 2014.	Land at No. 1615, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 53.333 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Zhou Jun	After the completion of the joint construction on April 24, 2014.	Land at No. 1610, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 187 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Que Jun	After the completion of the joint construction on June 27, 2014.	Land at No. 1611, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 177 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Huang Jun	After the completion of the joint construction on June 29, 2014.	Land at No. 1607, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 47.75 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Chen Jun	After the completion of the joint construction on September 21, 2014.	Land at No. 1607, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 47.75 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Liao Jun	After the completion of the joint construction on October 15, 2014.	Land at No. 1615, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 16.13 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Que Jun	After the completion of the joint construction on December 30, 2015.	Land at No. 1606, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 45.75 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Zhou Jun	After the completion of the joint construction on December 31, 2015.	Land at No. 1606, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 45.75 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Liao Jun	After the completion of the joint construction on January 7, 2016.	Land at No. 1606, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 45.75 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Huang Jun and 3 others.	After the completion of the joint construction on January 7, 2016.	Land at No. 1604, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 170 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Chen Jun and 3 others.	After the completion of the joint construction on January 21, 2016.	Land at No. 1602, Xin Feng Section, Xizhi District, New Taipei City, with a shared ownership of 181 square meters. The joint construction ratio is 45% for the builder and 55% for the landowner.	None
"	Zhang Jun and 30 others.	After the completion of the joint construction on September 27, 2018.	Four parcels of land at No. 558, Yuan Ren Section, Tucheng District, New Taipei City, with a total shared ownership of 11,389.94 square meters. The joint construction ratio is 50% for the builder and 50% for the landowner.	None
"	Wilex Investment Holding Co., Ltd	After the completion of the joint construction on December 21, 2018.	Land at No. 591, Da An Section, Tucheng District, New Taipei City, with a shared ownership of 1014.34 ping. The joint construction ratio is 50% for the builder and 50% for the landowner.	None
"	Shun Kuang Co., Ltd.	After the completion of the joint construction on July 11, 2019.	Land at No. 591, Da An Section, Tucheng District, New Taipei City, with a total shared ownership of 1014.34 ping. The joint construction ratio is 50% for the builder and 50% for the landowner.	None
Urban renewal implementation contract	Zheng Jun	Effective from the contract signing date of June 8, 2011, until the date of completion and acceptance of the project, the structural warranty period is 15 years, the waterproof warranty period is 3 years, and the equipment warranty period is 2 years.	Providing reconstructed land: Several parcels of land at No. 308, Yu Cheng Section 2, Nan Gang District, with a total shared ownership of 504.80 square meters. Providing reconstructed buildings: Buildings with the following numbers at Yu Cheng Section 2, Nan Gang District: 003 and 004.	None
Urban renewal implementation contract	Lead Year Enterprise Co., Ltd.	Effective from the contract signing date of January 17, 2012, until the date of completion and acceptance of the project, the structural warranty period is 15 years, the waterproof warranty period is 3 years, and the equipment warranty period is 2 years.	Providing reconstructed land: Several parcels of land at No. 310, Yu Cheng Section 2, Nan Gang District, with a total shared ownership of 250.20 square meters. Providing reconstructed buildings: Building with the number 1190 at Yu Cheng Section 2, Nan Gang District.	None
Urban renewal implementation contract	Cte Tech Corp	Effective from the contract signing date of February 24, 2012, until the date of completion and acceptance of the project, the structural warranty period is 15 years, the waterproof warranty period is 3 years, and the equipment warranty period is 2 years.	Providing reconstructed land: Several parcels of land at No. 299, Yu Cheng Section 2, Nan Gang District, with a total shared ownership of 391.20 square meters. Providing reconstructed buildings: Buildings with the following numbers at Yu Cheng Section 2, Nan Gang District: 1189 and 1333.	None
Urban renewal implementation contract	Zheng Jun	Effective from the contract signing date of October 23, 2013, until the date of completion and acceptance of the project, the structural warranty period is 15 years, the waterproof warranty period is 3 years, and the equipment warranty period is 2 years.	Providing reconstructed land: Several parcels of land at No. 299, Yu Cheng Section 2, Nan Gang District, with a total shared ownership of 47.33 square meters. Providing reconstructed buildings: Building with the number 1132 at Yu Cheng Section 2, Nan Gang District.	None
Urban renewal implementation contract	Zheng Jun	Effective from the contract signing date of October 31, 2013, until the date of completion and acceptance of the project, the structural warranty period is 15 years, the waterproof warranty period is 3 years, and the equipment warranty period is 2 years.	Providing reconstructed land: Several parcels of land at No. 299, Yu Cheng Section 2, Nan Gang District, with a total shared ownership of 47.33 square meters. Providing reconstructed buildings: Building with the number 1132 at Yu Cheng Section 2, Nan Gang District.	None
Urban renewal planning commission contract	Fuda Urban Renewal	Effective from the contract signing date of November 18, 2013, until the completion of the service work items.	Urban renewal project for 10 parcels of land at Yu Cheng Section 2, Nan Gang District, with the land numbers starting from 299.	None
Urban renewal planning commission contract	Hung Jie Real Estate Business	Effective from the contract signing date of February 11, 2014, until the completion of the service work items.	Urban renewal project for 12 parcels of land at No. 757-1, Wen Shan Mu Cha Section 1.	None
Urban renewal planning commission contract	Fuda Urban Renewal	Effective from the contract signing date of October 1, 2014, until the completion of the service work items.	Urban renewal project for 17 parcels of land at Yu Cheng Section 2, Xin Feng District, Xizhi District.	None

6. Financial Information

I. Five Year Condensed Balance Sheets and Statements of Comprehensive Income

(I) The Condensed Balance Sheet and The Statements of Comprehensive Income – Consolidated Information Condensed Balance Sheet

Unit: NTD Thousand

Item \ Year	Financial Summary for The Last Five Years (Note 1)					Financial information as of March 31, 2023	
	2018	2019	2020	2021	2022		
Current assets	2,450,435	2,877,827	3,356,298	3,323,787	3,563,094	3,562,977	
Property, Plant and Equipment	51,211	49,595	48,272	48,653	46,950	46,456	
Intangible assets	0	0	0	0	0	0	
Other assets	144,052	163,975	176,522	167,921	89,934	89,897	
Total assets	2,645,698	3,091,397	3,581,092	3,540,361	3,699,978	3,699,330	
Current liabilities	Before distribution	181,370	785,475	1,187,045	1,008,479	1,263,072	1,275,353
	After distribution	381,370	885,475	1,307,045	1,158,479	Note 3	—
Non-current liabilities	0	0	0	0	0	0	
Total liabilities	Before distribution	181,370	785,475	1,187,045	1,008,479	1,263,072	1,275,353
	After distribution	381,370	885,475	1,307,045	1,158,479	Note 3	—
Equity attributable to shareholders of the parent	2,090,823	1,932,202	1,977,611	2,162,325	2,070,580	2,058,215	
Capital stock	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
Capital surplus	189,208	189,208	189,208	189,208	189,208	189,208	
Retained earnings	Before distribution	901,615	742,994	788,403	973,117	881,372	869,007
	After distribution	701,615	642,994	668,403	823,117	Note 3	—
Other equities	0	0	0	0	0	0	
Treasury stock	0	0	0	0	0	0	
Non-controlling equities	373,505	373,720	416,436	369,557	366,326	365,762	
Total equities	Before distribution	2,464,328	2,305,922	2,394,047	2,531,882	2,436,906	2,423,977
	After distribution	2,264,328	2,205,922	2,274,047	2,381,882	Note 3	—

Note 1: The financial information for each year listed above has been audited and certified by KPMG in Taiwan.

Note 2: There has been no asset revaluation undertaken in any of the years mentioned above.

Note 3: As of 2022, there has been no dividend distribution plan ratified by the shareholder's meeting.

Condensed Statement of Comprehensive Income

Unit: NTD Thousand

Item \ Year	Financial Summary for The Last Five Years (Note 1)					Financial information as of March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenue	1,164,271	331,820	1,080,295	1,475,411	412,681	49,498
Gross profit	503,701	114,437	338,664	488,180	151,989	3,720
Income from operations	387,104	51,085	241,878	348,521	78,215	(12,402)
Non-operating income and expenses	25,840	2,607	2,600	3,029	2,083	385
Net income before tax	412,944	53,692	244,478	351,550	80,298	(12,017)
Current net profit from continuing operations	386,925	41,594	188,125	301,305	55,024	(12,929)
Loss from discontinued operations	0	0	0	0	0	0
Current net profit (loss)	386,925	41,594	188,125	301,305	55,024	(12,929)
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	386,925	41,594	188,125	301,305	55,024	(12,929)
Net income attributable to shareholders of the parent	364,199	41,379	145,409	304,714	58,255	(12,365)
Net income attributable to non-controlling interest	22,726	215	42,716	(3,409)	(3,231)	(564)
Comprehensive income attributable to Shareholders of the parent	364,199	41,379	145,409	304,714	58,255	(12,365)
Comprehensive income attributable to non-controlling interest	22,726	215	42,716	(3,409)	(3,231)	(564)
Earnings per share	3.64	0.41	1.45	3.05	0.58	(0.12)

Note 1: The financial information for each year listed above has been audited and certified by KPMG in Taiwan.

(II) Condensed Balance Sheets and Statements of Comprehensive Income – Consolidated Information

Condensed Balance Sheet

Unit: NTD Thousand

Item	Year	Financial Information during the Past Five Years (Note 1)				
		2018	2019	2020	2021	2022
Current asset		1,735,516	2,210,813	2,659,231	2,687,552	2,761,114
Investment using the equity method		278,261	280,841	262,212	259,689	249,897
Real estate, plant, and equipment		52,408	50,869	49,371	49,452	47,975
Intangible asset		0	0	0	0	0
Other assets		98,167	115,335	115,409	109,626	31,973
Total assets		2,164,352	2,657,858	3,086,223	3,106,319	3,090,959
Current liabilities	Before distribution	73,429	725,556	1,108,512	943,894	1,020,279
	After distribution (Note 2).	273,429	825,556	1,228,512	1,093,894	Note 3
Non-current liabilities			100	100	100	100
Total liabilities	Before distribution	73,529	725,656	1,108,612	943,994	1,020,379
	After distribution (Note 2).	273,529	825,656	1,228,612	1,093,994	Note 3
Equity		Equity	1,000,000	1,000,000	1,000,000	1,000,000
Capital reserve		Capital reserve	189,208	189,208	189,208	189,208
Retain Earnings	Before distribution	901,615	742,994	788,403	973,117	881,372
	After distribution	701,615	642,994	668,403	823,117	Note 3
Total shareholders' equity	Before distribution	2,090,823	1,932,202	1,977,611	2,162,325	2,070,580
	After distribution	1,890,823	1,832,202	1,857,611	2,012,325	Note 3

Note 1: The financial information for each year listed above has been audited and certified by KPMG in Taiwan.

Note 2: There has been no asset revaluation undertaken in any of the years mentioned above.

Note 3: As of 2022, there has been no dividend distribution plan ratified by the shareholder's meeting.

The Condensed Statement of Comprehensive Income

Unit: NTD Thousand

Item	Year	Financial Information during the Past Five Years (Note 1)				
		2018	2019	2020	2021	2022
Operating revenue		1,021,408	332,403	797,150	1,475,993	295,873
Gross profit		433,308	84,061	236,051	431,610	134,910
Income from operations		343,700	41,479	166,157	315,315	82,844
Non-operating income and expenses		42,105	7,689	15,881	37,838	(1,365)
Net income before tax		385,805	49,168	182,038	353,153	81,479
Current net profit from continuing operations		364,199	41,379	145,409	304,714	58,255
Loss from discontinued operations		0	0	0	0	0
Current net profit (loss)		364,199	41,379	145,409	304,714	58,255
Other comprehensive income (Income after tax)		0	0	0	0	0
Total comprehensive income		364,199	41,379	145,409	304,714	58,255
Earnings per share		3.64	0.41	1.45	3.05	0.58

Note 1: The financial information for each year listed above has been audited and certified by KPMG in Taiwan.

(III) Names of the Auditors and Audit Opinions for the Past Five Fiscal Years.

Year	Accounting Firm	CPA	Audit Opinion
2018	KPMG in Taiwan	Ming-Hong Huang、呂莉莉	Unqualified opinion
2019	KPMG in Taiwan	Ming-Hong Huang、Bo-Shu Hang	Unqualified opinion
2020	KPMG in Taiwan	Ming-Hong Huang、Bo-Shu Hang	Unqualified opinion
2021	KPMG in Taiwan	Ming-Hong Huang、Bo-Shu Hang	Unqualified opinion
2022	KPMG in Taiwan	Ming-Hong Huang、Bo-Shu Hang	Unqualified opinion

II. Five-Year Financial Analysis

(I) Consolidated Financial Analysis

Item		Year	Financial Analysis for the Last Five Years					Financial information as of March 31, 2023
		2018	2019	2020	2021	2022		
Financial structure (%)	Debt Ratio	6.86	25.41	33.15	28.49	34.14	34.48	
	Ratio of long-term capital to property, plant and equipment	4,812.11	4,649.50	4,959.49	5,203.96	5,190.43	5,217.79	
Solvency (%)	Current ratio	1,351.07	366.38	282.74	329.58	282.10	279.37	
	Quick ratio	211.83	58.55	51.96	121.55	75.26	58.15	
	Interest coverage ratio	830.20	15.32	20.35	40.72	11.51	(2.61)	
Operating performance	Accounts receivable turnover (times)	8.60	3.20	8.93	47.42	11.53	1.37	
	Average collection period	42	114	41	8	32	66	
	Inventory turnover (times)	0.34	0.10	0.29	0.42	0.12	0.02	
	Accounts payable turnover (times)	6.44	2.12	6.96	9.40	1.73		
	Average days in sales	1,089	3,719	1,239	867	3,089	4,854	
	Property, plant and equipment turnover (times)	23.55	6.58	22.08	30.44	8.63	1.06	
	Total assets turnover (times)	0.42	0.12	0.32	0.41	0.11	0.01	
Profitability	Return on total assets (%)	14.08	1.45	5.65	8.47	1.58	(0.34)	
	Return on stockholders' equity (%)	16.27	1.74	8.01	12.23	2.21	(0.53)	
	Pre-tax income to paid-in capital (%)	41.29	5.37	24.45	35.16	8.03	(1.20)	
	Profit ratio (%)	33.23	12.54	17.41	20.42	13.33	(26.12)	
	Earnings per share (NTD)	3.64	0.41	1.45	3.05	0.58	(0.12)	
Cash flow	Cash flow ratio (%)	116.09	Note 2	7.30	110.19	Note 2	Note 2	
	Cash flow adequacy ratio (%)	84.53	11.02	42.92	67.33	17.94	17.94	
	Cash reinvestment ratio (%)	(0.34)	Note 2	Note 2	38.84	Note 2	Note 2	
Leverage	Operating leverage	1.17	2.11	1.26	1.18	1.72	(0.22)	
	Financial leverage	1.00	1.08	1.06	1.03	1.11	0.79	

Note 1: The financial data for each fiscal year listed above has been audited and certified by KPMG in Taiwan.

Note 2: If the net cash flow from operating activities is an outflow, it is not included in the calculation.

Note 3: Reasons for the changes in various financial ratios in the most recent two fiscal years:

- (1) Quick Ratio: In this period, quick assets decreased by 22% and current liabilities increased by 25%, resulting in a decrease in this ratio.
- (2) Interest Coverage Ratio: In this period, the pre-tax net profit decreased by 77% and interest expenses decreased by 14%, resulting in a decrease in this ratio.
- (3) Accounts Receivable Turnover Ratio: In this period, the operating revenue decreased by 72%, resulting in a decrease in this ratio.
- (4) Average Collection Days: The accounts receivable turnover ratio in this period decreased by 76%, resulting in an increase in the average collection days.
- (5) Inventory Turnover Ratio: In this period, CGS decreased by 74%, resulting in a decrease in this ratio.
- (6) Accounts Payable Turnover Ratio: In this period, CGS decreased by 74%, resulting in a decrease in this ratio.
- (7) Average Days of Inventory: The inventory turnover ratio during this period decreased by 71%, resulting in an increase in this ratio.
- (8) Fixed Asset Turnover Ratio: In this period, operating revenue decreased by 72%, resulting in a decrease in this ratio.
- (9) Total Asset Turnover Ratio: In this period, operating revenue decreased by 72%, resulting in a decrease in this ratio.
- (10) Return on Assets (ROA): In this period, net profit after tax decreased by 82%, resulting in a decrease in this ratio.
- (11) Return on Equity (ROE): In this period, net profit after tax decreased by 82%, resulting in a decrease in this ratio.
- (12) Ratio of Pretax Net Profit to Paid-in Capital: In this period, pre-tax net profit decreased by 77%, resulting in a decrease in this ratio.
- (13) Net Profit Margin: In this period, net profit after tax decreased by 82% and operating revenue decreased by 72%, resulting in a decrease in this ratio.
- (14) Earnings per Share (EPS): In this period, net profit attributable to the parent company's shareholders decreased by 81%, resulting in a decrease in EPS.
- (15) Cash Flow Adequacy Ratio: The net cash inflow from operating activities over the past 5 years decreased by 70%, resulting in a decrease in this ratio.
- (16) Degree of Operating Leverage (DOL): The ratio of fixed costs to total costs in this period increased from 6% to 17%.

