Stock Code: 2524

# King's Town Construction Co., Ltd. and subsidiaries

# Consolidated Financial Statements and Independent Auditors' Report
# 2021 and 2020

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*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

KING'S TOWN CONSTRUCTION CO., LTD.

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Statement on Consolidated Financial Statements of Affiliates

In 2021 (from January 1 to December 31, 2021), pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the Company's entities that shall be included in preparing the Consolidated Financial Statements of Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements of Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, a separate Consolidated Financial Statements of Affiliates will not be prepared.

Sincerely,

King's Town Construction Co., Ltd.

Responsible person: Tsai, Tien-Tsan

Republic of China March 23, 2022

Independent Auditors' Report

Republic of China March 23, 2022

(2022) ShineWing Taiwan Audit Report No. 017

To: King's Town Construction Co., Ltd.

## Audit opinion

We have audited the accompanying consolidated balance sheet of King's Town Construction Co., Ltd. and its subsidiaries as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in shareholders equity, cash flows for the years then ended, and notes of the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, based on our audits and other auditors' reports (please refer to the Other Matters section), the Consolidated Financial Statements mentioned above have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission in all material aspects, and are considered to have fair presented the consolidated financial conditions of King's Town Construction Co., Ltd. and its subsidiaries as of December 31, 2021 and 2020, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2021 and 2020.

## Basis for Opinions

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We are independent of King's Town Construction Co., Ltd. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of the other auditors, we believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Based on our audits and the reports of the other auditors, we believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of King's Town Construction Co., Ltd. and its subsidiaries for the year ended December 31, 2021. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Consolidated Financial Statements of King's Town Construction Co., Ltd. and its subsidiaries for the year ended December 31, 2021 are stated as follows:

## Inventory evaluation

Refer to Note IV(X) to the consolidated financial statements for accounting policies regarding inventory valuation; Note V(I) for the uncertainty of accounting estimates and assumptions regarding inventory valuation; and Note VI(V) for details of inventory accounting subjects.

The inventories of King's Town Construction Co., Ltd. and its subsidiaries are material to the consolidated balance sheet. Inventories are evaluated in accordance with IFRS, IAS, and IFRIC Interpretations, and SIC Interpretations as endorse by the Financial Supervisory Commission. Inventories are stated at the lower of cost or net realizable value. The net realizable value of the real estate may be lower than cost because of factors such as supply and demand in the domestic real estate market, natural disasters, government policies and economic conditions. Therefore, we have identified inventory evaluation as one of the key audit matters for the year.

Our auditing procedures include, but are not limited to, considering the vulnerability of sales prices to changes in external market factors, premises for sale, land under construction and engineering are reviewed and tested for net realized value based on recent transaction prices, the real price login query near the transaction price or the investment return analysis form to extract and verify whether the net realized value is appropriate, and the construction land is entrusted with the appraisal report provided by the external real estate appraiser to understand and inquire about the valuation method, and test the input values of multiple indicators used in the appraisal report, and whether the disclosure of the relevant information is appropriate. It also confirms the time point at which the expert completes the conclusion of the work, and considers whether there are changes in economic conditions that may affect conclusions after the period.

**<u>Recognition of revenue from the sale of real estate</u>**

Refer to Note IV (XIX) for the accounting policies on revenue and cost recognition and Note VI (XXI) to the consolidated financial statements for the details of revenue recognition.

Revenue from the sale of real estate in the construction industry is recognized when the transfer of title to the real estate is completed and the actual delivery of the real estate is made. The appropriateness of the timing of revenue recognition is material to the financial statements as a whole. Since there are many parties involved in the sale of real estate, and considering that many people are involved in the interdepartmental aggregation and transmission of transfer and delivery information and that there may be gaps in the periods, we have recognized the revenue from the sale of real estate of King's Town Construction Co., Ltd. and its subsidiaries as one of the key audit matters for the year.

We conducted our audits to test the effectiveness of the design and implementation of internal control systems over the revenue and collection processes of King's Town Construction Co. Ltd. and its subsidiaries. We also reviewed the appropriateness of the vesting period of the proceeds from the sale of real estates for the period immediately preceding and following the period end date to ensure that the proceeds from the sale of premises meet the criteria for revenue recognition.

## Other Matters - Consolidated financial statements

King's Town Construction Co. Ltd. has also compiled Individual Financial Statements for 2021 and 2020, and they have also received an unqualified audit opinion from our CPA for your reference.

## Other Matters - Adoption of other independent accountants

The financial reports for some of the investees listed in King's Town Construction Co. Ltd. and its subsidiaries' Consolidated Financial Statements pursuant to the equity method have not been audited by this CPA and were inspected by other CPAs. Therefore, the opinions on the consolidated financial statements listed above concerning the amount listed in the financial statements of such companies and the relevant information disclosed in Note XIII are based on the audit reports of the other CPAs. The investment amounts under the equity method adopted for the aforementioned companies on December 31, 2021 and 2020 were NTD13,888 thousand and NTD15,566 thousand, respectively, accounting for 0.04% and 0.05% of the total consolidated assets, respectively. The comprehensive profit or loss recognized for the aforementioned companies in 2021 and 2020 was NTD3,522 thousand and NTD5,777 thousand, accounting for 0.21% and 0.34% of the consolidated comprehensive profit or loss, respectively.

## Responsibilities of Management and the Governing Body for the Consolidated Financial Statements

The 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 IFRS, IAS, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from significant misstatement whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of King's Town Construction Co. Ltd. and its subsidiaries as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate King's Town Construction Co. Ltd. and its subsidiaries or to create operations, or has no realistic alternative but to do so.

The governance unit of King's Town Construction Co. Ltd. and its subsidiaries (including the Audit Committee or supervisors) is responsible for supervising the financial reporting process.

## The Certified Public Accountant' Responsibilities in the Audit of the Consolidated Financial Statements

The objective of the audit on the Consolidated Financial Statements is to attain a reasonable assurance as to whether the Consolidated Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an Audit 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could reasonably have influence on the economic decisions made by the users of the Consolidated Financial Statements, they shall be deemed as material.

As part of an audit in accordance with the GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We have also executed the following tasks:

1. Identify and evaluate the risk of material misstatements in the Consolidated Financial Statements due to fraud or error; design and carry out appropriate countermeasures on the evaluated risk; and obtain sufficient and appropriate evidence as the basis for the audit opinion. The risk of not detecting a significant 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 internal control effective in King's Town Construction Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and based on the audit evidence obtained, whether a significant uncertainty exists related to events or conditions that may cast significant doubt on King's Town Construction Co., Ltd. and its subsidiaries and its ability to continue as a going concern. If the Certified Public Accountant is of the opinion that a material uncertainty exists, the users of the Consolidated Financial Statements should be reminded to pay attention to the relevant disclosures in the Consolidated Financial Statements, or modify the audit opinion when the disclosures are inappropriate. The Certified Public Accountant's conclusions are based on the audit evidence obtained as of the date of the audit report. However, future events or conditions may cause King's Town Bank Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall expression, structure, and content of the consolidated financial statements (including related notes) and whether the consolidated financial statements include the relevant transactions and events expressed adequately.
6. Obtain sufficient and appropriate audit evidence for the consolidated financial information of the

King's Town Construction Co. Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. The Certified Public Accountant is responsible for the guidance, supervision, and execution of the audit on the Airmate Group and is responsible for forming audit opinions on the Airmate Group.

The matters communicated with the governing bodies include the planned scope and timing of the audit, as well as the significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide a statement to the governance unit that the personnel of the CPA Firm who are subject to the regulation of independence are indeed complying with the independence requirements in accordance with the Code of Professional Ethics. Also, they communicate to the governance unit all relationships and matters (including related protective measures) that may be considered as affecting our independence.

We use the matters communicated with the governance body to decide the Key Audit Matters for the audit of the 2021 consolidated financial statements of King’s Town Construction Co., Ltd., and its subsidiaries. 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.

ShineWing Taiwan

CPA: Hielleen Chang

Financial Supervisory Commission Approval No.

FSC Letter Jin-Guan-Zheng-Shen No. 1070345892

Accountant: Jackson Jwo

Financial Supervisory Commission Approval No.

FSC Letter Jin-Guan-Zheng-Shen No. 1070345892

King's Town Construction Co., Ltd.
Consolidated Balance Sheet
As of 31 December 2021 and 2020

Unit: NT$ thousand

| | Assets | Note | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|---|
| 11XX | Current assets | | | | | |
| 1100 | Cash and cash equivalents | IV, VI(I) | $1,068,430 | 3.10 | $624,909 | 1.93 |
| 1110 | Financial assets measured at fair value through profit or loss - current | IV, VI(II) | 0 | 0.00 | 89,930 | 0.28 |
| 1150 | Net notes receivable | IV, VI(III) | 36,682 | 0.11 | 40,159 | 0.12 |
| 1170 | Net trade receivables | IV, VI(III) | 131,978 | 0.38 | 105,997 | 0.33 |
| 1180 | Net accounts receivables - related parties | IV, VI(III), VII | 0 | 0.00 | 2 | 0.00 |
| 1200 | Other receivables | IV, VI(IV) | 83 | 0.00 | 750,063 | 2.32 |
| 1210 | Other receivables - related parties | IV, VI(IV), VII | 215 | 0.00 | 277 | 0.00 |
| 1220 | Current tax assets | IV, VI(XXX) | 0 | 0.00 | 2,556 | 0.01 |
| 1320 | Inventories | IV, VI(V), VIII | 31,503,467 | 91.30 | 29,186,432 | 90.13 |
| 1410 | Prepayments | VI(VI) | 551,336 | 1.60 | 462,620 | 1.43 |
| 1470 | Other current assets | VI(VII) | 91,084 | 0.26 | 8,597 | 0.03 |
| 1476 | Other financial assets - current | VI(VII), VIII | 80,912 | 0.23 | 6,479 | 0.02 |
| 11XX | Total current assets | | $33,464,187 | 96.98 | $31,278,021 | 96.60 |
| 15XX | Non-current assets | | | | | |
| 1510 | Financial assets at fair value through profit or loss - non-current | IV, VI(II) | $82 | 0.00 | $82 | 0.00 |
| 1550 | Investments accounted for using the equity method | IV, VI(IX) | 13,888 | 0.04 | 15,566 | 0.05 |
| 1600 | Property, plant and equipment | IV, VI(X) | 735,365 | 2.13 | 802,258 | 2.48 |
| 1755 | Net right-of-use assets | IV, VI(XI) | 61,216 | 0.18 | 62,731 | 0.19 |
| 1780 | Intangible assets | IV, VI(XII) | 164,667 | 0.48 | 169,290 | 0.52 |
| 1840 | Deferred tax assets | IV, VI(XXX) | 18,935 | 0.05 | 16,959 | 0.05 |
| 1920 | Refundable deposits | VIII | 34,045 | 0.10 | 34,307 | 0.11 |
| 1930 | Long-term notes and accounts receivable | IV, VI(III) | 15,000 | 0.04 | 0 | 0.00 |
| 15xx | Total non-current assets | | $1,043,198 | 3.02 | $1,101,193 | 3.40 |
| 1xxx | Total assets | | $34,507,385 | 100.00 | $32,379,214 | 100.00 |

(Continued)

King's Town Construction Co., Ltd.
Consolidated Balance Sheet
As of 31 December 2021 and 2020

Unit: NT$ thousand

| | Liabilities and equity | Note | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|---|
| 21XX | Current liabilities | | | | | |
| 2100 | Short-term borrowings | IV, VI(XIII), VII, VIII | $3,655,250 | 10.59 | $4,488,806 | 13.86 |
| 2110 | Short-term bills payable | VI(XIII), VII, VIII | 3,942,965 | 11.43 | 4,208,307 | 13.00 |
| 2130 | Contract liabilities - current | VI(XXIII), VII | 590,873 | 1.71 | 515,086 | 1.59 |
| 2150 | Notes payable | IV | 81,979 | 0.24 | 80,309 | 0.25 |
| 2160 | Notes payable - related parties | IV, VII | 90,004 | 0.26 | 120,006 | 0.37 |
| 2170 | Trade payables | IV | 35,179 | 0.10 | 40,901 | 0.13 |
| 2180 | Trade payables - related parties | IV, VII | 574,791 | 1.67 | 784,797 | 2.42 |
| 2200 | Other payables | | 71,167 | 0.21 | 72,930 | 0.23 |
| 2220 | Other payables - related parties | VII | 398 | 0.00 | 208 | 0.00 |
| 2230 | Current tax liabilities | IV | 190,965 | 0.55 | 156,680 | 0.48 |
| 2250 | Provisions - current | IV, VI(XIV) | 44,708 | 0.13 | 35,817 | 0.11 |
| 2280 | Lease liabilities - current | VI(XVIII) | 1,080 | 0.00 | 1,062 | 0.00 |
| 2322 | Long-term borrowings due within one operating cycle | VI(XVII), VII, VIII | 46,558 | 0.13 | 135,833 | 0.42 |
| 2335 | Collection | VI(XV), VII | 67,364 | 0.20 | 87,243 | 0.27 |
| 2399 | Other current liabilities - others | VI(XVI) | 28,018 | 0.08 | 966 | 0.00 |
| 21XX | Total current liabilities | | $9,421,299 | 27.30 | $10,728,951 | 33.13 |
| 25XX | Non-current liabilities | | | | | |
| 2540 | Long-term borrowings | VI(XVII), VII, VIII | $8,608,475 | 24.95 | $6,862,034 | 21.19 |
| 2570 | Deferred tax liabilities | VI(XXX) | 22,825 | 0.07 | 38,408 | 0.12 |
| 2580 | Lease liabilities - non-current | VI(XVIII) | 61,548 | 0.18 | 62,628 | 0.19 |
| 2640 | Net defined benefit liabilities - non-current | IV, VI(XXVIII) | 22,407 | 0.06 | 21,392 | 0.07 |
| 2645 | Deposits received | IV, VI(XIX), VII | 4,985 | 0.01 | 3,586 | 0.01 |
| 25xx | Total non-current liabilities | | $8,720,240 | 25.27 | $6,988,048 | 21.58 |
| 2XXX | Total liabilities | | $18,141,539 | 52.57 | $17,716,999 | 54.71 |
| 3XXX | Equity | | | | | |
| 3110 | Share capital - ordinary shares | VI(XX) | $3,717,590 | 10.77 | $3,711,931 | 11.46 |
| 3211 | Paid-in capital - ordinary shares premium | VI(XXI) | 13,865 | 0.04 | 0 | 0.00 |
| 3300 | Retained earnings | | | | | |
| 3310 | Legal reserve | VI(XXII) | 1,539,903 | 4.46 | 1,371,436 | 4.24 |
| 3350 | Unappropriated earnings | VI(XXIX) | 11,094,488 | 32.16 | 9,578,848 | 29.59 |
| 3300 | Total retained earnings | | $12,634,391 | 36.62 | $10,950,284 | 33.83 |
| 3XXX | Total equity | | $16,365,846 | 47.43 | $14,662,215 | 45.29 |
| | Total liabilities and equity | | $34,507,385 | 100.00 | $32,379,214 | 100.00 |

(Please refer to the accompanying notes in the financial report)

Chairperson: Tianye Investment Co., Ltd. Representative: Tsai, Tien-Tsan Manager: Tsai, Tien-Tsan Accountant Officer: Liang, Su-Ying

# King's Town Construction Co., Ltd.
## Consolidated Statements of Comprehensive Income
### As of 31 December 2021 and 2020

Unit: NT$ thousand

| Code | Account titles | Note | 2021 Amount | 2021 % | 2020 Amount | 2020 % |
|---|---|---|---|---|---|---|
| 4000 | Operating revenue | | | | | |
| 4110 | Sales revenue | | $6,657,417 | 100.00 | $8,669,611 | 100.02 |
| 4170 | Sales returns | | 0 | 0.00 | -1,762 | -0.02 |
| 4190 | Sales discounts and allowances | | -173 | -0.00 | 0 | 0.00 |
| 4100 | Net sales | VI(XXIII) | $6,657,244 | 100.00 | $8,667,849 | 100.00 |
| 5000 | Cost of revenue | | 3,970,638 | 59.64 | 5,684,124 | 65.58 |
| 5900 | Gross profit | | $2,686,606 | 40.36 | $2,983,725 | 34.42 |
| 6000 | Operating expenses | VI(XXXI) | | | | |
| 6100 | Selling and marketing expenses | | 461,318 | 6.93 | 657,796 | 7.59 |
| 6200 | General and administrative expenses | | 151,333 | 2.28 | 151,228 | 1.74 |
| 6000 | Total operating expenses | | $612,651 | 9.21 | $809,024 | 9.33 |
| 6900 | Operating income to capital (%) | | $2,073,955 | 31.15 | $2,174,701 | 25.09 |
| 7000 | Non-operating income and expenses | | | | | |
| 7100 | Interest income | VI(XXIV) | $239 | 0.00 | $218 | 0.00 |
| 7010 | Other income | VI(XXV) | 10,367 | 0.16 | 16,426 | 0.19 |
| 7020 | Other gains and losses | VI(XXVI) | 25,215 | 0.38 | -18,509 | -0.21 |
| 7050 | Finance costs | VI(XXVII) | -186,579 | -2.80 | -245,689 | -2.83 |
| 7060 | Share of profit or loss of affiliates and joint ventures accounted for using the equity method | VI(IX) | 3,522 | 0.05 | 5,777 | 0.07 |
| 7000 | Total non-operating income and expenses | | ($147,236) | -2.21 | ($241,777) | -2.78 |
| 7900 | Net income before tax | | $1,926,719 | 28.94 | $1,932,924 | 22.31 |
| 7950 | Income tax expense | IV, VI(XXX) | 239,310 | 3.59 | 248,032 | 2.86 |
| 8200 | Net income after tax | | $1,687,409 | 25.35 | $1,684,892 | 19.45 |
| 8300 | Other comprehensive income | | | | | |
| 8310 | Items not reclassified to profit or loss | | | | | |
| 8311 | Remeasurement of defined benefit plans | IV, VI(XXVIII) | ($4,127) | -0.06 | ($270) | 0.00 |
| 8349 | Income tax relating to items that will not be reclassified subsequently to profit or loss | IV, VI(XXX) | -825 | -0.01 | -54 | 0.00 |
| 8300 | Other comprehensive income (after tax) | | ($3,302) | -0.05 | ($216) | 0.00 |
| 8500 | Total comprehensive income | | $1,684,107 | 25.30 | $1,684,676 | 19.45 |
| 9750 | Basic earnings per share (NT$) | IV, VI(XXXII) | $4.54 | | $4.48 | |
| 9850 | Diluted earnings per share (NT$) | IV, VI(XXXII) | $4.54 | | $4.48 | |

(Please refer to the accompanying notes in the financial report)

Chairperson: Tianye Investment Co., Ltd. Representative: Tsai, Tien-Tsan Manager: Tsai, Tien-Tsan Accountant Officer: Liang, Su-Ying

King's Town Construction Co., Ltd.
Consolidated Statement of Changes in Equity
From January 1 to December 31, 2021 and 2020

Unit: NT$ thousand

| Code | Summary \ Ledger Account | Share capital | Capital surplus | Retained earnings | | | Total equity |
|---|---|---|---|---|---|---|---|
| | | | | Legal reserve | Unappropriated earnings | Total | |
| A1 | Balance as of January 1, 2020 | $3,848,464 | $40,015 | $1,205,778 | $8,328,529 | $9,534,307 | $13,422,786 |
| B1 | Legal reserve | | | 165,658 | -165,658 | 0 | 0 |
| B9 | Employee compensation to capital increase | 5,357 | 12,858 | | | 0 | 18,215 |
| D1 | Net income in 2020 | | | | 1,684,892 | 1,684,892 | 1,684,892 |
| D3 | Other comprehensive income in 2020 | | | | -216 | -216 | -216 |
| D5 | Total comprehensive income in 2020 | | | | $1,684,676 | $1,684,676 | $1,684,676 |
| L1 | Treasury stock repurchase | | | | | | |
| L3 | Cancellation of treasury shares | -141,890 | -52,873 | | -268,699 | -268,699 | -463,462 |
| Z1 | Balance as of December 31, 2020 | $3,711,931 | $0 | $1,371,436 | $9,578,848 | $10,950,284 | $14,662,215 |
| A1 | Balance as of January 1, 2021 | $3,711,931 | $0 | $1,371,436 | $9,578,848 | $10,950,284 | $14,662,215 |
| B1 | Legal reserve | | | 168,467 | -168,467 | 0 | 0 |
| B9 | Employee compensation to capital increase | 5,659 | 13,865 | | | 0 | 19,524 |
| D1 | Net Income in 2021 | | | | 1,687,409 | 1,687,409 | 1,687,409 |
| D3 | Other comprehensive income/(loss) in 2021 | | | | -3,302 | -3,302 | -3,302 |
| D5 | Total comprehensive income/(loss) in 2021 | | | | $1,684,107 | $1,684,107 | $1,684,107 |
| Z1 | Balance as of December 31, 2021 | $3,717,590 | $13,865 | $1,539,903 | $11,094,488 | $12,634,391 | $16,365,846 |

Note: Employee compensation of NT$19,462 thousand and NT$19,524 thousand for 2021 and 2020, respectively, have been deducted from statements of comprehensive income.

