

King's Town Construction Co., Ltd.

Parent Company Only Financial Statements and Independent
Auditors' Report
2021 and 2020

Address: 12F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City

Tel: (07)558-6368

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.

KING'S TOWN CONSTRUCTION CO., LTD.

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Independent Auditors' Report

Republic of China March 23, 2022

(III)ShineWing Taiwan Audit Report No. 014

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

Audit Opinion

We have audited the accompanying Parent Company Only Balance Sheet of King's Town Construction Co., Ltd. as of December 31, 2021 and 2020, and its Parent Company Only Statement of Comprehensive Income, Parent Company Only Statement of Changes in Equity, Parent Company Only Statement of Cash Flows and Notes to Parent Company Only Financial Statements (including a summary of significant accounting policies) for the periods from January 1 to December 31, 2021 and 2020.

In our opinion, the Parent Company Only Financial Statements mentioned above have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in all material aspects, and are considered to have reasonably expressed the parent company only financial conditions of King's Town Construction Co., Ltd. as of December 31, 2021 and 2020, as well as the parent company only financial performance and parent company only cash flows for the periods 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 Parent Company Only Financial Statements are free of material misstatement.

We are independent of King's Town Construction Co., Ltd. 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. 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 Parent Company Only Financial Statements of King's Town Construction Co., Ltd. for the year ended December 31, 2021. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Parent Company Only Financial Statements of King's Town Construction Co., Ltd. for the year ended December 31, 2021 are stated as follows:

Inventory evaluation

Refer to Note IV (IX) to the parent company only financial statements for accounting policies regarding inventory valuation; Note V (II) 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. are material to the Parent Company Only Balance Sheet. Inventories are evaluated in accordance with IFRS, IAS, and IFRIC Interpretations, and SIC Interpretations as endorsed 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.

Recognition of revenue from the sale of real estate

Refer to Note IV (XIX) for the accounting policies on revenue and cost recognition and Note VI (XXIV) to the parent company only 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. 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. 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.

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

The Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as the management determines is necessary to enable the preparation of the parent company only financial statements to be free from significant misstatement whether due to fraud or error.

In preparing the parent company only financial statements, the management is responsible for assessing the ability of King's Town Construction Co. Ltd. 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. or to create operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the Parent Company Only Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtain evidence that is sufficient and appropriate to provide a basis of our 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.
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 ability to continue as a going concern. If we conclude that a significant uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the parent company only financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King's Town Bank Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall expression, structure, and content of the parent company only financial statements (including related notes) and whether the parent company only financial statements include the relevant transactions and events expressed adequately.

6. Obtain sufficient and appropriate audit evidence for the parent company only financial information of the King's Town Construction Co. Ltd. to express an opinion on the parent company only financial statements. We are responsible for guiding, supervising, and implementing of the group audit. We remain solely responsible for our opinion.

We communicated matters with the governing body, including the planned scope and timing of the audit, as well as the material audit findings (including material deficiencies in internal control identified during our 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 unit to decide the Key Audit Matters for the audit of the 2021 parent company only financial statements of King's Town Construction Co., Ltd. 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

張瑞玲 

Financial Supervisory Commission Approval No.

FSC Letter Jin-Guan-Zheng-Shen No.

Accountant: Jackson Jwo

吳俊傑 

Financial Supervisory Commission Approval No.

FSC Letter Jin-Guan-Zheng-Shen No.

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

Unit: NT\$ thousand

Assets	Note	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
11XX Current assets					
1100 Cash and cash equivalents	IV, VI(I)	\$973,133	2.83	\$547,398	1.70
1110 Financial assets 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)	126,675	0.37	101,517	0.31
1180 Net trade receivables - related parties	IV, VI(III), VII	3,371	0.01	0	0.00
1200 Other receivables	IV, VI(IV)	83	0.00	750,063	2.32
1210 Other receivables - related parties	IV, VI(IV), VII	128	0.00	240	0.00
1220 Current tax assets	IV, VI(XXX)	0	0.00	2,556	0.01
1320 Inventories	IV, VI(IV)	31,498,764	91.61	29,181,397	90.45
1410 Prepayments	IV, VI(VI)	546,035	1.59	457,879	1.42
1470 Other current assets	IV, VI(VII)	90,919	0.26	8,579	0.03
1476 Other financial assets - current	IV, VI(VIII), VIII	66,156	0.19	0	0.00
11XX Total current assets		<u>\$33,341,946</u>	<u>96.97</u>	<u>\$31,179,718</u>	<u>96.64</u>
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)	65,100	0.19	54,570	0.17
1600 Property, plant and equipment	IV, VI(X)	1,172	0.00	2,476	0.01
1755 Net right-of-use assets	IV, VI(XI)	61,216	0.18	62,731	0.19
1760 Net investment properties	IV, VI(XII), VII, VIII	686,442	2.00	747,691	2.32
1780 Intangible assets	IV, VI(XIII)	162,456	0.47	166,676	0.52
1840 Deferred tax assets	IV, VI(XXXI)	18,926	0.06	16,945	0.05
1920 Refundable deposits		32,371	0.09	32,791	0.10
1930 Long-term notes and trade receivable	IV, VI(III)	15,000	0.04	0	0.00
15xx Total non-current assets		<u>\$1,042,765</u>	<u>3.03</u>	<u>\$1,083,962</u>	<u>3.36</u>
1xxx Total assets		<u>\$34,384,711</u>	<u>100.00</u>	<u>\$32,263,680</u>	<u>100.00</u>

(Continued)

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

Unit: NT\$ thousand

	Liabilities and equity	Note	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
21XX	Current liabilities					
2100	Short-term borrowings	IV, VI(XIV), VII, VIII	\$3,655,250	10.63	\$4,488,806	13.91
2110	Short-term bills payable	VI(XIV), VII, VIII	3,896,969	11.33	4,154,322	12.88
2130	Contract liabilities - current	VI(XXIV)	561,568	1.63	495,703	1.54
2150	Notes payable	IV	81,799	0.24	80,224	0.25
2160	Notes payable - related parties	IV, VII	90,004	0.26	120,006	0.37
2170	Trade payables	IV	16,566	0.05	24,886	0.08
2180	Trade payables - related parties	IV, VII	574,791	1.67	784,797	2.43
2200	Other payables		45,019	0.13	48,658	0.15
2220	Other payables - related parties	VII	325	0.00	422	0.00
2230	Current tax liabilities	IV	190,965	0.56	156,680	0.49
2250	Provisions - current	IV, VI(XV)	44,708	0.13	35,817	0.11
2280	Lease liabilities - current	VI(XIX)	1,080	0.00	1,062	0.00
2322	Long-term borrowings due within one operating cycle	VI(XVIII), VII, VIII	46,558	0.14	135,833	0.42
2335	Collection	VI(XVI), VII	66,979	0.19	86,909	0.27
2399	Other current liabilities - others	VI(XVII)	26,752	0.08	0	0.00
21XX	Total current liabilities		\$9,299,333	27.04	\$10,614,125	32.90
25XX	Non-current liabilities					
2540	Long-term borrowings	VI(XVIII), VII, VIII	\$8,608,475	25.04	\$6,862,034	21.27
2570	Deferred tax liabilities	VI(XXXI)	22,825	0.07	38,408	0.12
2580	Lease liabilities - non-current	VI(XIX)	61,548	0.18	62,628	0.19
2640	Net defined benefit liabilities - non-current	IV, VI(XXIX)	22,407	0.06	21,392	0.07
2645	Deposits received	VI(XX)	4,277	0.01	2,878	0.01
25xx	Total non-current liabilities		\$8,719,532	25.36	\$6,987,340	21.66
2XXX	Total liabilities		\$18,018,865	52.40	\$17,601,465	54.56
3XXX	Equity					
3110	Share capital - ordinary shares	VI(XXI)	\$3,717,590	10.81	\$3,711,931	11.50
3211	Paid-in capital - ordinary shares premium	VI(XXII)	13,865	0.04	0	0.00
3300	Retained earnings					
3310	Legal reserve	VI(XXIII)	1,539,903	4.48	1,371,436	4.25
3350	Unappropriated earnings	VI(XXIII)	11,094,488	32.27	9,578,848	29.69
3300	Total retained earnings		\$12,634,391	36.75	\$10,950,284	33.94
3XXX	Total equity		\$16,365,846	47.60	\$14,662,215	45.44
	Total liabilities and equity		\$34,384,711	100.00	\$32,263,680	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.
Parent Company Only Statement of Comprehensive Income
As of 31 December 2021 and 2020

Code	Account titles	Note	Unit: NT\$ thousand			
			2021		2020	
			Amount	%	Amount	%
4000	Operating revenue					
4110	Sales revenue		\$6,503,060	100.00	\$8,489,962	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(XXIV)	\$6,502,887	100.00	\$8,488,200	100.00
5000	Cost of revenue		3,883,411	59.72	5,575,373	65.68
5900	Gross profit		\$2,619,476	40.28	\$2,912,827	34.32
6000	Operating expenses	VI(XXXII)				
6100	Selling and marketing expenses		346,818	5.33	538,200	6.34
6200	General and administrative expenses		128,111	1.97	129,260	1.53
6000	Total operating expenses		\$474,929	7.30	\$667,460	7.87
6900	Operating income to capital (%)		\$2,144,547	32.98	\$2,245,367	26.45
7000	Non-operating income and expenses					
7100	Interest income	VI(XXV)	\$233	0.00	\$207	0.00
7010	Other income	(XXVI)	2,332	0.04	6,092	0.07
7020	Other gains and losses	VI(XXVII)	25,222	0.39	-18,458	-0.22
7050	Finance costs	VI(XXVIII)	-186,150	-2.86	-244,175	-2.88
7070	Share of profit or loss of subsidiaries, associates, and joint ventures accounted for using the equity method	VI(IX)	-59,470	-0.92	-56,115	-0.66
7000	Total non-operating income and expenses		(\$217,833)	-3.35	(\$312,449)	-3.69
7900	Net income before tax		\$1,926,714	29.63	\$1,932,918	22.76
7950	Income tax expense	IV, VI(XXXI)	239,305	3.68	248,026	2.92
8200	Net income after tax		\$1,687,409	25.95	\$1,684,892	19.84
8300	Other comprehensive income					
8310	Items not reclassified to profit or loss					
8311	Remeasurement of defined benefit plans	IV, VI(XXIX)	(\$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(XXXI)	-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	25.90	\$1,684,676	19.84
9750	Basic earnings per share (NT\$)	IV, VI(XXII)	\$4.54		\$4.48	
9850	Diluted earnings per share (NT\$)	IV, VI(XXII)	\$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.
Parent Company Only Statement of Changes in Equity
From January 1 to December 31, 2021 and 2020

Unit: NT\$ thousand

Code	Ledger Account Summary	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						0
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
Parent Company Only 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:			BBBB	Cash flow from investing activities:		
A10000	Current year net profit before tax	\$1,926,714	\$1,932,918	B00100	Acquisition of financial assets at fair value through profit or loss	\$0	(\$183,079)
A20000	Adjustment items:			B00200	Disposal of financial assets at fair value through profit or loss	115,183	162,585
A20010	Revenue, expense and loss that do not affect the cash flows:			B01800	Acquisition of investment accounted for using the equity method	(70,000)	(70,000)
A20100	Depreciation expenses	64,068	64,064	B02700	Acquisition of property, plant, and equipment	0	(611)
A20200	Amortization expenses	4,320	4,317	B03700	Increase in refundable deposits	(208,640)	(4,634)
A20400	Net loss (gain) on financial assets at fair value through profit or loss	(21,357)	7,599	B03800	Decrease in refundable deposits	209,060	8,871
A20900	Interest expenses	186,150	244,175	B04500	Acquisition of intangible assets	(100)	(279)
A21200	Interest income	(233)	(207)	B05400	Acquisition of investment properties	0	(1,268)
A21300	Dividend income	0	(710)	B06500	Increase in other financial assets	(66,156)	0
A22300	Share of profit or loss of associates accounted for using the equity method	59,470	56,115	BBBB	Net cash outflow from investing activities	(20,653)	(\$88,415)
A23100	(Gain) Loss on disposal of investments	(3,896)	10,365	CCCC	Cash flows from financing activities:		
A20010	Total revenue, expense and loss that do not affect the cash flows:	\$288,522	\$385,718	C00100	Proceeds from short-term borrowings	\$16,716,020	\$24,334,940
A30000	Changes in operating assets and liabilities			C00200	Proceeds from short-term bills payable	(17,549,576)	(24,800,914)
A31000	Net changes in operating assets			C00500	Proceeds from short-term bills payable	14,730,000	28,057,200
A31130	Repayments of short-term borrowings	(\$11,523)	\$68,551	C00600	Repayments of short-term bills payable	(14,987,000)	(28,120,200)
A31150	Increase in trade receivables	(28,529)	(51,318)	C01600	Proceeds from long-term loans	1,990,518	3,962,000
A31180	Decrease (increase) in other receivables	750,092	(749,952)	C01700	Proceeds from long-term borrowings	(333,352)	(7,690,188)
A31200	Decrease (increase) in inventories	(2,317,367)	4,485,957	C03000	Increase in deposits received	2,739	0
A31230	(Increase) decrease in prepayments	(88,156)	102,490	C03100	Decrease in deposits received	(1,340)	(133,958)
A31240	(Increase) decrease in other current assets	(82,340)	2,580	C04020	Repayment of the principal portion of lease liabilities	(1,062)	(1,044)
A31000	Total net changes in operating assets	(\$1,777,823)	\$3,858,308	C04900	Treasury stock repurchase cost	0	(463,462)
A32000	Net change in operating liabilities			CCCC	Cash inflows (outflow) from financing activities:	\$566,947	(\$4,855,626)
A32125	Increase in contract liabilities - current	\$65,865	\$19,973				
	Gain (loss) in notes payable	(28,427)	64,638	EEEE	Increase in current cash and cash equivalent	\$425,735	\$229,028
A32130	Decrease in accounts payable	(218,326)	(644,221)	E00100	Cash and cash equivalent at the beginning of the period	547,398	318,370
A32150	Increase in other payables	16,734	15,423	E00200	Cash and cash equivalent at the end of the period	\$973,133	\$547,398
A32180	Increase in provisions	8,891	4,313				
A32200	Increase (decrease) in other current liabilities	6,822	(2,463)				
A32230	Decrease in net defined benefit liabilities	(3,112)	(3,509)				
A32240	Total net changes in operating liabilities	(\$151,553)	(\$545,846)				
A32000	Cash inflow (outflow) from operating activities	\$285,860	\$5,631,098				
A33000	Interest received	233	208				
A33100	Dividend received	0	710				
A33200	Interest paid	(187,449)	(250,572)				
A33300	Income tax return	2,556	0				
A33500	Income tax paid	(221,759)	(208,375)				
A33500	Net cash inflow (outflow) from operating activities	(\$120,559)	\$5,173,069				
AAAA							