Note 4: The formulas are listed as follows:

1. Capital Structure
 - (1) Debt-to-asset ratio = Total liabilities/Total assets.
 - (2) Long-term fund to property, plant and equipment ratio = (Total equity + non-current liabilities) / Net property, plant and equipment.
2. Solvency
 - (1) Current ratio = Current assets / Current liabilities.
 - (2) Quick ratio = (Current assets – Inventory – Prepaid expense) / Current liabilities.
 - (3) Interest coverage ratio = Earnings before interest and taxes / Interest expense.
3. Operating Ability

- (1) Accounts receivable turnover = Net sales / Average accounts receivable
 - (2) Average collection days = 365 / Receivables turnover.
 - (3) Inventory turnover = Cost of goods sold / Average inventory.
 - (4) Average payment turnover = Cost of goods sold / Average accounts payables.
 - (5) Average inventory turnover days = 365 / Inventory turnover.
 - (6) Property, plant, and equipment turnover = Net sales / Average net property, plant, and equipment.
 - (7) Total asset turnover = Net sales / Average total assets.
4. Profitability
 - (1) Return on assets = [Net profit + Interest expense (1 – Tax rate)] / Average total assets.
 - (2) Return on equity = Net profit / Average total equity.
 - (3) Net margin = Net profit / Net sales.
 - (4) Earnings per share = (Net profit (loss) attributable to owners of the Company – Preferred share dividends) / Weighted average of shares outstanding.
 5. Cash Flow
 - (1) Cash flow ratio = Net cash generated from operating activities / Current liabilities.
 - (2) Cash flow adequacy ratio = Five-year sum of net cash generated from operating activities / Five-year sum of capital expenditure, inventory additions and cash dividends).
 - (3) Cash flow reinvestment ratio = (Net cash generated from operating activities – Cash dividends) / (Gross property, plant, and equipment + Long-term investments + Other non-current assets + Working capital).
 6. Leverage
 - (1) Operating leverage = (Net sales – Variable expenses) / Profit from operations.
 - (2) Financial leverage = Profit from operations / (Profit from operations - Interest expenses).

(II) Financial Analysis – Parent Company Only

Analyzed Items		Financial Analysis for the Last Five Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt Ratio	3.40	27.30	35.92	30.39	33.01
	Ratio of long-term capital to property, plant and equipment	3,989.70	3,798.58	4,005.82	4,372.78	4,316.16
Solvency (%)	Current ratio	2,363.53	304.71	239.89	284.73	270.62
	Quick ratio	244.61	42.47	16.89	94.73	51.20
	Interest Coverage Ratio	948.92	14.25	15.44	41.17	12.24
Operating performance	Accounts receivable turnover (times)	7.56	3.20	6.59	47.44	16.16
	Average collection period	48	114	55	8	23
	Inventory turnover (times)	0.37	0.15	0.26	0.51	0.08
	Accounts payable turnover (times)	8.97	4.73	7.46	14.76	1.97
	Average days in sales	985	2,506	1,385	722	4,390
	Property, plant and equipment turnover (times)	20.19	6.44	15.90	29.87	6.07
	Total assets turnover (times)	0.45	0.14	0.28	0.48	0.10
Profitability	Return on total assets (%)	15.99	1.72	5.07	9.85	1.94
	Return on stockholders' equity (%)	18.17	2.06	7.44	14.72	2.75
	Pre-tax income to paid-in capital (%)	38.58	4.92	18.20	35.32	8.15
	Profit ratio (%)	35.66	12.45	18.24	20.64	19.69
	Earnings per share (NTD)	3.64	0.41	1.45	3.05	0.58
Cash flow	Cash flow ratio (%)	555.47	Note 2	Note 2	122.70	Note 2
	Cash flow adequacy ratio (%)	123.84	7.72	Note 2	45.82	15.26
	Cash reinvestment ratio (%)	10.17	Note 2	Note 2	47.57	Note 2
Leverage	Operating leverage	1.11	1.75	1.22	1.12	1.37
	Financial leverage	1.00	1.10	1.08	1.03	1.10

Note 1: The financial information for each year listed above has been audited and certified by KPMG in Taiwan.

Note 2: If the net cash flow from operating activities is outflow, it will not be included in the calculation.

III. Audit Committee's Report for the Most Recent Year

ReaLy Development & Construction Corp.
Audit Committee's Audit Report

The Board of Directors submitted the FY2022 Parent-Only and Consolidated Financial Statements of the Company. The said financial statements were audited by Ming-Hong Huang and Bo-Shu Hang from KPMG Certified Public Accountants. An unqualified opinion audit report is thus hereby presented. The Audit Committee considers the report in conformity with relevant regulations and produced this report in accordance with Article 14-4 of the Securities and Exchange Law and Article 219 of the Company Act for your kind approval.

Submitted to
FY2023 Regular Shareholder's Meeting,
ReaLy Development & Construction Corp.

From
Fang, Ming-Tau
Convenor, Audit Committee

February 23, 2023

ReaLy Development & Construction Corp.
Audit Committee's Audit Report

The Board of Directors submitted the FY2022 Business Report and Proposal to Earning Distribution. The Audit Committee audited these reports and considered them compliant with relevant regulations. Thus, this report is produced in conformity with Article 14-4 of the Securities and Exchange Law and Article 219 of the Company Act for your kind approval.

Submitted to
FY2023 Regular Shareholder's Meeting,
ReaLy Development & Construction Corp.

From
Fang, Ming-Tau
Convenor, Audit Committee

February 23, 2023

IV. Financial Statements for the Most Recent Year:
Please refer to Appendix 1

V. Parent-Company-Only Financial Statements for the Most Recent Year audited and certified by CPAs:
Please refer to Appendix 2

VI. Financial Turnover Difficulties of the Company and its affiliates in the Most Recent Year and as of the Date of Publication of the Annual Report: None.

7. Review of Financial Conditions, Financial Performance, and Risk Management

I. Financial Status

Review and Analysis of Financial Status

Unit: NTD Thousand

Item \ Year	2022	2021	Difference		Remark
			Amount	%	
Current assets	3,563,094	3,323,787	239,307	7.20	
Real estate, plants and equipment	46,950	48,653	(1,703)	(3.50)	
Other assets	89,934	167,921	(77,987)	(46.44)	Note 1
Total assets	3,699,978	3,540,361	159,617	4.51	
Current liabilities	1,263,072	1,008,479	254,593	25.25	Note 2
Non-current liabilities	0	0	0	-	
Total liabilities	1,263,072	1,008,479	254,593	25.25	
Capital stock	1,000,000	1,000,000	0	-	
Capital surplus	189,208	189,208	0	-	
Retained earnings	881,372	973,117	(91,745)	(9.43)	
Non-controlling equities	366,326	369,557	(3,231)	(0.87)	
Total shareholder's equities	2,436,906	2,531,882	(94,976)	(3.75)	
Analysis of material changes is as follows:					
Note 1: Mainly due to a decrease of NTD 67,563 thousand of Refundable Deposits.					
Note 2: Mainly due to an increase of NTD 120,000 thousand of Short-Term Borrowings and an increase of NTD 105,916 thousand of Accounts Payable.					

II. Financial Performance

Review and Analysis of Financial Performance

Unit: NTD Thousand

Item \ Year	2022	2021	Difference		Remark
			Amount	%	
Operating income	412,681	1,475,411	(1,062,730)	(72.03)	Note 1
Operating Cost	260,692	987,231	(726,539)	(73.59)	
Gross Profit	151,989	488,180	(336,191)	(68.87)	
Operating Expenses	73,774	139,659	(65,885)	(47.18)	
Net income from operation	78,215	348,521	(270,306)	(77.56)	
Non-operating income and expenses	2,083	3,029	(946)	(31.23)	
Net income before tax	80,298	351,550	(271,252)	(77.16)	
Income Tax Expense	25,274	50,245	(24,971)	(49.70)	
Current net income	55,024	301,305	(246,281)	(81.74)	
Other comprehensive income	0	0	0	-	
Total comprehensive income	55,024	301,305	(246,281)	(81.74)	

(I) Analysis of changes in ratios:

Note 1: Mainly due to a decrease of NTD 1,062,730 thousand compared to the previous period in operating income.

- (II) Projected sales quantities and the projection basis: The Company's products include residential units, parking spaces, and industrial properties. We estimate sales of 20 units (expected completion in December 2022) for "ReaLy Daylighting Skyfall" and 24 units (expected completion in July 2023) for "ReaLy Jiukan". The projected sales quantities are based on the Company's business strategy, operational goals, budget, and reasonable assumptions on changes in the overall economic situation and historical performance.
- (III) Potential impacts and response plans for future financial operations: The Company's operating performance is expected to grow steadily along with the stable economic conditions. We are also committed to improving the financial structure, enhancing operational and profitability capabilities, reducing average days of inventory and accounts receivable collection days, and increasing return on equity, return on assets, and net profit margin.

III. Analysis of Cash Flow

(I) Cash Flow Analysis for the Current Year and the improvement plan for illiquidity

Item	Year		Difference (%)
	12/31/2022	12/31/2021	
Cash flow ratio	Note 1	110.19	—
Cash flow adequacy ratio	17.94	67.33	(73.36%)
Cash reinvestment ratio	Note 1	38.84	—

Note 1: Negative net cash flows from operating activities will not be included in the calculation.

Note 2: Improvement plans for illiquidity: Will raise funds or obtain bank loans as needed.

(II) Cash Flow Analysis for the Coming Year:

Unit: NTD Thousand

Cash, Beginning of Year ①	Estimated Net Cash Flow from Operating Activities②	Estimated Cash Outflow③	Cash Surplus (Deficit) ①+②-③	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
164,831	618,821	1,577,668	(794,016)	—	—
1. Analysis of changes in cash flows for the current year: (1) Operating activities: The expected expenditure for projects exceeds the income from the sale of real estate, resulting in a net cash outflow. (2) Investing activities: None. (3) Financing activities: None. 2. Remedial measures for anticipated cash shortfall and liquidity analysis: Bank loans.					

IV. Impact of Major Capital Expenditure Items during the most recent year on Finance

(I) Major Capital Expenditure Items and Source of Capital: None.

(II) Expected Benefits: None.

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

Reinvestment Analysis Table

Unit: NTD Thousand

Item	Description	Amount	Policy	Main reasons for gain or loss	Unit: NTD Thousand	
					Improve ment Plan	Other future investment plans
YouZen Construction Corp.		90,000	Based on controlling construction quality and ensuring product reputation	recognized an investment loss of NTD 2,946 thousand in the current period.	—	—
Eastunion Development & Construction		120,000	Made a joint investment with professional partners in related fields.	Recognized an investment loss of NTD 1,846 thousand in the current period.	—	—

VI. Analysis of Risk Management

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

- The primary source of interest rate volatility risk for the Company emerges from its bank financing. The responsive tactic adopted to mitigate this hazard involves establishing enduring alliances with associated financial institutions and carrying out periodic evaluations of prevailing interest rates. In order to circumvent potential risk, the Company adheres to a conservative and meticulous approach, utilizing financial instruments as a defensive mechanism against the potential destabilization caused by interest rate fluctuations.
- The Company's business activities do not involve foreign currency receipts or payments so the impact of exchange rate fluctuations on its operations is limited.
- In recent years, the increase in international raw material prices has led to a potential inflationary pressure domestically. Although this has resulted in higher construction costs, the real estate sector has the inherent ability to withstand inflation, coupled with the public's desire to preserve property value and the Company's affordable housing strategy. As a result, the real estate market remains stable, and the Company has not been significantly affected by inflation.

(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:

- The Company has not engaged in high-risk or high-leverage investments, lending funds to others, endorsing guarantees, or engaging in derivative transactions.
- The Corporation has stipulated "Procedures for Acquisition or Disposal of Assets", "Procedures for Lending Funds to Others", "Procedures for Endorsement/Guarantee", and "Procedures for Derivative Transactions" to ensure compliance and risk reduction.

(III) Future Research & Development Projects and Corresponding Budget:

The Corporation is entrenched in the construction industry, with its main investments in building residential, commercial, and office establishments. Given the absence of a designated research and development segment occupied with the advancement and configuration of high-technology commodities, the Company is consequently exempt from incurring expenditures correlated with research and development endeavors.

(IV) Effects of and Response to Changes in Domestic and Foreign Policies and Regulations Relating to Corporate Finance and Sales:

The Company consults and receives evaluations and recommendations from legal and tax experts, regularly monitors vital domestic and international policies and legal changes, promptly plans and implements corresponding measures, and always adheres to applicable laws and principles of sound financial management. As a result, there have been no negative impacts on the Company's financial operations.

(V) Effects of and Response to Changes in Technology (including information and communication safety risks) and the Industry Relating to Corporate Finance and Sales:

1. The Company continuously monitors technological changes and industry trends. In the future, land development can be diversified through various means such as land leasing, land trust, commissioning construction, joint development, participation in urban renewal programs, participation in government-sponsored construction projects, and compliance with agricultural land release policies to secure the necessary land reserves. These initiatives aim to enhance the Company's competitiveness. Currently, there are no significant technological changes or industry trends which have a major impact on the Company's financial operations.
2. To ensure information security, the Company has established "Regulations on Corporate Information Management," "Information Business Continuity Operation Plan," and "Guidelines for Information Security Inspection Operations" to implement information-related work plans. The Company has also implemented "Regulations on Personal Data Protection" to strictly manage data usage and security maintenance. Measures such as firewall implementation, distributed database storage platforms, control over user access and records are in place to maintain the normal operation of information systems. The President's office has established information security policies, conducts periodic information security awareness training, and audits information security annually to reduce information security risks.

(VI) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

With the overarching philosophy of "caring for the environment and fostering community development," our company is committed to sustainable practices, maintaining a strong corporate reputation. There have been no significant alterations to our corporate image in the past fiscal year.

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: Not Applicable.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: Not Applicable.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Customers:

The Company's main sources of procurement are land and construction projects. Our land sources are diverse, including public auctions, private acquisitions, and joint development. There is no concentrated risk in land procurement. Furthermore, to ensure product quality control, the Company mainly entrusts major construction projects to subsidiaries with Class A construction qualifications. Construction quality and progress are effectively supervised and managed by on-site construction managers. Consequently, there is no concentrated risk in procurement. In addition, the Company does not sell to specific customers, so there is no concentration risk in sales.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights:

There have been no operational impacts caused by changes in ownership rights.

(XII) Litigation or Non-litigation Matters:

1. The facts in dispute, amount in dispute, commencement date, main parties involved, and current status of any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company which was finalized or remained pending during the current fiscal year up to the publication date of the Annual Report shall be : None.
2. Directors, general manager, substantial responsible person, major shareholders with a stake exceeding ten percent, and subsidiary companies of the Company who have been involved in any significant litigations, non-litigations, or administrative disputes that have been determined by a final judgment in the recent fiscal year or are currently pending, and the outcomes of which may have a significant impact on shareholder rights or securities prices: None.

(XIII) Other Important Risks and Response Measures

To address such issues as severe global climate changes and worsening global warming, the government actively promotes energy-saving and carbon reduction measures and the adoption of various green energy sources to minimize carbon dioxide emissions. The Company is committed to complying with government requirements, enhancing the comfort and healthiness of residential living, reducing the environmental impact of building materials during manufacturing, and upgrading the industry. The Company actively utilizes green building technologies and materials to address climate changes. Measures such as applying for green building certifications and utilizing rooftop solar power equipment are taken. The Company also promotes energy-saving and carbon reduction policies, upgrading equipment and materials, and raising awareness of energy-saving and carbon reduction among employees. By

implementing new energy systems and products, the Company contributes to the protection of a carbon-free environment, fulfilling its corporate responsibility to society.

VII. Other Major Risks: None.

8. Special Disclosure

I. Summary of Affiliated Companies

(I) Affiliated enterprise and business report:

1. Organizational chart of affiliated enterprises:

ReaLy Development & Construction Corp.		
↓		
Company	YouZen Construction Corp.	Eastunion Development & Construction
Shares	5,000,000	16,560,000
Investment Amount	90,000,000	120,000,000
Shareholding Ratio	100%	36.36%

2. Basic information of each affiliated enterprise:

Unit: NTD Thousand

Company name	Date of establishment	Address	Paid-in Capital	Main business activities or products
YouZen Construction Corp.	March 4, 1993	1F, No.69, Section 5, Civic Boulevard, Taipei City.	50,000	Civil and construction engineering
Eastunion Development & Construction	March 12, 2014	No.69, Section 5, Civic Boulevard, Taipei City.	455,400	Development and leasing/sale of residential and commercial buildings

3. Presumed to have the same shareholder information with a control-and-subordination relationship: None.
 4. Business Scope and Their Inter-associations of the Affiliated Companies: a. Construction Industry, b. Construction Constricting Industry.
 5. Directors, supervisors and presidents of affiliated enterprises:

Company name	Position	Name or representative	Shareholding	
			Shares	Ratio
YouZen Construction Corp.	Chairman	ReaLy Development & Construction Corp. Representative: Teng-Chen Hsu	5,000,000 Shares	100.00%
	Director	ReaLy Development & Construction Corp. Representative: Guo Hao Shen		
	Director	ReaLy Development & Construction Corp. Representative: Chih Hao Hsu		
	Supervisor	ReaLy Development & Construction Corp. Representative: Han-Ru Hsu		
	President	Teng-Chen Hsu		
Eastunion Development & Construction	Chairman	Grand Sights Investment & Advisory Corp Representative: Teng-Chen Hsu	7,866,000 Shares	17.27%
	Director	ReaLy Development & Construction Corp. Representative: Han-Ru Hsu	16,560,000 Shares	36.36%
	Director	ReaLy Development & Construction Corp. Representative: Tsz-Wei Bai		
	Director	Wen Chi Development and Construction Co., Ltd. Representative: Wen-Chang Liu	8,280,000 Shares	18.18%
	Director	Shen Cheng Construction Co., Ltd. Representative: Rong-Huang Chuang	8,280,000 Shares	18.18%
	Supervisor	Chih Hao Hsu	—	—

6. Operational Highlights of Affiliated Companies:

Unit: NTD Thousand

Company	Paid-in Capital	Total Assets	Total Liabilities	Stockholders' Equity	Revenues	Operating Profit	Profit (After Tax)	EPS (NTD) (After Tax)
YouZen Construction	50,000	465,147	382,664	82,483	641,398	10,200	9,316	1.86
Eastunion Development & Construction	455,400	583,716	8,060	575,656	0	(7,066)	(5,077)	(0.11)

(II) Consolidated financial statements of affiliated enterprises:

1. Consolidated financial statements of affiliated enterprises and consolidated financial reports of the Company and its subsidiaries.