(Please refer to the accompanying notes in the financial report)

Chairperson: Tianye Investment Co., Ltd. Representative: Tsai, Tien-Tsan Manager: Tsai, Tien-Tsan Accountant Officer: Liang, Su-Ying

King's Town Construction Co., Ltd. and subsidiaries
Consolidated Statement of Cash Flows
From January 1 to December 31, 2021 and 2020

Unit: NT$ thousand

| Code | | January 1, 2021 to December 31 | January 1, 2020 to December 31 |
|---|---|---|---|
| AAAA | Cash flow from operating activities: | | |
| A10000 | Current year net profit before tax | $1,926,719 | $1,932,924 |
| A20000 | Adjustment items: | | |
| A20010 | Revenue, expense and loss that do not affect the cash flows: | | |
| A20100 | Depreciation expenses | 70,252 | 69,482 |
| A20200 | Amortization expenses | 4,763 | 4,770 |
| A20400 | Net loss (gain) on financial assets at fair value through profit or loss | (21,357) | 7,599 |
| A20900 | Interest expenses | 186,579 | 245,689 |
| A21200 | Interest income | (239) | (218) |
| A21300 | Dividend income | 0 | (710) |
| A22300 | Share of profit or loss of affiliates accounted for using the equity method | (3,522) | (5,777) |
| A22500 | Loss on disposal of property, plant, and equipment | 1,129 | 1,471 |
| A22600 | Reclassification of property, plant and equipment to expenses | 236 | 0 |
| A23100 | (Gain) Loss on disposal of investments | (3,896) | 10,365 |
| A20010 | Total revenue, expense and loss that do not affect the cash flows: | $233,945 | $332,671 |
| A30000 | Changes in operating assets and liabilities | | |
| A31000 | Net changes in operating assets | | |
| A31130 | Repayments of short-term borrowings | ($11,523) | $68,551 |
| A31150 | Increase in trade receivables | (25,979) | (50,114) |
| A31180 | Decrease (increase) in other receivables | 750,042 | (749,919) |
| A31200 | Decrease (increase) in inventories | (2,317,035) | 4,485,875 |
| A31230 | (Increase) decrease in prepayments | (88,716) | 102,712 |
| A31240 | (Increase) decrease in other current assets | (82,487) | 2,637 |
| A31000 | Total net changes in operating assets | ($1,775,698) | $3,859,742 |
| A32000 | Net change in operating liabilities | | |
| A32125 | Increase in contract liabilities - current | $75,787 | $24,690 |
| A32130 | Gain (loss) in notes payable | (28,332) | 64,622 |
| A32150 | Decrease in accounts payable | (215,728) | (644,860) |
| A32180 | Increase in other payables | 19,583 | 16,513 |
| A32200 | Increase in provisions | 8,891 | 4,313 |
| A32230 | Increase (decrease) in other current liabilities | 7,173 | (1,573) |
| A32240 | Decrease in net defined benefit liabilities | (3,112) | (3,510) |
| A32000 | Total net changes in operating liabilities | ($135,738) | ($539,805) |
| A30000 | Total net changes in operating assets and liabilities | ($1,911,436) | $3,319,937 |
| A33000 | Cash inflow (outflow) from operating activities | $249,228 | $5,585,532 |
| A33100 | Interest received | 239 | 218 |
| A33200 | Dividend received | 0 | 710 |
| A33300 | Interest paid | (187,867) | (252,078) |
| A33500 | Income tax return | 2,556 | 0 |
| A33500 | Income tax paid | (221,759) | (208,375) |
| AAAA | Net cash inflow (outflow) from operating activities | ($157,603) | $5,126,007 |
| BBBB | Cash flow from investing activities: | | |
| B00100 | Acquisition of financial assets at fair value through profit or loss | $0 | ($183,079) |
| B00200 | Disposal of financial assets at fair value through profit or loss | 115,183 | 162,585 |
| B02700 | Acquisition of property, plant, and equipment | (3,895) | (17,037) |
| B03700 | Increase in refundable deposits | (208,988) | (4,584) |
| B03800 | Decrease in refundable deposits | 209,250 | 8,871 |
| B04500 | Acquisition of intangible assets | (140) | (477) |
| B06500 | Increase in other financial assets | (74,433) | (4,410) |
| B07600 | Cash dividend of profit or loss of subsidiaries accounted for using the equity method | 5,200 | 4,997 |
| BBBB | Net cash inflow (outflow) from investing activities | $42,177 | ($33,134) |
| CCCC | Cash flows from financing activities: | | |
| C00100 | Proceeds from short-term borrowings | $16,720,520 | $24,334,940 |
| C00200 | Proceeds from short-term bills payable | (17,554,076) | (24,801,914) |
| C00500 | Proceeds from short-term bills payable | 14,902,000 | 28,279,200 |
| C00600 | Repayments of short-term bills payable | (15,167,000) | (28,346,200) |
| C01600 | Proceeds from long-term loans | 1,990,518 | 3,962,000 |
| C01700 | Proceeds from long-term borrowings | (333,352) | (7,692,188) |
| C03000 | Increase in deposits received | 2,739 | 0 |
| C03100 | Decrease in deposits received | (1,340) | (133,958) |
| C04020 | Repayment of the principal portion of lease liabilities | (1,062) | (1,044) |
| C04900 | Treasury stock buy-back cost | 0 | (463,462) |
| CCCC | Cash inflows (outflow) from financing activities: | $558,947 | ($4,862,626) |
| EEEE | Increase in current cash and cash equivalent | $443,521 | $230,247 |
| E00100 | Cash and cash equivalent at the beginning of the period | 624,909 | 394,662 |
| E00200 | Cash and cash equivalent at the end of the period | $1,068,430 | $624,909 |

(Please refer to the accompanying notes in the financial report)

Chairperson: Tianye Investment Co., Ltd. Representative: Tsai, Tien-Tsan Manager: Tsai, Tien-Tsan Accountant Officer: Liang, Su-Ying

King's Town Construction Co., Ltd.

Notes to Consolidated Financial Statements

2021 and 2020

(In Thousands of New Taiwan Dollars, unless otherwise specified)

I. Company History

King's Town Construction Co., Ltd (hereinafter referred to as the "Company") was incorporated in 1985. The place of registration are located at 12F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City/ The Company started trading on Taiwan Stock Exchange Corporation on October 18, 1994. The Company's consolidated financial statements consist of the Company and the Company's subsidiaries (hereinafter collectively referred to as the "Consolidated Company"), which are mainly engaged in residential and building development, lease and sale, development of specific professional areas, zoning and rezoning agency business, and tourist hotel business.

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were approved for publication by the Board of Directors on March 23, 2022.

III. Application of Newly Issued and Revised Standards and Their Interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) as endorsed by the Financial Supervisory Commission (“FSC”) are as follows:

International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations applicable endorsed by the FSC in 2021:

| New Standards, Interpretations and Amendments | Major Amendments | Effective Date of Issuance by the IASB |
|---|---|---|
| • Amendments to IFRS 4 "Temporary Exemption from Applying IFRS 9"Use this segment | IFRS 9 governs the accounting for financial instruments and is effective after January 1, 2018. However, for insurers that are primarily engaged in insurance activities and have not previously applied any version of IFRS 9, IFRS 4 provides a temporary exemption that allows, but does not require, insurers to apply IAS 39 "Financial Instruments: Recognition and Measuremen"t, instead of IFRS 9 before January 1, 2023. | January 1, 2021 |

| New Standards, Interpretations and Amendments | Major Amendments | Effective Date of Issuance by the IASB |
|---|---|---|
| • Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase II" | The impacts of Interest Rate Benchmark Reform - Phase II on the financial statements include:<br>A. Regarding cash flows of financial instruments, the carrying amounts thereof will not be derecognized or adjusted due to the changes in the reform. Instead, changes result directly from interbank offered rates (IBORs) will be accounted for by updating the effective interest rates.<br>B. If a hedging relationship is subject to hedging accounting, the hedging relationship will still be subject to hedging accounting regardless of changes in the requirements of the reform; and<br>C. The Company is required to disclose the risks arise from the reform and the Consolidated Company's risk management in the transition. | January 1, 2021 |
| • Amendment to IFRS 16 "COVID-19-Related Rent Concessions after June 30, 2021" | This amendment extends the Amendment to IFRS 16 made in May 2020 and provides lessees with the option to be exempted from the assessment on that whether the rent reduction associated with COVID-19 is a lease amendment, and lessees may choose to deal with it as a rent payment change other than a lease amendment, and it shall apply until any deduction in rent payment only affects the payment due before June 30, 2022 and there is no substantial change in other conditions of the lease. | April 1, 2021 (Note) |

Note: The FSC allows the application as early on January 1, 2021.

The Consolidated Company assessed the effects of adopting the aforementioned standards and interpretations, and has found no significant effects on the Company's financial position and financial performance.

(II) Effects of not yet applying the newly-announced and revised IFRSs endorsed by FSC:

1. New, revised, and amended standards and interpretations of IFRSs endorsed by the FSC and are applicable in 2022:

| New Standards, Interpretations and Amendments | Major Amendments | Effective Date of Issuance by the IASB |
|---|---|---|
| • Amendments to IFRS 3 "A Reference to the Conceptual Framework" | The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.<br>The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework. | January 1, 2022 |
| • Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use" | The amendments prohibit an enterprise from deducting the expenses from selling the items produced while its assets meet intended use status from the costs of property, plant, and equipment. Instead, an enterprise shall recognize such sales expenses and related costs in profit or loss. | January 1, 2022 |
| • Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" | The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The "cost of fulfilling a contract" includes the incremental cost of performance and the apportionment of other costs directly related to fulfill a contract. | January 1, 2022 |
| • Annual Improvements to IFRS Standards 2018 - 2020 | Amendment to IFRS 1<br>The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.<br>Amendment to IFRS 9 Financial Instruments<br>The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.<br>Amendment to IFRS 16 Lease | January 1, 2022 |

| New Standards, Interpretations and Amendments | Major Amendments | Effective Date of Issuance by the IASB |
|---|---|---|
| | The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.<br>Amendment to IAS 41<br>The amendment removes a requirement to exclude cash flows from taxation when measuring fair value<br>thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards. | |

2. The Consolidated Company assessed the effects of adopting the aforementioned standards and interpretations, and has found no significant effects on the Company's financial position and financial performance.

(III) Effects of IFRSs issued by IASB but not yet endorsed by FSC:

1. The following new, amended, revised standards and interpretation of IFRSs that have been issued by IASB but not yet endorsed by the FSC:

| New Standards, Interpretations and Amendments | Major Amendments | Effective Date of Issuance by the IASB |
|---|---|---|
| • Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | This project addresses the acknowledged inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Affiliates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or joint venture. IAS 28 states that when non-monetary assets are contributed in exchange for an interest in an associate or a joint venture, the share of gains or losses shall be eliminated in accordance with the treatments of a downstream transaction. However, IFRS 10 requires a full recognition of gains or losses arising from the loss of control of a subsidiary. These amendments prohibit the aforementioned regulations from IAS 28; when the loss of control of a business, as defined in IFRS 3 occurs, a full gain or loss should be recognized.<br>IFRS 10 was also amended so that the gains or loss resulting from the | To be determined by IASB |

| New Standards, Interpretations and Amendments | Major Amendments | Effective Date of Issuance by the IASB |
|---|---|---|
| | sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. | |
| • IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts" | This standard provides a comprehensive model to insurance contracts, including all accounting treatment (recognition, measurement, expression, and disclosure principle). The core of the standard is general, and under this model, initial recognition measures<br>the insurance contract group by the combination of the cash flow from performance obligation and contract service margin, wherein the performance obligation cash flow includes: Estimated future cash flow; Adjustments that reflect the time value of money and the financial risks<br>(within the estimation range of the future cash flow that does not include financial risk) associated with future cash flows; and Adjustment of non-financial risks.<br>The carrying amount of the insurance contracts at the ending date of each reporting period was the sum of the remaining coverage liability and the liabilities occurred due to claim settlement.<br>In addition to the general model, the standard also provides specific applicable methods with contracts characterized by direct participation (variable fee method) and simplified short-term contract method (premium allocation approach).<br>IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to | January 1, 2023 |

| New Standards, Interpretations and Amendments | Major Amendments | Effective Date of Issuance by the IASB |
|---|---|---|
| | make the results easier to explain. IFRS 17 will replace the interim standard (i.e. IFRS 4 Insurance Contracts) from the effectiveness of IFRS 17. | |
| • Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information | These amendments allow an enterprise to choose applicable classification coverage approach upon initial application of the various comparative periods specified in IFRS 17. This option allows an entity to classify all financial assets, including those held through activities that are not linked to contracts within the scope of IFRS 17, on an instrument-by-instrument basis, based on how it expects to classify such assets when IFRS 9 is initially applied during the comparative period. Enterprises that have already applied IFRS 9 or will initially apply both IFRS 9 and IFRS 17 may choose to apply the classification coverage method. | January 1, 2023 |
| • Amendments to IAS 1 "Liabilities classified as current or non-current" | This amendment targets sections 69-76 in IAS 1 - Presentation of Financial Statements concerning the classification of liability as either current or non-current. | January 1, 2023 |
| • Amendments to IAS 1 "Liabilities classified as current or non-current" | This amendment targets sections 69-76 in IAS 1 - Presentation of Financial Statements concerning the classification of liability as either current or non-current. | January 1, 2023 |
| • Amendments to IAS 1 "Disclosure of Accounting Policies" | These amendments apply the significant concepts to disclosure of accounting policies, and enterprises shall refer to the definition of significance to disclose significant accounting policy information; and also clarify that the accounting policy information related to non-significant transactions, other events or circumstance is not significant, and enterprises are not required to disclose such information; and clarify that all accounting policy information not related to significant transactions, other events or circumstances is significant to the company's financial statements. | January 1, 2023 |
| • Amendments to IAS 8 "Definition of Accounting | The amendment introduces a new definition of an accounting estimate | January 1, 2023 |

| New Standards, Interpretations and Amendments | Major Amendments | Effective Date of Issuance by the IASB |
|---|---|---|
| Estimates" | that clarifies that an accounting estimate is a monetary amount in the financial statements that is subject to measurement uncertainty. The amendment also clarifies the relationship between accounting policies and accounting estimates by specifying that a company is required to establish accounting estimates for the purposes of the accounting policies it applies. | |
| • Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction" | These amendments reduce the scope of the exemption from recognition of deferred income tax specified in paragraphs 15 and 24 of IAS 12 "Income Tax", so that the exemption does not apply to the payable taxes with the same amount occurred upon original recognition and the transactions for which temporary differences may be deducted. | January 1, 2023 |

2. The Consolidated Company has continued to assess the effects of amendments to other standards and interpretations on its financial conditions and performance. Related impacts will be disclosed upon completion of the assessment.

IV. Summary of Important Accounting Policies

The significant accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. Unless otherwise specified, the policies shall be applicable to all reporting periods presented.

(I) Compliance Statement

The Consolidated Financial Statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," IFRS, IAS, and IFRIC Interpretations, and SIC Interpretations as endorse by the FSC.

(II) Basis of Preparation

1. Except for the following important items, these Consolidated Financial Statements have been prepared based on historical costs; Historical costs are generally determined based on the fair value of the consideration paid for purchase of assets.

(1) Financial assets and liabilities at fair value through profit or loss are measured at fair value.

(2) Defined benefit liability derived from retirement plan assets less the present value of net defined benefit obligation.

2. Preparation of the financial statements in compliance with the IFRS recognized by FSC requires use of some important accounting estimates, and management also shall use its judgment during the course of applying the company's accounting policies, which involve the items requiring high judgment or with complexity, or involve the significant assumptions and estimation items in Consolidated Financial Statements. Please refer to Note 5 for details.

3. Functional currency and presentation currency

The Consolidated Company takes the currency of the main economic environment in which each business operates as its functional currency. The Consolidated Financial Statements are presented in New Taiwan dollars, the Consolidated Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(III) Basis of Consolidation

1. Principles in the preparation of the Consolidated Financial Statements

(1) All subsidiaries are included in the Consolidated Company's consolidated financial statements. Subsidiaries refer to all entities controlled by the Consolidated Company. The Consolidated Company controls an entity when the Consolidated Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Consolidated Company obtains control of the subsidiaries and ceases when the Consolidated Company loses control of the subsidiaries.

(2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Consolidated Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Consolidated Company.

(3) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, namely transactions with owners in their capacity as owners. The difference between the adjustment amount of non-controlling interests and the fair value of consideration paid or collected shall be directly recognized in equity.

(4) When the Consolidated Company loses control over its subsidiary, the remaining

investments in its former subsidiary shall be remeasured at fair value, and are treated as the fair value of the financial assets at initial recognition or the cost of investment in affiliates or joint ventures at initial recognition. The difference between fair value and carrying amount is recognized in current profit or loss. The Consolidated Company shall account for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Consolidated Company had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Consolidated Company reclassifies the gain or loss from equity to profit or loss when it loses control of the subsidiary.

2. Subsidiaries included in the consolidated financial statements:

| Name of Investor | Name of Subsidiary | Principal Business Operation | Business Location | Percentage of shareholding (%) | |
|---|---|---|---|---|---|
| | | | | December 31, 2021 | December 31, 2020 |
| The Company | H2O Hotel Co., Ltd. (H2O Hotel) | Hotel business, restaurant business | Kaohsiung City Taiwan | 100% | 100% |

3. Subsidiaries not included in the consolidated financial statements: None.
4. Adjustments for subsidiaries with different balance sheet dates: None.
5. If the subsidiary's ability to transfer capital to the parent company is materially restricted, the nature and extent of the restriction: None.
6. Contents of subsidiaries' holding of securities issued by the parent company: None.
7. Subsidiaries that have non-controlling interests that are material to the Consolidated Company: None.

(IV) Foreign Currency Trading

1. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
2. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the end of the reporting period. Exchange differences arising upon re-translation on the balance sheet date are recognized in profit or loss.
3. The balances of non-monetary assets and liabilities denominated in foreign currencies

are adjusted at the exchange rates prevailing at the end of the reporting period. If the balances are measured at fair value through profit or loss, the resulting exchange differences are recognized in profit or loss; if the balances are measured at fair value through profit or loss, the resulting exchange differences are recognized in other comprehensive income items; if the balances are not measured at fair value, they are measured at the historical exchange rates at the dates of initial transactions.

4. All exchange gains and losses are presented in the "Other gains and losses" in the Statement of Income.

(V) Standards for Assets and Liabilities Classified as Current and Non-current

The Consolidated Company is engaged in the construction of houses for sale by contractors, and its business cycle is longer than one year. As such, assets and liabilities related to the construction business are classified as current or non-current by reference to its normal operating cycle; the operating cycle is based on a three-year period. In addition to the above paragraph:

1.Assets that meet one of the following criteria are classified as current assets:

(1)Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

(2)Assets held primarily for trading purposes.

(3)Assets that are expected to be realized within 12 months after the end of the reporting period.

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the end of the reporting period. The Consolidated Company classifies all the assets that do not meet the above-mentioned criteria as non-current.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

(1) Liabilities that are expected to be settled within the normal operating cycle.

(2) Assets held primarily for trading purposes.

(3) Payment is expected to be due within 12 months after the end date of the reporting period.

(4) Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the end date of the reporting period. The terms of a liability which may result in the settlement of an equity instrument at the option of the counterparty will not affect its classification. The Consolidated Company classifies

all liabilities that do not meet the above conditions as non-current.

(VI) Cash and Cash Equivalents

Cash includes inventory cash and bank deposit. Cash equivalents refer to the short-term and highly liquidity investment that can be converted into quota cash at any time with little risk of value change. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(VII) Financial Instruments

Financial assets and liabilities will be recognized in the consolidated balance sheets when the Consolidated Company becomes a party to the contract of the financial instrument.

When showing the original financial assets and liabilities, if their fair value was not assessed based on profit or loss, it is the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(VIII) Financial Liabilities

Where the purchase or sale of financial assets is in line with conventional trading practices, the accounting treatment of all purchases and sales of financial assets classified in the same way by the Consolidated Company shall be consistently on the trade date or the settlement date.

1.Types of measurement

Financial assets held by the Consolidated Company are classified as financial assets measured at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income.

A.Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets compulsively measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Financial assets compulsively measured at fair value through profit or loss include equity instrument investments not designated by the Consolidated Company to be measured at fair value through other comprehensive income, and debt instrument investments not subject to classification as measured at amortized cost or to be measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value; any re-measurement profit or loss (including any dividends or interests derived from such financial assets) is recognized in profit or loss. Please refer to Note XII for the determination of fair value.

B.Financial assets at amortized cost

When the Consolidated Company's investments in financial assets satisfy the following two conditions simultaneously and they are not designated as at fair value through profit or loss, they are classified as financial assets at amortized cost:

a. Financial assets held based on the business model of collecting contract cash flow.

b. The terms of the contract of the financial assets generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

Subsequent to initial recognition, such financial assets (including cash and cash equivalents, notes receivable, accounts receivable (including long-term notes receivables and accounts receivable), other receivables (including related parties) and refundable deposits) that are measured at amortized costs) are measured at originally recognized amount plus or minus accumulatively amortized amount and the amortized costs by using effective interest method after adjustment to any allowance for loss; any interest income, foreign exchange gain or loss and impairment loss are recognized in profit or loss. When de-recognition, gain or loss is recognized in profit and loss.

Interest income is calculated at the value of effective interest rate times the gross carrying amount of financial assets.

C.Financial assets at fair value through other comprehensive income

A debt investment is measured at fair value through other comprehensive income/(loss) if it meets both of the following conditions and is not designated as at fair value through profit or loss:

a. The objective of the Consolidated Company’s business model is achieved both by collecting contractual cash flows and selling financial assets.

b. The terms of the contract of the financial assets generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

The Consolidated Company may, at initial recognition, make an irrevocable decision to designate an equity instrument that is neither held for trading to be measured at fair value through other comprehensive income. Subsequent changes in fair value are reported in other comprehensive income. The preceding selection is made on an instrument-by-instrument basis.

They are recognized initially at fair value plus directly attributable transaction costs and subsequently measured at fair value. Foreign currency translation profit and loss on investments in debt instruments, interest income and impairment losses calculated using the effective interest method, and dividend income from investment in equity instruments (except those expressly specified as recovery of parts of the investment cost) are recognized in profit or loss. Changes in the other carrying amount are recognized based on the unrealized profits and losses on financial assets measured at fair value through other comprehensive profit and loss. When performing derecognition, the cumulative profit or loss of investments in debt instruments are reclassified from equity to profit or loss; the cumulative profit or loss of investments in equity instruments are reclassified from equity to retained earnings and not to profit or loss.