(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 Parent Company Only 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 mainly engages in residential and building development, lease and sale, development of specific professional areas and zoning and rezoning agency business.

II. Approval Date and Procedures of the Financial Statements

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

III. Application of New, Revised, and Amended Standards and Interpretations

- (I) Effect of the application of new and amended International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations ("IFRIC"), and SIC Interpretations ("SIC" collectively, "IFRSs") as endorsed by the Financial Supervisory Commission ("FSC"):

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
<ul style="list-style-type: none"> • Amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9 	<p>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:</p>	<p>January 1, 2021</p>

New Standards, Interpretations and Amendments	Major Amendments	Effective Date of Issuance by the IASB
<ul style="list-style-type: none"> Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase II" 	<p>Recognition and Measurement", instead of IFRS 9 before January 1, 2023.</p> <p>The impacts of Interest Rate Benchmark Reform - Phase II on the financial statements include:</p> <p>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.</p> <p>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</p> <p>C. The Company is required to disclose the risks arise from the reform and the Company's risk management in the transition.</p>	January 1, 2021
<ul style="list-style-type: none"> Amendments to IFRS 16 - COVID-19 – Related Rent Concessions After June 30, 2021 	<p>This amendment extends IFRS 16 dated May 2020 to provide lessees with a practical expediency for the option to be exempted from the assessment of whether the rent reduction associated with the COVID-19 is a lease modification, and lessees may elect to be treated as a lease payment change other than a lease modification, until any reduction in lease payment affects only the payment originally due before June 30, 2022, and there have been no material changes to the other terms and conditions of the lease.</p>	April 1, 2021 (Note)

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

The Company assessed the effects of application and interpretation of 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
<ul style="list-style-type: none"> • Amendments to IFRS 3 - Reference to the Conceptual Framework 	<p>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.</p> <p>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.</p>	January 1, 2022
<ul style="list-style-type: none"> • Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use 	<p>The amendments prohibit a company from deducting from the cost of property, plant, and equipment amounts received from selling items produced when the Company realize the asset for its intended stated of use. Instead, a company will recognize such selling price and related cost in profit or loss.</p>	January 1, 2022
<ul style="list-style-type: none"> • Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract 	<p>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.</p>	January 1, 2022

New Standards, Interpretations and Amendments	Major Amendments	Effective Date of Issuance by the IASB
<ul style="list-style-type: none"> Annual Improvements to IFRS Standards 2018-2020 	<p>Amendment to IFRS 1 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.</p> <p>Amendment to IFRS 9 - Financial instruments 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.</p> <p>Amendments to IFRS 16 - Leases The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.</p> <p>Amendment to IAS 41 The amendment removes a requirement to exclude cash flows from taxation</p> <p>When measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.</p>	<p>January 1, 2022</p>

2. The Company assessed the above standards and interpretations and there is no significant impact to 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
<ul style="list-style-type: none"> Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture 	<p>This project addresses the acknowledged inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that</p>	<p>To be determined by IASB</p>

New Standards, Interpretations and Amendments	Major Amendments	Effective Date of Issuance by the IASB
<ul style="list-style-type: none"> IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts" 	<p>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. The 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.</p> <p>IFRS 10 was also amended so that the gains or loss resulting from the 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.</p> <p>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 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 (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.</p> <p>The carrying amount of the</p>	<p>January 1, 2023</p>

New Standards, Interpretations and Amendments	Major Amendments	Effective Date of Issuance by the IASB
<ul style="list-style-type: none"> Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information 	<p>insurance contract group at the end of each reporting period is the sum of the remaining security liabilities and the claims liabilities incurred.</p> <p>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).</p> <p>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 January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim standard - IFRS 4 Insurance Contracts - from annual reporting periods beginning on or after January 1, 2023.</p> <p>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</p>	<p>January 1, 2023</p>

New Standards, Interpretations and Amendments	Major Amendments	Effective Date of Issuance by the IASB
<ul style="list-style-type: none"> Amendment to IAS 1 - Classification of Liabilities as Current or Non-current 	<p>method.</p> <p>The amendments target sections 69-76 in IAS 1 - Presentation of Financial Statements concerning the classification of liability as either current or non-current.</p>	January 1, 2023
<ul style="list-style-type: none"> Amendments to IAS 1 - Disclosure Initiative-Accounting Policies 	<p>The amendments apply the concept of material to the disclosure of accounting policies. Enterprises should refer to the definition of material to disclose information of material accounting policies; clarify that accounting policy information related to transactions, other events or circumstances that are not material and that a company is not required to disclose such information; and clarify that all accounting policy information that is not related to a transaction, other event or circumstance that is material is material to the Company's financial statements.</p>	January 1, 2023
<ul style="list-style-type: none"> Amendments to IAS 8 - Definition of Accounting Estimates 	<p>The amendments introduce a new definition of an accounting estimate that clarifies that an accounting estimate is a monetary amount in the financial statements that is subject to measurement uncertainty. The amendments also clarify 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.</p>	January 1, 2023
<ul style="list-style-type: none"> Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction 	<p>The amendments narrow the scope of the exemption for the recognition of deferred income tax in paragraphs 15 and 24 of IAS12 "Income tax", so that the exemption does not apply to transactions which result in the same taxable amount and deductible temporary differences at the time of original recognition.</p>	January 1, 2023

2. The Company has continued to assess the effects of the above standards and interpretations on its financial position and performance, and will disclose related impacts upon completion of the assessment.

IV. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these parent company only financial statements are set out below. Unless otherwise specified, the policies shall be applicable to all reporting periods presented.

(I) Compliance Statement

The parent company only financial statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers"

(II) Basis of Preparation

1. Except for the following significant items, these parent company only financial statements have been prepared on the historical cost basis: Historical costs are usually determined by the fair value of consideration paid for assets acquired.

(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. The preparation of financial report in compliance with International Financial Reporting Standards (IFRS) endorsed by the FSC requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Please refer to Note V for items involving in a higher degree of judgment or complexity or items involving in significant assumptions and estimates to the parent Company Only Financial Statements.

3. Functional currency and presentation currency

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

(III) 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 shall be presented under "Other gains and losses" in the Income Statement.

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

The 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. An asset that meets any of the following conditions shall be classified as current asset:
 - (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 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 Company classifies all liabilities that do not meet the above conditions as non-current.

(V) 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.

(VI) Financial Instruments

Financial assets and liabilities will be recognized in the parent company onlyd balance sheets when the 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.

(VII) 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 Company shall be consistently on the trade date or the settlement date.

1. Types of measurement

Financial assets held by the Company are classified as financial assets 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 at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include equity instrument investments not designated by the 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 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 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, financial assets at amortized cost (including cash and cash equivalents, notes receivable and trade receivable), other receivables (including related parties) and refundable deposits), are subsequently measured at amortized cost where the initially recognized amount plus or minus the accumulated amortization calculated by the effective rate method and is adjusted for any loss allowance. Any interest income, foreign currency exchange gains and losses and impairment losses are recognized in profit and loss. When derecognizing, 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 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 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 Company is entitled to receive dividends (usually the ex-dividend date).

2. Impairment of financial assets

The 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 trade receivable (including long-term notes receivable and trade receivable), other receivables (including related parties) and refundable deposits, investments in debt instruments at fair value through other comprehensive income, and expected credit losses on contract assets, and recognizes the allowance for losses.

Allowances shall be appropriated for notes receivable, trade receivables, 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. In determining whether the credit risk of a financial asset has increased significantly since the initial recognition, the Company considers reasonable and verifiable information which is available without excessive cost or effort, including qualitative and quantitative information, as well as analysis based on the Company's historical experience, credit assessments 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. The credit loss is measured by the present value of all cash shortfall, that is, the difference between the cash flows that the Company can collect under the contract and the cash flows that the Company expects to receive. Expected credit losses are discounted at the effective interest rate on financial assets.

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 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 the 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.

When the Company cannot reasonably anticipate the recovery of financial assets in whole or in part, it directly reduces the total carrying amount of its financial assets. The Company analyzes the timing and amount of the write-off on the basis of whether it is reasonably expected to be recovered. The Company expects that the amount written off will not be materially reversed. However, the written-off AMOUNT assets may still be enforced to comply with the procedures for the Company to recover the overdue amount.

3. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights derived from the cash flows of the financial asset are invalid, or it has transferred a financial asset and virtually has transferred all the risks and rewards of the ownership of the asset to another enterprise, or virtually has neither transferred nor retained the ownership of all of the risks and rewards and nor retained the control of the financial asset.

On derecognition 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 derecognition 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.

(VIII) Classification Tools for Financial Liabilities and Equity

1. Financial liabilities and equity instruments

Debt and equity instruments issued by the 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 Company's residual interest after subtracting liabilities from assets.

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

The repurchase of equity instruments issued by the Company is recognized in equity as a deduction. The purchase, sale, issuance, or write-off of the 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 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 Company presents financial assets and liabilities on a net basis when the 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.

(IX) 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.

(X) Investment Accounted for Using The Equity Method

The Company has adopted the equity method for investments in subsidiaries. Subsidiaries refer to entities controlled by the Company.

The Company's investments in subsidiaries is expressed as "investment using the equity method" and evaluated and adjusted as necessary in accordance with Article 21 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", so that the current profit and loss and other comprehensive profit and loss of the Parent Company Only Financial Reports are the same as the apportionment of the current profit and loss and other comprehensive income attributable to the owners of the parent company in the financial reports prepared on a consolidated basis, and the owner's equity of the Parent Company Only Financial Reports is the same as the owner's equity attributable to the owners of the parent company in the financial reports prepared on the consolidated basis.

Under the equity method, the investment is initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive income and profit distribution of the subsidiaries. In addition, the Company also recognizes changes in other interests in subsidiaries in proportion to the Company's ownership.

When a change in the Company's ownership interests in a subsidiary does not cause it to lose control of the subsidiary, it shall be accounted for as an equity transaction. The difference between the carrying amount of the investments and the fair value of the consideration paid or received is recognized directly in equity.

When the Company loses control over a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date of loss of control, and takes it as the initially recognized fair value of the financial asset or the initially recognized cost of the investments in associates or joint ventures. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. The Company accounted for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be

required if the Company had directly disposed of the related assets and liabilities.

When the Company's share of losses of a subsidiary exceeds its equity in said subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term equity that, in substance, forms part of the Company's net investment in said subsidiary), the Company continues recognizing its share of further losses.

The unrealized profit or loss in downstream transactions between the Company and the subsidiary shall be eliminated in the parent company only financial statements. The gains and losses arising from the countercurrent and side current transactions between the Company and its subsidiaries shall be recognized in the parent company only financial statements only to the extent not related to the Company's equity in the subsidiaries.

(XI) 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 Company's major assets are as follows

Office Equipment 3 ~ 5 years

Other Equipment 5 years

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.

(XII) Leases

1. Identifying a lease

The 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 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 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 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 Company will maximize the use of observable information to estimate their respective single unit prices.

2. Where the 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 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 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 or full termination of the lease liability, and any gain or loss resulting from the aforementioned derecognition is immediately recognized in profit or loss.

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

For the short-term lease of transportation equipment and the lease of low-value underlying assets, the Company chooses not to recognize the right-of-use assets and lease liabilities, but recognizes the relevant lease payments as expenses on a straight line basis during the lease term in instead.