2. Declaration

Declaration

For Year 2022 (from January 1, 2022 to December 31, 2022), pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the companies that are required to be included in the consolidated financial statements of affiliates, are the same as those required to be included in the consolidated financial statements under International Financial Reporting Standards 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. As a result, Uni-President Enterprises Corp. and subsidiaries are not required to prepare consolidated financial statements of affiliates.

Hereby declare

Company: ReaLy Development & Construction Corp.

Chairman: Teng-Chen Hsu

Date: February 23, 2023

(III) The Affiliated Report: None.

II. Private placement of securities in the most recent year and current year up till the publication date of this annual report: None.

III. Disposal or hold of the Company's shares by subsidiaries in the most recent year and current year up till the publication date of this annual report: None.

IV. Other supplementary notes, where applicable: None.

9. Events that have a material impact on shareholders' equity or securities prices

- I. In the most recent year and as of the publication date of the annual report, the occurrence of matters specified in Subparagraph 2, Article 36, Paragraph 3 of the Securities and Exchange Act that have a material impact on equity interests or securities prices: None .

**REALY DEVELOPMENT & CONSTRUCTION
CORP. AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

Address: 2F, No. 69, Sec. 5, Civic Blvd, Songshan Dist., Taipei City
Telephone: (02)8787-8096

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Realy Development & Construction Corp. 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, Realy Development & Construction Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Realy Development & Construction Corp.
Chairman: Deng-cheng, Hsu
Date: February 23, 2023



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of Realy Development & Construction Corp.:

Opinion

We have audited the consolidated financial statements of Realy Development & Construction Corp. 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 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.

Key Audit Matters

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

1. Revenue recognition

Please refer to note 4(l) and 6(q) of the consolidated financial statements for the accounting policy on revenue recognition and the details of revenue.

Description of key audit matter:

The Group is in the property development industry, and the sale of real estate is susceptible to the effects of general economy, business climate, amendments to tax laws and regulations, as well as demand and supply of real estate. In response to the aforementioned environmental changes, the management has evaluated and set up relevant control procedures in respect of revenue and payment collection; therefore, the appropriateness of revenue recognition for real estate sales has material influences on financial statements. As a result, we have determined revenue recognition to be our key audit matter.

How the matter was addressed in our audit:

Our audit procedures in this area included obtaining understanding of both revenue from selling real estate and the control mechanism of payment collection of the Group, testing the effectiveness of the design and implementation of the internal control system in respect of revenue, and sampling real estate transaction contracts and ownership transfer documents. Additionally, we sampled the transactions during a period of time before and after the balance sheet date, and checked relevant documents, in order to assess the appropriateness of the timings of revenue recognition.

2. Subsequent measurement of inventories

Please refer to note 4(g) “Inventories” for accounting policies for subsequent inventory measurement, note 5 for the uncertainties of accounting estimation and assumption of subsequent inventory measurement, and note 6(d) for disclosure pertaining to inventories.

Description of key audit matter:

The inventories of the Group are measured at the lower of cost and net realizable value. Due to high level of capital input and long payback period of the real estate industry, which is subject to significant political and economic influences, causing the risk that the costs of inventories may exceed their net realized values. Consequently, subsequent measurement of inventories has been considered to be one of the matters of high concern in the audit of the Group's financial statements.

How the matter was addressed in our audit:

Our audit procedures in this area included assessing the reasonableness of the accounting policies for subsequent measurement of inventories, ascertaining whether subsequent measurement of inventories was in conformity with the accounting policies, evaluating the reasonableness of net realizable values of inventories by checking both the selling prices adopted by management and the changes in inventory sales after the balance sheet date, verifying the accuracy of management's subsequent measurement of inventories, and confirming whether related disclosure was appropriate.

Other Matter

Realy Development & Construction Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 auditor's 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 Ming-Hung Huang and Po-Shu Huang.

KPMG

Taipei, Taiwan (Republic of China)

February 23, 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)
REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2022</u>		<u>December 31, 2021</u>				<u>December 31, 2022</u>		<u>December 31, 2021</u>	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 236,345	7	957,545	27	2100	Short-term borrowings (notes 6(j), 7 and 8)	\$ 240,000	7	120,000	3
1136	Current financial assets at amortized cost, net (note 6(b))	320,550	9	126,550	4	2111	Short-term notes and bills payables (notes 6(k), 7 and 8)	94,944	3	49,967	2
1140	Current contract assets (note 6(q))	8,826	-	-	-	2322	Long-term borrowings, current portion (notes 6(j), 7 and 8)	381,000	10	380,000	11
1170	Accounts receivable, net (note 6(c))	48,208	1	23,350	1	2150	Notes payable	125,053	3	19,137	1
1220	Current tax assets	8,300	-	8,300	-	2161	Notes payable to related parties (note 7)	11,887	-	1,761	-
1320	Inventories (for construction business), net (notes 6(d), 7, 8 and 9)	2,381,551	64	2,030,710	57	2170	Accounts payable	59,734	2	83,161	2
1476	Other current financial assets (notes 6(d), 7 and 8)	345,430	9	118,337	3	2219	Other payables (note 6(r))	50,532	1	47,087	1
1479	Other current assets, others (note 6(e))	137,834	4	8,166	-	2220	Other payables to related parties (note 7)	3,852	-	25,260	1
1480	Current assets recognised as incremental costs to obtain contract with customers (notes 6(i) and 7)	76,050	2	50,829	2	2230	Current tax liabilities	9,406	-	40,009	1
	Total current assets	<u>3,563,094</u>	<u>96</u>	<u>3,323,787</u>	<u>94</u>	2130	Current contract liabilities (notes 6(d) and (q))	253,118	7	222,685	6
	Non-current assets:					2252	Provision (note 6(l))	6,880	-	6,880	-
1600	Property, plant and equipment (notes 6(g) and 8)	46,950	1	48,653	1	2399	Other current liabilities	26,666	1	12,532	-
1760	Investment property, net (notes 6(h) and 8)	53,269	2	53,417	2		Total current liabilities	<u>1,263,072</u>	<u>34</u>	<u>1,008,479</u>	<u>28</u>
1840	Deferred tax assets (note 6(n))	1,376	-	11,652	-		Total liabilities	<u>1,263,072</u>	<u>34</u>	<u>1,008,479</u>	<u>28</u>
1920	Guarantee deposits paid (notes 6(d) and 7)	20,509	1	88,072	3		Equity attributable to owners of parent (note 6(o)):				
1980	Other non-current financial assets (notes 8 and 9)	10,080	-	10,080	-	3110	Ordinary share	1,000,000	27	1,000,000	28
1995	Other non-current assets	4,700	-	4,700	-	3200	Capital surplus	189,208	5	189,208	5
	Total non-current assets	<u>136,884</u>	<u>4</u>	<u>216,574</u>	<u>6</u>	3300	Retained earnings	881,372	24	973,117	28
							Total equity attributable to owners of parent	<u>2,070,580</u>	<u>56</u>	<u>2,162,325</u>	<u>61</u>
						36XX	Non-controlling interests (note 6(f))	366,326	10	369,557	11
							Total equity	<u>2,436,906</u>	<u>66</u>	<u>2,531,882</u>	<u>72</u>
							Total liabilities and equity	<u>\$ 3,699,978</u>	<u>100</u>	<u>3,540,361</u>	<u>100</u>
	Total assets	<u>\$ 3,699,978</u>	<u>100</u>	<u>3,540,361</u>	<u>100</u>						

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REALY DEVELOPMENT & CONSTRUCTION CORP. 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 Share)

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (note 6(q))	\$ 412,681	100	1,475,411	100
5000	Operating costs (notes 6(l), 7 and 12)	<u>260,692</u>	<u>63</u>	<u>987,231</u>	<u>67</u>
5900	Gross profit from operations	<u>151,989</u>	<u>37</u>	<u>488,180</u>	<u>33</u>
6000	Operating expenses (notes 6(g), (i), (m), (r), 7 and 12):				
6100	Selling expenses	20,772	5	76,047	5
6200	Administrative expenses	<u>53,002</u>	<u>13</u>	<u>63,612</u>	<u>4</u>
	Total operating expenses	<u>73,774</u>	<u>18</u>	<u>139,659</u>	<u>9</u>
6900	Net operating income	<u>78,215</u>	<u>19</u>	<u>348,521</u>	<u>24</u>
7000	Non-operating income and expenses (notes 6(d), (h), (s) and 12):				
7100	Interest income	3,986	1	1,541	-
7010	Other income	946	-	2,237	-
7020	Other gains and losses	(298)	-	(300)	-
7050	Finance costs	<u>(2,551)</u>	<u>(1)</u>	<u>(449)</u>	<u>-</u>
	Total non-operating income and expenses	<u>2,083</u>	<u>-</u>	<u>3,029</u>	<u>-</u>
7900	Profit from continuing operations before tax	80,298	19	351,550	24
7951	Less: Income tax expenses (note 6(n))	<u>25,274</u>	<u>6</u>	<u>50,245</u>	<u>4</u>
	Profit	55,024	13	301,305	20
8300	Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 55,024</u>	<u>13</u>	<u>301,305</u>	<u>20</u>
	Profit (loss), attributable to:				
8610	Owners of parent	\$ 58,255	14	304,714	20
8620	Non-controlling interests	<u>(3,231)</u>	<u>(1)</u>	<u>(3,409)</u>	<u>-</u>
		<u>\$ 55,024</u>	<u>13</u>	<u>301,305</u>	<u>20</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 58,255	14	304,714	20
8720	Non-controlling interests	<u>(3,231)</u>	<u>(1)</u>	<u>(3,409)</u>	<u>-</u>
		<u>\$ 55,024</u>	<u>13</u>	<u>301,305</u>	<u>20</u>
	Earnings per share (NTD) (note 6(p))				
9750	Basic earnings per share	<u>\$ 0.58</u>		<u>3.05</u>	
9850	Diluted earnings per share	<u>\$ 0.58</u>		<u>3.04</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REALY DEVELOPMENT & CONSTRUCTION CORP. 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							
	Ordinary shares	Capital surplus	Legal reserve	Retained earnings		Total equity attributable to owners of parent	Non-controlling interests	Total equity
				Unappropriated retained earnings	Total retained earnings			
Balance at January 1, 2021	\$ 1,000,000	189,208	245,395	543,008	788,403	1,977,611	416,436	2,394,047
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	14,541	(14,541)	-	-	-	-
Cash dividends	-	-	-	(120,000)	(120,000)	(120,000)	-	(120,000)
Total comprehensive income	-	-	-	304,714	304,714	304,714	(3,409)	301,305
Changes in non-controlling interests	-	-	-	-	-	-	(43,470)	(43,470)
Balance at December 31, 2021	1,000,000	189,208	259,936	713,181	973,117	2,162,325	369,557	2,531,882
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	30,471	(30,471)	-	-	-	-
Cash dividends	-	-	-	(150,000)	(150,000)	(150,000)	-	(150,000)
Total comprehensive income	-	-	-	58,255	58,255	58,255	(3,231)	55,024
Balance at December 31, 2022	<u>\$ 1,000,000</u>	<u>189,208</u>	<u>290,407</u>	<u>590,965</u>	<u>881,372</u>	<u>2,070,580</u>	<u>366,326</u>	<u>2,436,906</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

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) operating activities:		
Profit before tax	\$ 80,298	351,550
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	2,120	1,976
Interest expense	2,551	449
Interest income	(3,986)	(1,541)
Property, plant and equipment transferred to expenses	36	-
Total adjustments to reconcile profit (loss)	<u>721</u>	<u>884</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	(8,826)	-
Accounts receivable	(24,858)	15,525
Inventories	(345,749)	636,922
Other current assets	(129,668)	31,617
Other current financial assets	(101,136)	62,862
Guarantee deposits paid	(58,390)	(34,422)
Assets recognised as incremental costs to obtain contract with customers	(25,221)	(10,298)
Total changes in operating assets	<u>(693,848)</u>	<u>702,206</u>
Changes in operating liabilities:		
Contract liabilities	30,433	101,352
Notes payable	105,916	(11,393)
Notes payable to related parties	10,126	1,023
Accounts payable	(23,427)	8,375
Other payables	3,355	10,910
Other payables to related parties	(21,408)	22,588
Provision	-	3,948
Other current liabilities	14,134	7,979
Total changes in operating liabilities	<u>119,129</u>	<u>144,782</u>
Total changes in operating assets and liabilities	<u>(574,719)</u>	<u>846,988</u>
Total adjustments	<u>(573,998)</u>	<u>847,872</u>
Cash inflow (outflow) generated from operations	(493,700)	1,199,422
Interest received	3,982	1,514
Interest paid	(7,576)	(9,014)
Income taxes paid	(45,601)	(80,646)
Net cash flows from (used in) operating activities	<u>(542,895)</u>	<u>1,111,276</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(194,000)	(126,550)
Acquisition of property, plant and equipment	(305)	(2,209)
Decrease in other non-current financial assets	-	3,495
Net cash used in investing activities	<u>(194,305)</u>	<u>(125,264)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	312,000	250,000
Decrease in short-term borrowings	(192,000)	(270,000)
Increase in short-term notes and bills payable	265,000	80,000
Decrease in short-term notes and bills payable	(220,000)	(30,000)
Proceeds from long-term borrowings	1,000	-
Repayments of long-term borrowings	-	(342,000)
Cash dividends paid	(150,000)	(120,000)
Decrease in non-controlling interests	-	(43,470)
Net cash flows from (used in) financing activities	<u>16,000</u>	<u>(475,470)</u>
Net increase (decrease) in cash and cash equivalents	<u>(721,200)</u>	<u>510,542</u>
Cash and cash equivalents at beginning of period	<u>957,545</u>	<u>447,003</u>
Cash and cash equivalents at end of period	<u>\$ 236,345</u>	<u>957,545</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REALY DEVELOPMENT & CONSTRUCTION CORP
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

Realy Development & Construction Corp. (the “Company”) was incorporated on May 4, 2001 as a company limited by shares under the Company Act of the Republic of China (“R.O.C.”). The principal activities of the Company and subsidiaries (together referred to as the “Group” and individually as “Group entities”) are development, leasing and sale of residential houses, buildings and industrial plants, as well as development of special zones for specific industries, investment in public construction, and real estate agency; please refer to note 14 for details.

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 23, 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 new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- (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.

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

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

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

(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 parent company only 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 of preparation of the consolidated financial statements

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

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.

Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements.

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.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

List of subsidiaries included in the consolidated financial statements:

Name investor	Name of investee	Principal activity	Percentage of ownership	
			December 31, 2022	December 31, 2021
The Company	Yaoren Construction Co., Ltd.	Civil and architectural engineering	100.00 %	100.00 %
The Company	East Union Development & Construction Co., Ltd.	Development of residential houses, buildings and industrial plants	36.36 %	36.36 %

(Note) The Company is deemed to be a subsidiary as it owns more than half of the voting rights of the Board of Directors, and the control of the Company is subject to the Board of Directors.

- (d) 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 noncurrent.

- (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.

- (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.

For assets and liabilities related to the construction of a house for sale, and the normal business cycle exceeds 12 months, the business cycle is used as the criterion for dividing liquidity and illiquidity.

- (e) Cash and cash equivalents

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

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

2) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

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

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) 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) Financial liabilities

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.

2) 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.

3) 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.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring, producing, or processing inventories to bring them to the location and condition that is available for use. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Interest expense, incurred by the amount paid for construction in progress before it is available for use or completed, is capitalized and recognized as cost of inventories.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

(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. The cost of certain items of property, plant and equipment on January 1, 2012, the Group's date of transition to the Standards, was determined with reference to its fair value at that date.

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 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	15~50 years
2) Plant and equipment	5 years
3) Fixtures and fittings	3~10 years

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

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) 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.

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 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.

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

There is no goodwill in the Group's accounts. An impairment of non financial 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.

(k) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(l) 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.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Land development and sale of real estate

The Group develops and pre-sells residential properties during construction 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 Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has been transferred to the customer, in which revenue is recognized at that point in time.

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

2) 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 based on 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.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

For residential properties, and public constructions, the Group offers a standard warranty to provide assurance that they comply with agreed upon specifications and has recognized warranty provisions for this obligation; please refer to note 6(l).

3) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(ii) Costs of contracts with customers—incremental costs to obtain 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.

(m) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term employee benefits

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

(n) 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.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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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 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 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.

(o) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(p) Operating segments

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

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is as follows:

Although the Group owns less than half of the shareholdings of East Union Development & Construction Co., Ltd., the Group holds more than one-half of its board seats. The level of participation of other shareholders in their previous meetings indicates that the management has determined that the Group controls the entity, and there is no indication that all other shareholders exercise their votes collectively. Therefore, East Union Development & Construction Co., Ltd. is considered to be a subsidiary of the Group. Please refer to note 6(f).

Information about assumption and estimation uncertainties that have a material risk of resulting in material adjustments during the following year is as follows:

Inventories are evaluated at the lower of cost and net realizable value, which is assessed based on the current market condition; therefore, any change in market condition may have a material effect on the result of estimation. Please refer to note 6(d) for subsequent measurement and estimation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash and hand	\$ 390	380
Demand deposits	162,205	238,415
Time deposits	<u>73,750</u>	<u>718,750</u>
Cash and cash equivalents in the consolidated statement of cash flow	<u>\$ 236,345</u>	<u>957,545</u>

(b) Current financial assets at amortized cost

	December 31, 2022	December 31, 2021
Time deposits with original maturity of more than 3 months	<u>\$ 320,550</u>	<u>126,550</u>
Range of interest rate (%)	<u>0.88~1.005</u>	<u>0.07~0.49</u>

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost. Please refer to note 6(t).

As of December 31, 2022 and 2021, financial assets at amortized cost were not pledged.

(c) Accounts receivable

	December 31, 2022	December 31, 2021
Account receivable	<u><u>\$ 48,208</u></u>	<u><u>23,350</u></u>

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

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	<u><u>\$ 48,208</u></u>	-	<u><u>-</u></u>
	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	<u><u>\$ 23,350</u></u>	-	<u><u>-</u></u>

In 2022 and 2021, there was no recognition and reversal of expected credit losses.