The dividend income of equity investment shall be recognized on the date when the Consolidated Company is entitled to receive dividends (usually the ex-dividend date).

2.Impairment of financial assets

The Consolidated Company evaluates credit losses based on expected credit loss at the end of each reporting period for financial assets (including cash and cash equivalents, notes receivable and accounts receivable (including long-term notes receivable and accounts receivable), other receivables (including related parties) and refundable deposits, investments in debt instruments at fair value through other comprehensive income, and expected credit losses of contract assets recognized as the allowance for loss.

Allowances shall be appropriated for notes receivable, accounts receivable, and other receivables for expected credit losses for the duration of their existence.

Financial assets at amortized cost and investments in debt instruments measured at fair value through other comprehensive income/(loss) are first evaluated to determine whether there is a significant increase in credit risk since original recognition. If there is no significant increase, an allowance for loss is recognized based on the expected credit losses for the 12 months following the reporting date, and if there is a significant increase, an allowance for loss is recognized based on the expected credit losses arising from all probable defaults during existence period.

Upon determining that whether credit risks have increased significantly after original recognition, the Consolidated Company shall consider reasonable and corroborative information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and make analysis based on the Consolidated Company's history experience, credit evaluation and forward-looking information.

Expected credit losses are the weighted estimates of the probability of credit losses over the expected duration of a financial instrument. Credit losses are measured at the present value of all cash shortages, i.e. the difference between the cash flows that the Consolidated Company can receive under contracts and the cash flows that the Consolidated Company expects to receive. Expected credit losses are discounted at the effective interest rate on the financial asset. The 12-month expected credit losses represent the expected credit losses arising from the possible default of the financial instrument in the 12 months after the reporting date, and the expected credit losses during the lifetime represent the expected credit losses arising from all possible defaults of the financial instrument during the expected existence period.

At the end of each reporting period, the Consolidated Company assesses whether there is a credit impairment on financial assets measured at amortized cost and on investments in debt instruments measured at fair value through other comprehensive income/(loss). When there is one or more events arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset. The evidence for credit impairment of financial assets includes the observable data for the following events:

(1) Material financial hardship for borrower or issuer;
(2) Default, such as arrearage or delinquency for more than 365 days;
(3) Compromise made by Consolidated Company to borrower that would not be

considered before, because of economic or contract reason related to borrower's financial difficulty;

(4) The borrower is most likely to file for bankruptcy or conduct other financial arrangement; or

(5) Disappearance of active market for the financial asset due to financial difficulty.

The loss allowance for all financial assets shall be reduced from the carrying amount of the asset, provided that, the loss allowance for the debt instrument investments measured at fair value through other comprehensive income shall be recognized in other comprehensive income, which does not reduce their carrying amounts.

If the Consolidated Company cannot reasonably expect to recover financial assets fully or partially, it may directly reduce the total carrying amount of its financial assets. The Consolidated Company individually analyzes the time for and amount of write-off based on that whether they are reasonably expected to be recoverable. The Consolidated Company expects that there will be no material reverse of written-off amounts. However, written-off financial assets can still be enforced to comply with the Consolidated Company ‘s procedures for recovering expected amount.

3.De-recognition of financial assets

The Consolidated Company de-recognizes the financial assets when the contractual rights to the cash inflow from the asset expire or when the company transfers all the risks and rewards of ownership of the financial assets to other enterprises substantially, or when almost all the risks and rewards of ownership are not transferred nor kept and the control over the financial assets is not kept.

On de-recognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss. On de-recognition of an equity instrument measured at fair value through other comprehensive income/(loss), the cumulative gain or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

(IX) Classification Tools for Financial Liabilities and Equity

1.Financial liabilities and equity instruments

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

2.Equity instruments

Equity instruments refer to any contracts containing the consolidated company's residual interest after subtracting liabilities from assets.

Equity instruments issued by the Consolidated Company are recognized based on the price obtained less direct issuance costs.

The repurchase of equity instruments issued by the Consolidated Company is recognized in equity as a deduction. The purchase, sale, issuance, or write-off of the consolidated company's equity instruments are not recognized in profit or loss.

3.Financial liabilities

Financial liabilities are classified as amortized costs or the fair value measurement through profit or loss. Financial liabilities, if held for trading, derivatives or designated at the time of initial recognition, are classified as the fair value measurement through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value, and the related net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest income and foreign currency profit or loss are recognized as profit or loss. Any profit or loss at the time of derecognize is also recognized in profit and loss.

4.Derecognition of financial liabilities

The Consolidated Company derecognizes financial liabilities when the contractual obligations have been fulfilled, canceled or matured. When the terms of financial liabilities are modified and there is a significant difference in the cash flow of the revised liabilities, the original financial liabilities will be derecognized and new financial liabilities will be recognized at fair value based on the revised terms.

When financial liabilities are derecognized, the difference between their carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

5.Offsetting of financial assets and liabilities

The Consolidated Company presents financial assets and liabilities on a net basis when the Consolidated Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(X) Inventories

1.Construction Inventories

Inventories consist of land and construction in progress, properties held for sale, construction sites and prepaid land. Prepaid land is transferred to construction sites upon transfer of ownership, and construction sites are transferred to land and buildings under construction upon active development. Upon completion of the construction, the sold portion is transferred to operating costs and the unsold portion is transferred to land held for sale, using the construction area ratio, when revenue is recognized from the sale of the premises.

Inventories are measured at the lower of cost or net realizable value and are compared on a line-by-line basis to determine the lower of cost or net realizable value. The cost includes all necessary expenditures and capitalized borrowing costs to get an asset in place and in conditions ready for use.

The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The measurement of net realizable value is as follows:

(1) Construction sites: The net realizable value is calculated on the basis of the expected selling price judged by the management based on the current market conditions, less cost of construction completion and selling expenses, or the most recent estimated market value (based on land development analysis approach or comparison approach).

(2) Construction-in-progress: The net realizable value is calculated on the basis of the expected selling price (based on the current market conditions) less cost of construction completion and selling costs.

(3) Buildings and land held for sale: The NRV is the estimated selling price (with reference to the management authority's estimation based on prevailing market conditions) less estimated costs to be incurred in selling the properties and selling expenses.

2.Hotel and restaurant inventories

Inventory is measured by the lower of cost and net realizable value. The cost is the weighted average of all costs necessary to get an asset in place and in conditions ready for use. When comparing the comparative cost and the net realizable price to determine which is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the normal course of business less the selling expenses.

(XI) Investment/ Affiliates Accounted for by Using Equity Method

1. Affiliates are all entities over which the Consolidated Company has significant influence but no control. In general, it is presumed that an investor has significant influence if the investor holds directly or indirectly 20% or more of the voting power of the investee. Investments in affiliates are accounted for using the equity method and are initially recognized at cost.
2. The Consolidated Company’s share of its affiliates’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Consolidated Company’s share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables) the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
3. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company’s shareholding percentage of the associate, the Consolidated Company recognizes change in ownership interests in the associate in "capital surplus" in proportion to its shareholding.
4. Unrealized gains or losses on transactions between the Consolidated Company and its affiliates are eliminated to the extent of the Consolidated Company’s interest in the affiliates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of affiliates are adjusted, when necessary, to remain consistent with those of the Consolidated Company.
5. If the Consolidated Company does not subscribe to new shares issued by an associate in proportion to its shareholding percentage in the associate and results in a change in its investment percentage (while still maintains significant influence), the changes in net equity would be adjusted through “capital surplus” and “investments accounted for

under the equity method". If the above condition causes a decrease in the Consolidated Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

6. When the change in the equity of the affiliates is not due to profit or loss and other comprehensive profit or loss items, and does not affect the Company's shareholding ratio, the Company will recognize the change in the relevant ownership interest based on the shareholding ratio. Therefore, the recognized additional paid-in capital will be transferred to profit or loss proportionally to the disposal amount when the associate is subsequently disposed.
7. When the Consolidated Company disposes its investment in an associate and loses significant influence over this associate, the accounting treatment for amounts previously recognized in other comprehensive income in relation to the associate are the same as the one required if the relevant assets or liabilities were directly disposed of. That is, if gain/loss previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of relevant assets or liabilities, such gain/loss will be reclassified from equity to profit or loss when the Company loses significant influence over the associate. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
8. The Consolidated Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 - Investment in Related Companies and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the "share of profit or loss of an associate" in the statement of comprehensive income in accordance with IAS 36 - Impairment of Assets. In case the aforementioned recoverable amount adopts the useful value of the investment, the Consolidated Company will determine the relevant useful value based on the following estimates:
   (1) The share of the present value of the estimated cash flows generated by the affiliates of the Consolidated Company, including the cash flows generated by the

affiliates due to the operation and the final disposal of the investment; or

(2) The present value of the expected dividends and future cash flows generated from the investment disposed ultimately.

Since goodwill component item that construes the carrying amount of the investment in affiliates is not separately recognized; hence, the Company is not required to undertake the test for goodwill impairment as stipulated in IFRS 36 - Impairment of Assets.

Upon the loss of significant impact on affiliates, the Consolidated Company has the retained investment amount measured and recognized at fair value. Upon the loss of significant impact, the difference between the book value of the investment in associate and the fair value of the retained investment plus the proceeds from the disposal is recognized as profit or loss.

(XII) Property, Plant and Equipment

1. Recognition and measurement

Property, plant and equipment are recognized and measured at cost, less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of self-constructed assets includes raw materials and direct labor, any other directly attributable costs to bring the asset to a serviceable condition for its intended use, the cost of dismantling and removing the item and restoring the site, and the cost of borrowings to capitalize the eligible assets.

When property, plant and equipment contain different components, and it is more appropriate to adopt different depreciation rate or method when it is significant when compared with the total cost, they are deemed as independent items (main components) for treatment.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as profit or loss.

2.Reclassification to investment property

When real estate for self-use meets the definition of investment real estate and there is evidence of change in use, the real estate should be reclassified as investment real estate at the carrying amount at the time of the change in use, and the mere change in management's intent to use the real estate is not evidence of change in use.

3.Subsequent costs

Subsequent expenditure for property, plant and equipment is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance for property, plant and equipment are expensed as incurred.

4.Depreciation

The depreciation is calculated in straight-line method by capital cost less scrap value based on service years, and evaluated according to individual material components. If the service years of one component are different from other parts, this part will be separately recognized as depreciation. The depreciation charge for each period shall be recognized in profit or loss.

The useful lives of the Consolidated Company's major assets are as follows

| | |
|---|---|
| Housing and Construction | 5 ~ 45 years |
| Machinery | 2 ~ 10 years |
| Office Equipment | 3 ~ 10 years |
| Other Equipment | 2 ~ 20 years |
| (Business facilities adopt Inventory Method) | |

Depreciation methods, useful lives, and residual values are audited at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

(XIII) Leases

1. Identifying a lease

The Consolidated Company assesses whether the contract is (or includes) a lease on the date of its establishment. If a contract is signed to have the control over the use of identified assets transferred for a period of time in exchange for a consideration, it is (or includes) a lease. In order to assess whether a contract is signed to have the control over the use of identified assets transferred for a period of time, the Consolidated Company assesses whether there are the following two factors throughout the period of use:

(1)rights to nearly all economic benefits of the identified asset have been received;

and

(2)the control over the right to use the identified asset.

For contracts that are (or include) leases, the Consolidated Company will treat each lease component in the contract individually, and to separately treat them from the non-lease components in the contracts. Where a contract includes a lease component and one or more additional lease or non-lease components, the Consolidated Company allocates the consideration in the contract to the lease component on the basis of the relative separate price of each lease component and the aggregate separate price of non-lease components. The comparison single unit price of the lease and non-lease components will be decided upon the prices separately received by the lessor (or supplier) for such components. If observable single unit prices are not readily available, the Consolidated Company will maximize the use of observable information to estimate their respective single unit prices.

2. Where the Consolidated Company is a lessee:

Except that the lease payments of the low value subject-matter assets and short-term leases applicable to recognition exemption are recognized as expenses on a straight-line basis during the lease period, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

The right-of-use asset is initially measured at cost, which includes the initial measured amount of the lease liability, adjusts any lease benefits paid on or before the inception of the lease, and adds the initial direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any leasing incentives received.

Right-of-use assets are subsequently depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Consolidated Company regularly assesses whether the right-of-use asset is impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

Lease liabilities are measured at the present value of the lease payments outstanding at the inception date of the lease. If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If the interest rate is not easy to determine, the Consolidated Company's incremental borrowing rate shall be used.

The lease payments comprise as follows:

(1) fixed payments, including in-substance fixed lease payments;
(2) Variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;
(3) amounts expected to be payable by the lessee under residual value guarantees;
(4) an option to purchase the underlying asset if it is reasonably certain to be exercised, and penalty payments for terminating the lease.

The lease liability subsequently accrues interest with the effective interest method, and its amount is measured when the following occurs:

(1) changes in future lease payments resulting from changes in an index or a rate used to determine those payments;
(2) changes in the amounts expected to be payable under a residual value guarantee;
(3) changes in the assessment of the purchase option;
(4) change in the assessment of the lease term resulting from extension or termination of the exercise of the purchase option; or
(5) lease modifications of the underlying asset, scope, and other terms and conditions.

When the lease liability is remeasured due to the aforementioned changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset shall be adjusted accordingly, and when the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

The changes in (iv) and (v) decreases the scope of a lease. When a lease modification decreases the scope of a lease, the carrying value of the right-of-use asset is decreased to reflect partial of full termination of the lease liability, and any gain or loss resulting from the aforementioned derecognition is immediately recognized in profit or loss.

The Consolidated Company records right-of-use assets and lease liabilities defined as not investment properties in a single line item in the consolidated balance sheets.

For the short-term leasing of transportation equipment and the leasing of low-value object assets, the Consolidated Company chooses not to recognize right-of-use assets and lease liabilities, but recognize related payment for lease as expenses on a straight-line basis during lease period.

3. Where the Consolidated Company is a lessor:

   A lease is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the subject asset to the lessee; otherwise, it is classified as an operating lease.

   If the Consolidated Company is a sublessor, it will handle the main lease and sub-lease transactions separately, and use the right-of-use assets generated by the main lease to evaluate the classification of the sub-lease transactions. If the main lease is a short-term lease and the recognition exemption applies, the sublease transaction should be classified as an operating lease.

   Under finance leases, lease payments include fixed payment, substantially fixed payment and variable lease payment depending on index or rate. Net investment in leases is measured at the present value of lease receivables plus original direct costs and expressed as finance lease receivables. Financing income is allocated to each accounting period to reflect the fixed rate of return on the unexpired net lease investment of the Consolidated Company in each period.

   Under operating leases, lease payments after deducting lease incentives are recognized as revenue on a straight-line basis over the relevant lease term. The initial direct costs arising from acquisition of operating leases is added to the carrying amount of the underlying assets; and an expense is recognized for the lease on a straight-line basis over the lease term.

(XIV) Intangible Assets

The intangible assets acquired by the Consolidated Company are measured at cost less accumulated amortization and accumulated impairment.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses are recognized as profit or loss upon occurrence.

Intangible assets are amortized on a straight-line basis according to the following estimated benefit years from the time they reach a serviceable condition:

Land use right: 50 years (according to the contract)

Computer software: 3 ~ 10 years

Image design: 15 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be audited at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimate.

(XV) Impairment of Non-financial Assets

The Consolidated Company assesses at the end of each reporting period whether there is any indication that the carrying amount of non-financial assets (other than inventories and deferred income tax assets) may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The purpose of the impairment test, a group of assets whose cash inflow is mostly independent of other individual assets or asset groups, is regarded as the smallest identifiable asset group.

The recoverable amount is the higher of the fair value of an individual asset or cash-generating unit, less costs to dispose, and its value in use. When evaluating the value in use, the estimated future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks for the asset or cash-generating unit.

If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to the recoverable amount and the impairment loss shall be recognized immediately in loss for the year.

If an impairment loss is reversed subsequently, the carrying amount of the individual asset or cash generating unit is raised to its recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. The reversed impairment loss is recognized immediately in profit or loss for the year.

(XVI) Trade and Notes Payables

Trade and notes payables are obligations to be paid for raw materials, goods or services obtained from suppliers in the normal course of business. They are measured at fair value on initial recognition and subsequently measured at amortized cost using the effective interest method, except for short-term accounts payable and notes that are unpaid interest, which are subsequently measured at the original invoice amount because the effect of discounting is immaterial.

(XVII) Provisions

Provisions are recognized when the Consolidated Company has a present legal or constructive obligation as a result of past events, and it is probable that the Company will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions are measured at the best estimate including risks and uncertainties of the expenditure required to settle the obligation on the last day of the reporting period. If provisions are measured at the estimated cash flows to settle the present obligation, the carrying amount of such provisions is equivalent to the present value of such cash flows.

The provision for warranty is estimated based on the contractual agreements and management's best estimate (based on historical warranty experience) of future economic outflows resulting from the project maintenance and warranty obligations.

(XVIII) Deposits Received

The deposits received by the Consolidated Company are mainly project performance bond and lease bond. Project performance bond is received for the purpose of ensuring the performance of construction contracts under the construction contracts. Deposits received are recognized as deposits when cash is received and are refunded when the guarantee contract is fulfilled.

(XIX) Revenue and cost recognition

1.Sales of premises

The Consolidated Company is principally engaged in the construction and sales of property, and the recognition of revenue is based on the transferring of property ownership. For the contracted sales of residential units, due to contract restrictions, the Consolidated Company usually does not apply the piece of real estate to other purposes. Consequently, revenue is recognized upon either transfer of legal ownership or delivery of the piece of real estate to customers, whichever occurs first in the reporting period, despite that the other occurs in the subsequent period.

Revenue is measured based on the transaction price of the contractual agreements. When sales happen after construction is completed, in most cases, consideration is made upon transfer of legal ownership; however, in some cases, payment of accounts may be deferred under contractual agreements, and if a material financial component is included, the transaction price is adjusted to reflect the impact of the material financial component. When sales happen before construction is completed, consideration is payable in installments during the period from signing a contract to transfer of legal ownership of the real property. If a significant financing component is included in the contract, the installments are discounted at the interest rate of the construction loan to reflect the effect of time value of money. Prepayments are recognized as a contract liability, and discounts reflecting the effect of time value of money are recognized as interest expenses and contract liabilities. The accumulated contract liabilities are reclassified as revenue upon the transfer of legal ownership.

2. Accommodation and hospitality revenue

The Consolidated Company provides hospitality services and accommodations, etc. If services provided by the Consolidated Company exceed a customer's payables, a contract asset is recognized. If the customer's payables exceed the services rendered, a contract liability is recognized.

(1) Hospitality services are recognized when the product is sold to customers. Payment of transaction price is due immediately when the products are purchased by customers.

(2) Accommodation is recognized as revenue in the reporting period in which the services are rendered to customers. The customer pays the contract price according to the agreed payment schedule.

3. Financial composition

The Consolidated Company's sales contract of pre-sale homes contains provisions for advance payment from customers, and the time between advance receipt and commodity ownership transfer is longer than one year. According to IFRS 15, if the Consolidated Company judges that there are significant financing components in an individual pre-sale home contract, it shall adjust the amount of the commitment consideration and recognize the interest cost. In addition, IFRS 15 states that companies should determine the significance of the financing component only at the contract level, rather than the financial level at the portfolio level.

4. Rental revenue

Revenue from lease is recognized when an asset is actually used in lease, provided that it is probable the economic benefits will flow to the Consolidated Company and the amount of revenue can be measured reliably. The related costs are recognized in line with revenues.

5. Incremental costs of obtaining a contract

If the Consolidated Company expects to recover the incremental cost for acquiring the customer contract, the cost will be recognized as asset. The incremental cost of acquiring contract is cost that will arise in acquiring customer contract and will not arise otherwise. The contract acquisition cost no matter the contract will happen or not is recognized as expense, unless the cost is explicitly collectable from customer no matter the contract is acquired or not.

If the increment cost of acquiring contract is recognized by asset and the asset amortization period is within one year by Consolidated Company using practical expediency method, the incremental cost will be recognized as expense upon occurrence.

(XX) Borrowing costs

(1) Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are included as part of the cost of the asset until substantially all of the activities necessary to bring the asset to its intended state of use have been completed. Special loans, such as investment income from temporary investments prior to capitalization, are deducted from the cost of loans eligible for capitalization. Except for the above, other borrowing costs are recognized in profit and loss in the year they are incurred.

(2) Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. When there is no evidence of the possibility that some or all the facility will be drawn down, the fee is recognized as a prepayment and amortized over the period of the facility to which it relates.

(XXI) Employee Benefit

1.Defined contribution plans

Obligations for contributions to defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2.Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Consolidated Company's net obligation in respect of a defined benefit pension plan is calculated separately for each plan by estimating the amount discounted to present value of the future benefit that employees have earned in return for their service in the current and prior periods. The fair value of any plan assets are deducted. The calculation is performed annually by a qualified actuary using the projected unit credit method. The discount rate is the yield on the reporting date on corporate bonds or government bonds that have maturity dates approximating the terms of the Consolidated Company's obligations and are denominated in the same currency in which the benefits are expected to be paid.

The costs of defined benefits under the defined benefit pension plan include service cost, net interest, and the re-measurement amount. The cost of services (including the cost of services of the current period) and the net interest of the net defined benefit liabilities (assets) are recognized as employee benefit expenses. Remeasurement (comprising actuarial gains and losses, and return on plan assets net of interests) is recognized in other comprehensive income and included in retained earnings, and is not recycled to profit or loss in subsequent periods, costs related to prior service costs are recognized immediately in profit or loss.