3. Where the 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 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 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.

(XIII) Investment Properties

Investment property is real estate held for rent or for capital appreciation or both (including real estate under construction for such purposes). Investment property also includes land that has not yet been determined for future use, and is considered to be held for capital appreciation.

Investment property is initially measured at costs (including transaction costs) and is subsequently measured at costs less accumulated depreciation and accumulated impairment losses.

The Company provides depreciation on a straight-line basis, which is the balance of the asset cost less the residual value over the estimated useful life of the investment real estate. The useful life of investment property buildings and construction is 5 to 45 years.

The cost of self-constructed investment property includes the cost of raw materials and construction, any other costs directly attributable to bringing the investment property to a serviceable condition, and the capitalized cost of borrowings.

Investment property is derecognized when it is disposed of or permanently ceased to be used and no future economic benefits are expected from the disposal. The amount of gain or loss arising from the derecognition of investment property is the difference

between the net disposal price and the carrying amount of the asset and is recognized in profit or loss for the period.

When the use of investment property is changed, the reclassification is based on the carrying amount of the property at the time of the change of use.

(XIV) Intangible Assets

The intangible assets acquired by the Company with limited useful life 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 rights:	50 years (subject to contract)
Computer software:	3 ~ 5 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 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 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 guarantee deposits of the Company mainly include engineering performance bond and lease deposit, of which the engineering performance bond is the bond collected by the Company under the construction contract to ensure the performance of the construction. 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 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 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. Financial composition

The 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 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.

3. 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 Company and the amount of revenue can be measured reliably. The related costs are recognized in line with revenues.

4. Incremental costs of obtaining a contract

If the 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 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 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 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 remeasurement 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 compensation is issued in stock, the number of shares shall be calculated based on the closing price of the day prior to the resolution of 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 of income tax payable or tax refund receivable for 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 investment in subsidiaries, affiliates and joint venture equity, of which the Company can control the timing and which are unlikely to reverse in the foreseeable future; and
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) Segment information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses.

(XXIV) Earnings per share

The 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 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 Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The 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.

(XXV) Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are approved by the 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.

(XXVI) Treasury shares

Issued shares repurchased 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. Main Source of Significant Accounting Judgment, Estimation, and Assumption Uncertainties

The preparation of these parent company only financial statements requires management to make critical judgments for applying the 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) Impairment assessment of investment properties

In evaluating the impairment of investment properties, the Company uses the income method of the valuation method to calculate rents based on the useful life of the property and uses the discount factor to capitalize the real estate price as the basis for evaluation. Any changes in the market, changes in economic conditions, obsolescence, physical damage, interest rates, etc., may cause changes in the future.

(II) Valuation of inventories

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

using judgments and estimates.

The 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 primarily based on the nature of inventory, the actual selling prices of neighboring regions inquired, the selling prices of units sold, the return on investment analysis form or the valuation report provided by an external real property appraiser, and is therefore subject to significant changes.

(III) Provisions

Provisions are provisions for post-sale warranty liabilities, which are the present value of the 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 a reasonable estimate based on the possible audit results by the tax authority where the Company operates. The provision amount is based on different factors, such as past tax audit experience and differences in the interpretation of tax laws by the taxable subject and the 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. Descriptions of Material Accounting Items

(I) Cash and cash equivalent

Item	December 31, 2021	December 31, 2020
Cash on hand and petty cash	\$78	\$78
Demand deposits	972,864	497,196
Checking deposits	191	50,124
Total	\$973,133	\$547,398

1. The 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 Company' pre-sale construction project trust funds and other portions with restriction on use, please refer to Note XIII.
3. For the disclosed information on the interest rate risk and sensitivity analysis of the financial assets and liabilities of the 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 Company's investment in domestic unlisted stocks has been designated as investments at fair value through profit or loss.
2. The Company recognized a valuation gain of NT\$21,357 thousand in 2021 and a valuation loss of NT\$7,599 thousand in 2020, a disposal gain of NT\$3,896 thousand in 2021 and a disposal loss of NT\$10,365 thousand in 2020 for financial assets at fair value through profit or loss.
3. The Company has disclosed the credit and interest rate risks associated with financial instruments in Note XII.
4. None of the financial assets of the 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
Trade receivables		
Measured at amortized cost		
Less than 1 year	\$130,046	\$101,517
Over 1 year	22	22
Less: Allowance for doubtful accounts - Trade receivables	(22)	(22)
Total	\$130,046	\$101,517

1. The 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 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 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 Company applies the simplified approach on the estimation of expected credit losses for all notes receivable (including long-term notes receivable) and trade receivables, 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 trade receivables of the Company is as follows:

	December 31, 2021		
	Carrying amount of notes receivable (including long-term notes receivable) and trade receivables	Weighted average expected credit loss ratio	Allowance for expected credit losses during the period
Not overdue	\$181,728	0%	\$0
Less than 60 days	0	0%	0
Over 365 days	22	100%	22
Total	<u>\$181,750</u>		<u>\$22</u>

	December 31, 2020		
	Carrying amount of notes receivable (including long-term notes receivable) and trade receivables	Weighted average expected credit loss ratio	Allowance for expected credit losses during the period
Not overdue	\$141,676	0%	\$0
Less than 60 days	0	0%	0
Over 365 days	22	100%	22
Total	<u>\$146,180</u>		<u>\$22</u>

The changes in the allowance for losses on notes and trade receivables of the Company were as follows:

	December 31, 2021	December 31, 2020
Beginning balance	\$22	\$22
Increase in the current period	0	0
Ending balance	<u>\$22</u>	<u>\$22</u>

5. The majority of the credit period of the 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 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 Company's notes receivable (including long-term notes receivable) and trade receivables (including installment receivables) 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	128	240
Total	<u>\$211</u>	<u>\$750,303</u>

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 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
Less: Provision for loss of inventory	(542)	(542)
Total	<u>\$31,498,764</u>	<u>\$29,181,397</u>

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	<u>\$5,353,441</u>	<u>\$7,612,198</u>
Less: Provision for loss of inventory	(403)	(403)
Net	<u>\$5,353,038</u>	<u>\$7,611,795</u>

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	<u>\$1,798,448</u>	<u>\$3,067,455</u>
Less: Provision for loss of inventory	(139)	(139)
Net	<u><u>\$1,798,309</u></u>	<u><u>\$3,067,316</u></u>

Item	December 31, 2021		
	Land under construction	Construction in progress	Total
3. Land under construction and construction in progress			
Fuhe Section No. 698-1	\$353,729	\$84,468	\$438,197
Aiqun No. 248, 5 in total (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	<u>\$2,048,692</u>	<u>\$1,363,468</u>	<u>\$3,412,160</u>

Item	December 31, 2020		
	Land under construction	Construction in progress	Total
3. Land under construction and construction in progress			
Fuhe Section No. 698-1	\$353,729	\$76,007	\$429,736
Aiqun 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	693,265	258,844	952,109
Total	<u>\$2,018,413</u>	<u>\$694,670</u>	<u>\$2,713,083</u>

Item	December 31, 2021	December 31, 2020
4. 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 Qiaotou 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	<u>\$20,618,705</u>	<u>\$15,648,922</u>

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 Qiaotou Shixing Section No. 935-1	1,000	0
Subtotal	<u>\$316,552</u>	<u>\$140,281</u>

6. The above-listed construction in progress 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.
7. 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 construction sites and prepaid land was NT\$8,297 thousand and NT\$56 thousand in 2021 and 2020, respectively.

8. Please refer to Note VIII to the financial statements for the pledge of premises for sale, construction in progress and construction sites.
9. Cost of goods sold related to inventories amounted to NT\$3,804,333 thousand and NT\$5,511,598 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	\$546,000	\$431,447
Input tax	35	513
Tax overpaid retained for offsetting the future tax payable	0	25,919
Total	\$546,035	\$457,879

Prepaid expenses consist of prepayments for various services, costs related to construction in progress and insurance premiums.

(VII) Other current assets

Item	December 31, 2021	December 31, 2020
Tax refunds	\$0	\$14
Payments on behalf of others	2,966	8,565
Incremental costs of obtaining contracts	87,953	0
Total	\$90,919	\$8,579

Incremental cost of obtaining a contract is the commission paid to the agent for obtaining the agreement for sale and purchase of premises which the Company expects to recover and is therefore recognized as an asset.

(VIII) Other financial assets - current

Item	December 31, 2021	December 31, 2020
Restricted bank deposits	\$66,156	\$0

Other financial assets - current are the pre-sale project construction trust funds, advance payment performance trust and reserve account the Company, which are pledged as collateral for bank deposits. Please refer to Note VIII for details.

(IX) Investments accounted for using the equity method

Name of Investee	December 31, 2021		December 31, 2020	
	Amount	Sharehold ing	Amount	Sharehold ing
H2O Hotel Co., Ltd.	\$65,100	100%	\$54,570	100%

(1) For information about the Company's subsidiaries, please refer to the 2021 Consolidated Financial Statements of the Company.

(2) Aggregate financial information of the Company's associates is as follows.

Balance Sheet

	H2O Hotel Co., Ltd.	
	December 31, 2021	December 31, 2020
Current assets	\$125,804	\$98,650
Non-current assets	2,438,533	2,504,894
Current liabilities	(174,239)	(162,438)

Non-current liabilities	(2,364,016)	(2,412,742)
Net assets	\$26,082	\$28,364

Comprehensive Income Statement

	H2O Hotel Co., Ltd.	
	December 31, 2021	December 31, 2020
Net Operating Revenue	\$190,621	\$225,927
Gross profit	\$35,352	\$49,273
Net Income	(\$72,267)	(\$69,215)
Other comprehensive income/(loss) (after tax)	\$0	\$0
Total comprehensive income in the current period	(\$72,267)	(\$69,215)

- (3) The investment income or loss recognized under the equity method is based on the financial statements of the subsidiaries for the same period audited by a certified public accountant, and the share of investment income or loss is recognized based on the holding period. In December 2021 and December 2020, H2O Hotel Co., Ltd. increased its capital by cash in the amount of NT\$70,000 thousand, all of which was invested by the Company. The investment cost of the investment in H2O Hotel Co., Ltd. was NT\$390,000 thousand and NT\$320,000 thousand as of December 31, 2021 and 2020, respectively. The share of loss recognized for the subsidiary was NT\$72,267 thousand and NT\$69,215 thousand in 2021 and 2020, respectively.
- (4) The Company leases real estate to its subsidiary, H2O Hotel Co., Ltd. which is classified as a right-of-use asset and lease liability under IFRS 16 as of January 1, 2019, while the Company is classified as an operating lease, resulting in a difference in profit or loss recognition, the amount of which affects the Company's share of benefit recognized using the equity method by NT\$12,797 thousand and NT\$13,100 thousand in 2021 and 2020, respectively.

(XII) Property, plant and equipment

	Office Equipment	Other Equipment	Total
Cost			
2021.01.01	\$5,255	\$1,231	\$6,486
Disposal and obsolescence	(363)	0	(363)
2021.12.31	\$4,892	\$1,231	\$6,123
2020.01.01	\$5,748	\$783	6,531
Increase	0	611	611
Disposal and obsolescence	(493)	(163)	(656)
2020.12.31	\$5,255	\$1,231	\$6,486
Accumulated depreciation and impairment			
2021.01.01	\$3,545	\$465	\$4,010
Depreciation	1,057	247	1,304
Disposal and obsolescence	(363)	0	(363)
2021.12.31	\$4,239	\$712	\$4,951

2020.01.01	\$2,861	\$423	\$3,284
Depreciation	1,177	205	1,382
Disposal and obsolescence	(493)	(163)	(656)
2020.12.31	<u>\$3,545</u>	<u>\$465</u>	<u>\$4,010</u>
Net carrying amount			
2021.12.31	<u>\$653</u>	<u>\$519</u>	<u>\$1,172</u>
2020.12.31	<u>\$1,710</u>	<u>\$766</u>	<u>\$2,476</u>
2020.01.01	<u>\$2,887</u>	<u>\$360</u>	<u>\$3,247</u>

The Company didn't pledge any property, plant and equipment as collateral.