(d) Inventories

(i) The Group's inventories are detailed as follows:

	December 31, 2022	December 31, 2021
Buildings and land held for sale	\$ 21,164	182,844
Construction in progress	2,004,319	949,001
Building land	303,468	846,265
Prepayment for building land	<u>52,600</u>	<u>52,600</u>
	<u><u>\$ 2,381,551</u></u>	<u><u>2,030,710</u></u>

There were no losses on inventories reclassified from write-down of inventories to net realizable value and loss allowance for inventory write-down as of December 31, 2022 and 2021.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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(ii) Buildings and land held for sale

	December 31, 2022			Advance for real estate receipts
	Land held for sale	Buildings held for sale	Total	
Realy Sianji	\$ 12,430	7,686	20,116	-
Realy Fuchun	277	771	1,048	362
	\$ 12,707	8,457	21,164	362

	December 31, 2021			Advance for real estate receipts
	Land held for sale	Buildings held for sale	Total	
Realy Sianji	\$ 12,430	7,686	20,116	-
Realy Cianlong	48,105	110,061	158,166	159,639
Other	1,203	3,359	4,562	-
	\$ 61,738	121,106	182,844	159,639

(iii) Construction in progress

Project name	December 31, 2022			Advance for real estate receipts
	Construction in progress-land	Construction in progress- building	Total	
Realy Dongjyu A	\$ 86,257	354,059	440,316	104,196
Zhonggong Section, Zhongli	460,961	125,983	586,944	-
Yuanren Section, Tucheng	212,659	183,417	396,076	-
Realy Shunguang Tiansia	-	207,909	207,909	44,868
Realy Jioukang	264,504	76,750	341,254	29,458
Others	-	31,820	31,820	-
	\$ 1,024,381	979,938	2,004,319	178,522

Project name	December 31, 2021			Advance for real estate receipts
	Construction in progress-land	Construction in progress- building	Total	
Realy Dongjyu A	\$ 86,257	241,016	327,273	63,033
Zhonggong Section, Zhongli	460,961	20,968	481,929	-
Yuanren Section, Tucheng	3,615	56,113	59,728	-
Realy Shunguang Tiansia	-	48,343	48,343	-
Others	1,990	29,738	31,728	-
	\$ 552,823	396,178	949,001	63,033

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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(iv) Building land

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Realy Jioukang	\$ -	310,896
Tai Lin Section, Taishan	266,502	266,502
Yuanren Section, Tucheng	-	226,869
Others	<u>36,966</u>	<u>41,998</u>
	<u>\$ 303,468</u>	<u>846,265</u>

(v) Prepayment for building land

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Yucheng Section, Nangang	<u>\$ 52,600</u>	<u>52,600</u>

(vi) Guarantee deposits paid

Guarantee deposits are paid for development of real estate; such refundable deposits for construction in progress and projects that have yet to commence have been recognized as current assets and non-current assets, respectively, as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current:		
Yuanren Section, Tucheng	\$ 122,019	-
Realy Shunguang Tiansia	50,717	50,717
Realy Jioukang	<u>2,096</u>	<u>-</u>
	<u>\$ 174,832</u>	<u>50,717</u>
Non-current:		
Yuanren Section, Tucheng	\$ -	65,466
Xinfeng Section, Xizhi	15,301	15,301
Others	<u>5,063</u>	<u>7,159</u>
	<u>\$ 20,364</u>	<u>87,926</u>

(vii) Capitalization of interest was as follows:

	<u>2022</u>	<u>2021</u>
Capitalized amount	\$ 5,092	8,402
Average interest rate of capitalization	1.17%~1.81%	1.17%~1.36%

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Collateral

Please refer to note 8 for assets pledged to long-term or short-term loans.

(ix) Others

Advance deposits for real estate receipts are deposited into the special account for returning payments of the pre-sale housing units. Transaction payments received are entrusted to the bank to be managed as a special trust account. If the Group fails to transfer the ownership of the subject matter of the transaction to the buyer or a third person designated by the buyer within the agreed period, then it is obligated to return the payment. Additionally, the transaction payment received may only be used after the first ownership registration of the subject matter is completed (please refer to note 8). The details were as follows:

	December 31, 2022	December 31, 2021
Transaction price	\$ 163,521	64,434

(e) Other current assets

	December 31, 2022	December 31, 2021
Prepaid for construction	\$ 105,352	8
Overpaid sales tax	27,202	2,766
Temporary payments and payment on behalf of others	1,217	1,912
Others	4,063	3,480
	\$ 137,834	8,166

(f) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

		Percentage of non-controlling interests	
		December 31, 2022	December 31, 2021
Subsidiaries	Main operation place		
East Union Development & Construction Co., Ltd.	Taiwan	63.64 %	63.64 %

The following information on the aforementioned subsidiaries has been prepared in accordance with the IFRSs endorsed by the FSC. Included in these information are the fair value adjustments made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intragroup transactions were not eliminated in this information.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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	December 31, 2022	December 31, 2021
Current assets	\$ 578,438	584,549
Non-current assets	5,278	5,414
Current liabilities	(8,060)	(9,230)
Net assets	<u><u>\$ 575,656</u></u>	<u><u>580,733</u></u>
Non-controlling interests	<u><u>\$ 366,326</u></u>	<u><u>369,557</u></u>
	2022	2021
Sales revenue	\$ -	-
Net income (loss)	<u><u>\$ (5,077)</u></u>	<u><u>(5,357)</u></u>
Profit, attributable to non-controlling interests	<u><u>\$ (3,231)</u></u>	<u><u>(3,409)</u></u>
Comprehensive income, attributable to non-controlling interests	<u><u>\$ (3,231)</u></u>	<u><u>(3,409)</u></u>
	2022	2021
Net cash flows from operating activities	\$ (8,563)	(34,343)
Net cash flows from investing activities	(211,700)	-
Net cash flows from financing activities	-	(68,310)
Effect of exchange rate changes on cash and cash equivalents	<u><u>\$ (220,263)</u></u>	<u><u>(102,653)</u></u>
Dividends to non-controlling interes	<u><u>\$ -</u></u>	<u><u>(43,470)</u></u>

(g) Property, plant and equipment

	Land	Buildings and structures	Transportation equipment	Other equipment	Total
Cost:					
January 1, 2022	\$ 26,157	34,223	5,590	3,046	69,016
Additions	-	133	-	172	305
Reclassification	-	-	-	(47)	(47)
December 31, 2022	<u><u>\$ 26,157</u></u>	<u><u>34,356</u></u>	<u><u>5,590</u></u>	<u><u>3,171</u></u>	<u><u>69,274</u></u>
January 1, 2021	\$ 26,157	32,610	5,590	2,450	66,807
Additions	-	1,613	-	596	2,209
December 31, 2021	<u><u>\$ 26,157</u></u>	<u><u>34,223</u></u>	<u><u>5,590</u></u>	<u><u>3,046</u></u>	<u><u>69,016</u></u>
Accumulated depreciation:					
January 1, 2022	\$ -	15,195	3,416	1,752	20,363
Depreciation	-	586	932	454	1,972
Reclassification	-	-	-	(11)	(11)
December 31, 2022	<u><u>\$ -</u></u>	<u><u>15,781</u></u>	<u><u>4,348</u></u>	<u><u>2,195</u></u>	<u><u>22,324</u></u>

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
January 1, 2021	\$ -	14,687	2,484	1,364	18,535
Depreciation	-	508	932	388	1,828
December 31, 2021	<u>\$ -</u>	<u>15,195</u>	<u>3,416</u>	<u>1,752</u>	<u>20,363</u>
Carrying amounts:					
December 31, 2022	<u>\$ 26,157</u>	<u>18,575</u>	<u>1,242</u>	<u>976</u>	<u>46,950</u>
December 31, 2021	<u>\$ 26,157</u>	<u>19,028</u>	<u>2,174</u>	<u>1,294</u>	<u>48,653</u>
January 1, 2021	<u>\$ 26,157</u>	<u>17,923</u>	<u>3,106</u>	<u>1,086</u>	<u>48,272</u>

Please refer to note 8 for assets pledged to short-term notes and bills payable.

(h) Investment property

	<u>Owned property</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Cost:			
January 1, 2022	\$ 50,918	4,294	55,212
December 31, 2022	<u>\$ 50,918</u>	<u>4,294</u>	<u>55,212</u>
January 1, 2021	\$ 50,918	4,294	55,212
December 31, 2021	<u>\$ 50,918</u>	<u>4,294</u>	<u>55,212</u>
Accumulated depreciation:			
January 1, 2022	\$ -	1,795	1,795
Depreciation	-	148	148
December 31, 2022	<u>\$ -</u>	<u>1,943</u>	<u>1,943</u>
January 1, 2021	\$ -	1,647	1,647
Depreciation	-	148	148
December 31, 2021	<u>\$ -</u>	<u>1,795</u>	<u>1,795</u>
Carrying amounts:			
December 31, 2022	<u>\$ 50,918</u>	<u>2,351</u>	<u>53,269</u>
December 31, 2021	<u>\$ 50,918</u>	<u>2,499</u>	<u>53,417</u>
January 1, 2021	<u>\$ 50,918</u>	<u>2,647</u>	<u>53,565</u>
Fair value:			
December 31, 2022			<u>\$ 64,719</u>
December 31, 2021			<u>\$ 64,306</u>
January 1, 2021			<u>\$ 64,306</u>

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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The fair values of investment properties are assessed by the Group's management based on information such as market transaction prices of similar properties within the vicinity of the relevant assets.

Please refer to note 8 for assets pledged to long-term and short-term loans.

- (i) Incremental costs of obtaining a contract-current

	December 31, 2022	December 31, 2021
Incremental costs of obtaining a contract-current	\$ 76,050	50,829

The Group expects that the incremental commission fees paid to intermediaries will be refunded, resulting in the Group to capitalize them as contract costs. Capitalized commission fees are amortized when related revenues are recognized. For the years ended December 31, 2022 and 2021, the Group recognized the selling expenses amounting to \$13,745 and \$20,332, respectively.

- (j) Short-term and long-term borrowings

December 31, 2022			
	Range of interest rate	Maturity year	Amount
Short-term unsecured borrowings	1.73%~2.25%	2023	\$ 210,000
Short -term secured borrowings	2.435%	2023	30,000
Long-term secured borrowings (classified as current)	1.73%~1.75%	2025	381,000
Total			\$ 621,000
Unused credit lines			\$ 4,160,400
December 31, 2021			
	Range of interest rate	Maturity year	Amount
Short-term unsecured borrowings	1.15%	2022	\$ 120,000
Long-term secured borrowings (classified as current)	1.18%	2025	380,000
Total			\$ 500,000
Unused credit lines			\$ 2,031,000

Please refer to note 8 for assets pledged to long-term and short-term loans. Additionally, other related parties have provided joint guarantees for the aforementioned loans; please refer to note 7 for details.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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(k) Short-term notes and bills payable

December 31, 2022			
	Guarantee or acceptance institute	Range of interest rate	Amount
Commercial paper payable	Shanghai Commercial and Savings Bank	2.208%	\$ 95,000
Less: discount			(56)
Total			<u>\$ 94,944</u>
Unused credit lines			<u>\$ 80,000</u>
December 31, 2021			
	Guarantee or acceptance institute	Range of interest rate	Amount
Commercial paper payable	Shanghai Commercial and Savings Bank	1.215%	\$ 50,000
Less: discount			(33)
Total			<u>\$ 49,967</u>
Unused credit lines			<u>\$ 125,000</u>

The Group has pledged assets to the short-term notes and bills payable; please refer to note 8 for details. Additionally, other related parties have provided joint guarantees for the aforementioned short-term notes and bills; please refer to note 7 for details.

(l) Provisions

	Warranty provision
January 1, 2022	\$ 6,880
December 31, 2022	<u>\$ 6,880</u>
January 1, 2021	\$ 2,932
Provisions used at current period	(3,948)
December 31, 2021	<u>\$ 6,880</u>

In 2022 and 2021, the Group's warranty provision is related to sales of real estate. The warranty was measured by the historical record.

(m) Employee benefits

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 pension costs incurred from the contributions to the Bureau of the Labor Insurance for the years ended December 31, 2022 and 2021 amounted to \$2,049 and \$1,667, respectively.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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(n) Income tax

(i) Income tax expenses

The components of income tax expenses for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 16,094	61,220
Adjustment for prior periods	<u>(1,096)</u>	<u>(59)</u>
	<u>14,998</u>	<u>61,161</u>
Deferred tax expense (benefit)		
Change in unrecognized deductible temporary differences	<u>10,276</u>	<u>(10,916)</u>
Income tax expenses	<u>\$ 25,274</u>	<u>50,245</u>

In 2022 and 2021, there were no income tax directly recognized in equity and other comprehensive income.

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

	<u>2022</u>	<u>2021</u>
Income before tax	<u>\$ 80,298</u>	<u>351,550</u>
Income tax expense at domestic statutory tax rate	\$ 16,060	70,310
Adjustments pursuant to tax laws	2,371	(6,444)
Exempt income	(1,111)	(18,020)
Land value increment tax	906	2,884
Recognition of previously unrecognized tax losses	1,037	1,030
The fluctuation of unrecognized temporary differences	869	-
Adjustment for prior periods	(1,096)	(59)
Surtax on undistributed earnings	<u>6,238</u>	<u>544</u>
Total	<u>\$ 25,274</u>	<u>50,245</u>

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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(ii) Deferred tax asset and liability

1) Unrecognized deferred tax liabilities

Changes in the amount of deferred tax assets for 2022 and 2021 were as follows:

	<u>Provisions</u>	<u>Difference in profit (loss) arising from real estate</u>	<u>Others</u>	<u>Total</u>
January 1, 2022	\$ 1,376	10,090	186	11,652
Recognized in profit or loss	-	(10,090)	(186)	(10,276)
December 31, 2022	<u>\$ 1,376</u>	<u>-</u>	<u>-</u>	<u>1,376</u>
January 1, 2021	\$ 586	-	150	736
Recognized in profit or loss	790	10,090	36	10,916
December 31, 2021	<u>\$ 1,376</u>	<u>10,090</u>	<u>186</u>	<u>11,652</u>

2) Unrecognized deferred tax assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Tax losses	<u>\$ 10,196</u>	<u>5,151</u>

The R.O.C. Income Tax Act allows net losses to offset taxable income over a period of ten years.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

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

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
2021	\$ 5,011	2031
2022	5,185	2032
	<u>\$ 10,196</u>	

3) Deferred tax liability unrecognized

As of December 31, 2022 and 2021, there was no material deferred tax liability that has not been recognized.

(iii) Income tax return assessment

1) The Company's income tax return for all years through 2020 had been assessed by the tax authorities.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Domestic subsidiaries' income tax return assessment:

Assessed year	Company
2020	Yaoren Construction Co., Ltd.
2020	East Union Development & Construction Co., Ltd.

(o) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, the total value of authorized ordinary shares was 1,000,000, with a par value of NT\$10 per share. The Group has issued 100,000 thousand ordinary shares, all of which have been paid up.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$ 185,283	185,283
Expired employee stock warrants	28	28
Difference arising from subsidiary's equity	3,897	3,897
	\$ 189,208	189,208

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

The Company's articles of incorporation stipulate that if there are annual profits, 10% of which shall be appropriated as legal reserve after offsetting accumulated deficits. In addition, a special reserve shall be set aside or reversed pursuant to applicable laws and regulations. The remaining balance, together with unappropriated earnings, if any, shall be distributed according to a distribution plan proposed by the Board of Directors and approved in a shareholders' meeting. Dividends may be distributed in the form of stock or cash.

The Company's surplus is paid in the form of cash dividends and equity dividends, of which the cash dividend is not less than 10% of the total surplus distribution, taking into account the Company's business growth, capital needs, and financial structure.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Earnings distribution

Earnings distribution for 2021 and 2020, was decided by the resolution adopted, at the general meeting of shareholders held on June 15, 2022 and August 25, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021	2020
Dividends distributed to ordinary shareholders:		
Cash dividends	\$ 150,000	120,000

(p) Earnings per share

(i) Basic earnings per share

	2022	2021
Profit attributable to ordinary shareholders of the Company	\$ 58,255	304,714
Weighted-average number of ordinary shares (thousand)	100,000	100,000
Basic earnings per share (NTD)	\$ 0.58	3.05

(ii) Diluted earnings per share

	2022	2021
Profit attributable to ordinary shareholders of the Company (diluted)	\$ 58,255	304,714
Weighted-average number of ordinary shares (basic) (thousand)	100,000	100,000
Effect on dilutive potential ordinary shares (thousand)	71	172
Weighted-average number of ordinary shares (diluted) (thousand)	100,071	100,172
Diluted earnings per share (NTD)	\$ 0.58	3.04

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>	<u>2021</u>
Primary geographical markets:		
Taiwan	\$ <u>412,681</u>	<u>1,475,411</u>
Major products/services lines:		
Sales of real estate	\$ 292,688	1,474,167
Rental income	408	1,244
Construction contract	117,391	-
Other revenue	<u>2,194</u>	<u>-</u>
Total	<u>\$ 412,681</u>	<u>1,475,411</u>
Timing of revenue recognition:		
Products and services transferred at a point in time	\$ 294,882	1,474,167
Revenue transferred at a point in time	408	1,244
Construction transferred over time	<u>117,391</u>	<u>-</u>
	<u>\$ 412,681</u>	<u>1,475,411</u>

(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract assets- construction	\$ 8,826	-	-
Less: Allowance for impairment	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,826</u>	<u>-</u>	<u>-</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities—sales of real estate receipts	\$ 178,884	222,672	121,246
Contract liabilities – advance rental receipts	-	13	87
Contract liabilities –construction	<u>74,234</u>	<u>-</u>	<u>-</u>
	<u>\$ 253,118</u>	<u>222,685</u>	<u>121,333</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

As of January 1, 2022 and 2021, the beginning balance of contract liabilities that were accounted for as 2022 and 2021, revenue amounts to \$159,652 and \$63,858, respectively.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The major change in the balance of contract liabilities— sales of real estate and contract liabilities – advance rental receipts is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2022 and 2021.