Net defined benefit liabilities (assets) are the deficit of the contribution made according to the defined benefit pension plan. A net defined benefit asset shall not exceed the present value of the contributions to be refunded from the plan, or the reductions in future contributions.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

3.Employees' compensation and remuneration of directors

Employees compensation and remuneration to directors shall be recognized as expenses and liabilities where there are legal or constructive obligations and the amounts can be reasonably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. In addition, if employees remuneration is paid by shares, the basis for calculating the number of shares is their closing price on the day immediately before resolution was made by the Board of Directors.

(XXII) Income Tax

Income tax expenses include the tax in the current year and deferred income tax. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable income (deficits) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as adjustments to the payable income tax or receivable tax rebate of prior years. The additional business income tax levied on the undistributed earnings is recognized as income tax expense on the date when the distribution of earnings is resolved in the Shareholders' Meeting.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. The temporary difference for the following conditions will not be recognized as deferred income tax:

1. Assets and liabilities that are initially recognized but are not related to a business combination which have no effect on net income or taxable gains (losses) at the time of the transaction.
2. Temporary differences arising from equity investments in subsidiaries, affiliates or joint ventures, the time for reverse of which may be controlled by the Consolidated Company and where there is a high probability that such temporary differences will not be reversed.
3. Initial recognition of goodwill.

Deferred income tax is measured at the tax rate at the time of reversal of expected temporary differences based on the statutory or substantive legislative tax rate at the reporting date.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. The taxing of deferred tax assets and liabilities fulfils one of the scenarios below:
   (1)Levied by the same taxing authority; or
   (2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where

the timing of asset realization and debt liquidation is matched.

Unused tax losses, unused income tax credits transferred in later period and deductible temporary differences are recognized as deferred income tax assets to the extent that future tax income is likely to be available, and are reassessed at each reporting date and reduced to the extent that the relevant income tax benefit is not likely to be realized, or reversed on the amount originally reduced to the extent that there is likely to be sufficient taxable income.

(XXIII) Earnings per share

The Consolidated Company presents the basic and diluted earnings per share of shareholders of common stock equity. The basic earnings per share are calculated based on the profit attributable to the ordinary shareholder of the Consolidated Company divided by the weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Consolidated Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The Consolidated Company's employee bonus allotment shares, which have not been approved by the shareholders' meeting and may be issued in shares, are potential common shares.

(XXIV) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants to compensate the Consolidated Company’s expense are recognized as profit or loss on a systematic basis when the expense occurs.

(XXV) Segment information

An operating segment is a component of the Consolidated Company that engages in business activities from which it may earn revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Consolidated Company'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.

(XXVI) Dividend distribution

Dividends are recorded in the Consolidated Company’s financial statements in the period in which they are approved by the Consolidated Company's shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as stock dividends to be distributed and reclassified to ordinary shares on the base date of new share issuance.

(XXVII) Treasury shares

Issued shares bought back by the company are recognized in "treasury stock" as a deduction to equity based on the amount of consideration paid during share buyback (including directly attributable costs). If the disposal price of treasury stock is higher than the carrying amount, the difference is recognized as capital reserve-treasury stock transaction; if the disposal price is lower than the carrying amount, the difference will offset the capital reserve arising out of transaction of the same type of treasury stock; if insufficient, the retained earnings will be debited. The carrying amount of treasury stock is calculated by weighted averaging according to reason of recovery.

In writing off treasury stock, the capital reserve will be debited according to equity ratio-for shares issuance premium and capital, if the carrying amount is higher than the sum of face value and shares issuance premium, the difference will offset the capital reserve arising out of the same type of treasury stock; if insufficient, the retained earnings will be offset; if the carrying amount is lower than the sum of face value and shares issuance premium, the capital reserve arising out of transaction of the same type of treasury stock will be credited.

V.Major Sources of Significant Accounting Judgments, Estimates, and Assumed Uncertainties

The preparation of the Consolidated Financial Statements requires management to make critical judgments for applying the Consolidated Company's accounting policies with critical assumptions and estimates concerning future events. If there is any difference between any significant accounting estimates and assumption made and actual results, the historical experience and other factors will be taken into account in order to continue assessment and adjustment. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Please see below for the description of significant accounting judgments, estimation and assumption uncertainties.

(I)Valuation of inventories

As inventories are stated at the lower of cost and net realizable value, the Consolidated Company shall determine the net realizable value of inventories at the end of the reporting period using judgments and estimates.

The Consolidated Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value at the end of the reporting period, and writes down the cost of inventories to the net realizable value. This inventory valuation is made mainly based on the nature of inventories, inquiries about the transaction prices in neighboring regions, the recent transaction prices of sold units, investment return analysis table or the appraisal report provided by external real estate appraiser, therefore, it may subject to significant changes.

(II)Impairment assessment of assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Consolidated Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income, and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges.

(III)Provisions

Provisions are provisions for post-sale warranty liabilities, which are the present value of the Consolidated Company's management's best estimate of future economic outflows resulting from warranty obligations. The estimates are based on contractual agreements and management's historical warranty experience, and are subject to adjustment due to construction materials, construction methods or other events that affect product quality. These estimates are primarily based on economic outflows over the future warranty period and are subject to change.

(IV)Income Tax

The uncertainty of income tax exists in the interpretation of complex tax regulations, the amount of future tax income and the point in time. The provision for income tax is estimated reasonably based on the possible results of the audit conducted by the tax authority in the place where the Company operates. The amounts are withdrawn based on different factors, such as previous tax audit experience and the differences in the interpretation on tax regulations made by taxable subject and tax authority.

Unused tax losses, unused income tax credits transferred in later period and deductible temporary differences are recognized as deferred income tax assets to the extent that there is likely taxable income or taxable temporary differences in the future The amount of deferred tax assets that can be recognized is determined on the basis of estimates of the time point and level at which taxable income and taxable temporary differences may occur in the future and based on future tax planning strategies

VI. Description of Important Accounting Items

(I) Cash and cash equivalent

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Cash on hand and petty cash | $919 | $2,039 |
| Demand deposits | 1,067,320 | 572,746 |
| Checking deposits | 191 | 50,124 |
| Total | $1,068,430 | $624,909 |

1. The Consolidated Company possesses good credit with financial institutions, and contacts with several financial institutions to diversify credit risk, anticipated possibility of default is very low, the exposure cash amount on maximum credit risks at the end of the reporting period is same as cash equivalents.
2. For the disclosed information on the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Consolidated Company, please refer to Note XII.

(II)Financial assets at fair value through profit or loss

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current | | |
| Domestic listed stocks | $0 | $89,930 |
| Non-current | December 31, 2021 | December 31, 2020 |
| Domestic unlisted stocks (venture capital) | $82 | $82 |

1. The Consolidated Company's investment in domestic unlisted stocks has been designated as investments at fair value through profit or loss.
2. The Consolidated Company recognized a valuation income of NT$21,357 thousand in 2021 and a valuation loss of NT$7,599 thousand in 2020, plus an income of NT$3,896 thousand in 2021 and a loss of NT$10,365 thousand in 2020 from disposal of financial assets measured at fair value through profit or loss.
3. The Consolidated Company has disclosed the credit and interest rate risks associated with financial instruments in Note XII.
4. None of the financial assets of the Consolidated Company has been pledged as collateral.

(III)Receivables

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Notes receivable | | |
| Measured at amortized cost | | |
| Less than 1 year | $36,682 | $40,159 |
| Over 1 year | 15,000 | 0 |
| Total | $51,682 | $40,159 |
| Accounts receivable | | |
| Measured at amortized cost | | |
| Less than 1 year | $131,978 | $105,997 |
| Over 1 year | 22 | 22 |
| Less: Allowance for doubtful accounts - Accounts receivable | (22) | (22) |
| Total | $131,978 | $105,997 |
| Accounts receivable - related parties | | |
| Measured at amortized cost | | |
| Less than 1 year | $0 | $2 |

1. The Consolidated Company's long-term notes receivable and long-term installment receivable of more than one year are classified as non-current assets.

2. The installment receivables from the Consolidated Company provide customers with installment payments for the final payment of their homes over a period of approximately one to three years, and a second mortgage is created on each of the homes as security for the payments.
3. The Consolidated Company's long-term notes receivable of more than one year represent advance payments from customers for decoration work. The period of one to three years is due to the time required for design and construction for the purchase of the rough housing units, and revenue is recognized upon completion and acceptance of the decoration.
4. The Consolidated Company applies the simplified approach on the estimation of expected credit losses for all notes receivable (including long-term notes receivable) and accounts receivable, that is, a loss allowance is recognized based on the lifetime of expected credit losses. To measure the expected credit losses, notes and accounts receivables were grouped based on shared characteristics of credit risk on remaining payments before due date, and forward-looking information was incorporated as well. The expected credit loss of notes receivable (including long-term notes receivable) and accounts receivable of the Consolidated Company is as follows:

| | December 31, 2021 | | |
|---|---|---|---|
| | Carrying amount of notes receivable (including long-term notes receivable) and accounts receivable | Weighted average expected credit loss ratio | Allowance for expected credit losses during the period |
| Not overdue | $183,660 | 0% | $0 |
| Less than 60 days | 0 | 0% | 0 |
| Over 365 days | 22 | 100% | 22 |
| Total | $183,682 | | $22 |

| | December 31, 2020 | | |
|---|---|---|---|
| | Carrying amount of notes receivable (including long-term notes receivable) and accounts receivable | Weighted average expected credit loss ratio | Allowance for expected credit losses during the period |
| Not overdue | $146,158 | 0% | $0 |
| Less than 60 days | 0 | 0% | 0 |
| Over 365 days | 22 | 100% | 22 |
| Total | $146,180 | | $22 |

The changes in the allowance for losses on notes and accounts receivable of the Consolidated Company were as follows

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Beginning balance | $22 | $22 |
| Current increase | 0 | 0 |
| Ending balance | $22 | $22 |

5. The majority of the credit period of the Consolidated Company's receivables is the date of transfer of ownership of the premises to the bank, or the date of credit card payment for the premises and credit card payment for food and beverage services and room accommodations to the bank. The Consolidated Company is in the construction and tourism industry and has a large and unrelated customer base, so the concentration of credit risk is limited. Please refer to Note XII for related credit risk information.
6. The Consolidated Company's notes receivable (including long-term notes receivable) and accounts receivable were not discounted or provided as collaterals.

(IV)Other receivables

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Other receivables | $83 | $750,063 |
| Other receivables - related parties | $215 | $277 |
| Total | $298 | $750,340 |

1. Other receivables - related parties are the receivables from landlords for their share of sales and related parties for their share of expenses.
2. The Consolidated Company's other receivables were assessed not to be impaired and were not past due.

(V)Inventories

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Buildings held for sale | $5,353,441 | $7,612,198 |
| Land held for sale | 1,798,448 | 3,067,455 |
| Land under construction | 2,048,692 | 2,018,413 |
| Construction in progress | 1,363,468 | 694,670 |
| Land held for construction | 20,618,705 | 15,648,922 |
| Prepayment for land | 316,552 | 140,281 |
| Other inventories (Food & Beverage, etc.) | 4,703 | 5,035 |
| Less: Provision for loss of inventory | (542) | (542) |
| Total | $31,503,467 | $29,186,432 |

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| 1. Buildings held for sale | | |
| Mandala (Ji Jing) | $10,628 | $21,194 |
| King's Town | 2,023,746 | 2,233,297 |
| Xiande Section No. 826 | 0 | 15,262 |
| King's Town Hyatt | 722,615 | 801,104 |
| Hua Shang | 114,478 | 114,478 |
| Yiwen Court | 355,342 | 614,443 |
| Ju Dan | 135,930 | 323,529 |
| Tian Feng | 145,518 | 145,518 |
| King's Hanshin Online | 78,028 | 249,997 |
| Mei Shu Huang Ju | 1,287,130 | 1,953,523 |
| King's Town Garden | 419,136 | 1,003,595 |
| Xiang King's Town | 4,194 | 4,194 |
| Yue He Di | 56,293 | 131,661 |
| Other projects | 403 | 403 |
| Total | $5,353,441 | $7,612,198 |
| Less: Provision for loss of inventory | (403) | (403) |
| Net amount | $5,353,038 | $7,611,795 |

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| 2. Land held for sale | | |
| Mandala (Ji Jing) | $8,353 | $16,657 |
| King's Town | 216,559 | 235,794 |
| Xiande Section No. 826 | 0 | 6,247 |
| King's Town Hyatt | 53,542 | 58,510 |

| | | |
|---|---|---|
| Yiwen Court | 188,971 | 332,401 |
| Ju Dan | 83,855 | 194,866 |
| Tian Feng | 62,443 | 62,443 |
| King's Hanshin Online | 50,268 | 164,196 |
| Mei Shu Huang Ju | 881,111 | 1,341,896 |
| King's Town Garden | 194,101 | 521,512 |
| Xiang King's Town | 4,269 | 4,269 |
| Yue He Di | 54,837 | 128,525 |
| Other projects | 139 | 139 |
| Total | $1,798,448 | $3,067,455 |
| Less: Provision for loss of inventory | (139) | (139) |
| Net amount | $1,798,309 | $3,067,316 |

| Item | December 31, 2021 | | |
|---|---|---|---|
| 3. Land under construction and construction in progress | Land under construction | Construction in progress | Total |
| Fuhe Section No. 698-1 | $353,729 | $84,468 | $438,197 |
| Ai Qun No. 2748 (King's Town World of Heart) | 1,001,698 | 721,654 | 1,723,352 |
| Xindu Section No. 321, 163-1, 164 (fu +) | 693,265 | 557,346 | 1,250,611 |
| Total | $2,048,692 | $1,363,468 | $3,412,160 |

| Item | December 31, 2020 | | |
|---|---|---|---|
| 4. Land under construction and construction in progress | Land under construction | Construction in progress | Total |
| Fuhe Section No. 698-1 | $353,729 | $76,007 | $429,736 |
| Ai Qun No. 2748. 5 in total (King's Town World of Heart) | 971,419 | 359,819 | 1,331,238 |
| Xindu Section No. 321, 163-1, 164 (fu +) | 693,265 | 258,844 | 952,109 |
| Total | $2,018,413 | $694,670 | $2,713,083 |

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| 5. Land held for construction | | |
| Kaohsiung Chenggong Section No. 84 | $14,533 | $14,533 |
| Kaohsiung Chenggong Section No. 60-1, 62-64 | 540,267 | 540,267 |
| Kaohsiung Longzhong Section No. 191 | 370,653 | 370,653 |
| Kaohsiung Longzhong Section No. 129-3, 129-4 | 1,610,110 | 1,610,110 |
| Kaohsiung Longzhong Section No. 128-4, etc, 3 in total | 716,926 | 716,926 |

| | | |
|---|---|---|
| Kaohsiung Chenggong Section No. 74, 78 | 28,397 | 28,397 |
| Kaohsiung Chenggong Section No. 70 | 13,805 | 13,805 |
| Kaohsiung Chenggong Section No. 83 | 19,016 | 19,016 |
| Kaohsiung Qinghai No. 229 | 4,278,594 | 4,278,594 |
| Kaohsiung Aiqun No. 2738-2 | 0 | 30,279 |
| Kaohsiung Qinghai No. 126 | 685,719 | 685,719 |
| Kaohsiung Qinghai No. 127 | 662,012 | 662,012 |
| Kaohsiung Qinghai No. 128 | 379,145 | 379,145 |
| Kaohsiung Longzhong Section No. 128-3 | 52,266 | 52,266 |
| Kaohsiung Bohsiao Section No. 1140, 7 in total | 655,287 | 655,287 |
| Kaohsiung Lantian Middle Section No. 30-2 | $757,742 | $757,742 |
| Kaohsiung Xingnan Section No. 11 | 259,585 | 259,585 |
| Kaohsiung Longzhong Section No. 22 | 1,998,033 | 1,998,033 |
| Kaohsiung Xinmin No. 160 | 792,708 | 792,708 |
| Kaohsiung Xinmin No. 159 | 828,072 | 828,072 |
| Tainan Yuguang Section No. 880, 3 in total | $348,825 | $0 |
| Kaohsiung Chenggong Section No. 73 | 19,183 | 0 |
| Kaohsiung Shixing Section No. 924 | 14,055 | 0 |
| Kaohsiung Shixing Section 925, 3 in total | 112,196 | 0 |
| Kaohsiung Shixing Section 927, 3 in total | 84,625 | 0 |
| Kaohsiung Shixing Section 928, 3 in total | 107,554 | 0 |
| Kaohsiung Qiaotou Shixing Section No. 967 | 6,640 | 0 |
| Kaohsiung Qiaotou Shixing Section No. 968 | 42,794 | 0 |
| Kaohsiung Chenggong Section No. 79 | 26,091 | 0 |
| Tainan Yuguang Section No. 879 | 86,644 | 0 |
| Kaohsiung Longdong Section No. 1 | 513,991 | 0 |
| Tainan Kanjiao North Section No. 820 | 3,385,666 | 0 |
| Xindu Section No. 49 | 46,653 | 0 |
| Transferable land and deformed land | 1,160,918 | 955,773 |
| Total | $20,618,705 | $15,648,922 |

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| 5. Prepayment for land | | |
| Kaohsiung Chenggong Section No. 60-1, 62-64 | $117,699 | $0 |
| Tainan Anan District, Caohu Phase I | 197,853 | 50,033 |
| Tainan Yuguang Section No. 880, 3 in total | 0 | 35,023 |
| Kaohsiung Chenggong Section No. 73 | 0 | 8,880 |
| Kaohsiung Qiaotou Shixing Section No. 924 | 0 | 1,400 |

| | | |
|---|---|---|
| Kaohsiung Qiaotou Shixing Section 925, 3 in total | 0 | 10,000 |
| Kaohsiung Qiaotou Shixing Section 927, 3 in total | 0 | 9,250 |
| Kaohsiung Qiaotou Shixing Section 928, 3 in total | 0 | 11,495 |
| Kaohsiung Qiaotou Shixing Section No. 967 | 0 | 660 |
| Kaohsiung Qiaotou Shixing Section No. 968 | 0 | 4,260 |
| Kaohsiung Chenggong Section No. 79 | 0 | 8,880 |
| Kaohsiung Qiaotou Shixing Section No. 867 | 0 | 400 |
| Kaohsiung Shixing Section No. 935-1 | 1,000 | 0 |
| Subtotal | $316,552 | $140,281 |

6. Other inventories

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Food | $3,147 | $3,378 |
| Beverage | 1,556 | 1,657 |
| Subtotal | $4,703 | $5,035 |

7. The above-listed premises under construction are residential buildings and translucent houses built in Kaohsiung City. The amount of interest capitalized in construction in progress was NT$44,227 thousand and NT$42,126 thousand in 2021 and 2020, respectively.
8. The land purchased or sold in Kaohsiung City and Tainan City is recorded as prepaid land at the time of signing the contract and paying for each installment and is transferred to the land for future construction after the transfer. The amount of interest capitalized for operating sites and prepaid land was NT$8,297 thousand and NT$56 thousand in 2021 and 2020, respectively.
9. Please refer to Note VIII to the financial statements for the pledge of premises for sale, premises under construction and construction sites.
10. Cost of goods sold related to inventories amounted to NT$3,855,904 thousand and NT$5,580,329 thousand in 2021 and 2020, respectively; neither of which included NT$0 thousand and NT$12,291 thousand of inventory write-down benefit in 2021 and 2020, respectively.

(VI)Prepayments

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Prepaid expenses | $547,056 | $431,977 |
| Supplies inventories | 4,245 | 4,211 |
| Input tax | 35 | 513 |
| Tax overpaid retained for offsetting the future tax payable | 0 | 25,919 |
| Total | $551,336 | $462,620 |

1. Prepaid expenses consist of prepayments for various services, costs related to construction in progress and insurance premiums.
2. Supplies inventory is the balance of supplies used in guest rooms and restaurants.

(VII)Other current assets

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Payments on behalf of others | $3,131 | $8,583 |
| Incremental costs for obtaining a contract | 87,953 | 0 |
| Tax refunds | 0 | 14 |
| Total | $91,084 | $8,597 |

The incremental costs for obtaining a contract are the commission paid by the Consolidated Company to agencies for obtaining real estate sales and purchase contracts which is expected to be recovered, and thus they are recognized as assets.

(VIII) Other financial assets - current

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Restricted bank deposits | $80,912 | $6,479 |

Other financial assets-current are pledged by the Consolidated Company as collateral for bank deposits in the form of a pre-sold project trust, performance trust for prepayment of gift certificates issued by the Consolidated Company and reimbursement account, please refer to Note VIII.

(IX)Investments accounted for using the equity method

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Name of Investee | Amount | Shareholding | Amount | Shareholding |
| Associate | | | | |
| Yangmin International Catering Co., Ltd. | $13,888 | 40% | $15,566 | 40% |

1. In 2016, the Consolidated Company invested in Yangmin International Catering Co., Ltd. at a cost of NT$8,000 thousand, which is mainly engaged in the operation of Chinese and Western restaurants. Investments accounted for using the equity method are recognized on the basis of the investee's share of the financial statements audited by other accountants during the same period. As of December 31, 2021 and 2020, the balance of investments amounted to NT$13,888 thousand and NT$15,566 thousand, representing 0.04% and 0.05% of the total consolidated assets, respectively. The share of interest in affiliates recognized under the equity method amounted to NT$3,522 thousand and NT$5,777 thousand for 2021 and 2020, respectively, accounting for 0.21% and 0.34% of the consolidated profit or loss respectively.
2. Affiliates
   (1) The basic information of the Consolidated Company's affiliates is as follows.

| | | | Shareholding | |
|---|---|---|---|---|
| Name of Investee | Main Operation Locations | Principal Business Operation | December 31, 2021 | December 31, 2020 |
| Yangmin International Catering Co., Ltd. | Taiwan | Catering business | 40% | 40% |

   (2) General financial information of the Consolidated Company's affiliates is as follows.