(X) Right-of-use assets

1. Major lease activities and terms

- (1) The 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 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 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:

	<u>Land</u>
Cost of right-of-use assets	
Balance as of January 1, 2021	<u>\$65,760</u>
Balance as of December 31, 2021	<u>\$65,760</u>
Balance as of January 1, 2020	<u>\$65,760</u>
Balance as of December 31, 2020	<u>\$65,760</u>
Depreciation of right-of-use assets	
Balance as of January 1, 2021	<u>\$3,029</u>
Current depreciation	<u>1,515</u>
Balance as of December 31, 2021	<u>\$4,544</u>
Balance as of January 1, 2020	<u>\$1,515</u>
Current depreciation	<u>1,514</u>
Balance as of December 31, 2020	<u>\$3,029</u>
Carrying amount	
December 31, 2021	<u>\$61,216</u>
December 31, 2020	<u>\$62,731</u>

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

(XII) Investment properties

	<u>Buildings</u>
Cost	
2021.01.01	<u>\$971,633</u>

2021.12.31	<u>\$971,633</u>
2020.01.01	<u>\$973,094</u>
Purchase	1,223
Reversal with other payables	(2,684)
2020.12.31	<u>\$971,633</u>
Accumulated depreciation	
2021.01.01	\$223,942
Current depreciation	61,249
2021.12.31	<u>\$285,191</u>
2020.01.01	\$162,774
Current depreciation	61,168
2020.12.31	<u>\$223,942</u>
Net carrying amount	
2021.12.31	<u>\$686,442</u>
2020.12.31	<u>\$747,691</u>
2020.01.01	<u>\$810,320</u>

1. Investment properties - buildings were acquired from the Kaohsiung City Government for the construction of a tourist hotel at Longbei Section No. 22, and leased to a subsidiary upon completion. The rental income from investment real estate and direct operating expenses were as follows:

	January 1 to December 31, 2021	January 1 to December 31, 2020
Rental income from investment properties (recorded as operating income)	\$2,800	\$2,801
Direct operating expenses from investment properties that generate rental income in the current period	1,963	1,969

2. The fair value of investment properties - buildings as of December 31, 2021 and 2020 was NT\$2,219,399 thousand and NT\$2,203,554 thousand, respectively, which was derived from the amount discounted by the management of the Company from the rental income of investment properties, and was a level 3 fair value.
3. Please refer to Note VIII to the financial statements for the guarantees provided by investment properties.
4. Please refer to Note VI (XIX) for information on investment properties and land held by the Company for construction and premises for sale that are leased to others under operating leases.
- (XIII) Intangible assets

	Land use rights	Other intangible assets	Total
Cost			
Balance as of January 1, 2021	\$200,020	\$1,629	\$201,649

Increase	0	100	100
Derecognition maturity	0	(219)	(219)
Balance as of December 31, 2021	<u>\$200,020</u>	<u>\$1,510</u>	<u>\$201,530</u>
Balance as of January 1, 2020	<u>\$200,020</u>	<u>\$2,116</u>	<u>\$202,136</u>
Increase	0	279	279
Re-classification	0	(766)	(766)
Derecognition maturity	<u>\$200,020</u>	<u>\$1,629</u>	<u>\$201,649</u>
Balance as of December 31, 2020	<u>\$200,020</u>	<u>\$1,629</u>	<u>\$201,649</u>
Accumulated amortization and impairment			
Balance as of January 1, 2021	\$34,003	\$970	\$34,973
Amortization	4,000	320	4,320
Derecognition maturity	0	(219)	(219)
Balance as of December 31, 2021	<u>\$38,003</u>	<u>\$1,071</u>	<u>\$39,074</u>
Balance as of January 1, 2020	<u>\$30,002</u>	<u>\$1,420</u>	<u>\$31,422</u>
Amortization	4,001	316	4,317
Derecognition maturity	0	(766)	(766)
Balance as of December 31, 2020	<u>\$34,003</u>	<u>\$970</u>	<u>\$34,973</u>
Net carrying amount			
Balance as of December 31, 2021	<u>\$162,017</u>	<u>\$439</u>	<u>\$162,456</u>
Balance as of December 31, 2020	<u>\$166,017</u>	<u>\$659</u>	<u>\$166,676</u>
Balance as of January 1, 2020	<u>\$170,018</u>	<u>\$696</u>	<u>\$170,714</u>

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

Item	2021	2020
Manufacturing overheads	\$4,000	\$4,001
Operating expenses	320	316
Total	<u>\$4,320</u>	<u>\$4,317</u>

2. In July 2012, the Company entered into a land right deed with the Kaohsiung City Government for the establishment of the land at Plot No. 22, Longbei Section, Kaohsiung City, with a royalty amount of NT\$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 Company has been pledged as collateral.

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

	December 31, 2021	December 31, 2020
1. Short-term borrowings		
Secured loans	<u>\$3,655,250</u>	<u>\$4,488,806</u>
Interest rate range		
Secured loans	<u>1.55%~1.80%</u>	<u>1.387%~1.585%</u>

Repayment period	2022.01, 26~2023.05.05	2021.01.01~2023.05.25
2. Short-term bills payable	\$3,902,000	\$4,159,000
Less: Discount on short-term bills payable	(5,031)	(4,678)
Net	<u>\$3,896,969</u>	<u>\$4,154,322</u>
Interest rate range		
Short-term bills payable	<u>0.478%~1.538%</u>	<u>1.498%~1.623%</u>
Unused limit	<u>\$5,424,995</u>	<u>\$4,285,854</u>

The 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.

(XV) Provisions - current

	Warranty provision
Balance as of January 1, 2021	\$35,817
Newly increased liability provision for the period	8,891
Balance as of December 31, 2021	<u>\$44,708</u>
Balance as of January 1, 2020	\$31,504
Newly increased liability provision for the period	4,313
Balance as of December 31, 2020	<u>\$35,817</u>

Provisions 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.

(XVI) 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	27,669	30,504
Total	<u>\$66,979</u>	<u>\$86,909</u>

(XVII) Other current liabilities - others

Item	December 31, 2021	December 31, 2020
Tax payable	<u>\$26,752</u>	<u>\$0</u>

(XVIII) Long-term borrowings

Nature of borrowings	Borrowing period, repayment method and interest rate range	December 31, 2021	December 31, 2020
Long-term bank borrowings			

Nature of borrowings	Borrowing period, repayment method and interest rate range	December 31, 2021	December 31, 2020
Secured borrowings	From March 2020 to December 2028, interest is payable monthly, in one lump sum at maturity, at a floating rate of 1.73% as of December 31, 2021 and 2020.	\$1,765,000	\$1,765,000
Secured borrowings	From June 2019 to June 2026, interest is payable monthly, in one lump sum at maturity, at a floating rate of 1.7% and floating rate ranging from 1.7% to 1.75% as of December 31, 2021 and 2020 respectively.	607,000	694,000
Secured borrowings	Originally from January 3, 2012 to January 3, 2016, then extended to January 3, 2020, then extended to January 3, 2024, interest is payable monthly, in one lump sum at maturity with 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 monthly 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 recognized 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 monthly, in one lump sum at maturity, at a floating rate of 1.45% as of December 31, 2021 and 2020.	510,000	530,000
Secured borrowings	From March 2020 to March 2025, interest is payable monthly, in one lump sum at maturity, at a floating rate of 1.45% as of December 31, 2021 and 2020.	\$1,300,000	\$1,300,000
Secured borrowings	From October 2019 to October 2022, interest is payable monthly, in one lump sum at maturity, at a floating rate of 1.43% as of December 31, 2021 and 2020.	550,000	550,000
Secured borrowings	From November 2019 to November 2022, interest is payable monthly, in one lump sum at maturity, at a floating rate of 1.43% as of December 31, 2021 and 2020.	50,000	50,000
Secured borrowings	From January 2020 to January 2023, interest is payable monthly, in one lump sum at maturity, at a floating rate of 1.43% as of December 31, 2021 and 2020.	75,000	75,000
Secured borrowings	From November 2019 to November 2022, interest is payable monthly, in one lump sum at maturity, at a floating rate of 1.43% as of December 31, 2021 and 2020.	545,000	545,000

Nature of borrowings	Borrowing period, repayment method and interest rate range	December 31, 2021	December 31, 2020
Secured borrowings	From January 2020 to January 2023, interest is payable monthly, in one lump sum at maturity, at a floating 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 monthly in a lump sum at maturity with floating interest rates of 1.606881% and 1.606649% as of December 31, 2021 and 2020, respectively.	500,000	\$500,000
Secured borrowings	From October 2021 to October 2026, interest is paid on a monthly basis, the principal of NT\$100,000 thousand shall be repaid every six months after three years from the date of initial drawdown, and the remainder shall be repaid in a lump sum when due, at a floating rate of 1.80% as of December 31, 2021.	\$1,900,000	\$0
Secured borrowings	From July 2019 to July 2021, interest is paid on a monthly basis, the principal of NT\$50,000 thousand shall be repaid after one year from the date of initial drawdown, and the remainder shall be repaid in a lump sum when due, at floating interest rates of 1.55% and 1.7% as of December 31, 2020 and 2019, respectively. Borrowings due within one year recognized were NT\$89,986 thousand as of December 31, 2020, which was paid off in February 2021.	0	89,986
Total		\$8,655,033	\$6,997,867
Less: Net long-term borrowings due within one year or one operating cycle Use this segment		(46,558)	(135,833)
Net		<u>\$8,608,475</u>	<u>\$6,862,034</u>
Unused limit		<u>\$4,310,000</u>	<u>\$1,560,000</u>

Long-term bank borrowings were secured by the Company's own assets and real estate and stocks provided by related parties; please refer to Notes VII and VIII for details.

(XIX) Lease agreements

1. The 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 Company has no material issuance, repurchase or repayment of lease liabilities due to the addition or release of leases 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	\$6,587	\$7,491

Expense on leases with low-value underlying assets	\$215	\$215
Total cash flows on lease	<u>\$8,112</u>	<u>\$9,779</u>

The 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 Company adopted the practical expedient method of "COVID-19-Related Rent Concessions", and recognized the gains and losses on changes in lease payments arising from rent concessions as a deduction of interest expenses on lease liabilities in 2021.

2. Lessor lease (recorded as operating income)

- (1) The Company leases investment properties, 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 Company recognized rental income based on operating lease contracts (recorded as operating income) of NT\$63,038 thousand and NT\$67,596 thousand for the years ended December 31, 2021 and 2020.
- (3) The maturity analysis of lease payments under operating leases of the Company to report the total undiscounted lease payments to be received in the future is presented as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Within 1 year	\$92,296	\$71,305
1 to 5 years	224,342	34,437
Over 5 years	<u>22,047</u>	<u>14,398</u>
Non-discounted future cash flows of lease	<u>\$338,685</u>	<u>\$120,140</u>

- (4) The Company has one signed lease that are 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, such lease has not been collected since it was signed and thus is not included in the above table.
- (5) The Company holds lands for construction provided for lease as a parking lot for a period ranging from 5 to 10 years. The rent is charged at 73% to 75% of the operating income of the leased property, which is not included in the above undiscounted rental payment since the monthly revenue is calculated according to the actual number and time of parking and is variable.

(XX) Deposits received

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Lease deposits	<u>\$4,277</u>	<u>\$2,878</u>

(XXI) Share capital

1. As of December 31, 2021 and 2020, the 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 Company's outstanding ordinary shares at the beginning and end of the periods were deemed reconciled as follows: (Unit: thousand shares)

	<u>2021</u>	<u>2020</u>
January 1	371,193	384,846
Cancellation of repurchase treasury	0	(14,189)

shares

Capital increase by employee bonus	566	536
December 31	<u>371,759</u>	<u>371,193</u>

2. On August 12, 2021, the Company resolved by the shareholders' meeting to issue 565,925 new shares by transferring employees' remuneration of NT\$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's Board of Directors resolved to issue 535,736 new shares by transferring employees' remuneration of NT\$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's Board of Directors resolved to repurchase 10,000 thousand shares of the Company's ordinary shares. The repurchased 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's Board of Directors resolved to repurchase 5,000 thousand shares of the Company's common stock. The repurchased shares will be canceled and the actual number of repurchased 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
4th time	The Company	Maintain the Company's credit and shareholders' rights and interests, and handle the cancellation of shares	10,000	\$310,543
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		<u>0</u>	<u>\$0</u>

- (2) According to the Securities and Exchange Act, the number of shares outstanding repurchased by the Company shall not exceed 10% of the number of issued shares, and the total amount repurchased shall not exceed the sum of the Company's retained earnings, share premium, and realized capital surplus.
- (3) Treasury shares held by the Company may be neither pledged nor assigned rights in accordance with the Securities and Exchange Act.
- (4) On June 19, 2020, the Company's Board of Directors resolved to repurchase 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 repurchased 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 repurchased 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 Company may repurchase 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 Company's Board of Directors resolved to repurchase 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 repurchase 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 repurchased 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 Company may repurchase 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 Company's board of directors resolved to cancel 10,000 thousand and 4,189 thousand shares of treasury shares repurchased, 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	<u>\$13,865</u>	<u>\$0</u>

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.

(XXIII) 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. The percentage shall be determined by the board of directors after considering the financial condition of the Company, except that no cash dividends may be paid when the debt ratio in the annual financial statements exceeds 50%. 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(XXX) 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 December 31, 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

	2021	2020
Land revenue	\$3,052,029	\$4,208,689
Building revenue	3,387,993	4,213,677
Lease revenue	63,038	67,596
Return and discount of premises revenue	(173)	(1,762)
Total	\$6,502,887	\$8,488,200

(1) Revenue breakdown

	2021	2020
Major regional markets		
Taiwan	\$6,502,887	\$8,488,200

Major products/ service		
Premises revenue	\$6,439,849	\$8,420,604
Lease revenue	63,038	67,596
Total	<u>\$6,502,887</u>	<u>\$8,488,200</u>

	<u>2021</u>	<u>2020</u>
Timing of revenue recognition:		
At a fixed point in time	\$6,439,849	\$8,420,604
Performance obligations fulfilled over time	63,038	67,596
Total	<u>\$6,502,887</u>	<u>\$8,488,200</u>

(2) Contract liabilities - current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Sale of premises	\$560,581	\$494,825
Rental premises	987	878
Total	<u>\$561,568</u>	<u>\$495,703</u>

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

The 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\$318,557 thousand and NT\$365,871 thousand from January 1 to December 31, 2021 and 2020, respectively.