The major change in the balance of contract assets— construction and contract liabilities – construction is the difference between the measure changes in results of the completion of the Group and the payment to be received.

(r) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and less than 2% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$832 and \$3,604, and directors' and supervisors' remuneration amounting to \$832 and \$3,604, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2022 and 2021. Related information would be available at the Market Observation Post System website. For the years ended December 31, 2022 and 2021, there is no difference between the estimate amounts in consolidated financial statement and the actual abovementioned distributed amounts

(s) Non-operating income and expense

(i) Interest income

	2022	2021
Bank deposit	\$ 3,986	1,541

(ii) Other income

	2022	2021
Others	\$ 946	2,237

(iii) Other gains and losses

	2022	2021
Others	\$ (298)	(300)

(iv) Finance costs

	2022	2021
Interest expense	\$ (2,551)	(449)

(t) Financial instruments

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Credit risk in respect of receivables and financial assets measured at amortized cost

For credit risk exposure in respect of accounts receivable, related statements, and recognition of impairment losses, please refer to note 6(c). Recognition of impairment losses for contract assets, please refer to note 6(q). Financial assets at amortized cost are considered to have low credit risk, and thus, the loss allowances for the period have been measured at 12-month ECLs.

3) Concentration of credit risks

If the Group's financial instrument transactions concentrate within few counterparties, or if financial instrument transactions do not concentrate within few counterparties but most of the counterparties engage in similar business activities and have similar economic characteristics, which affects its ability to meet contractual obligations under economic or other circumstances, then the credit risk is concentrated. Since most of the Group's trade receivables are due from unrelated transaction counterparties, concentration of credit risk is limited.

(ii) Liquidity risks

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 242,507	242,507	-	-	-
Short-term notes and bills payables	95,000	95,000	-	-	-
Long-term borrowings maturing within the period of operating cycle	394,952	6,592	6,592	381,768	-
Notes and accounts payable (including related parties)	196,674	196,674	-	-	-
Other payables (including related parties)	54,384	54,384	-	-	-
	\$ 983,517	595,157	6,592	381,768	-
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 120,974	120,974	-	-	-
Short-term notes and bills payables	50,000	50,000	-	-	-
Long-term borrowings maturing within the period of operating cycle	393,972	4,484	4,484	385,004	-
Notes and accounts payable (including related parties)	104,059	104,059	-	-	-
Other payables (including related parties)	72,347	72,347	-	-	-
	\$ 741,352	351,864	4,484	385,004	-

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Interest Rate Risk

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 risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities 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 or decreased by 1% basis points, with another variable factors remaining constant, the Group's profit before tax would have decreased or increased by \$6,210 and \$5,000 for the years ended December 31, 2022 and 2021, respectively. This is mainly due to the Group's borrowing at variable rates.

(iv) Information of fair value— valuation techniques for financial instruments measured at fair value.

The carrying amounts and fair values of the Group's financial assets and financial liabilities are reasonably close to their fair values, and disclosure of such fair values is not required.

(u) Financial risk management

(i) Overview

The Group has 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.

(ii) Structure of risk management

The Board of Directors is responsible for overseeing the Group's risk management framework. The chairman, responsible for developing and monitoring the Group's risk management policies, reports the implementation thereof to the Board of Directors regularly.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through 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 Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by internal auditor. Internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and cash in banks.

(iv) Liquidity risk

Liquidity risk is the risk that the Group may fail to meet its obligations upon the expiry of its financial commitments. The Group responds to liquidity risk of capital by ensuring that sufficient liquidity is available at any time to repay its liabilities when they are due, without incurring unacceptable losses or risking damage to the Group's reputation. As of December 31, 2022 and 2021, the Group had unused credit lines (including long-term and short-term loans, and short-term notes and bills payable) of \$4,240,400 and \$2,156,000, respectively.

(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 Group's policy for the management of interest rate risk is to ensure that it is not exposed to excessive risk and that interest rates are generally fixed in the event of material interest rate changes. The Group did not have any fixed-rate liabilities included in profit or loss according to changes in fair values and has not used derivative financial instruments to offset its liabilities. Therefore, changes in interest rates on settlement dates will not have material effects on its profit or loss.

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REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
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(v) Capital management

The Board of Director's policy is to maintain a strong capital base, so as to maintain the confidence of investors, creditors and market, and to sustain future operation. The Group uses 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 non-controlling interests.

As of 2022, the Group's capital management strategy is consistent with the prior year as of 2021.

The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2022, were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 1,263,072	1,008,479
Less: cash and cash equivalents	<u>(236,345)</u>	<u>(957,545)</u>
Net debt	<u>\$ 1,026,727</u>	<u>50,934</u>
Total Equity	<u>\$ 2,436,906</u>	<u>2,531,882</u>
Debt-to-equity ratio	<u>42.13%</u>	<u>2.01%</u>

The debt-to-equity ratio was increased as of December 31, 2022, caused by the increase of bank loans due to working capital requirements in 2022.

(w) Investing and financing activities not affecting cash flow

During 2022 and 2021, the Group had no investing and financing activities in respect which did not affect the cash flow.

(7) Related-party transactions

(a) Names and relationship with the Company

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 Group</u>
Mr. Deng-cheng Hsu	Chair and general manager of the Group
Mr. Chi-wei, Hsu	The first degree relative of the chair and general manager of the Group
Wilex Investment Holding Co., Ltd. (Wilex Investment Holding)	Corporate director of the Group
Dehua Marketing Co., Ltd. (Dehua Marketing Company)	Other related parties of the Group
Shen Guo Hao architect firm	Its chief is the representative of the Group's corporate directors.

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(b) Significant transactions with related parties

(i) Construction expenses

The Group commissioned Shen Guo Hao architect firm to carry out architectural design in 2022 and 2021, and the consideration amounted to \$5,241 and \$28,850, respectively. All related amounts have been paid up.

(ii) Sales commissions

In 2022 and 2021, the Group commissioned Dehua Marketing Co., Ltd. to sell the Group's products, and the commissions incurred amounted to \$23,833 and \$47,684, respectively. The outstanding balances at the end of the periods were as follows:

	December 31, 2022	December 31, 2021
Notes payable	<u>\$ 11,887</u>	<u>1,761</u>
Other payables	<u>\$ 1,192</u>	<u>22,603</u>

(iii) Rental expense

In 2022 and 2021, the Group's rental expenses, incurred due to the office leased from Mr. Chi-wei Hsu, amounted to \$600, and all related payments have been paid up. As of December 31, 2022 and 2021, guarantee deposits paid amounted to \$100.

(iv) Payables arising from receipts under custody

The payment received by the Group for Realy Chongshan No. 1 Construction Project shall be paid to Wilx Investment Holding in proportion to capital contribution. The outstanding balances at the end of the periods were as follows:

	December 31, 2022	December 31, 2021
Other payables	<u>\$ 2,657</u>	<u>2,657</u>

(v) Others

1) The performance bond, paid by the Group to Wilx Investment Holding for a codevelopment project at Yuanren Section, Tucheng, was as follows:

	December 31, 2022	December 31, 2021
Refundable deposit	<u>\$ 18,601</u>	<u>9,300</u>

2) As of December 31, 2022, the other payable of \$3 was paid by the related party on behalf of the Group.

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(vi) Guarantees

Mr. Deng-chen, Hsu has provided joint guarantees for the lines of credit of the Group's long-term and short-term borrowings and the short-term notes and bills payable; please refer to notes 6(j) and 6(k).

(c) Key management personnel compensation

	2022	2021
Short-term employee benefits	\$ 8,848	12,026

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Inventories	Guarantees for lines of credit for long-term and short-term borrowings	\$ 1,263,204	872,885
Property, plant and equipment	Guarantees for lines of credit for short-term notes and bills payable	43,132	43,606
Investment property	Guarantees for lines of credit for short-term borrowing	40,588	40,736
Other financial assets-current	Guarantee for refund of presale housing price	163,521	64,434
Other financial assets – non-current	Deposits for provisional attachment	10,080	10,080
		\$ 1,520,525	1,031,741

(9) Commitments and contingencies:

(a) Promissory notes issued by the Group for lines of credit:

	December 31, 2022	December 31, 2021
	\$ 1,302,000	1,177,000

(b) The land purchase contracts entered into by the Group and the installments paid according to the contracts were detailed as follows:

	December 31, 2022	December 31, 2021
Total value of purchase contract	\$ 213,670	213,670
Amount paid	\$ 52,600	52,600

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- (c) Presale house contracts entered into by the Group were as follows:

	December 31, 2022	December 31, 2021
Total value of signed contracts (excluding business taxes)	\$ <u>1,380,138</u>	<u>878,479</u>
Amount received (excluding business tax)	\$ <u>178,884</u>	<u>222,672</u>

- (d) The joint investment construction projects put out to contracts and the payment were as follows:

	December 31, 2022	December 31, 2021
Contract sum	\$ <u>3,330,568</u>	<u>488,894</u>
Outstanding balance of contract sum	\$ <u>2,718,621</u>	<u>291,054</u>

- (e) The total contract price of the construction contracted by the Group and the price denominated in accordance with the contract are as follows:

	December 31, 2022	December 31, 2021
Construction contract sum	\$ <u>1,082,339</u>	<u>-</u>
Cumulative valuation	\$ <u>117,391</u>	<u>-</u>

- (f) As of December 31, 2022, significant contracts entered into by the Group were as follows:

<u>Type of co-development</u>	<u>Project name and land lot No.</u>	<u>Performance bond for joint construction</u>
Self-built project using land owned by the Group & joint construction and allocation of housing units	Yuanren Section, Tucheng	\$ 122,019
Self-built project using land owned by the Group & joint construction and allocation of housing units	Nanhai Section, Taipei City	762
Joint investment & joint construction and allocation of housing units	Yucheng Section, Nangang	4,301
Joint investment & joint construction and allocation of housing units	Realy Jioukang	2,096
Joint construction and allocation of housing units	Xinfeng Section, Xizhi	15,301
Joint construction and allocation of housing units	Realy Shunguang Tiansia	<u>50,717</u>
		<u>\$ 195,196</u>
Self-built on land owned by the Group	Realy Dongjyu A	
Joint investment	Tailin Section, Taishan	
Joint investment	Zhonggong Section, Zhongli	

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) As of December 31, 2022, the information on the Group's joint investment projects was as follows:

<u>Subject matter</u>	<u>Contribution ratio</u>
Yucheng Section, Nangang	The Group: 80% Yeung Arch: 20%
Realy Jioukang, Taipei	The Group: 72.75% Yeung Arch: 27.25%
Tailin Section, Taishan	The Group: 50% Fu Jia: 30% Dacin: 20%
Zhonggong Section, Zhongli	The Group :50% Yeung Arch: 50%

(h) Contingencies:

The Group established its Cianlong Factory Office, wherein the construction project was commissioned to Liguan Hydropower Enterprise Co., Ltd. (Liguan), which commissioned part of project to Shun Feng Engineering Co., Ltd (Shun Feng). However, one partner of Shun Feng inadvertently experienced an occupational disaster during the construction of the project in 2020; hence, requested to be compensated. After failing to receive the requested response, the partner filed a lawsuit against Yaoren Construction Co., Ltd. (Yaoren), demanding for a provisional seizure of \$10,000 in cash and an execution fee of \$80 with the Taoyuan District Court, who ruled in favor of Yaoren. The partner disagreed with the decision made by the Taoyuan District Court, thus, filed an appeal to the Taiwan High Court, wherein the case was still in progress as of the reporting date.

Yaoren assessed that since the case had been insured for a third-party accident liability insurance for construction works, it need not accrue for the additional losses.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

A summary of employee benefits, depreciation, and amortization, by function, was as follows:

By function	For the year ended December 31					
	2022			2021		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	20,889	29,680	50,569	7,363	39,617	46,980
Labor and health insurance	-	3,969	3,969	-	3,302	3,302
Pension	-	2,049	2,049	-	1,667	1,667
Others	727	1,336	2,063	355	1,794	2,149
Depreciation	-	1,972	1,972	-	1,828	1,828
Depletion	-	-	-	-	-	-
Amortization	-	-	-	-	-	-

Note: For the years ended December 31, 2022 and 2021, depreciation of investments property included in other losses amounted to \$148.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP
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 in 2022:

- (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): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of \$300 million or 20% of the capital stock:

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	Payment terms	Percentage of total notes/accounts receivable (payable)	
The Company	Yaoren Construction Co., Ltd.	Subsidiary	Purchase	540,262	93.75 %	45 days	there is no significant difference with general customers	there is no significant difference with general customers	(73,696)	(75.71)%	

Note: The amount has been eliminated in the consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions:

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	Yaoren Construction Co., Ltd.	The Company	2	Operating Cost	524,007	Payment is collected according to progress of construction	126.98 %
1	"	"	2	Notes payable	18,330	"	0.50 %
1	"	"	2	Contract assets	55,366	"	1.50 %

Note 1: The numbering is as follows:

- 1. “0” represents the parent company
- 2. “1” represents Yaoren Construction Co., Ltd.

Note 2: Relation between related parties are as follows:

- 1. Parent company and its subsidiaries
- 2. Subsidiaries and its parent company

Note 3: This table discloses the information on business relationship and significant intercompany transactions, including only sales and accounts receivable. The corresponding purchases and accounts payable are not detailed herein

Note 4: The amount has been eliminated in the consolidated financial statements.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP
Notes to the Consolidated Financial Statements

(b) Information on investees:

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	Shares (thousands)	Percentage of ownership			
Realy Development & Construction Corp.	Yaoren Construction Co., Ltd.	No. 69, Section 5, Civic Blvd., Taipei City	Architecture and civil engineering	90,000	90,000	5,000	100.00 %	40,567	5,000	100 %	9,316	(2,946)	Note 1 and Note 2
Realy Development & Construction Corp.	East Union Development & Construction Co., Ltd.	No. 69, Section 5, Civic Blvd., Taipei City	Development of Residential units, large buildings, and industrial plants	120,000	120,000	16,560	36.36 %	209,330	16,560	36.36 %	(5,077)	(1,846)	

Note 1: The amounts are gains of \$9,316 on equity-accounted investments plus (less) the balance of unrealized gains arising from upstream transactions of \$29,654 at the beginning of the period and \$(41,916) at the end of the period, respectively.

Note 2: The amount has been eliminated in the consolidated financial statements.

(c) Information on investment in mainland China: None

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Rihyereal estate investment consultant Co., Ltd.		21,578,809	21.57 %
Hai ning Investment Co., Ltd.		12,579,518	12.57 %
Wilex Investment Holding Co., Ltd.		11,231,679	11.23 %

(14) Segment information:

(a) General information

The Group had the following three reportable segments, all of which were the Group's strategic business units. To provide different products and services, those strategic business units are managed separately as they require different technology and marketing strategies. The Group's chief operating decision maker reviews the internal management report of each operating unit quarterly. The operation of reportable segments is summarized as follows:

- (i) Sales segments: engaging in leasing, sale, and development of housing.
- (ii) Construction segment: civil and architecture engineering.

(b) Information about reportable segments and their measurement and reconciliations

No tax expenses (benefits) have been allocated to the reportable segment. In addition, The reportable amount is similar to that in the report used by the chief operating decision maker.

Accounting policies for the operating segments correspond to those stated in note 4. Reportable segment profits or losses, measured based on operating profits or losses before taxation, is used to evaluate performance. The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

	2022				
	First sales segment	Second sales segment	Construction segment	Reconciliation and elimination	Total
Revenue from external customers	\$ 295,290	-	117,391	-	412,681
Intersegment revenues	583	-	524,007	(524,590)	-
Interest revenue	2,156	1,785	45	-	3,986
Total revenue	<u>\$ 298,029</u>	<u>1,785</u>	<u>641,443</u>	<u>(524,590)</u>	<u>416,667</u>
Interest expenses	<u>\$ (2,156)</u>	<u>-</u>	<u>(395)</u>	<u>-</u>	<u>(2,551)</u>
Depreciation and amortization	<u>\$ 1,610</u>	<u>136</u>	<u>430</u>	<u>(56)</u>	<u>2,120</u>
Reportable segment profit or loss	<u>\$ 81,479</u>	<u>(5,077)</u>	<u>11,366</u>	<u>(7,470)</u>	<u>80,298</u>

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP
Notes to the Consolidated Financial Statements

	2021				Total
	First sales segment	Second sales segment	Construction segment	Reconciliation and elimination	
Revenue from external customers	\$ 1,475,411	-	-	-	1,475,411
Intersegment revenues	583	-	290,963	(291,546)	-
Interest revenue	389	1,137	15	-	1,541
Total revenue	<u>\$ 1,476,383</u>	<u>1,137</u>	<u>290,978</u>	<u>(291,546)</u>	<u>1,476,952</u>
Interest expenses	<u>\$ (389)</u>	<u>-</u>	<u>(60)</u>	<u>-</u>	<u>(449)</u>
Depreciation and amortization	<u>\$ 1,532</u>	<u>135</u>	<u>365</u>	<u>(56)</u>	<u>1,976</u>
Reportable segment profit or loss	<u>\$ 353,153</u>	<u>(5,357)</u>	<u>7,942</u>	<u>(4,188)</u>	<u>351,550</u>

- (i) In 2022 and 2021, total reportable segment revenue, which shall be eliminated in reportable segment profits (losses), amounted to \$524,590 and \$291,546, respectively.
- (ii) In 2022 and 2021, inter-segment profits (losses), which shall be eliminated in reportable segment profits (losses), amounted to \$7,470 and \$4,188, respectively.
- (c) General corporate information
- (i) Product and service information: This information has been disclosed in “(b) Operating segment information and reconciliation”.
- (ii) Geographic information: the Group did not have any foreign operating segment.
- (d) Major customer information

	2022
Customer B	\$ 99,829
Customer C	38,158
Customer D	35,182
Customer E	31,298
	2021
Customer A	\$ 146,748
Customer C	33,079

**REALY DEVELOPMENT & CONSTRUCTION
CORP.**

Parent Company Only Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

Address: 2F., No. 69, Sec. 5, Civic Blvd., Songshan Disc., Taipei
Telephone: (02)8787-8096

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

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安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of ReaLy Development & Construction Corp. :

Opinion

We have audited the financial statements of ReaLy Development & Construction Corp. (“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 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.