Balance Sheet

| | Yangmin International Catering Co., Ltd. | |
|---|---|---|
| | December 31, 2021 | December 31, 2020 |
| Current assets | $41,621 | $40,814 |

| | | |
|---|---|---|
| Non-current assets | 6,847 | 11,105 |
| Current liabilities | (13,747) | (13,004) |
| Non-current liabilities | 0 | 0 |
| Net assets | $34,721 | $38,915 |

Comprehensive Income Statement

| | Yangmin International Catering Co., Ltd. | |
|---|---|---|
| | December 31, 2021 | December 31, 2020 |
| Net Operating Revenue | $74,237 | $86,295 |
| Gross profit | $34,540 | $42,992 |
| Net Income | $8,805 | $14,443 |
| Other comprehensive income/(loss) (after tax) | $0 | $0 |
| Total comprehensive income in the current period | $8,805 | $14,443 |
| Dividends received from the affiliates | $5,199 | $4,997 |

(X) Property, Plant and Equipment

| | Housing and Construction | Machinery | Office Equipment | Other Equipment | Operating equipment | Prepayments for equipment and outstanding work | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| 2021.01.01 | $971,871 | $7,563 | $7,901 | $43,251 | $14,700 | $588 | $1,045,874 |
| Increase | 702 | 305 | 148 | 306 | 1,717 | 31 | 3,209 |
| Disposal and obsolescence | 0 | 0 | (363) | 0 | (1,129) | 0 | (1,492) |
| Re-classification | 0 | 0 | 0 | 619 | 0 | (619) | 0 |
| Other | 0 | 0 | 0 | 0 | (236) | 0 | (236) |
| 2021.12.31 | $972,573 | $7,868 | $7,686 | $44,176 | $15,052 | $0 | $1,047,355 |
| 2020.01.01 | $973,094 | $1,266 | $8,130 | $33,017 | $13,644 | $9,235 | $1,038,386 |
| Increase | 1,461 | 1,355 | 264 | 6,366 | 2,511 | 402 | 12,359 |
| Disposal and obsolescence | 0 | 0 | (493) | (163) | (1,194) | 0 | (1,850) |
| Re-classification | 0 | 4,942 | 0 | 4,031 | 2 | (9,049) | (74) |
| Other | (2,684) | 0 | 0 | 0 | (263) | 0 | (2,947) |
| 2020.12.31 | $971,871 | $7,563 | $7,901 | $43,251 | $14,700 | $588 | $1,045,874 |
| Accumulated depreciation and impairment | | | | | | | |
| 2021.01.01 | $223,954 | $874 | $5,123 | $13,665 | $0 | $0 | $243,616 |
| Depreciation | 61,321 | 907 | 1,498 | 5,011 | 0 | 0 | 68,737 |
| Disposal and obsolescence | 0 | 0 | (363) | 0 | 0 | 0 | (363) |
| 2021.12.31 | $285,275 | $1,781 | $6,258 | $18,676 | $0 | $0 | $311,990 |
| 2020.01.01 | $162,774 | $304 | $3,998 | $9,228 | $0 | $0 | $176,304 |
| Depreciation | 61,180 | 570 | 1,618 | 4,600 | 0 | 0 | 67,968 |
| Disposal and obsolescence | 0 | 0 | (493) | (163) | 0 | 0 | (656) |
| 2020.12.31 | $223,954 | $874 | $5,123 | $13,665 | $0 | $0 | $243,616 |
| Net carrying amount | | | | | | | |
| 2021.12.31 | $687,298 | $6,087 | $1,428 | $25,500 | $15,052 | $0 | $735,365 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2020.12.31 | $747,917 | $6,689 | $2,778 | $29,586 | $14,700 | $588 | $802,258 |
| 2020.01.01 | $810,320 | $962 | $4,132 | $23,789 | $13,644 | $9,235 | $862,082 |

(1) In July 2012, the Consolidated Company entered into a land right deed with the Kaohsiung City Government for the establishment of land rights at Lot 22, Longbei Section, Kaohsiung City for a period of 50 years for the construction of a tourist hotel, which was completed in May 2017. The building was classified as investment property in the Company's individual financial statements and a lease agreement was signed with a subsidiary on January 18, 2017 for the operation of the tourist hotel business by the subsidiary, which is the property, plant and equipment of the Consolidated Company.

(2) Prepayments for equipment and outstanding work from January 1 to December 31, 2020 were separately reclassified to intangible assets of NT$60 thousand and reclassified to expense of NT$14 thousand.

(3) Please refer to Note VIII to the financial statements for the guarantees provided by property, plant and equipment.

(4) Please refer to Note VI(XVIII) for information on property, plant and equipment and land and premises for sale held by the Consolidated Company that are leased to others under operating leases.

(XI) Right-of-use assets

1. Major lease activities and terms

(1) The Consolidated Company acquired the land right of the Kaohsiung Municipal Government located at No. 22, Longbei Section, Gushan District for the construction of a tourist hotel for a period of 50 years and agreed that the Consolidated Company shall not assign, mortgage, lease or lend the land to others for construction use except with the prior consent of the Kaohsiung Municipal Government, and upon the termination of the continuance period, the Consolidated Company shall have no contractual preferential rights to acquire all the leased land.

2. Below is the carrying amounts of right-of-use assets and their recognized depreciation expenses:

| | Land |
|---|---|
| Cost of right-of-use assets | |
| Balance as of January 1, 2021 | $65,760 |
| Balance as of December 31, 2021 | $65,760 |
| Balance as of January 1, 2020 | $65,760 |
| Balance as of December 31, 2020 | $65,760 |
| Depreciation of right-of-use assets | |
| Balance as of January 1, 2021 | $3,029 |
| Current depreciation | 1,515 |
| Balance as of December 31, 2021 | $4,544 |
| Balance as of January 1, 2020 | $1,515 |
| Current depreciation | 1,514 |
| Balance as of December 31, 2020 | $3,029 |
| Carrying amount | |

| | |
|---|---|
| December 31, 2021 | $61,216 |
| December 31, 2020 | $62,731 |

3. Please refer to Note VI(XVIII) for the description of lease liabilities.

(XII) Intangible Assets

| | Land use rights | Other intangible assets | Total |
|---|---|---|---|
| Cost | | | |
| Balance as of January 1, 2021 | $200,020 | $5,662 | $205,682 |
| Increase | 0 | 140 | 140 |
| De-recognition upon maturity | 0 | (219) | (219) |
| Balance as of December 31, 2021 | $200,020 | $5,583 | $205,603 |
| Balance as of January 1, 2020 | $200,020 | $5,891 | $205,911 |
| Increase | 0 | 477 | 477 |
| Re-classification | 0 | 60 | 60 |
| De-recognition upon maturity | 0 | (766) | (766) |
| Balance as of December 31, 2020 | $200,020 | $5,662 | $205,682 |
| Accumulated amortization | | | |
| Balance as of January 1, 2021 | $34,003 | $2,389 | $36,392 |
| Amortization | 4,000 | 763 | 4,763 |
| De-recognition upon maturity | 0 | (219) | (219) |
| Balance as of December 31, 2021 | $38,003 | $2,933 | $40,936 |
| Balance as of January 1, 2020 | $30,002 | $2,386 | $32,388 |
| Amortization | 4,001 | 769 | 4,770 |
| De-recognition upon maturity | 0 | (766) | (766) |
| Balance as of December 31, 2020 | $34,003 | $2,389 | $36,392 |
| Net carrying amount | | | |
| Balance as of December 31, 2021 | $162,017 | $2,650 | $164,667 |
| Balance as of December 31, 2020 | $166,017 | $3,273 | $169,290 |
| Balance as of January 1, 2020 | $170,018 | $3,505 | $173,523 |

1. Amortization expense for the Consolidated Company's intangible assets for 2021 and 2020 is reported in the following items

| Item | 2021 | 2020 |
|---|---|---|
| Manufacturing overheads | $2,800 | $2,801 |
| Operating expenses | 1,963 | 1,969 |
| Total | $4,763 | $4,770 |

2. In July 2012, the Consolidated Company entered into a land right deed with the Kaohsiung City Government for the establishment of the land at Lot 22, Sec. 22, Longbei, Kaohsiung City, with a royalty amount of $200,020 thousand for the period from July 2012 to July 2062 for the operation of a tourist hotel.

3. As of the end of each reporting period, none of the intangible assets of the Consolidated Company has been pledged as collateral.

(XIII) Short-term borrowings/ Short-term bills payable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| 1.Short-term borrowings | | |
| Secured loans | $3,655,250 | $4,488,806 |
| Interest rate range | | |
| Secured loans | 1.55%~1.80% | 1.387%~1.585% |
| Repayment period | 01.26.2022 ~ 05.05.2023 | 01.01.2021 ~ 05.25.2023 |
| 2.Short-term bills payable | $3,948,000 | $4,213,000 |
| Less: Discount on short-term bills payable | (5,035) | (4,693) |
| Net amount | $3,942,965 | $4,208,307 |
| Interest rate range | | |
| Financing commercial promissory note | 0.478%~1.8% | 1.498%~1.82% |
| Unused limit | $5,528,995 | $4,431,854 |

The Consolidated Company pledged its own assets and related parties' real estate and stocks as collateral for bank loans and commercial paper, please refer to Notes VII and VIII.

(XIV) liability reserve - current

| | Warranty provision |
|---|---|
| Balance as of January 1, 2021 | $35,817 |
| Newly increased liability provision for current period | 8,891 |
| Balance as of December 31, 2021 | $44,708 |
| Balance as of January 1, 2020 | $31,504 |
| Newly increased liability provision for current period | 4,313 |
| Balance as of December 31, 2020 | $35,817 |

Warranty provision represents post-sale warranty expenses. The provision for warranty is based on historical experience and management's judgment of the present value of estimated future economic outflows, which are expected to be incurred within five years after the completion of the housing units.

(XV) Collection

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Land collections | $8,086 | $9,045 |
| Building collections | 15,130 | 20,960 |
| Decoration collections | 16,094 | 26,400 |

| | | |
|---|---|---|
| Collections - others | 28,054 | 30,838 |
| Total | $67,364 | $87,243 |

(XVI)Other current liabilities - other

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Payable taxes | $28,018 | $966 |

(XVII) Long-term borrowings

| Nature of borrowings | Borrowing period, repayment method and interest rate range | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Long-term bank borrowings | | | |
| Secured borrowings | From March 2020 to December 2028, interest is payable on monthly basis, by lump sum on due date, at a rate of 1.73% as of December 31, 2021 and December 31, 2020. | $1,765,000 | $1,765,000 |
| Secured borrowings | In the 6 months from June 2019 to June 2026, interest is payable on monthly basis, by lump sum on due date, with a floating interest rates of 1.7% and 1.7% to 1.75% as of December 31, 2021 and 2020 respectively. | 607,000 | 694,000 |
| Secured borrowings | Original from January 3, 2012 to January 3, 2016, then extended to January 3, 2020, then extended to January 3, 2024, interest is payable on monthly basis, by lump sum on due date, with a floating interest rate of 1.54% as of December 31, 2021 and 2020. | 272,000 | 272,000 |
| Secured borrowings | The borrowing period is 15 years from July 2017 to July 2032 (including a grace period of 2 years). Interest is payable on monthly basis during the grace period and the principal is repayable at the end of the grace period by the interest method with a floating interest rate of 1.54% as of December 31, 2021 and 2020, respectively. Borrowings due within one year were NT$46,558 thousand and NT$45,847 thousand as of December 31, 2021 and 2020, respectively. | 531,033 | 576,881 |
| Secured borrowings | From May 2019 to November 2023, interest is payable on monthly basis, by lump sum on due date, with a floating interest rate of 1.45% as of December 31, 2021 and 2020, respectively. | 510,000 | 530,000 |
| Secured borrowings | From March 2020 to March 2025, interest is payable on monthly basis, by lump sum on due date, with a floating interest rate of 1.45% as of December 31, 2021 and 2020 respectively. | $1,300,000 | $1,300,000 |
| Secured borrowings | From October 2019 to October 2022, interest is payable on monthly basis, by lump sum on due date, with a floating interest rate of 1.43% as of December 31, 2021 and 2020, respectively. | 550,000 | 550,000 |
| Secured borrowings | From November 2019 to November 2022, interest is payable on monthly basis, by lump | 50,000 | 50,000 |

| Nature of borrowings | Borrowing period, repayment method and interest rate range | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| | sum on due date, with a floating interest rate of 1.43% as of December 31, 2021 and 2020, respectively. | | |
| Secured borrowings | From January 2020 to January 2023, interest is payable on monthly basis, by lump sum on due date, with a floating interest rate of 1.43% as of December 31, 2021 and 2020 respectively. | 75,000 | 75,000 |
| Secured borrowings | From November 2019 to November 2022, interest is payable on monthly basis, by lump sum on due date, with a floating interest rate of 1.43% as of December 31, 2021 and 2020, respectively. | 545,000 | 545,000 |
| Secured borrowings | From January 2020 to January 2023, interest is payable on monthly basis, by lump sum on due date, with a floating interest rate of 1.43% as of December 31, 2021 and 2020. | 50,000 | 50,000 |
| Secured borrowings | From June 2020 to June 2023, interest is payable on monthly basis, by lump sum on due date, with floating interest rate of 1.606881% and 1.606649% as of December 31, 2021 and 2020, respectively. | 500,000 | $500,000 |
| Secured borrowings | Interest is payable on a monthly basis from October 2021 to October 2026, with NT$100,000 thousand repayable each half a year from the date when it reaches three years from the date of initial drawdown and the remaining amount to be repaid on due date by lump sum, at a floating interest rate of 1.8% as of December 31, 2021. | $1,900,000 | $0 |
| Secured borrowings | Interest is payable on a monthly basis from July 2019 to July 2021, with at least NT$50,000 thousand repayable on the date when it reaches one year from the date of initial drawdown and the remaining amount to be repaid on due date by lump sum, at floating interest rates of 0% and 1.55% as of December 31, 2021 and 2020, respectively. Borrowings due within one year were NT$89,986 thousand as of December 31, 2020, which have been paid off on February 2021. | 0 | 89,986 |
| Total | | $8,655,033 | $6,997,867 |
| Less: Net long-term borrowings due within one year or one operating cycleUse this segment | | (46,558) | (135,833) |
| Net amount | | $8,608,475 | $6,862,034 |
| Unused limit | | $4,310,000 | $1,560,000 |

(XVIII) Lease agreements

1. The Consolidated Company's lease liabilities are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current | $1,080 | $1,062 |

| | | |
|---|---|---|
| Non-current | $61,548 | $62,628 |

Please refer to Note XII for maturity analysis.

The Consolidated Company has no material issuance, buy-back or repayment of lease liabilities due to the addition or release of leases in 2020 and from January 1 to December 31, 2021 and 2020.

The amount of leases recognized in profit or loss was as follows

| | 2021 | 2020 |
|---|---|---|
| Interest expense – lease obligations payable | $231 | $1,110 |
| Short-term lease expenses | $8,702 | $9,846 |
| Expense on leases with low-value underlying assets | $965 | $791 |
| Total cash flows on lease | $10,453 | $12,738 |

The Consolidated Company selects to apply recognition exemptions to leases of vehicles and low-value business machines that qualify as short-term leases, and does not recognize the related right-of-use assets and lease liabilities for the said leases.

The Consolidated Company adopted the practical method of "COVID-19-Related Rent Concessions", and recognized the changes in rent payment occurred due to rent concession as deduction of interest expenses of lease liabilities in 2021.

2. Lessor lease (recorded as operating income)
   (1) The Consolidated Company leases, premises for sale and construction sites, which are classified as operating leases because almost all the risks and remuneration attached to the ownership of the underlying assets have not been transferred.
   (2) The Consolidated Company recognized rental income based on operating lease contracts (recorded as operating income) of NT$27,891 thousand and NT$23,689 thousand for the years from January 1, to December 31, 2021 and 2020.
   (3) The maturity analysis of lease payments under operating leases of the Consolidated Company to report the total un-discounted lease payments to be received in the future is presented as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Within 1 year | $20,628 | $14,208 |
| 1 to 5 years | 78,942 | 20,536 |
| Over 5 years | 20,767 | 11,198 |
| Non-discounted future cash flows of lease | $120,337 | $45,942 |

   (4) The Consolidated Company has one signed lease that is not included in the above table. The lease for the period from October 1, 2019 to February 28, 2035 is currently in litigation with the lessee as described in Note IX, therefore, this lease has been collected since it was signed and thus is not included in the above table.
   (5) The Consolidated Company's partial lands held for construction were provided for leasing and being used as parking lot for a period from 5 to 10 years. 73%-75% of the operating income from lease objects was charged as rent, and monthly operating income was calculated based on the actual number of vehicles parked and actual time of parking, which are of a variable nature, therefore, it was not included in the above non-discounted future cash flows of lease.

(XIX) Deposits Received

| | December 31, 2021 | December 31, 2020 |
|---|---|---|

| | | |
|---|---|---|
| Lease deposits | $4,985 | $3,586 |

(XX)Share capital

1. As of December 31, 2021 and December 31, 2020, the Consolidated Company's total authorized share capital was NT$4,500,000 thousand, with a par value of NT$10 per share, and its paid-in capital were NT$3,717,590 thousand and NT$3,711,931 thousand, respectively, with 371,759 thousand and 371,193 thousand common shares issued, respectively, and payments for all issued shares have been received. Quantities of the Consolidated Company's outstanding ordinary shares at the beginning and end of the periods were deemed reconciled as follows: (Unit: thousand shares)

| | 2021 | 2020 |
|---|---|---|
| January 1 | 371,193 | 384,846 |
| Cancellation of bought-back treasury shares | 0 | (14,189) |
| Capital increase by employee bonus | 566 | 536 |
| December 31 | 371,759 | 371,193 |

2. On August 12, 2021, the Company resolved, by its Shareholders' Meeting, to issue 565,925 new shares by transferring employees' remuneration of $19,524 thousand, and the number of shares issued was calculated based on the closing price on the day before the board of directors' resolution. This capital increase was reported to the Financial Supervisory Commission on August 2, 2021, and the Board of Directors resolved on August 12, 2021, that the base date for the capital increase is August 15, 2021.
3. On June 24, 2020, the Company resolved, by its Shareholders' Meeting, to issue 535,736 new shares by transferring employees' remuneration of $18,215 thousand, and the number of shares issued was calculated based on the closing price on the day before the board of directors' resolution. This capital increase was reported to the Financial Supervisory Commission on September 14, 2020, and the board of directors resolved on September 24, 2020, that the base date for the capital increase is September 25, 2020.
4. On March 13, 2020, the Company resolved, by its Board of Directors, to buy back 10,000 thousand shares of the Company's ordinary shares. The bought-back shares will be canceled, and on June 19, 2020, the Board of Directors resolved to set June 29, 2020 as the base date for the capital reduction, and the change of registration was completed on July 23, 2020.
5. On June 19, 2020, the Company resolved, by its Board of Directors, to buy back 5,000 thousand shares of the Company's common stock. The bought-back shares will be canceled and the actual number of bought-back shares is 4,189 thousand, and on September 24, 2020, the board of directors resolved to set September 25, 2020 as the base date for the capital reduction, and the change was registered on October 21, 2020.
6. Treasury shares
   (1) The reason for share re-acquisition and movements in the number of treasury stock are as follows:
   There was no such situation on December 31, 2021.

| Year of repurchase | Name of the Company holding the shares | Reason for share re-acquisition | December 31, 2020 | |
|---|---|---|---|---|
| | | | Thousand shares | Carrying amount |
| The 4th time | The Company | Maintain the Company's credit and shareholders' | 10,000 | $310,543 |

| | | | | |
|---|---|---|---|---|
| | | rights and interests, and handle the cancellation of shares | | |
| The 5th time | The Company | Maintain the Company's credit and shareholders' rights and interests, and handle the cancellation of shares | 4,189 | 152,919 |
| | | Cancel | (14,189) | (463,462) |
| | Total | | 0 | $0 |

(2) According to the Securities and Exchange Act, the number of shares outstanding bought back by the Company shall not exceed 10% of the number of issued shares, and the total amount bought back shall not exceed the sum of the Company’s retained earnings, share premium, and realized capital surplus.
(3) Treasury shares held by the Consolidated Company may be neither pledged nor assigned rights in accordance with the Securities and Exchange Act
(4) On June 19, 2020, the Consolidated Company resolved, by its Board of Directors, to buy back 5,000 thousand shares of treasury shares in accordance with Article 28-2 of the Securities and Exchange Act to protect the Company's credit and shareholders' rights. 4,189 thousand shares were actually bought back from June 22 to August 21, 2020, at an average purchase price of NT$36.52 per share. On September 24, 2020, the Board of Directors resolved to cancel 4,189 thousand shares of treasury shares bought back at a cost of NT$152,919 thousand, using September 25, 2020 as the base date for capital reduction. Based on March 31, 2020, the maximum number of shares that the Consolidated Company may buy back is 37,484.6 thousand shares and the maximum amount of shares to be purchased is NT$9,987,685 thousand.
(5) On March 13, 2020, the Consolidated Company resolved, by its Board of Directors, to buy back 10,000 thousand shares of treasury stock in accordance with Article 28-2 of the Securities and Exchange Act to protect the Company's credit and shareholders' rights, and the buy-back was executed in full from March 16 to May 15, 2020, at an average purchase price of NT$31.05 per share. On June 19, 2020, the board of directors resolved to cancel 10,000 thousand shares of treasury shares bought back at a cost of NT$310,543 thousand, using June 29, 2020 as the base date for capital reduction. Based on the calculation as of September 30, 2019, the maximum number of shares of the Company that the Consolidated Company may buys back is 38,484.6 thousand shares and the maximum amount of shares to be purchased is NT$9,102,770 thousand.
(6) On June 19, 2020 and September 24, 2020, the Consolidated Company resolved, by its Board of Directors, to cancel 10,000 thousand and 4,189 thousand shares of treasury shares bought back, reducing capital by NT$100,000 thousand and NTNT$41,890 thousand, respectively, with the base dates of June 29, 2020 and September 25, 2020, respectively, and after the cancellation of 10,000 thousand and 4,189 thousand shares issued, the number of common shares outstanding was 371,193 thousand. The difference between the carrying amount and the par value of treasury shares is adjusted to the capital surplus in proportion to the cancellation, and any deficit is then transferred to retained earnings.