(XXV) Interest income

	<u>2021</u>	<u>2020</u>
Interest on bank deposits	\$203	\$145
Other interest income	30	62
Total interest income	<u>\$233</u>	<u>\$207</u>

(XXVI) Other income

	<u>2021</u>	<u>2020</u>
Dividend income	\$0	\$710
Other income - others	2,332	5,382
Total	<u>\$2,332</u>	<u>\$6,092</u>

(XXVII) Other gains and losses

	<u>2021</u>	<u>2020</u>
Gain (loss) on disposal of	\$3,896	(\$10,365)

financial assets at fair value through profit or loss		
Gain (loss) on valuation of financial assets at fair value through profit or loss	21,357	(7,599)
Others	(31)	(494)
Total	<u>\$25,222</u>	<u>(\$18,458)</u>

(XXVIII) Finance costs

	2021	2020
Interest expenses		
Bank borrowings	\$238,674	\$286,357
Less: Capitalization of interest	(52,524)	(42,182)
Finance costs	<u>\$186,150</u>	<u>\$244,175</u>

(XXIX) Post-retirement benefit plans

1. Defined contribution plans

The Company's retirement plan under the Labor Pension Act is a defined contribution retirement plan. The Company contributes 6% of employees' monthly salaries to the individual accounts of the Bureau of Labor Insurance. Under the plan, the Company has no legal or constructive obligation to make additional financial contributions after making fixed contributions to the Bureau of Labor Insurance. The Company recognized an expense of NT\$1,331 thousand and NT\$1,141 thousand in the parent company only statements of comprehensive income in 2021 and 2020, respectively.

	2021	2020
Selling and marketing expenses - Retirement benefits expenses	\$246	\$170
General and administrative expenses - Retirement benefits expenses	<u>\$1,085</u>	<u>\$971</u>

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 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 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 Company will make up the deficiency in one single appropriation before the end of March in the following year.

(1) The amount of retirement benefits expenses recognized in the parent company only 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	<u>\$510</u>	<u>\$779</u>
Remeasurements		
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	<u>\$4,127</u>	<u>\$270</u>

(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	<u>\$510</u>	<u>\$779</u>

(3) The amounts recognized in the parent company only 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	<u>\$22,407</u>	<u>\$21,392</u>

(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
Remeasurements		
Payment		
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	<u>\$46,737</u>	<u>\$45,532</u>

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

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at the beginning of the period	\$24,140	\$24,896
Expected return on plan assets	119	171
Remeasurements of plan assets (excluding net interest included in net defined benefit liabilities (assets))	345	814
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	<u>\$24,330</u>	<u>\$24,140</u>

(6) The fund asset of the 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 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 Company's contributions to the pension funds were deposited with Bank of Taiwan, were as follows:

<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>\$24,330</u>	<u>\$24,140</u>

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

<u>December 31, 2021</u>	<u>December 31, 2020</u>
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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 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
	<u>\$38,227</u>

(XXX) 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".

(XXXI) 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	<u>\$239,310</u>	<u>\$248,032</u>
2. Reconciliation of income tax expense to accounting profit		
	2021	2020
Accounting profit	<u>\$1,926,713</u>	<u>\$1,932,918</u>
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	(9,005)	(22,416)
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
Losses recognized under the equity method	11,894	11,223
Warranty provision	1,778	863
Losses deferred in future years and (offset)	0	(1,039)
Occurrence and reversal of temporary differences	(16,739)	(40,484)
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	<u>\$239,305</u>	<u>\$248,026</u>

3. Income tax recognized in other comprehensive income

	2021	2020
Deferred income tax gains (expense)		
Related to defined benefit plan remeasurement	(\$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 comprehensiv e income	Balance on 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
Total deferred tax assets	<u>\$16,945</u>	<u>\$1,156</u>	<u>\$825</u>	<u>\$18,926</u>
B. Deferred tax liabilities				
Inventories	<u>\$38,408</u>	<u>(\$15,583)</u>	<u>\$0</u>	<u>\$22,825</u>
(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
Total deferred tax assets	<u>\$11,274</u>	<u>\$5,617</u>	<u>\$54</u>	<u>\$16,945</u>
B. Deferred tax liabilities				
Inventories	<u>\$73,275</u>	<u>(\$34,867)</u>	<u>\$0</u>	<u>\$38,408</u>

5. The Company's business income tax settlement and declaration up until 2019 have been approved.

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

By nature \ By function	2021			2020		
	Operation costs	Operation expenses	Total	Operation costs	Operation expenses	Total
Employee benefit expenses						
Salary expenses	0	59,137	59,137	0	56,281	56,281
Labor and health insurance expenses	0	3,325	3,325	0	3,498	3,498
Retirement benefits expenses	0	1,841	1,841	0	1,920	1,920
Remuneration to Directors	0	2,299	2,299	0	1,760	1,760

Other employee benefits	0	7,807	7,807	0	9,764	9,764
Depreciation expenses	62,764	1,304	64,068	62,682	1,382	64,064
Depletion expenses	0	0	0	0	0	0
Amortization expenses	4,000	320	4,320	4,001	316	4,317

(1) Additional information on the number of employees and employee benefit expenses for 2021 and 2020 is as follows:

	2021	2020
Number of employees	42	39
Number of directors who do not serve as employees	5	4
Average employee benefit expenses	\$1,949	\$2,042
Average employee salary expenses	\$1,598	\$1,608
Average adjustment of employee salary expenses	-0.62%	5.79%

(2) The Company has established the Audit Committee to replace the supervisors in accordance with the regulations, therefore, no supervisors' remuneration has been recognized.

(3) Compensation policy of the Company: Directors and managers are remunerated according to their business performance, risk-taking and contribution level, with reference to the usual industry standard; the salaries of the Company's employees are based on their academic background, professional knowledge and skills, professional experience, and personal performance, and are flexibly varied according to operational conditions to motivate and retain outstanding employees; the annual salary adjustment is based on the employee's value and accumulation, and the salary adjustment items and amounts are prepared 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
Weighted average number of ordinary shares outstanding used for calculation of basic 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	371,884	376,391

outstanding used for calculation of diluted earnings per share (in thousands)

If the 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.

(XXXIV) Additional information regarding cash flows

Investment activities with only partial cash payment:

	2021	2020
Increase in investment properties	\$0	\$1,223
Net decrease in payables for construction	0	45
Cash paid during the year	\$0	\$1,268

(XXXV) 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	4,159,000	(257,000)	3,902,000
Long-term borrowings	6,997,867	1,657,166	8,655,033
Deposits received	2,878	1,399	4,277
Lease liabilities	63,690	(1,062)	62,628
Liabilities from the financing activities	\$15,712,241	\$566,947	\$16,279,188
	2020.1.1	Cash Flows	2020.12.31
Short-term borrowings	\$4,954,780	(\$465,974)	\$4,488,806
Face value of short-term bills payable	4,222,000	(63,000)	4,159,000
Long-term borrowings	10,726,055	(3,728,188)	6,997,867
Deposits received	136,836	(133,958)	2,878
Lease liabilities	64,734	(1,044)	63,690
Liabilities from the financing activities	\$20,104,405	(\$4,392,164)	\$15,712,241

VII. Related Party Transactions

(1) Names of related parties and their relationship

Name	Relationship with the Company
Chieh Chih Construction Co., Ltd.	Relative within the second degree of kinship of the Chairman of the Company is the Chairman of such

company.

Baihong Construction Co., Ltd. The Company's Chairman is the supervisor of such company

Meiyun S. Tsai Spouse of the chairman of the Company

H2O Hotel Co., Ltd. Subsidiary of the Company

Yangmin International Catering Co., Associate of the Company

Ltd.

(II) Significant transactions with related parties:

1. Sales

Name	2021		2020	
	Amount	Percentage of sales of the Company	Amount	Percentage of sales of the Company
Sale of premises				
Other related parties	\$0	0.00%	\$14,306	0.17%

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

H2O Hotel Co., Ltd.	\$38,526	0.59%	\$47,961	0.57%
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(1) The Company and H2O Hotel Co., Ltd. entered into a lease agreement for the use of investment properties, premises for sale and construction sites for the business and staff quarters of H2O Hotel Co., Ltd.

(2) The lease details are as follows

Lessee	Lease subject	Lease period	Rental charged per lease term	2021	2020
H2O Hotel Co., Ltd.	1F., No. 366, Minghua Rd., Gushan Dist., Kaohsiung City, 1 building and 163 units in total (Longbei Section No. 22)	2019/02/01~2022/01/31	The monthly rental income of NT\$6,500 thousand (including business tax) is calculated on a monthly basis and is collected by bank remittance. (Rent will be reduced by half from January to December in 2021, and from April to December in 2020 due to the epidemic)	\$37,143	\$46,429
H2O Hotel Co., Ltd.	8 levels at No. 300, Funong Rd., Gushan Dist., Kaohsiung City, 1 building in total (Longzhong Section No. 128-3)	2019/02/01~2022/01/31	The monthly rental income of NT\$32 thousand (including business tax) is calculated on a monthly basis and is collected by bank remittance.	366	366
H2O Hotel Co., Ltd.	No. 620, Meishu E. 2nd Rd., Gushan Dist., Kaohsiung City (Mei Shu Huang Ju)	2019/09/01~2027/08/31 (2019/09/01~2019/10/31 free during decoration period)	The rent will be calculated from November 1, 2019 at NT\$158 thousand per month (including business tax) and the rental income will be calculated on a monthly basis, all of which will be	903	1,128

H2O Hotel Co., Ltd.	No. 623, Mengzi Rd., Zuoying Dist., Kaohsiung City (King's Town Garden)	2020/09/01~2027/08/31	collected by bank remittance. (Rent will be reduced by half from January to December in 2021 due to the epidemic) The monthly rental income of NT\$10 thousand (including business tax) is calculated on a monthly basis and is collected by bank remittance.	114	38
Total				<u>\$38,526</u>	<u>\$47,961</u>

3. Contracting work (purchases)

Chieh Chih Construction Co., Ltd. and Baihong Construction Co., Ltd. are related parties of the Company, and the 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 Company entrusted Chien-Chih Construction Co., Ltd. to contract for various construction sites, accounting for 5.42% and 21.65% of the Company's total contracted work amount, respectively, and the contract prices and current shipments were as follows:

Site name	Contract price (including tax)	Purchases	
		2021	2020
Aiqun 2747 (World of Heart)	2,014,000	<u>\$328,598</u>	<u>\$238,109</u>

- (2) In 2021 and 2020, the 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 Company, respectively. The contract price and the current purchase price were as follows:

Site name	Contract price (including tax)	Purchases	
		2021	2020
Xin Zhuang No. 92 (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		<u>\$276,217</u>	<u>\$280,364</u>

4. Trade receivables, other receivables, note payables, trade payables, other payables, premises payment collection, and land payment collection.

Name of project and related party	December 31, 2021		December 31, 2020	
	Balance	Percentage	Balance	Percentage
(1) Trade receivables				
H2O Hotel Co., Ltd.	<u>\$3,371</u>	<u>2.59%</u>	<u>\$0</u>	<u>0.00%</u>
(2) Other receivables				
Meiyun S. Tsai	<u>\$128</u>	<u>60.66%</u>	<u>\$240</u>	<u>0.03%</u>

Other receivables represent receivables from landlords for their share of sales costs.

- (3) Notes payable

Chieh Chih Construction Co., Ltd.	\$55,002	32.01%	\$75,004	37.46%
Baihong Construction Co., Ltd.	35,002	20.37%	45,002	22.48%
Total	<u>\$90,004</u>	<u>52.38%</u>	<u>\$120,006</u>	<u>59.94%</u>
(4) Trade payables				
Chieh Chih Construction Co., Ltd.	\$298,857	50.54%	\$398,863	49.26%
Baihong Construction Co., Ltd.	275,934	46.66%	385,934	47.66%
Total	<u>\$574,791</u>	<u>97.20%</u>	<u>\$784,797</u>	<u>96.92%</u>
(5) Other payables				
H2O Hotel Co., Ltd.	\$192	0.42%	\$348	0.71%
Yangmin International Catering Co., Ltd.	133	0.30%	74	0.15%
Total	<u>\$325</u>	<u>0.72%</u>	<u>\$422</u>	<u>0.86%</u>
(6) Building collections				
Chieh Chih Construction Co., Ltd.	<u>\$0</u>	<u>0.00%</u>	<u>\$5,360</u>	<u>9.95%</u>
(7) Land collections				
Chieh Chih Construction Co., Ltd.	<u>\$0</u>	<u>0.00%</u>	<u>\$3,285</u>	<u>3.78%</u>

Deposits received represent construction contract performance deposits.