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(k) and 6(o) of the parent company only financial statements for the account policies on revenue recognition and the details of revenue.

Description of key audit matter:

ReaLy Development & Construction Corp. is in the property development industry, and the sale of real estate is susceptible to the effects of general economy, business climate, amendments to tax laws and regulations, as well as demand and supply of real estate. In response to the aforementioned environmental changes, the management has evaluated and set up relevant control procedures in respect of revenue and payment collection; therefore, the appropriateness of revenue recognition for real estate sales has material influences on financial statements. As a result, we have determined revenue recognition to be our key audit matter.

How the matter was addressed in our audit:

Our audit procedures in this area included obtaining understanding of both revenue from selling real estate and the control mechanism of payment collection of ReaLy Development & Construction Corp., testing the effectiveness of the design and implementation of the internal control system in respect of revenue, and sampling real estate transaction contracts and ownership transfer documents. Additionally, we sampled the transactions during a period of time before and after the balance sheet date, and checked relevant documents, in order to assess the appropriateness of the timings of revenue recognition.

2. Subsequent measurement of inventories

Please refer to note 4(f) “Inventories” for accounting policies for subsequent inventory measurement, note 5 for the uncertainties of accounting estimation and assumption of subsequent inventory measurement, and note 6(d) for disclosure pertaining to inventories.

Description of key audit matter:

The inventories of ReaLy Development & Construction Corp. are measured at the lower of cost and net realizable value. Due to high level of capital input and long payback period of the real estate industry, which is subject to significant political and economic influences, causing the risk that the costs of inventories may exceed their net realized values. Consequently, subsequent measurement of inventories has been considered to be one of the matters of high concern in the audit of the Company's financial statements. How the matter was addressed in our audit:

How the matter was addressed in our audit:

Our audit procedures in this area included assessing the reasonableness of the accounting policies for subsequent measurement of inventories, ascertaining whether subsequent measurement of inventories was in conformity with the accounting policies, evaluating the reasonableness of net realizable values of inventories by checking both the selling prices adopted by management and the changes in inventory sales after the balance sheet date, verifying the accuracy of management's subsequent measurement of inventories, and confirming whether related disclosure was appropriate.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 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 auditor's 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 Ming-Hung Huang and Po-Shu Huang.

KPMG

Taipei, Taiwan (Republic of China)

February 23, 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 and Report Originally Issued in Chinese)
REALY DEVELOPMENT & CONSTRUCTION CORP.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	<u>December 31, 2022</u>		<u>December 31, 2021</u>			<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (note 6(a))	\$ 55,981	2	626,300	20	2100 Short-term borrowings (notes 6(i), 7 and 8)	\$ 200,000	7	120,000	4
1136 Current financial assets at amortized cost, net (note 6(b))	108,850	4	126,550	4	2110 Short-term notes and bills payable (notes 6(j), 7 and 8)	94,944	3	49,967	2
1172 Accounts receivable (note 6(c))	13,260	-	23,350	1	2322 Long-term borrowings, current portion (notes 6(i), 7 and 8)	381,000	12	380,000	12
1320 Inventories (for construction business), net (notes 6(d), 7, 8 and 9)	2,132,759	69	1,738,976	56	2150 Notes payable	7,277	-	452	-
1476 Other current financial assets (notes 6(d), 7 and 8)	344,248	11	117,988	4	2161 Notes payable to related parties (note 7)	30,217	1	31,673	1
1479 Other current assets, others	29,966	1	3,559	-	2170 Accounts payable	4,475	-	33,807	1
1480 Current assets recognised as incremental costs to obtain contract with customers (notes 6(h) and 7)	76,050	2	50,829	2	2181 Accounts payable to related parties (note 7)	55,366	2	-	-
Total current assets	<u>2,761,114</u>	<u>89</u>	<u>2,687,552</u>	<u>87</u>	2200 Other payables (note 6(p))	28,446	1	29,866	1
Non-current assets:					2220 Other payables to related parties (note 7)	3,852	-	25,260	1
1551 Investments accounted for using equity method (note 6(e))	249,897	8	259,689	8	2230 Current tax liabilities	9,283	-	38,695	1
1600 Property, plant and equipment (notes 6(f) and 8)	47,975	2	49,452	2	2130 Current contract liabilities (notes 6(d) and (o))	178,884	6	222,685	7
1760 Investment property, net (note 6(g))	11,564	-	11,564	-	2399 Other current liabilities, others	26,535	1	11,489	-
1840 Deferred tax assets (note 6(l))	-	-	10,090	-	Total current liabilities	<u>1,020,279</u>	<u>33</u>	<u>943,894</u>	<u>30</u>
1920 Guarantee deposits paid (notes 6(d) and 7)	20,409	1	87,972	3	Non-Current liabilities:				
Total non-current assets	<u>329,845</u>	<u>11</u>	<u>418,767</u>	<u>13</u>	2645 Guarantee deposits received (note 7)	100	-	100	-
					Total non-current liabilities	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>
					Total liabilities	<u>1,020,379</u>	<u>33</u>	<u>943,994</u>	<u>30</u>
					Equity attributable to owners of parent (note 6(m)):				
Total assets	<u>\$ 3,090,959</u>	<u>100</u>	<u>3,106,319</u>	<u>100</u>	3110 Ordinary share	1,000,000	32	1,000,000	32
					3200 Capital surplus	189,208	6	189,208	6
					3300 Retained earnings	881,372	29	973,117	32
					Total equity	<u>2,070,580</u>	<u>67</u>	<u>2,162,325</u>	<u>70</u>
					Total liabilities and equity	<u>\$ 3,090,959</u>	<u>100</u>	<u>3,106,319</u>	<u>100</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
REALY DEVELOPMENT & CONSTRUCTION CORP.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(o) and 7)	\$ 295,873	100	1,475,993	100
5000	Operating costs (note 7)	<u>160,963</u>	<u>54</u>	<u>1,044,383</u>	<u>71</u>
5900	Gross profit from operations	<u>134,910</u>	<u>46</u>	<u>431,610</u>	<u>29</u>
6000	Operating expenses (notes 6(f), (h), (k), (p), 7 and 12):				
6100	Selling expenses	20,772	7	76,047	5
6200	Administrative expenses	<u>31,294</u>	<u>11</u>	<u>40,248</u>	<u>3</u>
	Total operating expenses	<u>52,066</u>	<u>18</u>	<u>116,295</u>	<u>8</u>
6900	Net operating income	<u>82,844</u>	<u>28</u>	<u>315,315</u>	<u>21</u>
7000	Non-operating income and expenses (notes 6(d), (q) and 7):				
7100	Interest income	2,156	1	389	-
7010	Other income	3,438	1	4,928	1
7020	Other gains and losses	(11)	-	(7)	-
7050	Finance costs	(2,156)	(1)	(389)	-
7375	Share of profit of subsidiaries accounted for using equity method	<u>(4,792)</u>	<u>(1)</u>	<u>32,917</u>	<u>2</u>
	Total non-operating income and expenses	<u>(1,365)</u>	<u>-</u>	<u>37,838</u>	<u>3</u>
7900	Profit from continuing operations before tax	81,479	28	353,153	24
7951	Less: Income tax expenses (note 6(l))	<u>23,224</u>	<u>8</u>	<u>48,439</u>	<u>3</u>
	Profit	<u>58,255</u>	<u>20</u>	<u>304,714</u>	<u>21</u>
8300	Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total comprehensive income	<u>\$ 58,255</u>	<u>20</u>	<u>304,714</u>	<u>21</u>
	Basic earnings per share (NTD) (note 6(n))				
	Basic earnings per share	<u>\$ 0.58</u>		<u>3.05</u>	
	Diluted earnings per share	<u>\$ 0.58</u>		<u>3.04</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
REALY DEVELOPMENT & CONSTRUCTION CORP.

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Legal reserve	Retained earnings Unappropriated retained earnings	Total retained earnings	Total equity
Balance at January 1, 2021	\$ 1,000,000	189,208	245,395	543,008	788,403	1,977,611
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	14,541	(14,541)	-	-
Cash dividends	-	-	-	(120,000)	(120,000)	(120,000)
Total comprehensive income	-	-	-	304,714	304,714	304,714
Balance at December 31, 2021	1,000,000	189,208	259,936	713,181	973,117	2,162,325
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	30,471	(30,471)	-	-
Cash dividends	-	-	-	(150,000)	(150,000)	(150,000)
Total comprehensive income	-	-	-	58,255	58,255	58,255
Balance at December 31, 2022	<u>\$ 1,000,000</u>	<u>189,208</u>	<u>290,407</u>	<u>590,965</u>	<u>881,372</u>	<u>2,070,580</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
REALY DEVELOPMENT & CONSTRUCTION CORP.

Statements of Cash Flows

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) operating activities:		
Profit before tax	\$ 81,479	353,153
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,610	1,532
Interest expense	2,156	389
Interest income	(2,156)	(389)
Share of loss (profit) of subsidiaries accounted for using equity method	4,792	(32,917)
Total adjustments to reconcile profit (loss)	<u>6,402</u>	<u>(31,385)</u>
Changes in operating assets and liabilities:		
Accounts receivable	10,090	15,525
Inventories	(388,691)	662,691
Other current assets	(26,407)	34,630
Other current financial assets	(100,924)	62,863
Guarantee deposits paid	(57,864)	(34,757)
Assets recognised as incremental costs to obtain contract with customers	(25,221)	(10,298)
Total changes in operating assets	<u>(589,017)</u>	<u>730,654</u>
Changes in operating liabilities:		
Contract liabilities	(43,801)	101,352
Notes payable	6,825	(4,317)
Notes payable to related parties	(1,456)	(13,942)
Accounts payable	(29,332)	8,645
Accounts payable to related parties	55,366	-
Other payables	(1,507)	11,314
Other payables to related parties	(21,408)	22,588
Other current liabilities	15,046	7,457
Total changes in operating liabilities	<u>(20,267)</u>	<u>133,097</u>
Total changes in operating assets and liabilities	<u>(609,284)</u>	<u>863,751</u>
Total adjustments	<u>(602,882)</u>	<u>832,366</u>
Cash inflow (outflow) generated from operations	(521,403)	1,185,519
Interest received	2,247	240
Dividends received	5,000	35,440
Interest paid	(7,184)	(8,950)
Income taxes paid	(42,546)	(54,085)
Net cash flows from (used in) operating activities	<u>(563,886)</u>	<u>1,158,164</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	-	(126,550)
Proceeds from disposal of financial assets at amortized cost	17,700	-
Acquisition of property, plant and equipment	(133)	(1,613)
Net cash flows from (used in) investing activities	<u>17,567</u>	<u>(128,163)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	260,000	245,000
Decrease in short-term borrowings	(180,000)	(255,000)
Increase in short-term notes and bills payable	195,000	50,000
Decrease in short-term notes and bills payable	(150,000)	-
Proceeds from long-term borrowings	1,000	-
Repayments of long-term borrowings	-	(342,000)
Cash dividends paid	(150,000)	(120,000)
Net cash used in financing activities	<u>(24,000)</u>	<u>(422,000)</u>
Net increase (decrease) in cash and cash equivalents	(570,319)	608,001
Cash and cash equivalents at beginning of period	<u>626,300</u>	<u>18,299</u>
Cash and cash equivalents at end of period	<u>\$ 55,981</u>	<u>626,300</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
REALY DEVELOPMENT & CONSTRUCTION CORP.

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

REALY DEVELOPMENT & CONSTRUCTION CORP. (the “Company”). was incorporated on May 4, 2001 as a company limited by shares under the Company Act of the Republic of China (“R.O.C.”). The principal activities of the Company are development, leasing and sale of residential houses, buildings and industrial plants, as well as development of special zones for specific industries, investment in public construction, and real estate agency.

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

These financial statements were authorized for issue by the Board of Directors on February 23, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

- (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:

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

The Company does not expect the new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

(a) Statement of compliance

These parent company only 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

The parent company only financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The parent company only 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) 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 noncurrent.

- (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 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.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

For assets and liabilities related to the construction of a house for sale, and the normal business cycle exceeds 12 months, the business cycle is used as the criterion for dividing liquidity and illiquidity.

(d) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are shortterm, 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 shortterm 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.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the 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.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.**Notes to the Financial Statements**

2) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

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

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.

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

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

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

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

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 assets is credit-impaired includes the following observable data:

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

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.**Notes to the Financial Statements**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3) 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) Financial liabilities

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.

2) 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.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

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.

3) 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 includes expenditure incurred in acquiring, producing, or processing inventories to bring them to the location and condition that is available for use. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Interest expense, incurred by the amount paid for construction in progress before it is available for use or completed, is capitalized and recognized as cost of inventories.

(g) Investing subsidiaries

In preparing the parent company only financial statements of the Company, investee company that controlled by the Company is accounted for under the equity method. Under equity method, profit for the year and other comprehensive income for the year reported in an entity's Parent Company only financial statement of comprehensive income, shall equal to profit for the year and other comprehensive income, attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's Parent Company only financial statements shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

The Company's changes in equity interests in subsidiaries that did not lead to loss of control, deemed as equity transactions between owners.

(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 measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

(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. The cost of certain items of property, plant and equipment on January 1, 2012, the Group's date of transition to the Standards, was determined with reference to its fair value at that date.

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 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	15~50 years
2) Plant and equipment	5 years
3) Fixtures and fittings	3~10 years

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

(j) 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 CGUs.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

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

There is no goodwill in the Company's accounts. Impairment of non financial 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.

(k) Revenue

(i) Revenue from contracts with customers

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

1) Land development and sale of real estate

The Company develops and pre-sells residential properties during construction 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 been transferred to the customer, in which revenue is recognized at that point in time.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. Deferred payment terms may be agreed in rare circumstances. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from the inception of the contract until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(ii) Costs of contracts with customers—incremental costs to obtain 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.

(l) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) 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.

(m) 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.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

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 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.

(n) 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, such as convertible bonds and employee compensation.

(o) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

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

The preparation of the parent company only financial statements in conformity with the 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.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about assumption and estimation uncertainties that have a material risk of resulting in material adjustments during the following year is as follows:

Inventories are evaluated at the lower of cost and net realizable value, which is assessed based on the current market condition; therefore, any change in market condition may have material effect on the result of estimation. Please refer to note 6(d) for subsequent measurement and estimation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash and hand	\$ 140	140
Demand deposits	55,841	202,860
Time deposits	-	423,300
Cash and cash equivalents in the consolidated statement of cash flow	<u>\$ 55,981</u>	<u>626,300</u>

(b) Current financial assets at amortized cost

	December 31, 2022	December 31, 2021
Time deposits with original maturity of more than 3 months	<u>\$ 108,850</u>	<u>126,550</u>
Range of interest rate (%)	<u>0.945</u>	<u>0.07~0.49</u>

The Company has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost. For credit risk and market risk, please refer to note 6(r).

As of December 31, 2022 and 2021, the current financial assets at amortized cost were not pledged as collateral.

(c) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	<u>\$ 13,260</u>	<u>23,350</u>

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provisions were as followed:

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance Provision
Current	\$ 13,260	-	-
	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance Provision
Current	\$ 23,350	-	-

In 2022 and 2021, there was no recognition and reversal of expected credit losses.

(d) Inventories

(i) The Company's inventories are detailed as follows:

	December 31, 2022	December 31, 2021
Buildings and land held for sale	\$ 21,742	192,491
Construction in progress	2,021,451	914,122
Building land	36,966	579,763
Prepayment for building land	52,600	52,600
	\$ 2,132,759	1,738,976

There were no losses on inventories reclassified from write-down of inventories to net realizable value and loss allowance for inventory write-down as of December 31, 2022 and 2021.