(XXI) Capital surplus

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Shares premium | $0 | $40,015 |

| | | |
|---|---|---|
| Capital premium from previous year's employee bonuses | 13,865 | 12,858 |
| Cancellation of treasury shares transactions | 0 | (52,873) |
| Net amount | $13,865 | $0 |

According to the Company Act, additional paid-in capital including the income derived from issuing shares at a premium and from endowments, in addition to being used to covering deficit, where there is no accumulated deficit in a company, shall be distributed by issuing new shares to shareholders in proportion to the number of shares being held or by cash. In addition, according to relevant provisions of the Securities Exchange Act, when allocating capital from the aforementioned additional paid-in capital, the combined capitalized amount each year shall not exceed 10 percent of the paid-up capital. A company shall not use the additional paid-in capital to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

(XXII) Retained earnings

Based on the Articles of Incorporation, the annual earnings of the Company shall be first appropriated to pay taxes and offset accumulated losses before allocating 10% of the remaining earning to the legal reserve (not applicable where accumulated legal reserve has reached the amount required by law and regulations) and a special reserve in accordance to CMP's operating needs and pursuant to the applicable law and regulations. Any retained earnings available for distribution together with accumulated undistributed retained earnings may be proposed by the Board of Directors to appropriate and be resolved at the Annual General Meeting. The percentage of cash dividends shall not be less than 10% of the total amount distributed, and the percentage shall be determined by the Board of Directors, taking into account the Company's financial condition. However, when the debt ratio in the annual financial statements exceeds 50%, no cash dividends shall be paid. The ratio of stock dividends and cash dividends mentioned in the preceding paragraph shall be adjusted according to the relevant laws and regulations and regulations. The adjustment shall be proposed by the Board of Directors and submitted to the shareholders' meeting for resolution. Please refer to Note VI(XXV) for the employee compensation distribution policy set forth in the Articles of Incorporation.

(1) Legal reserve

According to the Company Act, after-tax surplus profits shall first set aside 10% of said profits as legal reserve, unless legal reserve equals to the paid-in capital. Legal reserve may be used to offset deficit. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks or distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Corporation’s paid-in capital.

(2) Earning distribution

The Shareholders' Meetings approved the distribution of earnings for years ended 2020 and 2019 on August 12, 2021 and June 24, 2020 as follows:

(3) The proposal of distribution of earnings for 2021 was approved by the Company's board of directors on March 23, 2022, but has not yet been resolved by the shareholders' meeting; the proposal is as follows:

| | 2021 | |
|---|---|---|
| | Amount | Dividends per share (NT$) |
| Legal reserve | $168,411 | |
| Cash dividend | 0 | $0 |

(XXIII) Operating revenue

| | 2021 | 2020 |
|---|---|---|

| | | |
|---|---|---|
| Land revenue | $3,052,029 | $4,208,689 |
| Building revenue | 3,387,993 | 4,213,677 |
| Lease revenue | 27,891 | 23,689 |
| Accommodation service revenue | 89,433 | 88,606 |
| Catering service revenue | 100,071 | 134,950 |
| Return and discount of premises revenue | (173) | (1,762) |
| Total | $6,657,244 | $8,667,849 |

(1) Revenue breakdown

| | 2021 | 2020 |
|---|---|---|
| Major regional markets | | |
| Taiwan | $6,657,244 | $8,667,849 |
| Major products/ service | | |
| Premises revenue | $6,439,849 | $8,420,604 |
| Lease revenue | 27,891 | 23,689 |
| Accommodation service revenue | 89,433 | 88,606 |
| Catering service revenue | 100,071 | 134,950 |
| Total | $6,657,244 | $8,667,849 |

| | 2021 | 2020 |
|---|---|---|
| Timing of revenue recognition: | | |
| At a fixed point in time | $6,539,920 | $8,556,986 |
| Performance obligations fulfilled over time | 117,324 | 110,863 |
| Total | $6,657,244 | $8,667,849 |

(2) Contract liabilities - current

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Sale of premises | $560,581 | $494,825 |
| Rental premises | 987 | 878 |
| Room and catering services | 11,791 | 8,454 |
| Advances from gift card | 17,485 | 10,929 |
| Advances from baking | 29 | 0 |

| | | |
|---|---|---|
| Total | $590,873 | $515,086 |

Changes in contract liabilities are mainly due to timing difference between performance obligations and customer payment.

The Consolidated Company's contracts for the sale of pre-sale premises and advances from gift cards contain provisions for pre-receipt of payments from customers, and the time interval between the pre-receipt and the transfer of merchandise control is longer than one year. According to IFRS 15, contract liabilities related to sales of pre-sale of premises and advances from gift cards contracts were recognized.

The amount from the opening contract liabilities recognized in operating income was NT$328,841 thousand and NT$374,657 thousand from January 1 to December 31, 2021 and 2020, respectively.

(XIV) Interest income

| | 2021 | 2020 |
|---|---|---|
| Interest on bank deposits | $206 | $151 |
| Other interest income | 33 | 67 |
| Total interest income | $239 | $218 |

(XV) Other income

| | 2021 | 2020 |
|---|---|---|
| Dividend income | $0 | $710 |
| Government subsidy income | 7,560 | 9,016 |
| Other income - other | 2,807 | 6,700 |
| Total | $10,367 | $16,426 |

(XVI) Other gains and losses

| | 2021 | 2020 |
|---|---|---|
| Exchange gains | $1 | $3 |
| Disposal of financial assets measured at fair value through profit or loss | 3,896 | (10,365) |
| Valuation gain (loss) on financial assets measured at fair value through profit or loss | 21,357 | (7,599) |
| Other | (39) | (548) |
| Total | $25,215 | ($18,509) |

(XVII) Finance costs

| | 2021 | 2020 |
|---|---|---|
| Interest expenses | | |
| Bank borrowings | $238,872 | $286,761 |
| Lease liabilities | 231 | 1,110 |
| Less: Capitalization of interest | (52,524) | (42,182) |
| Finance costs | $186,579 | $245,689 |

(XVIII) Post-retirement benefit plans

1. Defined contribution plans

The Consolidated Company's retirement plan under the Labor Pension Act is a defined contribution retirement plan. The Consolidated Company contributes 6% of employees' monthly salaries to the individual accounts of the Bureau of Labor Insurance. Under the plan, the Consolidated Company has no legal or constructive obligation to make additional financial contributions after making fixed contributions to the Bureau of Labor Insurance. The Consolidated Company recognized an expense of NT$6,060 thousand and NT$5,701 thousand in the consolidated statements of comprehensive income in 2021 and 2020, respectively.

| | 2021 | 2020 |
|---|---|---|
| Selling and marketing expenses - Retirement benefits expenses | $2,346 | $2,150 |
| General and administrative expenses - Retirement benefits expenses | $1,944 | $1,797 |
| Operating costs - Retirement benefits expenses | $1,769 | $1,754 |

2. Defined benefit plans

   In compliance with the requirements set forth in the Labor Standards Act, the Company has stipulated a defined benefit pension plan, which is applicable to the years of service rendered by regular employees prior to, and after (if employees elect to continue to apply the Labor Standards Act), the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Consolidated Company sets aside 2% of the employee's total salary each month as pension funds and deposit it to the designated account under the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Consolidated Company shall assess the balance in the designated account. If the total available amount of the appropriation is less than the amount required for the payment of pensions to all the employees who are eligible to retire in the following year, calculated according to the above method, the Consolidated Company will make up the deficiency in one single appropriation before the end of March in the following year. The designated account shall be accepted by the agency determined by the central competent authority, so the Company has no right to participate in the use of pension fund.

   (1) The amount of retirement benefits expenses recognized in the consolidated statement of income for the defined benefit plans were as followed:

| | 2021 | 2020 |
|---|---|---|
| Service costs for the current period | $377 | $534 |
| Net interest on defined benefit liabilities (assets) | 133 | 245 |
| Recognized in profit or loss | $510 | $779 |
| Re-measurements | | |
| Compensation on plan assets (excluding net interest on net defined benefit liabilities (assets)) | ($345) | ($814) |

| | | |
|---|---|---|
| Actuarial losses (gains) - experience adjustments | 3,504 | 18 |
| Actuarial losses (gains) - changes in financial assumptions | 328 | 1,066 |
| Actuarial losses (gains) - changes in population assumptions | 640 | 0 |
| Recognized in other comprehensive income | $4,127 | $270 |

(2) Retirement benefits expenses recognized in profit or loss for the aforementioned defined benefit plans were included as follows:

| | 2021 | 2020 |
|---|---|---|
| Selling and marketing expenses | $47 | $65 |
| General and administrative expenses | 463 | 714 |
| Total | $510 | $779 |

(3) The amounts recognized in the consolidated balance sheet for obligations from defined benefit plans were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Present value of defined benefit obligation | $46,737 | $45,532 |
| Fair value of plan assets | (24,330) | (24,140) |
| Net defined benefit liabilities | $22,407 | $21,392 |

(4) The changes in the present value of the defined benefit obligation were as follows:

| | 2021 | 2020 |
|---|---|---|
| Beginning balance | $45,532 | $49,528 |
| Service costs for the current period | 377 | 534 |
| Interest expenses | 252 | 416 |
| Re-measurements | | |
| Actuarial losses (gains) - experience adjustments | 3,504 | 18 |
| Actuarial losses (gains) - changes in financial assumptions | 328 | 1,066 |
| Actuarial losses (gains) - changes in population assumptions | 640 | 0 |
| Benefits paid on plan assets | (3,896) | (6,030) |
| Ending balance | $46,737 | $45,532 |

(5) Change in fair value of plan assets were as follows:

| | 2021 | 2020 |
|---|---|---|
| Fair value of plan assets at the beginning of the period | $24,140 | $24,896 |
| Expected return on plan assets | 119 | 171 |
| Re-measurements of plan assets (excluding | 345 | 814 |

| | | |
|---|---|---|
| net interest included in net defined benefit liabilities (assets)) | | |
| Contribution by the employer | 3,622 | 3,351 |
| Actual payment of employee benefits | (3,896) | (5,092) |
| Fair value of plan assets at the end of the period | $24,330 | $24,140 |

(6) The fund asset of the Consolidated Company's defined benefit pension plan (hereinafter referred to as the "Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (i.e. deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Consolidated Company is not entitled to participate in the operation and management of the fund, it is not possible to disclose the classification of the fair value of the plan assets in accordance with paragraph 142 of IAS 19. For the composition of the fair value of the fund in total as of the years ended December 31, 2021, and 2020, please refer to the various labor pension utilization reports issued by the government.

The Consolidated Company's contributions to the pension funds were deposited with Bank of Taiwan, were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | $24,330 | $24,140 |

(7) The present value of the Consolidated Company's defined benefit obligations is calculated by certified actuaries. The major assumptions on the assessment date were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Discount rate | 0.500% | 0.625% |
| Growth rate of future salary | 2.000% | 2.000% |

If changes occur in major actuarial assumptions with other assumptions unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Discount rate | | |
| Increase by 0.25% | ($654) | ($716) |
| Decrease by 0.25% | $680 | $734 |
| Expected salary increase rate | | |
| Increase by 0.25% | $651 | $702 |
| Decrease by 0.25% | ($633) | ($692) |

With other assumptions unchanged, above sensitivity analysis analyzes effects of changes in single assumption. In practice, many changes in assumptions may be linked together. The sensitivity analysis is consistent with the methodology used to calculate the net pension liability on the balance sheet.

The Consolidated Company is expected to make a contribution payment of NT$278 thousand to the defined benefit plans for the one year period after the reporting date of 2021.

The weighted average period of the defined benefit plan is 9.56 years.

The maturity analysis of the pension payments is as follows:

| | |
|---|---|
| Under 1 year | $11,177 |
| 1 to 2 years | 1,575 |
| 2 to 5 years | 11,546 |
| Over 5 Years | 13,929 |
| | $38,227 |

(XIX)Employee bonus and remuneration to directors

The Company's Articles of Incorporation stipulates that, after annual earnings first offset against any deficit, a minimum of 1% shall be allocated as employee compensation and a maximum of 2% as directors' remuneration. When there are accumulated losses (including adjustments to unappropriated earnings), the Company shall offset the appropriate amounts before remuneration. The distribution can be made in the form of cash or stocks for employees. The Board of Directors shall resolve to distribute in the form of shares or cash to employees who meet specific criteria, and the distribution of employee compensation and remuneration to directors and supervisors shall be reported to the shareholders' meeting.

The amounts provided for employee compensation were NT$19,462 thousand and NT$19,524 thousand for 2021 and 2020, and the amounts provided for directors' compensation were both NT$0 thousand, which were estimated by multiplying the Company's net income before income taxes for the period before employee and directors' compensation by one percent of employee compensation as specified in the Company's Articles of Incorporation, and remuneration to directors was NT$0 thousand and was reported as operating expenses for the period.

On March 23, 2022, the Board of Directors resolved to distribute NT$19,462 thousand for employee compensation and $0 for director's remuneration for 2021, and on August 12, 2021, the Board of Directors resolved to distribute NT$19,524 thousand for employee compensation and NT$0 for director compensation for 2020. There was no difference from the amounts recognized as expenses in 2021 and 2020.

The aforementioned amounts are distributed in shares and the number of shares is calculated based on the closing price on the day before the Board of Directors' resolution.

For information on the Company's remunerations for employees and directors as resolved by the Board of Directors, please visit the "Market Observation Post System".

(XXX) Income Tax

1. Income tax expense

   Major components of income tax expenses were as follows:

| | 2021 | 2020 |
|---|---|---|
| Current income tax expenses | | |
| Incurred this year | | |
| Income Tax | $115,155 | $107,967 |
| Land value increment tax | 65,079 | 108,590 |
| Unappropriated earnings | 75,810 | 74,509 |

| | | |
|---|---|---|
| Tax refunds from previous years | 0 | (2,556) |
| Deferred tax | | |
| Occurrence and reversal of temporary differences | (16,734) | (40,478) |
| Income tax expense | $239,310 | $248,032 |

2. Reconciliation of income tax expense to accounting profit.

| | 2021 | 2020 |
|---|---|---|
| Accounting profit | $1,926,718 | $1,932,924 |
| Tax at the applicable tax rate | $385,343 | $386,584 |
| Effect of income tax adjustment items | | |
| Items to be increased (decreased) when determining taxable income | 2,889 | (11,193) |
| Valuation loss (gain) on financial assets | (4,271) | 1,520 |
| Tax-exempt proceeds from land | (267,054) | (276,296) |
| Tax-exempt income from marketable securities | (3,530) | 2,073 |
| Deferred selling and marketing expenses | 0 | 5,455 |
| Warranty provision | 1,778 | 863 |
| Loss deduction credit for the first ten years | 0 | (1,039) |
| Occurrence and reversal of temporary differences | (16,734) | (40,478) |
| 5% levy on unappropriated earnings | 75,810 | 74,509 |
| Other income taxes (land value increment tax) | 65,079 | 108,590 |
| Tax refunds from previous years | 0 | (2,556) |
| Income tax expense | $239,310 | $248,032 |

3. Income tax recognized in other comprehensive income

| | 2021 | 2020 |
|---|---|---|
| Deferred income tax gains (expense) | | |
| Related to defined benefit plan re-measurement | ($825) | ($54) |

4. The breakdown of deferred income tax assets and liabilities was as follows:

| | Balance on January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Balance as of December 31 |
|---|---|---|---|---|
| (1) January 1 to December 31, 2021 | | | | |
| A. Deferred tax assets | | | | |
| Prepayments | $5,503 | $0 | $0 | $5,503 |
| Warranty provision payable | 7,164 | 1,778 | 0 | 8,942 |
| Net defined benefit liabilities - non-current | 4,278 | (622) | 825 | 4,481 |
| Differences in employee | 14 | (5) | 0 | 9 |

| | | | | |
|---|---|---|---|---|
| benefit tax recognition | | | | |
| Total deferred tax assets | $16,959 | $1,151 | $825 | $18,935 |
| B. Deferred tax liabilities | | | | |
| Inventories | $38,408 | ($15,583) | $0 | $22,825 |
| (2) January 1 to December 31, 2020 | | | | |
| A. Deferred tax assets | | | | |
| Prepayments | $47 | $5,456 | $0 | $5,503 |
| Warranty provision payable | 6,301 | 863 | 0 | 7,164 |
| Net defined benefit liabilities - non-current | 4,926 | (702) | 54 | 4,278 |
| Differences in employee benefit tax recognition | 20 | (6) | 0 | 14 |
| Total deferred tax assets | $11,294 | $5,611 | $54 | $16,959 |
| B. Deferred tax liabilities | | | | |
| Inventories | $73,275 | ($34,867) | $0 | $38,408 |

5. Items regarding deductible temporary differences not recognized as deferred tax assets, unused tax losses, and unused tax credits:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Loss carryforwards | $51,428 | $41,649 |

6. The Company's business income tax settlement and declaration up until 2019 have been approved.
7. As of December 31, 2021, the Consolidated Company's undeducted loss carryforwards and final deductible year are shown below.

| Year of occurrence | Loss amount | Deducted amount | Undeducted balance | Final year tax credits are due |
|---|---|---|---|---|
| 2015 | $2,230 | $0 | $2,230 | 2025 |
| 2016 | 19,239 | (11,003) | 8,236 | 2026 |
| 2017 | 122,462 | (51,872) | 70,590 | 2027 |
| 2018 | 96,004 | (50,410) | 45,594 | 2028 |
| 2019 | 34,666 | 0 | 34,666 | 2029 |
| 2020 | 46,928 | 0 | 46,928 | 2030 |
| 2021 | 48,897 | 0 | 48,897 | 2031 |
| Total | $370,426 | ($113,285) | $257,141 | |

(XXXI) Summary of employment, depreciation, operating costs, depletion and amortization expenses incurred during the period by function

| By function / By nature | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Operation costs | Operation expenses | Total | Operation costs | Operation expenses | Total |
| Employee benefit expenses | | | | | | |
| Salary expenses | 33,089 | 114,148 | 147,237 | 34,972 | 113,871 | 148,843 |
| Labor and health insurance expenses | 3,770 | 9,541 | 13,311 | 3,579 | 9,436 | 13,015 |
| Retirement benefits expenses | 1,769 | 4,800 | 6,569 | 1,754 | 4,726 | 6,480 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Remuneration to Directors | 0 | 2,299 | 2,299 | 0 | 1,760 | 1,760 |
| Other employee benefits | 1,065 | 9,734 | 10,799 | 1,656 | 11,816 | 13,472 |
| Depreciation expenses | 46,424 | 23,828 | 70,252 | 46,116 | 23,366 | 69,482 |
| Depletion expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortization expenses | 2,800 | 1,963 | 4,763 | 2,801 | 1,969 | 4,770 |

The numbers of employees of the Consolidated Company for the years ended December 31, 2021, and 2020 were 233 and 231, respectively. Among which the numbers of directors who were not part-time employees were 7 and 4, respectively.

(XXXII) Earnings per share

| | 2021 | 2020 |
|---|---|---|
| Basic earnings per share (Unit: NT$) | $4.54 | $4.48 |
| Diluted earnings per share (Unit: NT$) | $4.54 | $4.48 |

The calculation of earnings per share and the weighted-average number of common shares outstanding were as follows:

| | 2021 | 2020 |
|---|---|---|
| Profit attributable to the holders of ordinary shares of the Company | $1,687,409 | $1,684,892 |

| | 2021 | 2020 |
|---|---|---|
| Weighted average number of ordinary shares outstanding used for calculation of diluted earnings per share (in thousands) | 371,407 | 375,895 |
| Effect of potentially dilutive ordinary shares: | | |
| Employee Remuneration | 477 | 496 |
| Weighted average number of ordinary shares outstanding used for calculation of diluted earnings per share (in thousands) | 371,884 | 376,391 |

If the Consolidated Company chooses to offer employee compensation or share profits in the form of cash or stock, while calculating diluted earnings per share, and assuming that the compensation is paid in the form of stock, the dilutive potential common shares will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. Weighted average number of ordinary shares outstanding used for calculation of diluted earnings per share (thousand shares) The dilutive effect of such potential common shares shall continue to be considered when calculating diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

For the calculation of basic earnings per share, the number of shares is included in the weighted-average number of common shares outstanding for the year resolved at the stockholders' meeting when the number of shares issued as compensation to employees for the previous year is determined. Moreover, since the employee compensation transfer is no longer a gratuitous stock allotment, no retroactive adjustment is made in the calculation of basic and diluted earnings per share.