5. Lease expenses

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

The lease expenses are as follows:

Lessor	Lease subjects	Lease period	Rental charged per lease term	2021	2020
King's Town Construction Co., Ltd.	12F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City	2017/07/01 ~ 2020/06/30 2020/07/01 ~ 2023/06/30	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. Others

- (1) The Chairman of the 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 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 Company provided land at Qinghai Lot No. 216 and the Company's construction site, Qinghai Lot No. 229, as joint mortgages to banks and issued commercial promissory notes for NT\$1,765,000 and NT\$1,765,000, respectively, as of December 31, 2021 and 2020.
- (4) The Company's investment in associates is described in Note VI (IX).
- (5) In 2021 and 2020, the Company paid the related party, H2O Hotel Co., Ltd., expenses such as hospitality and venue fees, which were recorded as NT\$0 thousand and NT\$134 thousand for advertising, NT\$949 thousand and NT\$2,320 thousand for social networking, and NT\$223 thousand and NT\$35 thousand for miscellaneous expenses, respectively.
- (6) The Company's related party, Baihong Construction Co., Ltd. provided guaranteed promissory notes for the projects, which were recorded as NT\$134,566 thousand in both 2021 and 2020.
- (7) The Company's related party, Chien-Chih Construction Co., Ltd. provided guaranteed promissory notes for the construction work, which were recorded as NT\$288,812 thousand in both 2021 and 2020.

7. Information on remuneration to the management

	2021	2020
Short-term employee benefits	\$23,998	\$25,150

VIII. Pledged Assets

The carrying values of the 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
Investment properties	Secured borrowings	686,442	747,691
Other financial assets - current	Advances from construction project trust funds and performance bond	66,156	0
Refundable deposits	Disaster management guarantee	24,977	24,977
Total		<u>\$25,743,634</u>	<u>\$20,578,354</u>

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. As of December 31, 2021, the 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 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 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 case (Case No. 1202 of 2020) has been heard by the District Court in Qiaotou, Taiwan to rule that the Company won partially. The defendant, Hua Shang Building Management Committee, has lodged an appeal within the statutory period. The outcome of the case is still pending in court.
3. In 2019, the 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 failure to lease the land to the fitness company. The Company filed a lawsuit against the 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 No. 57 of 2021) is currently being heard by the Kaohsiung District Court in Taiwan, and the outcome of the case is still pending.
4. In 2020, the 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 failure to lease 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 No. 780 of 2021) is currently being heard by the Kaohsiung District Court in Taiwan, and the outcome of the case is still pending.

5. The 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 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 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 No. Shen Su Zi No. 1126 of 2020) has been rejected by the civil judgment of the Kaohsiung District Court in Taiwan, and the Committee has lodged an appeal. The case (Case No. Shang Yi Zi No. 7 of 2022) is currently being tried by Kaohsiung Branch of Taiwan High Court and a court session has not yet been opened. The outcome of the case is pending in the court.
7. In 2016, the "Xi Nian Lai Building Management Committee" claimed that the residents' assets were damaged due to the tilting of the Xi Nian Lai Building resulting from the Company's project construction. Therefore, it filed a lawsuit for damages against the Company, requesting to repair the damage to the Xi Nian Lai Building, such as the renovation and repair of the main elevator engine bed, structural reinforcement and restoration of the tilting state of the Xi Nian Lai Building, to remove the underground sewage treatment pipe diameter of the land No. 1133 at the Lindeguan Section and return the land, and to pay the restoration costs of NT\$33,903 thousand plus interest of NT\$2,669 thousand, totaling NT\$36,572 thousand. The case (Case No. Shen Su Zi No. 1977 of 2016) is currently being heard by the Kaohsiung District Court in Taiwan, and the outcome of the case is still pending.
8. The Company has signed the Tainan Rende Smart Technology Park Cooperative Development Project with SanDi Properties Co., Ltd., to develop in the way of "joint investment and construction" for 83 parcels of land including Plot No. 820 at Kanjiao North Section, Rende District, Tainan City, and 4 parcels of land including Plot No. 32 at Kanjiao Southern Section, Rende District, Tainan City, covering an area of 111,797.54 square meters. Both parties shall invest in the construction and bear the profits and losses and risks related to the planning, construction and sales of the project in proportion of 50% as joint venture. The Company acted as the "host operator" of this project to handle and represent externally for the execution of this joint venture project.
9. The Company has signed the Tainan Rende Smart Technology Park Cooperative Development Project with SanDi Properties Co., Ltd., and both parties acted as joint-constructors for mutual guarantee of co-financing amount.

As of the years ended December 31, 2021 and 2020, the Company's financing endorsement/guarantee is as follows:

Endorser/Guarantor	Endorsee/Guaranteee	December 31, 2021	December 31, 2020	Guarantee purpose
King's Town Construction Co., Ltd.	SanDi Properties Co., Ltd.	\$2,000,000	\$0	Loan financing Credit guarantee

10. The Company has signed trust agreements with the entrusted financial institutions for projects of its construction in progress. The names of relevant projects and trust banks as of December 31, 2021 were as follows:

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

The prices received for the above-mentioned construction projects have been delivered to the financial institutions undertaking the trust.

X. Significant Disaster Loss

None.

XI. Significant Subsequent Events

None.

XII. Others

(I) Capital Risk Management

The objective of the Company's capital management is to ensure that the 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 Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Company regulates the borrowing amount based on the progress of the project and the funds required for the operation.

(II) Financial instruments

- The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivables, trade receivables, other receivables, other financial assets, refundable deposits, bank borrowings, short-term bills payable, notes payable, trade 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). Details of the financial instruments are disclosed in each of the individual notes.

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets 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	\$973,133	\$547,398
Net notes receivable and trade receivables (including related parties)	166,728	141,676
Other receivables (including related parties)	211	750,303
Refundable deposits	32,371	32,791
Long-term notes and trade receivable	15,000	0
Subtotal	\$1,187,443	\$1,472,168

Total	<u>\$1,187,525</u>	<u>\$1,562,180</u>
<u>Financial liabilities</u>		
Measured at amortized cost		
Short-term borrowings	\$3,655,250	\$4,488,806
Short-term bills payable	3,896,969	4,154,322
Notes payable and trade payables (including related parties)	763,160	1,009,913
Other payables (including related parties)	45,344	49,080
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	4,277	2,878
Total	<u>\$17,082,661</u>	<u>\$16,766,556</u>

2. Financial risk management policy

- (1) The 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 Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (2) Financial risk management of the Company is carried out by its finance department based on the policies approved by the Board of Directors. Through cooperation with the Company's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks.
- (3) The 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 Company is exposed to the price risk of equity instruments because the investments held by the Company are classified as financial assets 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 Company diversifies its portfolio with its diversification method based on limits set by the Company.

The 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 Company's interest rate risks come from short-term borrowings, financing commercial paper and long-term borrowings. Loans with floating interest rates expose the 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 Company to fair value interest rate risk. During the years ended December 31, 2021 and 2020, the Company's borrowings at floating interest rate were denominated in the NTD.

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\$963 thousand and NT\$1,188 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 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 trade receivables 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 Company.
- B. The Company's trade receivables mainly consist of amounts due from customers before the handover of properties. The Company has assessed no significant credit risk because these amounts are due before the handover of properties. The Company classifies customers' trade receivables 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.
- C. 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 Company and compiled by the Company's finance department. The Company's finance department monitors rolling forecasts of the 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 Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- B. The following table presents the 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	3,902,000	0	0	0
Notes payable and trade payables (including related parties)	182,551	5,694	574,791	124
Other payables	45,122	0	206	16
Provisions - current	7,980	3,650	15,810	17,268
Long-term borrowings (including long-term borrowing due within one operating cycle)	23,189	1,168,369	1,602,294	5,861,181
Lease liabilities	538	542	2,218	59,330

(including current)

December 31, 2020				
Short-term borrowings	\$1,824,660	\$2,184,146	\$480,000	\$0
Short-term bills payable	4,154,322	0	0	0
Notes payable and trade payables (including related parties)	423,550	22,112	564,251	0
Other payables	48,439	40	545	56
Provisions - current	3,390	3,086	13,233	16,108
Long-term borrowings (including long-term borrowing 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 Company does not expect that the cash flows for the maturity analysis will occur at a significantly earlier time point or that actual amounts will be 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 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 Company are all Level 2 inputs.

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

Details of changes in Level 3 fair value hierarchy

	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 information on the fair value of investment properties measured at cost, please refer to Note VI (XII).

C. 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 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 at fair value through profit or loss - current.

- D. Below states the information on the 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				
<u>Repetitive fair value</u>				
Financial assets at fair value through profit or loss - current				
Domestic listed stocks	\$0	\$0	\$0	\$0
Financial assets at fair value through profit or loss - non-current				
Domestic unlisted stocks (Venture Capital Fund)	0	0	82	82
Total	<u>\$0</u>	<u>\$0</u>	<u>\$82</u>	<u>\$82</u>
	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Repetitive fair value</u>				
Financial assets at fair value through profit or loss - current				
Domestic listed stocks	\$89,930	\$0	\$0	\$89,930
Financial assets at fair value through profit or loss - non-current				
Domestic unlisted stocks (Venture Capital Fund)	0	0	82	82
Total	<u>\$89,930</u>	<u>\$0</u>	<u>\$82</u>	<u>\$90,012</u>

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

- (1) The fair value of the 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 transfers into or out of Level 3.

XIII. Supplementary Disclosure

(I) Information on significant transactions was as follow:

No.	Summary	Description
1	Loaning to others.	None
2	Endorsements/guarantees to others.	Table I
3	Marketable securities held at the end of the period. (Excluding investment in Subsidiaries and Associates)	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

(Table I)
Unit: NT\$ thousand

Endorsements/guarantees to others.

No. (Note 1)	Name of Endorser/Guarantor	Object of Endorsements/Guarantees		Amount of Endorsements/Guarantees for a Single Enterprise (Note 3)	Maximum Balance of Endorsements/Guarantees in Current Period (Note 4)	Ending Balance of Endorsements/Guarantees (Note 5)	Actual Drawdown (Note 6)	Amount of Endorsements/Guarantees by Property	Ratio of Accumulated Endorsements/Guarantees to the Net Worth of the Most Recent Financial Statement	Aggregate Endorsement/Guarantee Limit (Note 3)	Guarantee Provided by Parent Company to a Subsidiary (Note 7)	Guarantee Provided by a Subsidiary to Parent Company (Note 7)	Guarantee Provided to Subsidiaries in Mainland China (Note 7)
		Name of Company	Relationship (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: Instructions for the number column:

- (1) The Company is "0".
- (2) The investee companies are numbered in order starting from "1".

Note 2: Listed below are the 7 types of companies to which the Company may provide endorsement/guarantee:

- (1) A company with which it does business.
- (2) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- (4) A company in which the Company directly and indirectly holds more than 90 percent of the voting shares.
- (5) A company for which the peers or co-constructors guarantee mutually as agreed in the contract.
- (6) A company that is endorsed and guaranteed by all shareholders based on their shareholding ratio due to the joint investment relationship.
- (7) The joint and several guarantee for the performance of the pre-sale house sales contract between the peers 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: Maximum balance of endorsement guarantee for others in the current year.

Note 5: It is the amount resolved by the Board of Directors.

Note 6: The actual drawdown amount by the endorsee/guarantee within the balance of the endorsement/guarantee shall be entered.

Note 7: "Y" must be filled in only for the listed OTC parent company's endorsement/guarantee for its subsidiaries, a subsidiary's endorsement/guarantee for its listed OTC parent company, and the endorsement/guarantee in 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				Remark
				Number of shares (shares)	Carrying amount	Shareholding Ratio (%)	Fair value	
King's Town Construction Co., Ltd.	Huazhi Venture Capital	None	Financial assets at fair value through profit or loss - non-current	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 collection status	Counterparty	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)	2020.12.17	\$395,000	Actual payment \$195,000	Natural person Mr. Chung	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	2020.12.17	\$348,090	Actual payment \$348,090	Natural person Mr. Chung	None	-	-	-	-	Real estate valuation report by professional valuation firm	Land held for construction for business operations	
King's Town Construction Co., Ltd.	Parcel No. 1, Longdong Section, Gushan District, Kaohsiung City	2021.3.6	\$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.	Plot No. 820 at Kanjiao North Section, Rende District, Tainan City	2021.3.25	\$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 trade receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage of total purchase/(sales)	Payment term	Unit price	Payment term	Balance	Percentage of total notes/ trade receivable (payable)	
King's Town Construction Co., Ltd.	Chieh Chih Construction Co., Ltd.	Relative within the second degree of kinship of the Chairman of the Company is the Chairman of such company.	Purchases	\$328,598	5.42%	Subject to contract	-	-	Notes payable \$55,022 Trade payables \$298,857	32.01% 50.54%	
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 Trade payables \$275,934	20.37% 46.66%	

(II) Information on reinvestment:

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	Remark
				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 and restaurant	\$390,000	\$320,000	39,000	100%	\$65,100	(\$72,267)	(\$59,470)	I

Note I: The Company recognized a loss share of NT\$72,267 thousand 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 Company was classified as an operating lease, resulting in a difference in profit or loss recognition, which affected the Company's share of profit recognized using the equity method. The difference affected the Company's share of benefit recognized under the equity method by NT\$12,797thousand.