(ii) Buildings and land held for sale

	December 31, 2022			Advance for real estate receipts
	Land held for sale	Buildings held for sale	Total	Advance for real estate receipts
Realy Sianji	\$ 12,430	8,141	20,571	-
Realy Fuchun	307	864	1,171	362
	\$ 12,737	9,005	21,742	362

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

	December 31, 2021			
	Land held for sale	Buildings held for sale	Total	Advance for real estate receipts
Realy Sianji	\$ 12,430	8,141	20,571	-
Realy Cianlong	48,105	118,742	166,847	159,639
Others	1,329	3,744	5,073	-
	\$ 61,864	130,627	192,491	159,639

(iii) Construction in progress

	December 31, 2022			
Project name	Construction in progress-land	Construction in progress-building	Total	Advance for real estate receipts
Realy Dongjyu A	\$ 86,257	359,565	445,822	104,196
Zhonggong Section, Zhongli	460,961	218,380	679,341	-
Yuanren Section, Tucheng	212,659	135,722	348,381	-
Realy Shunguang Tiansia	-	204,119	204,119	44,868
Realy Jioukang	264,504	54,715	319,219	29,458
Others	-	24,569	24,569	-
	\$ 1,024,381	997,070	2,021,451	178,522

	December 31, 2021			
Project name	Construction in progress-land	Construction in progress-building	Total	Advance for real estate receipts
Realy Dongjyu A	\$ 86,257	243,713	329,970	63,033
Zhonggong Section, Zhongli	460,961	19,120	480,081	-
Yuanren Section, Tucheng	3,615	55,966	59,581	-
Realy Shunguang Tiansia	-	18,501	18,501	-
Others	1,990	23,999	25,989	-
	\$ 552,823	361,299	914,122	63,033

(iv) Building land

	December 31, 2022	December 31, 2021
Realy Jioukang	\$ -	310,896
Yuanren Section, Tucheng	-	226,869
Others	36,966	41,998
	\$ 36,966	579,763

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

(v) Prepayment for building land

	December 31, 2022	December 31, 2021
Yucheng Section, Nangang	<u>\$ 52,600</u>	<u>52,600</u>

(vi) Guarantee deposits paid

Guarantee deposits are paid for development of real estate; such refundable deposits for construction in progress and projects that have yet to commence have been recognized as current assets and non-current assets, respectively, as follows:

	December 31, 2022	December 31, 2021
current:		
Yuanren Section, Tucheng	\$ 122,019	-
Realy Shunguang Tiansia	50,717	50,717
Realy Jioukang	<u>2,096</u>	<u>-</u>
	<u>\$ 174,832</u>	<u>50,717</u>
Non-current:		
Yuanren Section, Tucheng	\$ -	65,466
Xinfeng Section, Xizhi	15,301	15,301
Others	<u>5,063</u>	<u>7,159</u>
	<u>\$ 20,364</u>	<u>87,926</u>

(vii) Capitalization of interest was as follows:

	2022	2021
Capitalized amount	\$ 5,092	8,402
Average interest rate of capitalization	1.17%~1.81%	1.17%~1.36%

(viii) Collateral

Please refer to note 8 for assets pledged to long-term or short-term loans.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

(ix) Others

Advance deposits for real estate receipts are deposited into the special account for returning payments of the pre-sale housing units. Transaction payments received are entrusted to the bank to be managed as a special trust account. If the Company fails to transfer the ownership of the subject matter of the transaction to the buyer or a third person designated by the buyer within the agreed period, then it is obligated to return the payment. Additionally, the transaction payment received may only be used after the first ownership registration of the subject matter is completed (please see note 8). The details were as follows:

	December 31, 2022	December 31, 2021
Transaction price	<u><u>\$ 163,521</u></u>	<u><u>64,434</u></u>

(e) Investment accounted for using equity method

Financial information for investments accounted for using the equity method at the reporting date is as follow:

	December 31, 2022	December 31, 2021
Subsidiaries	<u><u>\$ 249,897</u></u>	<u><u>259,689</u></u>

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(f) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Transportatio n equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
January 1, 2022	\$ 26,157	37,068	5,590	671	69,486
Additions	-	133	-	-	133
December 31, 2022	<u><u>\$ 26,157</u></u>	<u><u>37,201</u></u>	<u><u>5,590</u></u>	<u><u>671</u></u>	<u><u>69,619</u></u>
January 1, 2021	\$ 26,157	35,455	5,590	671	67,873
Additions	-	1,613	-	-	1,613
December 31, 2021	<u><u>\$ 26,157</u></u>	<u><u>37,068</u></u>	<u><u>5,590</u></u>	<u><u>671</u></u>	<u><u>69,486</u></u>
Accumulated depreciation:					
January 1, 2022	\$ -	15,995	3,417	622	20,034
Depreciation	-	642	932	36	1,610
December 31, 2022	<u><u>\$ -</u></u>	<u><u>16,637</u></u>	<u><u>4,349</u></u>	<u><u>658</u></u>	<u><u>21,644</u></u>
January 1, 2021	\$ -	15,431	2,485	586	18,502
Depreciation	-	564	932	36	1,532
December 31, 2021	<u><u>\$ -</u></u>	<u><u>15,995</u></u>	<u><u>3,417</u></u>	<u><u>622</u></u>	<u><u>20,034</u></u>
Carrying amounts:					
December 31, 2022	<u><u>\$ 26,157</u></u>	<u><u>20,564</u></u>	<u><u>1,241</u></u>	<u><u>13</u></u>	<u><u>47,975</u></u>
December 31, 2021	<u><u>\$ 26,157</u></u>	<u><u>21,073</u></u>	<u><u>2,173</u></u>	<u><u>49</u></u>	<u><u>49,452</u></u>
January 1, 2021	<u><u>\$ 26,157</u></u>	<u><u>20,024</u></u>	<u><u>3,105</u></u>	<u><u>85</u></u>	<u><u>49,371</u></u>

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REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

Please refer to note 8 for assets pledged to short-term notes and bills payable.

(g) Investment property

As of December 31, 2022 and 2021, the land cost of investment property amounted to \$11,564 with a fair value of \$15,736, and the land was not pledged.

The fair values of investment properties are assessed by the Company's management based on information such as market transaction prices of similar properties within the vicinity of the relevant assets.

(h) Incremental costs of obtaining a contract-current

	December 31, 2022	December 31, 2021
Incremental costs of obtaining a contract-current	\$ 76,050	50,829

The Company expects that the incremental commission fees paid to intermediaries will be refunded, resulting in the Company to capitalize them as contract costs. Capitalized commission fees are amortized when related revenues are recognized. For the years ended December 31, 2022 and 2021, the Company recognized the selling expenses amounting to \$13,745 and \$20,332, respectively.

(i) Short-term and long-term borrowings

December 31, 2022			
	Range of interest rate	Maturity year	Amount
Short-term unsecured borrowings	1.73%~1.935%	2023	\$ 200,000
Long-term secured borrowings (classified as current)	1.73%~1.75%	2025	381,000
Total			\$ 581,000
Unused credit lines			\$ 3,523,400
December 31, 2021			
	Range of interest rate	Maturity year	Amount
Short-term unsecured borrowings	1.15%	2022	\$ 120,000
Long-term secured borrowings (classified as current)	1.18%	2025	380,000
Total			\$ 500,000
Unused credit lines			\$ 1,354,000

Please refer to note 8 for assets pledged to long-term and short-term borrowings. Additionally, other related parties have provided joint guarantees for the aforementioned loans; please refer to note 7 for details.

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REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

(j) Short-term notes and bills payable

December 31, 2022			
	Guarantee or acceptance institute	Range of interest rate	Amount
Commercial paper payable	Shanghai Commercial and Savings Bank	2.208%	\$ 95,000
Less: discount			(56)
Total			\$ 94,944
Unused credit lines			\$ 50,000
December 31, 2021			
	Guarantee or acceptance institute	Range of interest rate	Amount
Commercial paper payable	Shanghai Commercial and Savings Bank	1.215%	\$ 50,000
Less: discount			(33)
Total			\$ 49,967
Unused credit lines			\$ 95,000

The Company has pledged assets to the short-term notes and bills payable, please refer to note 8. Additionally, other related parties have provided joint guarantees for the aforementioned short-term notes and bills; please refer to note 7 for details.

(k) Employee benefits

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 for the years ended December 31, 2022 and 2021 amounted to \$704 and 681, respectively.

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REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

(l) Income tax

(i) Income tax expenses

The components of income tax expenses for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 14,586	58,804
Adjustment for prior periods	(1,452)	(275)
	13,134	58,529
Deferred tax expense (benefit)	10,090	(10,090)
Income tax expenses	<u>\$ 23,224</u>	<u>48,439</u>

In 2022 and 2021, there were no income tax directly recognized in equity and other comprehensive income.

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

	<u>2022</u>	<u>2021</u>
Income before tax	<u>\$ 81,479</u>	<u>353,153</u>
Income tax expense at domestic statutory tax rate	\$ 16,296	70,631
Adjustments pursuant to tax laws	858	(7,324)
Exempt income	(1,111)	(18,020)
Land value increment tax	906	2,884
The fluctuation of unrecognized temporary differences	1,515	-
Adjustment for prior periods	(1,452)	(275)
Surtax on undistributed earnings	6,212	543
Total	<u>\$ 23,224</u>	<u>48,439</u>

(ii) Deferred tax asset and liability

1) Deferred tax asset and recognized

Changes in the amount of deferred tax assets for 2022 and 2021 were as follows:

Deferred tax assets:

	<u>Difference in profit or loss arising from real estate</u>
January 1, 2022	\$ 10,090
Recognized in profit or loss	(10,090)
December 31, 2022	<u>\$</u>

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

	Difference in profit or loss arising from real estate
January 1, 2021	\$ -
Recognized in profit or loss	10,090
December 31, 2021	\$ 10,090

2) Deferred tax asset and unrecognized

As of December 31, 2022 and 2021, there was no material deferred tax asset that has not been recognized.

3) Deferred tax liability unrecognized

As of December 31, 2022 and 2021, there was no material deferred tax liability that has not been recognized.

(iii) The Company's income tax had been assessed through 2020 by the tax authorities.

(m) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, the total value of authorized ordinary shares was 1,000,000, with a par value of NT\$10 per share. The Group has issued 100,000 thousand ordinary shares, all of which have been paid up.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$ 185,283	185,283
Expired employee stock warrants	28	28
Difference arising from subsidiary's equity	3,897	3,897
	\$ 189,208	189,208

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.

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REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

(iii) Retained earnings

The Company's articles of incorporation stipulate that if there are annual earnings, 10% of which shall be appropriated as legal reserve after offsetting accumulated deficits. In addition, a special reserve shall be set aside or reversed pursuant to applicable laws and regulations. The remaining balance, together with unappropriated earnings, if any, shall be distributed according to a distribution plan proposed by the Board of Directors and approved in a shareholders' meeting. Dividends may be distributed in the form of stock or cash.

The Company's surplus is paid in the form of cash dividends and equity dividends, of which the cash dividend is not less than 10% of the total surplus distribution, taking into account the Company's business growth, capital needs, and financial structure.

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 and 2020, was decided by the resolution adopted, at the general meeting of shareholders held on June 15, 2022 and August 25, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	<u>2021</u>	<u>2020</u>
Dividends distributed to ordinary shareholders:		
Cash dividends	\$ <u>150,000</u>	<u>120,000</u>

(n) Earnings per share

(i) Basic earnings per share

	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>58,255</u>	<u>304,714</u>
Weighted-average number of ordinary shares (thousand)	<u>100,000</u>	<u>100,000</u>
Basic earnings per share (NTD)	\$ <u>0.58</u>	<u>3.05</u>

(ii) Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>58,255</u>	<u>304,714</u>
Weighted-average number of ordinary shares (basic) (thousand)	100,000	100,000
Effect on dilutive potential ordinary shares (thousand)	<u>71</u>	<u>172</u>
Weighted-average number of ordinary shares (diluted) (thousand)	<u>100,071</u>	<u>100,172</u>
Diluted earnings per share (NTD)	\$ <u>0.58</u>	<u>3.04</u>

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>	<u>2021</u>
Primary geographical markets:		
Taiwan	\$ <u>295,873</u>	<u>1,475,993</u>
Major products/services lines:		
Sales of real estate	\$ 292,688	1,474,167
Rental income	991	1,826
Other revenue	<u>2,194</u>	<u>-</u>
	<u>\$ 295,873</u>	<u>1,475,993</u>
Timing of revenue recognition:		
Products and services transferred at a point in time	\$ 294,882	1,474,167
Revenue transferred at a point in time	<u>991</u>	<u>1,826</u>
	<u>\$ 295,873</u>	<u>1,475,993</u>

(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities—advance real estate receipts	\$ 178,884	222,672	121,246
Contract liabilities - advance rental receipts	<u>-</u>	<u>13</u>	<u>87</u>
	<u>\$ 178,884</u>	<u>222,685</u>	<u>121,333</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

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 \$159,652 and \$63,858, respectively.

The major 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. There were no other significant changes for the years ended December 31, 2022 and 2021.

(p) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and less than 2% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

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REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$832 and \$3,604, and directors' and supervisors' remuneration amounting to \$832 and \$3,604, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles.

These remunerations were expensed under operating expenses during 2022 and 2021. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2022 and 2021.

(q) Non-operating income and expense

(i) Interest income

	<u>2022</u>	<u>2021</u>
Bank deposit	<u>\$ 2,156</u>	<u>389</u>

(ii) Other income

	<u>2022</u>	<u>2021</u>
Management service revenue	\$ 2,700	2,700
Others	<u>738</u>	<u>2,228</u>
	<u>\$ 3,438</u>	<u>4,928</u>

(iii) Other gains and losses

	<u>2022</u>	<u>2021</u>
Others	<u>\$ (11)</u>	<u>(7)</u>

(iv) Finance costs

	<u>2022</u>	<u>2021</u>
Interest expense	<u>\$ (2,156)</u>	<u>(389)</u>

(r) 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.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

2) Credit risk in respect of receivables and financial assets measured at amortized cost

For credit risk exposure in respect of accounts receivable, related statements, and recognition of impairment losses, please refer to note 6(c). Financial assets at amortized cost are considered to have low credit risk, and thus, the loss allowances for the period have been measured at 12-month ECLs.

3) Concentration of credit risks

If financial instrument transactions concentrate within few counterparties, or if financial instrument transactions do not concentrate within few counterparties but most of the counterparties engage in similar business activities and have similar economic characteristics, which affects its ability to meet contractual obligations under economic or other circumstances, then the credit risk is concentrated. As most of the Company's accounts receivable are due from unrelated transaction counterparties, concentration of credit risk is limited.

(ii) Liquidity risks

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

	<u>Contractual cash flows</u>	<u>within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 202,113	202,113	-	-	-
Short-term notes and bills payables	95,000	95,000	-	-	-
Long-term borrowings maturing within the period of operating cycle	394,952	6,592	6,592	381,768	-
Notes and accounts payable	97,335	97,335	-	-	-
Other payables	32,298	32,298	-	-	-
Guarantee deposits received	100	100	-	-	-
	<u>\$ 821,798</u>	<u>433,438</u>	<u>6,592</u>	<u>381,768</u>	<u>-</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	120,974	120,974	-	-	-
Short-term notes and bills payables	50,000	50,000	-	-	-
Long-term borrowings maturing within the period of operating cycle	393,972	4,484	4,484	385,004	-
Notes and accounts payable	65,932	65,932	-	-	-
Other payables	55,126	55,126	-	-	-
Guarantee deposits received	100	100	-	-	-
	<u>\$ 686,104</u>	<u>296,616</u>	<u>4,484</u>	<u>385,004</u>	<u>-</u>

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

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REALY DEVELOPMENT & CONSTRUCTION CORP.
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(iii) Interest Rate Risk

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 risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities 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, with another variable factors remaining constant, the Company's profit before tax would have decreased or increased by \$5,810 and \$5,000 for the years ended December 31, 2022 and 2021, respectively. This is mainly due to the Company's borrowing at variable rates.

(iv) Information of fair value— valuation techniques for financial instruments measured at fair value.

The carrying amounts and fair values of the Company's financial assets and financial liabilities are reasonably close to their fair values, and disclosure of such fair values is not required.

(s) Financial risk management

(i) Overview

The Company has 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 exposure information, objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

The Board of Directors is responsible for overseeing the Company's risk management framework. The chairman, responsible for developing and monitoring the Company's risk management policies, reports the implementation thereof to the Board of Directors regularly.

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.

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REALY DEVELOPMENT & CONSTRUCTION CORP.
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The Board of Directors 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 Board of Directors is assisted in its oversight role by internal auditor. Internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash in banks.

(iv) Liquidity risk

Liquidity risk is the risk that the Company may fail to meet its obligations upon the expiry of its financial commitments. The Company responds to liquidity risk of capital by ensuring that sufficient liquidity is available at any time to repay its liabilities when they are due, without incurring unacceptable losses or risking damage to the Company's reputation. As of December 31, 2022 and 2021, the Company had unused credit lines (including long-term and short-term borrowings, and short-term notes and bills payable) of \$3,573,400 and \$1,449,000, respectively.

(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 Company's policy for the management of interest rate risk is to ensure that it is not exposed to excessive risk and that interest rates are generally fixed in the event of material interest rate changes. The Company did not have any fixed-rate liabilities included in profit or loss according to changes in fair values and has not used derivative financial instruments to offset its liabilities. Therefore, changes in interest rates on settlement dates will not have material effects on its profit or loss.

(t) Capital management

The Board of Directors policy is to maintain a strong capital base, so as to maintain the confidence of investors, creditors and market, and to sustain future operation. The Company uses 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.

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REALY DEVELOPMENT & CONSTRUCTION CORP.
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In 2022, the Company's capital management strategy is consistent with the prior year of 2021. The Company's debt-to-equity ratios were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Total liabilities	\$ 1,020,379	943,994
Less: cash and cash equivalents	(55,981)	(626,300)
Net debt	<u>\$ 964,398</u>	<u>317,694</u>
Total Equity	<u>\$ 2,070,580</u>	<u>2,162,325</u>
Debt-to-equity ratio	<u>46.52 %</u>	<u>14.69 %</u>

The debt-to-equity ratio was increased as of December 31, 2022, caused by the increase of bank loans due to working capital requirements in 2022.

(u) Investing and financing activities not affecting cash flow

During 2022 and 2021, the Company had no investing and financing activities in respect which did not affect the cash flow.

(7) Related-party transactions:

(a) Names and relationship with the Company

The followings are entities that have had transactions with related party during the periods covered in the parent company only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Yaoren Construction Co., Ltd. (Yaoren Construction Company)	Subsidiary
East Union Development & Construction Co., Ltd. ("East Union Development & Construction")	Subsidiary
Mr. Deng-cheng Hsu	Chair and general manager of the Company
Wilex Investment Holding Co., Ltd. (Wilex Investment Holding)	Corporate director of the Company
Dehua Marketing Co., Ltd. (Dehua Marketing Company)	Other related parties of the Company
Shen Guo Hao architect firm	Its chief is the representative of the Company's corporate directors.

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REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Construction and repair works

The projects contracted to Yaoren Construction Co., Ltd. by the Company were as follows:

2022				
Project name	Contract sum	Progress payment for the period	Accumulated progress payment	Uncharged amount
Realy Dongjiyu A	\$ 351,692	113,244	324,963	26,729
Zhonggong Section, Zhongli	952,001	194,457	194,457	757,544
Yuanren Section, Tucheng	2,076,156	57,200	57,200	2,018,956
Realy shunguang tian sia	679,888	183,300	183,300	496,588
Realy jiou kang	347,967	5,945	5,945	342,022
	\$ 4,407,704	554,146	765,865	3,641,839

2021				
Project name	Contract sum	Progress payment for the period	Accumulated progress payment	Uncharged amount
Realy Dongjiyu B	\$ 184,687	18,469	184,687	-
Realy Cianlong Factory Office Zone	631,125	173,045	631,125	-
Realy Dongjiyu A	351,692	109,728	211,719	139,973
Realy shunguang tian sia	232,023	-	-	232,023
	\$ 1,399,527	301,242	1,027,531	371,996

The Company contracted out a construction project to its related parties for the works, whose transaction price could not be compared due to the nature of the contract. Additionally, the payment terms were based on the progress of the works. Each payment shall be paid in half by a spot check and the other half by a 45-day check.