(XXXIII) Additional information regarding cash flows

| | 2021 | 2020 |
|---|---|---|
| Increase in property, plant, and equipment | $3,209 | $12,359 |
| Net decrease in payables for equipment construction | 686 | 4,678 |
| Cash paid during the year | $3,895 | $17,037 |

(XXXIV) Changes in liabilities from financing activities

Reconciliation of liabilities from financing activities was as follows:

| | 2021.1.1 | Cash flows | 2021.12.31 |
|---|---|---|---|
| Short-term borrowings | $4,488,806 | ($833,556) | $3,655,250 |
| Face value of short-term bills payable | 4,213,000 | (265,000) | 3,948,000 |
| Long-term borrowings | 6,997,867 | 1,657,166 | 8,655,033 |
| Deposits received | 3,586 | 1,399 | 4,985 |
| Lease liabilities | 63,690 | (1,062) | 62,628 |
| Liabilities from the financing activities | $15,766,949 | $558,947 | $16,325,896 |

| | 2020.1.1 | Cash flows | 2020.12.31 |
|---|---|---|---|
| Short-term borrowings | $4,955,779 | ($466,973) | $4,488,806 |
| Face value of short-term bills payable | 4,280,000 | (67,000) | 4,213,000 |
| Long-term borrowings | 10,728,055 | (3,730,188) | 6,997,867 |
| Deposits received | 137,544 | (133,958) | 3,586 |
| Lease liabilities | 64,734 | (1,044) | 63,690 |
| Liabilities from the financing activities | $20,166,112 | ($4,399,163) | $15,766,949 |

VII. Related Party Transactions

(I) Names of related parties and their relationship

| Name | Relationship with the Consolidated Company |
|---|---|
| Chieh Chih Construction Co., Ltd. | The company's chairman is the relative within the second degree of kinship of the Company's Chairman. |
| Baihong Construction Co., Ltd. | The Company's Chairman is the supervisor of such company |
| Meiyun S. Tsai | Spouse of the Company's Chairman |
| Yangmin International Catering Co., Ltd. | The Company's affiliate |

(II) Significant transactions with related parties:

1. Sale

| Name | 2021 Amount | 2021 Proportion to the sales of the Consolidated Company | 2020 Amount | 2020 Proportion to the sales of the Consolidated Company |
|---|---|---|---|---|
| Chieh Chih Construction Co., Ltd. | $75 | 0.00% | $551 | 0.01% |
| Baihong Construction Co., Ltd. | 97 | 0.00% | 571 | 0.01% |

| | | | | |
|---|---|---|---|---|
| Yangmin International Catering Co., Ltd. | 3,379 | 0.05% | 4,072 | 0.05% |
| Other related parties | 249 | 0.00% | 15,027 | 0.17% |
| Total | $3,800 | 0.05% | $20,221 | 0.24% |

The sales of premises to related parties were made at normal market prices. The sales of premises to other related parties in 2021 and 2020 amounted to NT$0 thousand and NT$14,306 thousand, respectively, which were paid upon the transfer of the properties, and the remaining catering revenues were collected within 30 to 90 days.

2. Lease revenue
   The related party Yangmin International Catering Co., Ltd. entered into leases with the Consolidated Company in 2021 and 2020 as follows.

The lease details are as follows:

| Lessee | Lease subject | Lease period | Rental charged per lease term | 2021 | 2020 |
|---|---|---|---|---|---|
| Yangmin International Catering Co., Ltd. | 1F., No. 366, Minghua Rd., Gushan Dist., Kaohsiung City (Restaurant) | 2016/08/09 ~ 2021/12/31 | The monthly rental income of NT$354 thousand (including business tax) is calculated on a monthly basis and is paid by bank remittance. Interest on deposit is NT$7. | $3,379 | $4,053 |

3. Contracting work (Purchase)
   Chieh Chih Construction Co., Ltd. and Baihong Construction Co., Ltd. are related parties of the Consolidated Company, and the Consolidated Company's projects are contracted by these two companies. The contract price is based on the cost of the two companies plus appropriate profit, and the payment terms are similar to those of a general contractor, but the actual date of cashing the notes is subject to the Company's capital situation.
   (1) In 2021 and 2020, the Consolidated Company entrusted Chien-Chih Construction Co., Ltd. to contract for various construction sites, accounting for 5.42% and 21.65% of the Consolidated Company's total contracted work amount, respectively, and the contract prices and current shipments were as follows:

| Site name | Contract price (including tax) | Purchase | |
|---|---|---|---|
| | | 2021 | 2020 |
| Ai Qun No. 2748. 5 in total (King's Town World of Heart) | 2,014,000 | $328,598 | $238,109 |

   (2) In 2021 and 2020, the Consolidated Company entrusted EPILEDS Construction Co., Ltd. with the contracted construction projects, accounting for 4.55% and 25.49% of the total contracted construction amount of the Consolidated Company, respectively. The contract price and the current purchase price were as follows:

| Site name | Purchases | | |
|---|---|---|---|
| | Contract price (including tax) | 2021 | 2020 |

| | | | |
|---|---|---|---|
| Xin Zhuang Section No. 92, 95 (Xiang King's Town) | 521,460 | $0 | $89,884 |
| Xin Du Section No. 321.163 - 1.164 (fu +) | 880,200 | 276,217 | 190,480 |
| Total | | $276,217 | $280,364 |

4. Accounts receivable, other receivables, note payables, accounts payables, other payables, contract liabilities-current, premises payment collection, and deposits received.

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Name of project and related party | Balance | Percentage | Balance | Percentage |
| (1) Accounts receivable | | | | |
| Baihong Construction Co., Ltd. | $0 | 0.00% | $2 | 0.00% |
| (2) Other receivables | | | | |
| Meiyun S. Tsai | $128 | 42.95% | $240 | 0.03% |
| Yangmin International Catering Co., Ltd. | 87 | 29.20% | 37 | 0.01% |
| Total | $215 | 72.15% | $277 | 0.04% |
| Other receivables represent receivables from landlords' share of selling expenses and payments on behalf of affiliates. | | | | |
| (3) Notes payable | | | | |
| Chieh Chih Construction Co., Ltd. | $55,002 | 31.98% | $75,004 | 37.44% |
| Baihong Construction Co., Ltd. | 35,002 | 20.35% | 45,002 | 22.47% |
| Total | $90,004 | 52.33% | $120,006 | 59.91% |
| (4) Accounts payables | | | | |
| Chieh Chih Construction Co., Ltd. | $298,857 | 49.00% | $398,863 | 48.31% |
| Baihong Construction Co., Ltd. | 275,934 | 45.24% | 385,934 | 46.74% |
| Total | $574,791 | 94.24% | $784,797 | 95.05% |
| (5) Other payables | | | | |
| Yangmin International Catering Co., Ltd. | $398 | 0.56% | $208 | 0.28% |
| (6) Contract liabilities - current | | | | |
| Chieh Chih Construction Co., Ltd. | $35 | 0.01% | $35 | 0.01% |
| Baihong Construction Co., Ltd. | 15 | 0.00% | 19 | 0.00% |
| Other related parties | 91 | 0.02% | 117 | 0.02% |
| Total | $141 | 0.030% | $171 | 0.03% |
| (7) Building collections | | | | |
| Chieh Chih Construction Co., Ltd. | $0 | 0.00% | $5,360 | 6.14% |
| (8) Land collections | | | | |

| | | | | |
|---|---|---|---|---|
| Chieh Chih Construction Co., Ltd. | $0 | 0.00% | $3,285 | 3.77% |
| (9) Deposits received | | | | |
| Yangmin International Catering Co., Ltd. | $708 | 14.20% | $708 | 19.74% |

Deposits received represent construction contract performance deposits and lease deposits.

5. Lease expenses

| Rental expenses | Price payment 2021 | 2020 |
|---|---|---|
| Other related parties | $1,029 | $1,029 |

| Lessor | Lease subjects | Lease period | Rental charged per lease term | 2021 | 2020 |
|---|---|---|---|---|---|
| Other related parties | 12F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City | 07/01/2017～06/30/2020<br>07/01/2020～06/30/2023 | The monthly rental income of NT$90 thousand (including business tax) is calculated on a monthly basis and is paid by bank remittance. | $1,029 | $1,029 |

6. Other
   (1) The Chairman of the Consolidated Company and other related parties provided the Company with loans from banks secured by their own assets, amounting to NT$1,312,000 thousand and NT$1,672,146 thousand as of December 31, 2021 and 2020, respectively.
   (2) The Chairman of the Consolidated Company and other related parties provided the Company with their own assets to issue commercial paper to Bills Finance Corporation in the amount of NT$750,000 thousand and NT$970,000 thousand as of December 31, 2021 and 2020, respectively.
   (3) The Chairman and his spouse of the Consolidated Company provided land at Qinghai Lot No. 216 and the Consolidated Company's construction site, Qinghai Lot No. 229, as joint mortgages to banks and issued commercial promissory notes for NT$1,765,000, and commercial promissory notes for NT$1,765,000, as of December 31, 2021 and December 31, 2020.
   (4) The Consolidated Company's investment in affiliates is described in Note VI(IX).
   (5) In 2021 and 2020, the Consolidated Company collected water and garbage removal fees from a related party, Yangmin International Catering Co. The decrease in utilities was NT$305 thousand and $293 thousand, the decrease in garbage collection was NT$119 thousand and NT$123 thousand, and collection of meal charges from tenants were NT$463 thousand and NT$575 thousand, respectively.
   (6) The Consolidated Company's related party, Baihong Construction Co., Ltd. provided guaranteed promissory notes for the projects, which was recorded as NT$134,566 in 2021 and 2020, respectively.
   (7) The Consolidated Company's related party, Chieh Chih Construction Co., Ltd. provided guaranteed promissory notes for the construction work, which were recorded as NT$288,812 thousand and NT$0 thousand in 2021 and 2020, respectively.
7. Information on remuneration to the management

| | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | $29485 | $30982 |

VIII. Pledged Assets

The carrying values of the Consolidated Company's assets pledged as collateral for loans and short-term notes issued were as follows:

| Name of assets | Secured subject | December 31, 2021 | December 31, 2020 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Buildings and land held for sale | Collateralized borrowing and issuance of commercial promissory notes | $2,240,305 | $2,987,486 |
| Construction in progress | Collateralized borrowing and issuance of commercial promissory notes | 3,412,160 | 2,283,347 |
| Land held for construction | Collateralized borrowing and issuance of commercial promissory notes | 19,313,594 | 14,534,853 |
| Housing and Construction | Secured borrowings | 686,442 | 747,691 |
| Other financial assets - current | Pre-sold project trust and performance bond | 80,912 | 6,479 |
| Refundable deposits | Disaster management guarantee | 24,977 | 24,977 |
| Total | | $25,758,390 | $20,584,833 |

IX.Significant Contingent Liabilities and Unrecognized Contract Commitments

1. As of December 31, 2021, the Consolidated Company's construction-in-progress contracts are described in detail in VII. Related Party Transactions (II) Purchase; the amount paid for the contracts (including tax) was NT$1,085,074 thousand and the amount outstanding was NT$1,809,126 thousand.
2. In 2019, the Consolidated Company leased the premises for sale on first basement level and the first and second level of Hua Shang Building to a fitness company, which caused dissatisfaction of the residents and convened the 2019 second temporary meeting of the sub-owners, and amended its management regulations to prohibit the establishment of specific industries, including gymnasiums. The Consolidated Company believes that it has infringed upon the Company's right to use its assets; therefore, it filed a civil lawsuit against the "Hua Shang Building Management Committee" to confirm that the resolution shown by the defendant "Hua Shang Building Management Committee" at the 2019 second temporary meeting of the owners of the Hua Shang Building on November 23, 2019 is invalid. The first instance of the case was conducted by the District Court in Qiaotou, Taiwan and, based on 2020 Su Zi No. 1202 document, the Consolidated Company was judged as winning in the lawsuit partially, and the defendant "Hua Shang Building Management Committee" submitted an appeal within the statutory period. The result of the case is still pending in court.
3. In 2019, the Consolidated Company leased premises for sale on the first basement level and the first and second level of Hua Shang Building to World Fitness Asia Limited (H.K.) Taiwan Branch. As a result, the Taiwan branch of Hong Kong Business World Fitness Co., Ltd. was unable to operate due to a dispute arising from the residents' dissatisfaction with the Company's act of leasing the land to the fitness company. The company filed a lawsuit against the Consolidated Company for damages in the amount of NT$39,632 thousand, including NT$18,367 thousand, NT$720 thousand for the refund of the deposit and NT$20,545 thousand for the loss of the member who failed to fulfill the membership agreement. The case (Case number: 2021 Shen Zhong Su No. 57) is currently being heard by the Kaohsiung District Court in Taiwan, and the result of the case is still pending.
4. In 2020, the Consolidated Company leased premises for sale on the first basement level and the first and second level of Hua Shang Building to World Fitness Asia Limited (H.K.) Taiwan Branch. As a result, the Taiwan branch of Hong Kong Business World Fitness Co., Ltd. was unable to operate due to a dispute arising from the residents' dissatisfaction with the Company's act of leasing the land to the fitness company. Therefore, a lawsuit was filed against World Fitness Asia Limited (H.K.) Taiwan Branch, seeking NT$1,045 thousand in

rent and NT$3,150 thousand in restitution damages, totaling NT$4,195 thousand. The case (Case number: 2021 Su Zi No. 780) is currently being heard by the Kaohsiung District Court in Taiwan, and the result of the case is still pending.

5. The Consolidated Company leased premises for sale on the first basement level and the first and second level of Hua Shang Building to a fitness company. As a result, the residents were dissatisfied that the Consolidated Company was failed to lease the land to the fitness company in accordance with the original market use.. The management committee of the Hua Shang Building filed an administrative lawsuit against the Kaohsiung City Government. Requesting the Kaohsiung City Government to revoke the decision to approve the letter of change of commercial use of the second floor of the Hua Shang Building as approved by the Kaohsiung City Government Letter No. 1073664122 issued on January 4, 2019 and the appeal inadmissible. If an unfavorable decision is obtained, it may affect the right to use the assets of the Company. The case (formerly known as Case No. 118 of 2020) is currently under review by the Supreme Administrative Court and the outcome is still pending in the court.
6. The Consolidated Company was the litigation agent for the first trial of a lawsuit for damages for repair of building damage between Kaicheng Construction Co., Ltd. and Wujia Ruichun Community Management Committee. The management committee requested NT$1,000 thousand for damages against the Company. The case (Case number: Shen Su Zi No. 1126 of 2020) has been rejected and closed, and civil judgment has been issued, by Kaohsiung District Court in Taiwan. The Management Committee appealed again, and the case (Case number: Shang Yi Zi No. 7 of 2022) is currently being heard by Kaohsiung branch Taiwan High Court, and the result is still pending in the court.
7. In 2016, “Xinianlai Building Management Committee” claimed that damage is caused to residents' assets due to the inclination of Xinianlai Building resulting from construction of the Consolidated Company's construction project, and thus filed a lawsuit for damages against the Consolidated Company, requesting for repairing the damage to Xinianlai Building, such as repair of the main seat of elevator, repair and strengthening of structure, and restoring Xinianlai Building in terms of the inclination, and for removing the underground sewage treatment pipes under No. 1133 land in Lindeguan section and returning such land, and for paying NT$33,903 thousand of repair fees and NT$2,669 thousand of interest, i.e. NT$36,572 thousand in total. The case (Case number: Su Zi No. 1977 of 2016) is currently being heard by the Kaohsiung District Court in Taiwan, and the result of the case is still pending.
8. The Consolidated Company signed the Contract for Cooperative Development of Tainan Rende Smart Technology Park with SanDi Properties Co., Ltd. to develop 83 lands such as Land Parcel No. 820 at Kanjiao N. Section, Rende District, Tainan City etc. and 4 lands such as the Land Parcel No. 32 at Kanjiao S. Section, with a total area of 111,797.54 square meters, in the way of jioint investment and construction, with each party making 50% of investment for construction and undertaking this project-related planning, construction, sale and other income and losses and risks based on their respective investment ratios. The Consolidated Company acts as a “major business operator” for this project to deal with and execute the matters related to this project as a representative to the external.
9. The Consolidated Company signed the Contract for Cooperative Development of Tainan Rende Smart Technology Park with SanDi Properties Co., Ltd., and acts as joint constructors with SanDi Properties Co., Ltd., and they provide guarantee to each other for financing.

   As of December 31, 2021 and 2020, the financing endorsement and guarantee of the Consolidated Company are as follows:

| Endorser/Guarantor | Endorsee/Guarantee | December 31, 2021 | December 31, 2020 | Use of guarantee |
|---|---|---|---|---|
| King's Town Construction | SanDi Properties | | | loan and financing |

| Co., Ltd. | Co., Ltd. | $2,000,000 | $0 | Guarantee |
|---|---|---|---|---|

10. The Consolidated Company signed trust contract with entrusted financial institution for the construction in progress. As of December 31, 2021, the names of relevant projects and trust banks are as follows:

| Project | Trust Bank |
|---|---|
| Fu + | CTBC Bank Co., Ltd. |

The above-mentioned prices collected for the construction projects have been delivered to the financial institution that undertakes the trust.

X.Significant Disaster Loss

There is no such condition occurred to the Consolidated Company.

XI.Significant Subsequent Events

There is no such condition occurred to the Consolidated Company.

XII.Other

(I) Capital Risk Management

The objective of the Consolidated Company's capital management is to ensure that the Consolidated Company can continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital, and that returns are provided to stockholders. In order to maintain or adjust the capital structure, the Consolidated Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Consolidated Company regulates the borrowing amount based on the progress of the project and the funds required for the operation.

(II)Financial instruments

1. The carrying amounts of the Consolidated Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivables, accounts receivable, other receivables, other financial assets, refundable deposits, bank borrowings, short-term bills payable, notes payable, accounts payables, other payables, leasing liabilities and deposits received) are the reasonable approximation of fair value. For a fair value of financial instruments measured at fair value, please refer to Note VI(II) and Note XII 3.(4)D. Details of the financial instruments are disclosed in each of the individual notes.

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets | | |
| Financial assets measured at fair value through profit or loss | | |
| Domestic listed stocks | $0 | $89,930 |
| Domestic unlisted stocks | $82 | $82 |
| Financial assets at amortized cost | | |
| Cash and cash equivalents | $1,068,430 | $624,909 |
| Net notes receivable and accounts receivable (including related parties) | 168,660 | 146,158 |
| Other receivables (including related parties) | 298 | 750,340 |
| Other financial assets (including current and non-current) | 80,912 | 6,479 |
| Refundable deposits | 34,045 | 34,307 |
| Long-term notes and accounts receivable | 15,000 | 0 |
| Net notes receivable and accounts receivable (including related parties) | $1,367,345 | $1,562,193 |
| Subtotal | $1,367,427 | $1,652,205 |
| Total | $1,068,430 | $624,909 |

Financial liabilities

| | | |
|---|---|---|
| Measured at amortized cost | | |
| Short-term borrowings | $3,655,250 | $4,488,806 |
| Short-term bills payable | 3,942,965 | 4,208,307 |
| Notes payable and accounts payables (including related parties) | 781,953 | 1,026,013 |
| Other payables (including related parties) | 71,565 | 73,138 |
| Long-term borrowings (including long-term borrowing due within one operating cycle) | 8,655,033 | 6,997,867 |
| Lease liabilities (including current) | 62,628 | 63,690 |
| Deposits received | 4,985 | 3,586 |
| Total | $17,174,379 | $16,861,407 |

2. Financial risk management policy
   (1) The Consolidated Company's daily operations are subject to a number of financial risks, including market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Consolidated Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Consolidated Company's financial position and financial performance.
   (2) Financial risk management of the Consolidated Company is carried out by its finance department based on the policies approved by the Board of Directors. Through cooperation with the Consolidated Company's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks.
   (3) The Consolidated Company does not undertake derivatives for hedging financial risks.

3. Significant financial risks and degrees of financial risks
   (1) Market risks
   A. Price risks

   The Consolidated Company is exposed to the price risk of equity instruments because the investments held by the Consolidated Company are classified as financial assets measured at fair value through profit or loss in the Company's balance sheet. The Company is not exposed to price risks from products. To manage the price risk of investments in equity instruments, the Consolidated Company diversifies its portfolio with its diversification method based on limits set by the Consolidated Company.

   The Consolidated Company’s investments in equity securities comprise foreign and domestic listed stocks. The prices of equity securities change due to the change in the future value of investee companies. If the price of these equity instruments had increased or decreased by 10%, with all other factors held constant, the increase or decrease in net income after tax for 2021 and 2020 would have been NT$0 thousand and NT$8,993 thousand, respectively, from the gain or loss on equity instruments measured at fair value through profit or loss.

   B. Interest risks

   The Consolidated Company's interest rate risks come from short-term borrowings, financing commercial paper and long-term borrowings. Loans with floating interest rates expose the Consolidated Company to cash flow interest rate risks, of which a portion is offset by the cash held with floating interest rates. Borrowings issued at fixed rates exposed the Consolidated Company to fair value interest rate risk. During the years ended December 31, 2021 and 2020, the Consolidated Company's borrowings at floating interest rate were denominated in the NTD.

The Consolidated Company simulates a number of scenarios and analyzes interest rate risk, including consideration of refinancing, extending contracts of existing positions, and other available financings to calculate the impact of changes in specific interest rates on profit or loss.

Based on the simulations performed, the impact on post-tax profit of a 0.01% shift would be a maximum increase or decrease of NT$966 thousand and NT$1,196 thousand for 2021 and 2020, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(2) Credit risks

A. Credit risk refers to the risk of financial loss of the Consolidated Company arising from default by clients or counterparties of financial instruments on the contractual obligations. Credit risk mainly derives from cash and cash equivalents, derivative financial instruments, and deposits within banks and financial institutions, as well as accounts receivable not yet collected in cash and committed transactions. Only banks and financial institutions with an independent credit rating of at least "A" can be accepted for trading by the Consolidated Company.

B. The Consolidated Company's accounts receivable mainly consist of amounts due from customers before the handover of properties. The Consolidated Company has assessed no significant credit risk because these amounts are due before the handover of properties. The other part is due from customers for providing accommodation and catering-related services. The credit quality of this part is evaluated by taking into account the customer's financial position, past experience and other factors.