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

None.

(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

N/A

King's Town Construction Co., Ltd.

Statements of Accounting Items
2021

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

Statements of significant accounting subjects

Item	Number/Index
Statements of assets, liabilities and equity Items	
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Statement of notes receivables	Statement III
Statement of net trade receivables and receivables from related parties	Statement IV
Statement of other receivables and other receivables from related parties	Statement V
Statement of buildings and land held for sale	Statement VI
Statement of changes in construction in progress	Statement VII
Statement of changes in land held for construction	Statement VIII
Statement of prepaid premises	Statement IX
Statement of prepayments, other current assets and other financial assets - current	Statement X
Statement of change in long-term equity investments accounted for using the equity method	Statement XI
Statement of change in property, plant and equipment	Note VI.(X)
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Statement of change in right-of-use assets	Note VI.(XI)
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Statement of change in accumulated depreciation of investment properties	Note VI.(XII)
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Statement of short-term loans	Statement XII
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Statement of provisions	Note VI.(XV)
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Statement of operating costs
Statement of selling and marketing expenses
Statement of general and administrative expenses

Statement XXII
Statement XXIII
Note VI.(XV) ~
(XXVIII)

King's Town Construction Co., Ltd.
Statement s of cash and cash equivalents
As of December 31, 2021

Item	Summary	Amount	Remark
Cash	Cash on hand and petty cash	\$78	
Bank deposits	Demand deposits	972,864	
	Checking deposits	191	
Total		<u>\$973,133</u>	

King's Town Construction Co., Ltd.
Statement of change in financial assets at fair value through profit or loss - non-current
As of December 31, 2021

Investee	Beginning balance		Increase in the current period		Decrease in the current period		Category	Ending balance			Guarantee or pledge
	Number of shares	Amount	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Shareholding	Amount	
Huazhi Venture Capital Co., Ltd.	-	<u>\$82</u>	-	<u>\$0</u>	-	<u>\$0</u>	Ordinary shares	0		<u>\$82</u>	None

King's Town Construction Co., Ltd.
Statement of notes receivables
As of December 31, 2021

Name of client	Summary	Amount	Remark
(1) Notes receivable:			
Non-related party			
Mr. Chien and Mr. Tsai	Operation	\$10,438	
Mr. Wang	Operation	8,280	
Mr. Mai	Operation	5,000	
Mr. Tsai (King's Town)	Operation	6,500	
Mr. Yeh and Mr. Tsai (King's Town Hyatt)	Operation	3,214	
Mr. Sun	Operation	3,250	
Subtotal		<u>\$36,682</u>	
Less: Allowance for doubtful accounts		<u>0</u>	
Net notes receivable		<u><u>\$36,682</u></u>	
(2) Long-term notes receivable:			
Non-related party			
Mr. Lai	Operation	\$15,000	
Less: Long-term notes receivable due within one year		<u>0</u>	
Long-term notes receivable - non-current		<u><u>\$15,000</u></u>	

King's Town Construction Co., Ltd.
Statement of net trade receivables and receivables from related parties
As of December 31, 2021

Name of client	Summary	Amount	Remark
(1) Trade receivables:			
Non-related party			
Mr. Yeh	Operation	\$22	
Mr. Leung	Operation	3,900	
Mr. Leung	Operation	6,900	
Mr. Wang	Operation	17,130	
Mr. Chen	Operation	17,800	
Mr. Chuang	Operation	19,020	
Mr. Lin	Operation	20,000	
Mr. Tseng	Operation	100	
Mr. Tseng	Operation	100	
Mr. Chen and Mr. Fung	Operation	24,880	
Mr. Chang	Operation	15,870	
Youting System	Rental income from Chenggong Section No. 60-1, 62~64	275	
Tongguli Engineering	Rental income from Longzhong Section No. 191 Rental income from Qinghai No. 229, Xinmin No. 160, Lan Tian Middle Section No. 30-2 and Xingnan Section	96	
Bao Sheng Parking	No. 11 , Xindu Section No. 49 and Longzhong Section No. 22, etc.	260	
Ting Wang Technology	Rental income from Longzhong Section No. 128-4	66	
Tingyi Technology	Rental income from Longzhong Section No. 129-3~4 and Qinghai Section No. 126~128	278	
Subtotal		<u>\$126,697</u>	
Less: Allowance for doubtful accounts		(22)	
Net trade receivables		<u><u>\$126,675</u></u>	
(2) Trade receivables - related parties - net			
H2O Hotel	Rental income from Mei Shu Huang Ju, King's Town Garden and Longbei Section No. 22 and Longzhong Section No. 128-3, etc.	<u>\$3,371</u>	

King's Town Construction Co., Ltd.
Statement of other receivables and other receivables from related parties
As of December 31, 2021

Item	Summary	Amount	Remark
(1) Other receivables			
Taiwan Power Company	Photovoltaic revenue receivables	\$17	
	Receivables of apportionment		
SanDi Properties Co., Ltd.	engineering, personnel and administrative expenses	24	
Sun Young International	Display board receivables	38	
Others	Interest receivable on fixed deposits	4	
Total		<u>\$83</u>	
(2) Other receivables - related parties:			
Meiyun S. Tsai	Receivables of apportionment decoration projects from landlord, salaries, Incidental expenses, etc.	<u>\$128</u>	

King's Town Construction Co., Ltd.
Statement of buildings and land held for sale
As of December 31, 2021

Item	Summary	Amount		Guarantee or pledge
		Cost	Net realizable value	
Mandala		\$18,981	\$57,627	None
King's Town		2,240,305	7,719,100	Short-term borrowings
King's Town Hyatt		776,157	864,597	None
Hua Shang		114,478	282,238	None
Yiwen Court		544,313	843,162	None
Ju Dan		219,785	419,603	None
Tian Feng		207,961	329,574	None
King's Hanshin Online		128,296	245,371	None
Mei Shu Huang Ju		2,168,241	3,442,902	None
King's Town Garden		613,237	1,257,750	None
Xiang King's Town		8,463	10,000	None
Yue He Di		111,130	136,498	None
Other projects		542	0	None
Subtotal		\$7,151,889	\$15,608,422	
Less: Allowance for reduction to market		(542)		
Net		\$7,151,347		

King's Town Construction Co., Ltd.
Statement of changes in land held for construction
As of December 31, 2021

Construction name	Beginning balance	Current increase			Current decrease	Ending balance	Guarantee or pledge
		Land under construction	Construction costs	Capitalized interest	Completion and transfer out		
Fuhe Section No. 698-1	\$429,736	\$0	\$1,756	\$6,705	\$0	\$438,197	Long-term borrowings
Aiqun No. 2748, 5 in total (King's Town World of Heart)	1,331,238	30,279	341,250	20,585	0	1,723,352	Short-term borrowings
Xin Du Section No. 321.163-1.164.320	952,109	0	281,565	16,937	0	1,250,611	Short-term borrowings
Total	\$2,713,083	\$30,279	\$624,571	\$44,227	\$0	\$3,412,160	

King's Town Construction Co., Ltd.
Statement of changes in land held for construction
As of December 31, 2021

Construction name	Beginning balance	Current increase		Current decrease		Ending balance	Guarantee or pledge
		Land costs	Capitalized interest	Transferred to construction in progress	Volume transfer		
Kaohsiung Chenggong Section No. 84	\$14,533	\$0	\$0	\$0	\$0	\$14,533	Short-term bills payable
Kaohsiung Chenggong Section No. 60-1, 62~64	540,267	0	0	0	0	540,267	Short-term borrowings and short-term bills payable
Kaohsiung Longzhong Section No. 191	370,653	0	0	0	0	370,653	Short-term bills payable
Kaohsiung Longzhong Section No. 129-3, 129-4	1,610,110	0	0	0	0	1,610,110	Short-term borrowings
Kaohsiung Longzhong Section No. 128-4, etc, 3 in total	716,926	0	0	0	0	716,926	Short-term bills payable
Kaohsiung Chenggong Section No. 74, 78	28,397	0	0	0	0	28,397	Short-term bills payable
Kaohsiung Chenggong Section No. 70	13,805	0	0	0	0	13,805	Short-term bills payable
Kaohsiung Chenggong Section No. 83	19,016	0	0	0	0	19,016	Short-term bills payable
Kaohsiung Qinghai No. 229	4,278,594	0	0	0	0	4,278,594	Long-term borrowings and short-term bills payable
Kaohsiung Aiqun No. 2738-2	30,279	0	0	30,279	0	0	None

King's Town Construction Co., Ltd.
Statement of changes in land held for construction (Continued)
As of December 31, 2021

Construction name	Beginning balance	Current increase		Current decrease		Ending balance	Guarantee or pledge
		Land costs	Capitalized interest	Transferred to construction in progress	Volume transfer		
Kaohsiung Qinghai Section No. 126	\$685,719	\$0	\$0	\$0	\$0	\$685,719	Long-term borrowings
Kaohsiung Qinghai Section No. 127	662,012	0	0	0	0	662,012	Long-term borrowings
Kaohsiung Qinghai Section No. 128	379,145	0	0	0	0	379,145	Long-term borrowings
Kaohsiung Longzhong Section No. 128-3	52,266	0	0	0	0	52,266	None
Kaohsiung Bohsiao Section No. 1140, 7 in total	655,287	0	0	0	0	655,287	Long-term borrowings
Kaohsiung Lantian Middle Section No. 30-2	757,742	0	0	0	0	757,742	Short-term borrowings
Kaohsiung Xingnan Section No. 11	259,585	0	0	0	0	259,585	Short-term bills payable
Kaohsiung Longzhong Section No. 22	1,998,033	0	0	0	0	1,998,033	Long-term borrowings and short-term bills payable
Kaohsiung Xinmin Section No. 160	792,708	0	0	0	0	792,708	Long-term borrowings
Kaohsiung Xinmin Section No. 159	828,072	0	0	0	0	828,072	Long-term borrowings

King's Town Construction Co., Ltd.
Statement of changes in land held for construction (Continued)
As of December 31, 2021

Construction name	Beginning balance	Current increase		Current decrease		Ending balance	Guarantee or pledge
		Land costs	Capitalized interest	Transferred to construction in progress	Volume transfer		
Tainan Yuguang Section No. 880, 3 in total (895 & 897)	\$0	348,175	\$650	\$0	\$0	\$348,825	Short-term borrowings
Kaohsiung Chenggong Section No. 73	0	18,992	191	0	0	19,183	None
Kaohsiung Qiaotou Shixing Section No. 924	0	14,055	0	0	0	14,055	Long-term borrowings
Kaohsiung Qiaotou Shixing Section 925, 2 in total (932)	0	112,046	150	0	0	112,196	Long-term borrowings
Kaohsiung Qiaotou Shixing Section 927, 3 in total (931 & 933)	0	84,500	125	0	0	84,625	Long-term borrowings
Kaohsiung Qiaotou Shixing Section 928, 3 in total (930 & 934)	0	107,399	155	0	0	107,554	Long-term borrowings
Kaohsiung Qiaotou Shixing Section No. 967	0	6,640	0	0	0	6,640	Long-term borrowings
Kaohsiung Qiaotou Shixing Section No. 968	0	42,794	0	0	0	42,794	Long-term borrowings
Kaohsiung Chenggong Section No. 79	0	26,091	0	0	0	26,091	None
Tainan Yuguang Section No. 879	0	86,490	154	0	0	86,644	Short-term borrowings
Kaohsiung Longdong Section No. 1	0	513,584	407	0	0	513,991	Long-term borrowings
Tainan Kanjiao North Section No. 820	0	3,382,509	3,157	0	0	3,385,666	Long-term borrowings
Kaohsiung Xindu Section No. 49	0	46,545	108	0	0	46,653	None
Transferable land and deformed land	955,773	208,156	135	0	3,146	1,160,918	None
Total	\$15,648,922	\$4,997,976	\$5,232	\$30,279	\$3,146	\$20,618,705	

King's Town Construction Co., Ltd.
Statement of change in prepaid premises
As of December 31, 2021