The payables for the aforementioned construction projects were as follows:

	December 31, 2022	December 31, 2021
Notes payable	\$ 18,330	29,912
Accounts payable	\$ 55,366	-

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REALY DEVELOPMENT & CONSTRUCTION CORP.
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(ii) Construction expenses

The Company commissioned Shen Guo Hao architect firm to carry out architectural design in 2022 and 2021, and the consideration amounted to \$5,241 and \$28,850, respectively. All related amounts have been paid up.

(iii) Sales commissions

During 2022 and 2021, the Company commissioned Dehua Marketing Company to sell the Company's products, and the commissions incurred (included in current assets recognized as incremental costs to obtain contract with customers) amounted to \$23,833 and \$47,684, respectively. The outstanding balance at the end of the period was as follows:

	December 31, 2022	December 31, 2021
Notes payable	\$ 11,887	1,761
Other payables	\$ 1,192	22,603

(iv) Rental income

The Company entered into office lease contracts with Yaoren Construction Company and East Union Development & Construction Co., Ltd., and both of the contracts run for a period of one year ended in December 2022. In 2022 and 2021, the Company's rental incomes from East Union Development & Construction was \$12; In 2022 and 2021, rental incomes from Yaoren Construction Company was \$571, and all of the related payments have been received. As of December 31, 2022 and 2021, guarantee deposits paid for office leases amounted to \$100.

(v) Management service revenue

In 2022 and 2021, the Company's management service revenues, arising from consulting service in respect of construction and business provided to East Union Development & Construction, were \$2,700, and all of the related payments have been received.

(vi) Payables arising from receipts under custody

The payment received by the Company for Realy Chongshan No. 1 Construction Project shall be paid to Willex Investment Holding in proportion to capital contribution. The outstanding balances at the end of the periods were as follows:

	December 31, 2022	December 31, 2021
Other payables	\$ 2,657	2,657

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

(vii) Others

- 1) The performance bond, paid by the Company to Wilex Investment Holding for a co-development project at Yuanren Section, Tucheng, was as follows:

	December 31, 2022	December 31, 2021
Guarantee deposits paid	\$ 18,601	9,300

- 2) As of December 31, 2022, the other payable of \$3 was paid by the related party on behalf of the Company.
- 3) In 2022, the total disbursements in small amounts of \$36 between the Company and Yaoren Construction Co., Ltd.

(viii) Guarantees

Mr. Deng-chen, Hsu has provided joint guarantees for the lines of credit of the Company's long-term and short-term borrowings and the short-term notes and bills payable; please refer to notes 6(i) and 6(j).

(c) Key management personnel compensation

	2022	2021
Short-term employee benefits	\$ 7,620	10,911

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Inventories	Guarantees for credit lines for long-term and short-term borrowings	\$ 1,010,587	620,268
Property, plant and equipment	Guarantees for lines of credit for short-term notes and bills payable	45,120	45,650
Other financial assets-current	Guarantees for refund of pre-sale housing price	163,521	64,434
		\$ 1,219,228	730,352

(9) Commitments and contingencies:

- (a) Promissory notes issued by the Company for lines of credit:

	December 31, 2022	December 31, 2021
	\$ 645,000	520,000

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

- (b) The land purchase contracts entered into by the Company and the installments paid according to the contracts were detailed as follows:

	December 31, 2022	December 31, 2021
Total value of purchase contract	<u>\$ 213,670</u>	<u>213,670</u>
Amount paid	<u>\$ 52,600</u>	<u>52,600</u>

- (c) Presale house contracts entered into by the Company were as follows:

	December 31, 2022	December 31, 2021
Total value of signed contracts (excluding business taxes)	<u>\$ 1,380,138</u>	<u>878,479</u>
Amount received (excluding business tax)	<u>\$ 178,884</u>	<u>222,672</u>

- (d) Please refer to note 7 the Company's joint investment in construction projects put out to contracts and the payment.
- (e) As of December 31, 2022, significant contracts entered into by the Company were as follows:

<u>Type of co-development</u>	<u>Project name and land lot No.</u>	<u>Performance bond for co- development</u>
Self-built project using land owned by the Company & joint construction and allocation of housing units	Yuanren Section, Tucheng	\$ 122,019
Self-built project using land owned by the Company & joint construction and allocation of housing units	Nanhai Section, Taipei City	762
Joint investment & joint construction and allocation of housing units	Yucheng Section, Nangang	4,301
Joint investment & joint construction and allocation of housing units	Realy Jioukang	2,096
Joint construction and allocation of housing units	Xinfeng Section, Xizhi	15,301
Joint construction and allocation of housing units	Realy Shunguang Tiansia	<u>50,717</u>
		<u>\$ 195,196</u>
Self-built on land owned by the Company	Realy Dongjyu A	
Joint investment	Zhonggong Section, Zhongli	

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

- (f) As of December 31, 2022, the information on the Company's joint investment projects was as follows:

Subject matter	Contribution ratio
Yucheng Section, Nangang	The Company: 80% Yeung Arch: 20%
Realy Jioukang, Taipei	The Company: 72.75% Yeung Arch: 27.25%
Zhonggong Section, Zhongli	The Company: 50% Yeung Arch: 50%

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

A summary of employee benefits, depreciation, and amortization, by function, was as follows:

By item	For the year ended December 31					
	2022			2021		
	Operating cost	Operating Expense	Total	Operating cost	Operating Expense	Total
Employee benefits						
Salary	-	15,739	15,739	-	19,248	19,248
Labor and health insurance	-	1,357	1,357	-	1,345	1,345
Pension	-	704	704	-	681	681
Remuneration of directors	-	2,372	2,372	-	5,324	5,324
Others	-	684	684	-	1,249	1,249
Depreciation	-	1,610	1,610	-	1,532	1,532
Depletion	-	-	-	-	-	-
Amortization	-	-	-	-	-	-

For the years ended December 31, 2022 and 2021, the information on the number of employees and employee benefit expense of the Company is as follows:

	<u>2022</u>	<u>2021</u>
Number of employees	<u>22</u>	<u>21</u>
Number of directors who were not employees	<u>4</u>	<u>4</u>
The average employee benefit	<u>\$ 1,027</u>	<u>1,325</u>
The average salaries and wages	<u>\$ 874</u>	<u>1,132</u>
Percentage of average employee salary expense	<u>(22.79)%</u>	<u>(5.51)%</u>
Remuneration to supervisors	<u>\$ -</u>	<u>-</u>

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.
Notes to the Financial Statements

The Company's remuneration policies (for directors, executive officers, and employees) are as follows:

- (a) Employee remuneration, which is determined based on specialty, duties and performance, is linked to the operational objectives, in compliance with laws, and with reference to the industry norms. The remuneration includes basic salary, meal allowance, and various allowances. In addition, the Company introduces timely incentive schemes to reward its employees based on the performance of both the Company and their individual performance. The Company's Articles of Incorporation stipulate that if there is profit for the year, employee remuneration shall be appropriated and distributed according to a board resolution, to be reported to the shareholders' meeting.
- (b) Managers' remuneration is determined based on business strategy, profit, participation in the operations, qualification, performance, future risks, and industry norms. The Company's Articles of Incorporation stipulate that if there is profit for the year, employee remuneration shall be appropriated. The aforementioned managers' remuneration shall be proposed by the Remuneration Committee during the Board meeting for discussion.
- (c) Directors' remuneration, comprising a fixed base salary and general expenses, is determined based on participation in operation, contribution to the Company, the Company's future risks, and industry norms. In addition, if there is profit, the directors' remuneration shall be appropriated in accordance with the Company's Articles of Incorporation. The aforementioned director remuneration shall be proposed by the Remuneration Committee during the Board meeting for discussion.

(Continued)

REALY DEVELOPMENT & CONSTRUCTION CORP.

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 in 2022:

- (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): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of \$300 million or 20% of the capital stock:

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	Payment terms	Percentage of total notes/accounts receivable (payable)	
The Company	Yaoren Construction Co., Ltd.	Subsidiary	Purchase	540,262	93.75 %	45 days	there is no significant difference with general customers	there is no significant difference with general customers	(73,696)	(75.71)%	

(viii) Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock:None

(ix) Trading in derivative instruments:None

(b) Information on investees:

單位：千股

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			
REALY DEVELOPMENT & CONSTRUCTION CORP.	Yaoren Construction Co., Ltd.	No. 69, Section 5, Civic Blvd., Taipei City	Architecture and civil engineering	90,000	90,000	5,000	100.00 %	40,567	9,316	(2,946)	Note 1
REALY DEVELOPMENT & CONSTRUCTION CORP.	East Union Development & Construction Co., Ltd.	No. 69, Section 5, Civic Blvd., Taipei City	Development of residential units, large buildings, and industrial plants	120,000	120,000	16,560	36.36 %	209,330	(5,077)	(1,846)	

Note 1: The amounts are gains of \$9,316 on equity-accounted investments plus (less) the balance of unrealized gains arising from upstream transactions of \$29,654 at the beginning of the period and \$(41,916) at the end of the period, respectively.

(c) Information on investment in mainland China:None

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Rihyereal estate investment consultant co., ltd.		21,578,809	21.57 %
Hai ning Investment Co., Ltd.		12,579,518	12.57 %
Willex Investment Holding Co., Ltd.		11,231,679	11.23 %

(14) Segment information:

Please refer to the consolidated financial statements.

REALY DEVELOPMENT & CONSTRUCTION CORP.

Statement of cash and cash equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash and hand		\$ 140
Demand deposits		2,912
Time deposits		<u>52,929</u>
Total		<u><u>\$ 55,981</u></u>

Statement of trade receivables

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
A Client	Operating	\$ 3,860	
B Client	"	3,390	
C Client	"	1,700	
D Client	"	1,360	
E Client	"	850	
F Client	"	850	
G Client	"	800	
Others		<u>450</u>	Note
		<u><u>\$ 13,260</u></u>	

Note1 : Each amount was less than 5% of accounts receivable.

REALY DEVELOPMENT & CONSTRUCTION CORP.

Statement of inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Net realizable value</u>	
Buildings and land held for sale	\$ 21,742	48,902	
Construction in progress	2,021,451	2,803,210	Note 2
Building land	36,966	36,966	Note 2
Prepayment for building land	52,600	52,600	
Subtotal	2,132,759	<u>2,941,678</u>	
Less : allowance to reduce inventory to market	-		
Total	<u>\$ 2,132,759</u>		

Note 1: Due to the industry characteristics of the construction company, the market price of inventories will follow up the future marketing conditions. However, on December 31, 2022, the market price of evaluation was not less than the cost price.

Note 2: the situation of pledge as collateral refer to Note 8.

Statement of Other current assets

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Guarantee refunded of purchasing and selling price of pre-sale house		\$ 163,521	
Refundable deposits		176,433	
Others		4,294	Note
		<u>\$ 344,248</u>	

Note: Each amount was less than 5% .

REALY DEVELOPMENT & CONSTRUCTION CORP.

Statement of other current assets

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Overpaid sales tax		\$ 25,828	
Advance commission		3,000	
Others		<u>1,138</u>	Note
		<u><u>\$ 29,966</u></u>	

Note: Each amount was less than 5% .

**Statement of Current assets recognised as
incremental costs to obtain contract with customers**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Realy Dongjyu A		\$ 36,039	
Realy Shunguang tian sia		23,833	
Realy Jioukang		16,168	
Others		<u>10</u>	Note
		<u><u>\$ 76,050</u></u>	

Note: Each amount was less than 5% .

REALY DEVELOPMENT & CONSTRUCTION CORP.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Addition		Decrease (dividend income)		Ending balance Percentage of ownership	Market value or net assets value Unit price (NTD)	Collateral	Note
	Shares (in thousandth)	Amount	Shares (in thousandth)	Amount	Shares (in thousandth)	Amount				
Yaoren Construction	5,000	\$ 48,513	-	-	-	7,946 (Note 1)	100.00 %	16.5	82,483	None
East Union	16,560	211,176	-	-	-	1,846 (Note 2)	36.36 %	12.6	209,330	"
		<u>\$ 259,689</u>		<u>-</u>		<u>9,792</u>			<u>249,897</u>	<u>291,813</u>

Note 1: The investment loss was recognized amounts of \$2,946 for using equity method and cash dividends received amounts of \$5,000.

Note 2: The investment loss was recognized amounts of \$1,846 for using equity method.

REALY DEVELOPMENT & CONSTRUCTION CORP.

Statement of guarantee deposits paid

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Performance bond		\$ 20,364	
Others		<u>45</u>	Note
		<u><u>\$ 20,409</u></u>	

Note: Each amount was less than 5%.

REALY DEVELOPMENT & CONSTRUCTION CORP.

Statement of short-term borrowings

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Guarantee or acceptance institute</u>	<u>Ending balance</u>	<u>Term of contract</u>	<u>Range of interestrate</u>	<u>Line of credit (Note 1)</u>	<u>Collateral</u>	<u>Note</u>
Unsecured loan	Shanghai Commercial and Savings Bank	\$ 50,000	2022.12.07~2023.06.29	1.935%	50,000	None	
"	Cathay United Bank	150,000	2022.08.25~2023.08.17	1.73%	150,000		
		<u>\$ 200,000</u>			<u>200,000</u>		

Note 1: The Company has additional unused credit lines of \$60,000.

Statement of long-term borrowings

<u>Type</u>	<u>Guarantee or acceptance institute</u>	<u>Ending balance</u>	<u>Term of contract</u>	<u>Range of interestrate</u>	<u>Line of credit (Note 1)</u>	<u>Collateral</u>	<u>Note</u>
land financing	Yushan Bank	\$ 380,000	2019.02.11~2025.02.11	1.73%	380,000	Note 2	
"	Yuanta Bank	1,000	2022.04.25~2025.04.25	1.75%	180,400	"	
		<u>\$ 381,000</u>			<u>560,400</u>		

Note 1: The Company has additional unused credit lines of \$3,284,000.

Note 2: The situation of pledge as collateral refer to note 8.

REALY DEVELOPMENT & CONSTRUCTION CORP.

Statement of notes payable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
A Company	Operating	\$ 7,192	
Others		<u>85</u>	Note
		<u>\$ 7,277</u>	

Note: Each amount was less than 5%.

Statement of accounts payables

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
A company	Operating	\$ 1,390	
B company	"	952	
C company		617	
D client		352	
E client		286	
Others		<u>878</u>	Note
		<u>\$ 4,475</u>	

Note: Each amount was less than 5%.

REALY DEVELOPMENT & CONSTRUCTION CORP.

Statement of other payables

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Selling expenses payable		\$ 13,247	
Year-end bonus payable		4,947	
Service fees payable		2,076	
Others		<u>8,176</u>	Note
		<u>\$ 28,446</u>	

Note: Each amount was less than 5% of accounts receivable.

Statement of other current liabilities

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Receipts under custody		\$ 26,384	
Others		<u>151</u>	Note
		<u>\$ 26,535</u>	

Note: Each amount was less than 5%.

REALY DEVELOPMENT & CONSTRUCTION CORP.

Statement of operating revenue

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Sales of lands	Realy Cianlong Factory Office Zone	\$ 59,111	
	Zhongshan Jilin section	21,864	
	Realy Fuchun	<u>198</u>	
	Subtotal	<u>81,173</u>	
Sales of buildings	Realy Cianlong Factory Office Zone	201,428	
	Realy Fuchun	<u>10,087</u>	
	Subtotal	<u>211,515</u>	
Other revenue		2,194	
Rental income		994	
Less: sales discounts and allowances — buildings		<u>(3)</u>	
		<u>\$ 295,873</u>	

Statement of operating costs

<u>Item</u>	<u>Amount</u>
Beginning construction in progress	\$ 914,122
Add: Input costs for the current period	1,107,329
Ending construction in progress	<u>(2,021,451)</u>
Completion costs for the current period	-
Add: Beginning buildings and land held for sale	192,491
Other costs	(9,786)
Less: Ending buildings and land held for sale	<u>(21,742)</u>
Total	<u>\$ 160,963</u>

REALY DEVELOPMENT & CONSTRUCTION CORP.

Statement of selling expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Selling expenses		\$ 13,749	
Salary and wages expenses		3,921	
Others		<u>3,102</u>	Note
		<u><u>\$ 20,772</u></u>	

Note: Each amount was less than 5%.

Statement of administrative expenses

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salary and wages expenses		\$ 10,938	
Service fees		2,159	
Security fee		1,928	
Depreciation		1,610	
Others		<u>14,659</u>	Note
		<u><u>\$ 31,294</u></u>	

Note: Each amount was less than 5%.

Statement of current financial assets at amortized cost was disclosed in Note 6(b)
Statement of changes in property, plant and equipment was disclosed in Note 6(f)
Statement of changes in accumulated depreciation of property, plant and equipment was disclosed in Note 6(f)
Statement of change in investment property was disclosed in Note 6(g)
Statement of short-term notes and bills payable was disclosed in Note 6(j)
Statement of current contract liabilities was disclosed in Note 6(o)
Statement of notes payable to related parties , accounts payable to related parties, other payables to related parties, and guarantee deposits received were disclosed in Note 7
Statement of interest income was disclosed in Note 6(q)
Statement of other income was disclosed in Note 6(q)
Statement of other gains and losses was disclosed in Note 6(q)
Statement of finance cost was disclosed in Note 6(q)

ReaLy Development & Construction Corp.

Chairman: Teng-Chen Hsu