C. The Consolidated Company classifies customers' accounts receivable and installment receivable based on customer characteristics. Using the simplified approach of preparation matrix, the Company estimates the expected credit loss and adjusts the loss rate established by historical and current information during a specific period to assess the allowance loss of installments receivable. The Company's assessed credit impairment losses on December 31, 2021 and 2020 were not significant.

D. No written-off debts with recourse existed as of December 31, 2021 and 2020.

(3) Liquidity risks

A. The cash flow forecast is performed by each operating entity of the Consolidated Company and compiled by the Consolidated Company’s finance department. The Consolidated Company's finance department monitors rolling forecasts of the Consolidated Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Consolidated Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

B. The following table presents the Consolidated Company's non-derivative financial liabilities grouped by the relevant maturity dates, which are analyzed based on the remaining period from the end of the reporting period to the contractual maturity date. The contractual cash flow amounts disclosed in the table below are undiscounted amounts.

| Non-derivative financial liabilities | Within 6 months | 6 to 12 months | 1 to 3 years | Over 3 Years |
|---|---|---|---|---|
| December 31, 2021 | | | | |
| Short-term borrowings | $1,400,450 | $1,774,800 | $480,000 | $0 |

| | | | | |
|---|---|---|---|---|
| Short-term bills payable | 3,942,965 | 0 | 0 | 0 |
| Notes and accounts receivable (Including amounts to related parties) | 201,344 | 5,694 | 574,791 | 124 |
| Other payables | 71,343 | 0 | 206 | 16 |
| Provisions - current | 7,980 | 3,650 | 15,810 | 17,268 |
| Long-term borrowings (including that due within one operating cycle) | 23,189 | 1,168,369 | 1,602,294 | 5,861,181 |
| Lease liabilities (including current) | 538 | 542 | 2,218 | 59,330 |
| December 31, 2020 | | | | |
| Short-term borrowings | $1,824,660 | $2,184,146 | $480,000 | $0 |
| Short-term bills payable | 4,208,307 | 0 | 0 | 0 |
| Notes and accounts receivable (Including amounts to related parties) | 439,649 | 22,112 | 564,252 | 0 |
| Other payables | 72,496 | 40 | 546 | 56 |
| Provisions - current | 3,390 | 3,086 | 13,233 | 16,108 |
| Long-term borrowings (including that due within one operating cycle) | 22,835 | 112,998 | 2,393,839 | 4,468,195 |
| Lease liabilities (including current) | 529 | 533 | 2,180 | 60,448 |

C. The Consolidated Company does not expect that the time for analyzing cash flows on the maturity date will be advanced significantly, or that actual amount will become significantly different.

(4) Information on fair value

A. The different levels of inputs used in the valuation techniques for measuring the fair value of financial and non-financial instruments have been defined as follows:

Level 1: The quoted price in an active market for identical assets or liabilities available to the enterprise at the measurement date. A market is regarded as active where transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Consolidated Company's investments in listed stocks, beneficiary certificates, and derivatives with quoted prices in an active market are all Level 1 inputs.

Level 2: The inputs are observable for the asset or liability, either directly or indirectly, excluding quoted prices included within Level 1. The fair values of certain derivative instruments and equity instruments invested by the Consolidated Company are all Level 2 inputs.

Level 3: The unobservable input value of an asset or liability. The Consolidated Company's investments in certain derivative instruments and investments in equity instruments with no active market are all level 3 inputs.

Equity instruments without

| | public quotes |
|---|---|
| December 31, 2021 (i.e. January 1, 2021) | $82 |
| December 31, 2020 (i.e. January 1, 2020) | $82 |

B. For financial instruments with active markets, their fair value is measured at the market quoted prices on balance sheet date. When quoted prices can be obtained immediately and regularly from stock exchanges and regulatory agencies, and such quoted prices represent actual and regular market transactions under normal conditions, the markets are deemed active markets. The quoted market prices of financial assets held by the Consolidated Company are the closing price or net asset value, and these instruments are included in Level 1. Level 1 instruments mainly include equity instruments, which are classified as Financial assets measured at fair value through profit or loss - current.

C. Below states the information on the Consolidated Company's financial instruments measured at fair value that have been classified in accordance with the nature, characteristics, risks and fair values of assets or liabilities as of December 31, 2021 and 2020:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Repetitive fair value | | | | |
| Financial assets measured at fair value through profit or loss - current | | | | |
| Domestic listed stocks | $0 | $0 | $0 | $0 |
| Financial assets measured at fair value through profit or loss - non-current | | | | |
| Domestic unlisted stocks (Venture Capital Fund) | 0 | 0 | 82 | 82 |
| Total | $0 | $0 | $82 | $82 |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Repetitive fair value | | | | |
| Financial assets measured at fair value through profit or loss - current | | | | |
| Domestic listed stocks | $89,930 | $0 | $0 | $89,930 |
| Financial assets measured at fair value through profit or loss - non-current | | | | |
| Domestic unlisted stocks (Venture Capital Fund) | 0 | 0 | 82 | 82 |
| Total | $89,930 | $0 | $82 | $90,012 |

D. The methods and assumptions used by the Consolidated Company to measure fair value are explained as follows:

(1) The fair value of the Consolidated Company's domestic listed stocks and

beneficiary certificates are input based on the closing price and net value of the market price, respectively (i.e. Level 1).

(2) In addition to the aforementioned financial instruments with an active market, the fair value of other financial instruments is acquired by valuation technique or by reference to the counterparty quotes. The current fair value of financial instruments obtained through valuation techniques, discounted cash flow method or other valuation techniques, including the use of models based on market information available at the end of the reporting period (i.e. Level 2).

(3) In addition to the financial instruments in Level 1 and Level 2 mentioned above, the acquisition cost of the financial instruments is used as an input (i.e., Level 3).

(4) In 2021 and 2020, there was no transfer between Level 1 and Level 2 fair value measurement.

(5) In 2021 and 2020, there was no transfer into or out of Level 3.

(II) Other matters

Due to the outbreak of COVID-19 in January 2020 and declined number of tourists visiting Taiwan caused by the spread of the epidemic, the house occupancy rate of the Consolidated Company's Hotel and Lodging Department was affected to a certain extent, but the Consolidated Company pro-actively took relevant countermeasures and adjusted its operation strategies, including wearing masks in its operation area and measuring body temperature at the entrance and exit of the operation area, adjusting staff shifts, saving various expenditures and applying for subsidies, etc., and strengthened staff health management and continued to pay attention to the development of the epidemic, in order to maintain the Company's normal operation. In addition, the Company made cooperation in the various anti-epidemic measures promoted by the government. The Consolidated Company's various departments operated normally due to the Consolidated Company's sufficient operation funds and normal receipt from sale of construction projects under the restrictions on the number of persons (the completed properties for sale continued to be sold and delivered, the construction progress of the construction in progress and the pre-sale of individual projects continued). As evaluated, COVID-19 had no significant impact on the Consolidated Company's financial position and financial performance in the fourth quarter of 2021.

XIII. Supplementary Disclosure

(I) Information on significant transactions was as follow:

| No. | Summary | Description |
|---|---|---|
| 1 | Loaning to others. | None |
| 2 | Endorsements/guarantees for others. | Table I |
| 3 | Marketable securities held at the end of the period. (Excluding investment in Subsidiaries and Affiliates) | Table II |
| 4 | Cumulative amount of the stock of the same marketable securities purchased or sold totaling NT$300 million or more than 20% of the paid-in capital. | None |
| 5 | Acquisition of real estate totaling NT$300 million or more than 20% of the paid-in capital. | Table III |
| 6 | Disposal of real estate totaling NT$300 million or more than 20% of the paid-in capital. | None |
| 7 | Purchases or sales with related parties totaling NT$100 million or more than 20% of the paid-in capital. | Table IV |
| 8 | Receivables from related party totaling NT$100 million or more than 20% of the paid-in capital. | None |

| | | |
|---|---|---|
| 9 | Engaging in derivatives trading. | None |
| 10 | Business relationships and significant intercompany transactions. | Table V |

(Table I)
Unit: NT$ thousand

Endorsements/guarantees for others:

| Securities holding company | Type and name of securities | Relationship with issuer of securities | Ledger account | Ending balance | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares (shares) | Carrying amount | Shareholding Ratio (%) | Fair value | |
| King's Town Construction Co., Ltd. | Tatung - shares (ordinary shares) | None | Financial assets measured at fair value through profit or loss - current | 3,400,000 | $89,930 | 0.145% | $89,930 | |
| | Huazhi Venture Capital | None | Financial assets measured at fair value through profit and loss | 8,152 | $82 | 1.63% | * | |

| Number (Note 1) | Name of Endorser/Guarantor | Object of Endorsements/Guarantees | | Limit on endorsement or guarantee for a single enterprise (Note 3) | The maximum balance of current endorsement or guarantee (Note 4) | Ending balance of endorsement or guarantee (Note 5) | Actual expenses (Note 6) | Amount of endorsement or guarantee offered by properties | The ratio of cumulative endorsement or guarantee amount to the net worth of the financial statements of the most recent period | The maximum limit on endorsement or guarantee (Note 3) | Endorsement or guarantee offered by parent company for subsidiary (Note 7) | Endorsement or guarantee offered by subsidiary for parent company (Note 7) | Endorsement or guarantee offered for the enterprise in Mainland China (Note 7) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name of company | Relation (Note 2) | | | | | | | | | | |
| 0 | King's Town Construction Co., Ltd. | SanDi Properties Co., Ltd. | 5 | 4,909,754 | 2,000,000 | 2,000,000 | 2,000,000 | 0 | 12.22% | 8,182,923 | N | N | N |

Note 1: Description about numbers are stated below:
(1) “0” shall be filled in if it is a issuer.
(2) Investees are numbered in order starting with the Arabic numeral 1 based on type of company.

Note 2: There are the following seven types of relationships between endorsement providers and endorsement objects, and the type shall be indicated:
(1) Companies with business dealings.
(2) A company in which another company directly or indirectly holds more than 50% of voting shares.
(3) A company that directly or indirectly holds more than 50% of voting shares in another company.
(4) Companies in which another company directly or indirectly holds more than 90% of voting shares.
(5) Companies providing insurance to each other as specified in contracts in the same industry or in joint construction due to the needs for contracting projects.
(6) A company for which endorsement or guarantee is provided by all shareholders based on their shareholding ratios due to their joint investment relationship.
(7) The companies in the same industry which assume joint and several guarantee for performance of the sales contract of pre-sale houses in accordance with the Consumer Protection Act.

Note 3: (1) The total amount of the endorsement guarantees of the Company and its subsidiaries as a whole is limited to less than 50% of the net value of the Company.
(2) When the Company and its subsidiaries as a whole endorse a single enterprise, the maximum amount shall not exceed thirty percent of the net value of the Company, and shall not exceed fifty percent of the paid-up capital of the enterprise. With the exception of a subsidiary of the Company which holds 100% of the equity interest.

Note 4: The maximum endorsement or guarantee provided for others.
Note 5: It is the amount resolved by the Board of Directors.
Note 6: Such actual amount of expenditures within the range of the endorsed or guaranteed balance as used by the company for which endorsement or guarantee is provided shall be filled out.
Note 7: Y always must be filled in, if endorsement or guarantee is provided by a listed parent company to a subsidiary, or by a subsidiary to a listed parent company, or provided to a company of Mainland China.

(Table II)

King's Town Construction Co., Ltd.
Marketable securities held (excluding investments in subsidiaries)
December 31, 2021

Unit: NT$ thousand

| Securities holding company | Type and name of securities | Relationship with issuer of securities | Ledger account | Ending balance | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares (shares) | Carrying amount | Shareholding Ratio (%) | Fair value | |
| King's Town Construction Co., Ltd. | Huazhi Venture Capital | None | Financial assets measured at fair value through profit and loss | 8,152 | $82 | 1.63% | * | |

*Huazhi Venture Capital was not fair valued because the amount was not material.

(Table III)

King's Town Construction Co., Ltd.

Acquisition of real estate totaling NT$300 million or more than 20% of the paid-in capital:

Unit: NT$ thousand

| Acquirer of real estate | Name of property | Date of occurrence | Transaction amount | Payment status | Transaction counter-party | Relationship with the Company | Information on prior transaction if the counterparty is related | | | | Basis or reference for price setting | Purpose of acquisition and usage status | Other agreements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relationship with the issuer | Transfer date | Amount | | | |
| King's Town Construction Co., Ltd. | Cost equivalent land in the rezoning of self-administered municipal land at Caohu, Annan District, Tainan City (I) | 12.17.2020 | $395,000 | Actual payment $195,000 | Natural person Chung, Chun | None | - | - | - | - | Real estate valuation report by professional valuation firm | Land held for construction for business operations | |
| King's Town Construction Co., Ltd. | Yuguang Section No. 880, 895, 897, etc., Anping District, Tainan City | 12.17.2020 | $348,090 | Actual payment $348,090 | Natural person Chung, Chun | None | - | - | - | - | Real estate valuation report by professional valuation firm | Land held for construction for business operations | |
| King's Town Construction Co., Ltd. | Land Parcel No. 1, Longdong Section, Gushan District, Kaohsiung City | 3.6.2021 | $495,305 | Actual payment $495,305 | 8 natural persons including Mr. Yu, | None | - | - | - | - | Real estate valuation report by professional valuation firm | Land held for construction for business operations | |
| King's Town Construction Co., Ltd. | Land Parcel No. 820 at Kanjiao N. Section, Rende District, Tainan City | 3.25.2021 | $3,381,875 | Actual payment $3,381,875 | Natural persons Mr. Chung and Mr. Hsu | None | - | - | - | - | Real estate valuation report by professional valuation firm | Land held for construction for business operations | |

The transfer of the above cost equivalent land in the rezoning of self-administered municipal land at Caohu, Annan District, Tainan City (I) is not yet completed by the end of December 2021, therefore, recorded as land prepayment, and the rest transfer are listed as land held for construction.

(Table IV)

Purchases or sales with related parties totaling NT$100 million or more than 20% of the paid-in capital:

Unit: NT$ thousand

| Name of company | Counterparty | Relationship | Transaction details | | | | Transaction with terms different from others | | Notes and accounts receivable (payable) | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase (sale) | Amount | Percentage of total purchase/ (sales) | Payment term | Unit price | Payment term | Balance | Percentage of total notes/ accounts receivable (payable) | |
| King's Town Construction Co., Ltd. | Chieh Chih Construction Co., Ltd. | The company's chairman is the relative within the second degree of kinship of the Company's Chairman. | Purchases | $328,598 | 5.42% | Subject to contract | - | - | Notes payable $55,022 Accounts payables $298,857 | 31.98% 49.00% | |
| King's Town Construction Co., Ltd. | Baihong Construction Co., Ltd. | The Company's Chairman is the supervisor of such company | Purchases | $276,217 | 4.55% | Subject to contract | - | - | Notes payable $35,002 Accounts payables $275,934 | 20.35% 45.24% | |

(Table V)

King's Town Construction Co., Ltd.

Business relationships and significant intercompany transactions

January 1 to December 31, 2021

Unit: NT$ thousand

| Name of Company | Name of counterparty | Nature of relationship | Intercompany transactions | | | |
|---|---|---|---|---|---|---|
| | | | Item | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| King's Town Construction Co., Ltd. | H2O Hotel Co., Ltd. | Parent to subsidiary | Sales revenue | $38,526 | Monthly contractual payments | 0.58% |
| H2O Hotel Co., Ltd. | King's Town Construction Co., Ltd. | Subsidiary to parent | Right-of-use assets | $2,373,000 | Monthly contractual payments | 6.88% |

(II)Information on investee

| Name of Investor | Name of Investee | Location | Main business activities | Initial investment amount | | Ending balance | | | Profit (Loss) of investee for the period | Investment profit (loss) recognized | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance for the current period | End of last year | Shares (in thousand) | Percentage (%) | Carrying amount | | | |
| The Company | H2O Hotel Co., Ltd. | No. 366, Minghua Rd., Gushan Dist., Kaohsiung City | Hotel Restaurants | $390,000 | $320,000 | 39,000 | 100% | $65,100 | ($72,267) | ($59,470) | I |
| H2O Hotel Co., Ltd. | Yangmin International Catering Co., Ltd. | 2F., No. 51, Ln. 69, Jingye 2nd Rd., Zhongshan Dist., Taipei City | Restaurants | $8,000 | $8,000 | 800 | 40% | $13,888 | $8,805 | $3,522 | |

Note I: The Company recognized a loss share of NT$72,267thousand in the investee company. In addition, due to the lease of real estate to a subsidiary, H2O Hotel Co., Ltd., the leasing subsidiary was classified as a right-of-use asset and lease liability under IFRS 16 as of January 1, 2019, while the Consolidated Company was classified as an operating lease, resulting in a difference in profit or loss recognition, which affected the Consolidated Company's share of profit recognized using the equity method. The difference affected the Consolidated Company's share of benefit recognized under the equity method by NT$12,797 thousand.

(III) Disclosure of information on investments in Mainland China:

The Consolidated Company has no investment in Mainland China.

(IV) Information on major shareholders

| Name of major shareholders | Shareholding (shares) | Shareholding |
|---|---|---|
| Tsai, Tien-Tsan | 85,577,838 | 23.01% |
| Tiangang Investment Co., Ltd. | 63,328,801 | 17.03% |
| Tianye Investment Co., Ltd. | 49,652,072 | 13.35% |
| Chien-Chih Construction Co., Ltd. | 31,651,513 | 8.51% |
| Tsai, Chiung-Ting | 23,616,339 | 6.35% |
| Meiyun S. Tsai | 20,209,951 | 5.43% |

(1) The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the company without physical registration may differ due to calculation basis.

(2) For the above are shares entrusted by the shareholders, the information thereto shall base on the shares disclosed by the individual trust account of opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.

XIV. Operating Segment Financial Information

(I) Operating segment

The management of the Consolidated Company evaluates performance and allocates resources on a company-wide basis and identifies the Company and its subsidiaries as the respective reportable segments.

The information is provided to the main business decision-makers to allocate resources and to evaluate the performance of each department, focusing on the category of product or service delivered or provided. In accordance with IFRS 8, "Operating Segments," the Company is only a single division that sells housing and land; H2O Hotel, a subsidiary established on April 16, 2015, is engaged in hotel and restaurant operations, and the accounting policies of the operating segments are all the same as those described in the Summary of Important Accounting Policies in Note IV.

(II) The amounts of the Consolidated Company's reportable segments' revenues, gains and losses, assets and liabilities and the reconciliation to the Consolidated Company's corresponding amounts are summarized as follows:

| | 2021 | | | |
|---|---|---|---|---|
| | Construction Department | Accommodation Department | Adjustments and elimination | Total |
| Revenue | | | | |
| Net revenue from external customers | $6,464,361 | $189,504 | $3,379 | $6,657,244 |
| Net inter-department revenue | 38,526 | 1,117 | (39,643) | 0 |
| Total revenue | $6,502,887 | $190,621 | ($36,264) | $6,657,244 |
| Interest income | $233 | $6 | $0 | $239 |
| Interest expenses | 186,150 | 28,237 | (27,808) | 186,579 |
| Depreciation (including manufacturing) | 68,388 | 66,704 | (60,077) | 75,015 |
| Investment profit or loss recognized under the equity method | (59,470) | 3,522 | 59,470 | 3,522 |
| Significant revenue, expense and loss: | | | | |
| Gain (loss) on the financial assets measured at fair value through profit or loss | 21,357 | 0 | 0 | 21,357 |
| Profit from sale of marketable securities | 3,896 | 0 | 0 | 3,896 |
| Government subsidy income | 0 | 7,560 | 0 | 7,560 |
| Other income | 2,332 | 37,618 | (37,143) | 2,807 |
| Reportable segment profit or loss | $1,687,409 | ($72,267) | $72,267 | $1,687,409 |

2020

| | Construction Department | Accommodation Department | Adjustments and elimination | Total |
|---|---|---|---|---|
| Revenue | | | | |
| Net revenue from external customers | $8,440,239 | $223,555 | $4,055 | $8,667,849 |
| Net inter-department revenue | 47,961 | 2,372 | (50,333) | 0 |
| Total revenue | $8,488,200 | $225,927 | ($46,278) | $8,667,849 |
| Interest income | $208 | $10 | $0 | $218 |
| Interest expenses | 244,175 | 28,991 | (27,477) | 245,689 |
| Depreciation and amortization | 64,064 | 65,383 | (59,965) | 69,482 |
| Investment profit or loss recognized under the equity method | (56,115) | 5,777 | 56,115 | 5,777 |
| Loss on the financial assets measured at fair value through profit or loss | (7,599) | 0 | 0 | (7,599) |
| Loss on sale of marketable securities | (10,365) | 0 | 0 | (10,365) |
| Dividend income | 710 | 0 | 0 | 710 |
| Government subsidy income | 0 | 9,016 | 0 | 9,016 |
| Other income | 5,382 | 29,175 | (27,857) | 6,700 |
| Reportable segment profit or loss | $1,684,892 | ($69,215) | $69,215 | $1,684,892 |
| Reportable segment assets | | | | |
| December 31, 2021 | $34,384,711 | $2,564,337 | ($2,441,663) | $34,507,385 |
| December 31, 2020 | $32,263,680 | $2,603,544 | ($2,488,010) | $32,379,214 |

(III) Regional information: The main operating region is Taiwan, so there is no geographical information to disclose.

(IV) Product information

| Name of products and service | 2021 | 2020 |
|---|---|---|
| Land revenue | $3,051,958 | $4,207,699 |
| Building revenue | 3,387,891 | 4,212,905 |
| Lease revenue | 27,891 | 23,689 |
| Room revenue | 89,433 | 88,606 |
| Catering revenue | 100,071 | 134,950 |
| Total | $6,657,244 | $8,667,849 |

(V) Important customer information:

The Consolidated Company's sales to an individual customer accounted for more than 10% of net operating revenues in 2021 and 2020:

None