Name of project/construction	Beginning balance	Current increase		Current decrease				Ending balance
		Cost	Capitalized interest	Transfer of held for construction	Transfer of land under construction	Transaction cancellation refund	Transfer of land held for construction	
Kaohsiung Chenggong Section No. 60-1, 62-64 Tainan Anan District, Caohu Phase I	\$0	\$117,430	\$269	\$0	\$0	\$0	\$0	\$117,699
Tainan Yuguang Section No. 880, 3 in total	50,033	145,000	2,820	0	0	0	0	197,853
Kaohsiung Chenggong Section No. 73	35,023	313,090	627	0	0	0	348,740	0
Kaohsiung Qiaotou Shixing Section No. 924	8,880	5,112	171	0	0	0	14,163	0
Kaohsiung Qiaotou Shixing Section 925, 3 in total	1,400	12,576	0	0	0	0	13,976	0
Kaohsiung Qiaotou Shixing Section 927, 3 in total	10,000	103,096	150	0	0	0	113,246	0
Kaohsiung Qiaotou Shixing Section 928, 3 in total	9,250	83,252	125	0	0	0	92,627	0
Kaohsiung Qiaotou Shixing Section No. 967	11,495	103,454	155	0	0	0	115,104	0
Kaohsiung Qiaotou Shixing Section No. 968	660	5,940	0	0	0	0	6,600	0
Kaohsiung Chenggong Section No. 79	4,260	38,315	0	0	0	0	42,575	0
Tainan Yuguang Section No. 879	8,880	17,000	0	0	0	0	25,880	0
Tainan Dagang Section No. 129	0	86,464	154	0	0	0	86,618	0
Tainan Xiaobei Section No. 1181, 15 in total	0	43,185	0	0	0	0	43,185	0
Kaohsiung Qiaotou Shixing Section No. 867	0	81,805	130	0	0	0	81,935	0
Kaohsiung Longdong Section No. 1	400	3,512	5	0	0	0	3,917	0
Tainan Kanjiao North Section No. 820	0	495,305	407	0	0	0	495,712	0
Kaohsiung Xingshu Section No. 221	0	3,381,875	3,157	0	0	0	3,385,032	0
Tainan Xiqian Section No. 1220-1	0	2,278	0	0	0	0	2,278	0
Kaohsiung Xindu Section No. 49	0	37,815	0	0	0	0	37,815	0
Kaohsiung Yanchao Sea Section No. 799	0	46,297	108	0	0	0	46,405	0
Tainan Rende Zhongcuo Section No. 109-1	0	2,411	0	0	0	0	2,411	0
Kaohsiung Qiaotou Shixing Section No. 935-1	0	17,944	0	0	0	0	17,944	0
Subtotal	0	1,000	0	0	0	0	0	1,000
	<u>\$140,281</u>	<u>\$5,144,156</u>	<u>\$8,278</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,976,163</u>	<u>\$316,552</u>

King's Town Construction Co., Ltd.
Statement of prepayments, other current assets and other financial assets - current
As of December 31, 2021

Item	Summary	Amount	Remark
Prepaid expenses	Prepaid insurance premiums for buildings, group insurance, etc.	\$385	
	Prepaid rent	207	
	Prepaid construction expenses	535,235	
	Prepaid network fee, permanent legal advisor fee and security service fee, etc.	10,173	
Subtotal		<u>\$546,000</u>	
Input tax	Business tax not yet filed at the end of December 2021	<u>\$35</u>	
Toto prepayments		<u>\$546,035</u>	
Payments on behalf of others	Taxes, donations, etc. payments on behalf	\$2,966	
Incremental costs of obtaining a contract	Incremental cost of obtaining a contract	87,953	
	Commission paid to the agent for obtaining the agreement for sale and purchase of premises which the Company expects to recover		
Total other current assets		<u>\$90,919</u>	
Other financial assets - current	Advances from construction project trust funds and performance bond	<u>\$66,156</u>	

King's Town Construction Co., Ltd.
Long-term equity investments accounted for using the equity method
As of December 31, 2021

Investee	Beginning balance		Increase in the current period			Decrease in the current period		Investment (loss) gain	Category	Ending balance			Net equity		Valuation basis	Guarantee or pledge
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Share of profit or loss recognized using the equity method in accordance with IFRS 16	Number of shares (in thousands)	Amount			Number of shares (in thousands)	Shareholding	Amount	Total	Unit price (Dollar)		
H2O Hotel Co., Ltd.	32,000	\$54,570	7,000	\$70,000	\$12,797	0	\$0	(\$72,267)	Ordinary shares	39,000	100.00%	\$65,100	\$26,082	0.67	Equity method	None

King's Town Construction Co., Ltd.

Statement of short-term loans

As of December 31, 2021

Type of Loans	Summary	Ending balance	Contract period	Interest rate range	Line of credit	Pledge or guarantee
Secured borrowings	Financial institution borrowings	\$874,800	2021/07/29 ~ 2022/07/29	1.80%	\$1,194,000	Land held for construction: Longzhong Section No. 129-3, 129-4
Secured borrowings	Financial institution borrowings	900,000	2021/11/19 ~ 2022/11/15	1.59078%	900,000	Buildings held for sale: Longzhong Section No. 27 (King's Town)
Secured borrowings	Financial institution borrowings	447,000	2021/12/27 ~ 2022/01/26	1.55%	1,365,000	Construction in progress: Aiqun Section No. 2748 (King's Park World of Heart)
Secured borrowings	Financial institution borrowings	540,000	2021/12/27 ~ 2022/01/26	1.55%	1,260,000	Premises provided by related parties
Secured borrowings	Financial institution borrowings	0	-	-	100,000	Marketable securities provided by related parties
Secured borrowings	Financial institution borrowings	413,450	2021/12/27~2022/01/26	1.55%	489,000	Land held for construction: Lantian Middle Section No. 30-2
Secured borrowings	Financial institution borrowings	480,000	2020/06/15~2023/05/25	1.585%	480,000	Construction in progress: Xindu Section No. 321, 163-1, 164 (Fu+)
Secured borrowings	Financial institution borrowings	0	-	-	1,004,245	Land held for construction: Tainan Yuguang Section No. 880, 3 in total, and Yuguang Section No. 879, 1 in total
Total		<u>\$3,655,250</u>			<u>\$6,792,245</u>	

King's Town Construction Co., Ltd.

Statement of short-term bills payable

As of December 31, 2021

Item	Guarantor/accepting institution	Contract period	Interest rate range	Issued amount	Unamortized discount on short-term bills payable	Carrying amount	Pledge or guarantee
Issuance of commercial paper	China Bills Finance Corp. (Guaranteed by O-Bank)	Less than 1 year	0.548%	\$400,000	\$915	\$399,085	Private land provided by related parties
Issuance of commercial paper	Mega Bank - Lingyarong Co., Ltd.	Within 1 year	1.480%	1,765,000	2,973	1,762,027	Land held for construction - Qinghai Section No. 216 & 229
Issuance of commercial paper	Mega Bank - Lingyarong Co., Ltd.	Within 1 year	1.480%	607,000	1,023	605,977	Land held for construction - Longzhong Section No. 22
Issuance of commercial paper	Ta Ching Bills Finance Corporation (Guaranteed by Shin Kong Commercial Bank)	Less than 1 year	0.478%	200,000	49	199,951	Land held for construction - Chenggong Section No. 60-1, etc., 9 in total
Issuance of commercial paper	China Bills Finance Corp.	Less than 1 year	1.50%	350,000	23	349,977	Private land provided by related parties
Issuance of commercial paper	Grand Bills Finance Corp.	Less than 1 year	1.538%	400,000	33	399,967	Land held for construction - Longzhong Section No. 191
Issuance of commercial paper	Grand Bills Finance Corp.	Within 1 year	1.538%	180,000	15	\$179,985	Land held for construction - Xingnan Section No. 11
Total				\$3,902,000	\$5,031	\$3,896,969	

King's Town Construction Co., Ltd.
Statement of contract liabilities - current
As of December 31, 2021

Item	Summary	Amount	Remark
Sale of premises	King's Town	\$47,236	
	King's Town Hyatt	43,706	
	Yiwen Court	34,326	
	King's Hanshin Online	41,979	
	Mei Shu Huang Ju	17,222	
	King's Town Garden	52,771	
	World of Heart	250,984	
	Yue He Di	8,260	
	Fu +	45,959	
	Jing Wu Tong	18,138	
	Subtotal	<u>\$560,581</u>	
Rental premises	Shih Yu Food And Drink Co., Ltd.	\$45	
	Li Xin Technology Industrial Co., Ltd.	14	
	Bao Sheng Parking	158	
	American Institute in Taiwan	770	
	Subtotal	<u>\$987</u>	
	Total	<u><u>\$561,568</u></u>	

King's Town Construction Co., Ltd.
Statement of notes payable
As of December 31, 2021

Name of client	Summary	Amount	Remark
Related parties: Operation			
Chieh Chih Construction Co., Ltd.	Construction	\$55,002	
Baihong Construction Co., Ltd.	Construction	35,002	
Subtotal		<u>\$90,004</u>	
Non-related parties: Operation			
Fu Zhu Advertising and Marketing Co., Ltd.	Sales commission	\$8,816	
SunYoung International	Sales commission	18,874	
Shang Wang Development Co., Ltd.	Sales commission	9,224	
Yin Shui Zhuang Business Co., Ltd.	Sales commission	4,197	
Qiao Mu Interior Design Co., Ltd.	Mock-up decoration project	9,040	
Others		31,648	(Note)
Subtotal		<u>\$81,799</u>	
Total		<u>\$171,803</u>	

Note: The balance of each account did not exceed the amount of NT\$4,000 thousand.

King's Town Construction Co., Ltd.

Statement of trade payables

As of December 31, 2021

Name of client	Summary	Amount	Remark
Related parties: Operation			
Chieh Chih Construction Co., Ltd.	Construction	\$298,857	
Baihong Construction Co., Ltd.	Construction	275,934	
Subtotal		<u>\$574,791</u>	
Non-related parties: Operation			
Hsin-kao Gas	Gas engineering	\$4,940	
Mr. Chen	Land payment	5,000	
Others		6,626	(Note)
Subtotal		<u>\$16,566</u>	
Total		<u>\$591,357</u>	

Note: The balance of each account did not exceed the amount of NT\$3,500 thousand.

King's Town Construction Co., Ltd.
Statement of other payables
As of December 31, 2021

Item	Summary	Amount	Remark
Salary payable	December salary and year-end bonus	\$10,297	
Bonuses payable to employees	Employee compensation accruals for 2021	19,462	
Retirement benefits expenses payable	December retirement benefits	119	
Interest expense payable	December interest expense	8,485	
Rental expenses payable	Photocopier rental	25	
Others	Labor costs, labor and health insurance premiums, welfare payments, security fees, repair and maintenance fees, management fees, advertising fees and transportation costs, etc.	6,803	(Including trade payable from other related parties of NT\$325 thousand)
Subtotal		<u>\$45,191</u>	
Other payables - other	Refund of settlement due and refund	<u>\$153</u>	
Subtotal		<u>\$153</u>	
Total		<u><u>\$45,344</u></u>	

King's Town Construction Co., Ltd.
Statement of long-term borrowings
As of December 31, 2021

Type of Loans	Summary	Amount			Contract period	Interest rate range	Line of credit	Pledge or guarantee
		Due within one operating cycle	Due over one operating cycle	Total				
Secured borrowings	Financial institution borrowings	\$0	\$1,765,000	\$1,765,000	2020.03.11-2028.12.31	1.73%	\$2,000,000	Land held for construction - Qinghai Section No. 229 and private land provided by related parties
Secured borrowings	Financial institution borrowings	0	607,000	607,000	2019.06.28~2026.06.30	1.70%	1,082,000	Land held for construction - Longzhong Section No. 22
Secured borrowings	Financial institution borrowings	0	0	0	-	-	2,200,000	Construction in process - Fuhe Section No. 698-1
Secured borrowings	Financial institution borrowings	\$0	272,000	272,000	2012.01.03-2024.01.03	1.54%	272,000	Private land provided by related parties
Secured borrowings	Financial institution borrowings	46,558	484,475	531,033	2017.07.17~2032.07.17	1.54%	531,033	Investment properties Longbei Section No. 22
Secured borrowings	Financial institution borrowings	0	510,000	510,000	2019.05.16~2023.11.16	1.45%	860,000	Land held for construction - Bohsiao Section No. 1140
Secured borrowings	Financial institution borrowings	0	1,300,000	1,300,000	2020.03.12-2025.03.12	1.45%	1,300,000	Land held for construction - Qinghai Section No. 126~128
Secured borrowings	Financial institution borrowings	0	550,000	550,000	2019.10.17~2022.10.17	1.43%	635,000	Land held for construction - Xinmin No. 160
Secured borrowings	Financial institution borrowings	0	50,000	50,000	2019.11.19~2022.11.19			
Secured borrowings	Financial institution borrowings	0	75,000	75,000	2020.01.13~2023.01.13			
Secured borrowings	Financial institution borrowings	0	545,000	545,000	2019.11.01~2022.11.01			
Secured borrowings	Financial institution borrowings	0	50,000	50,000	2020.01.02~2023.01.02		635,000	Land held for construction - Xinmin No. 159
Secured borrowings	Financial institution borrowings	0	500,000	500,000	2020.06.10-2023.06.10	1.606881%	1,000,000	Private land provided by related parties
Secured borrowings	Financial institution borrowings	0	0	0	-	-	230,000	Land held for construction - Section 924, 9 in total
Secured borrowings	Financial institution borrowings	0	0	0	-	-	220,000	Land held for construction - Longdong Section No. 1
Secured borrowings	Financial institution borrowings	0	1,900,000	1,900,000	2021.10.26~2026.10.26	1.80%	2,000,000	Land held for construction - Kanjiao North Section No. 820
Total		<u>\$46,558</u>	<u>\$8,608,475</u>	<u>\$8,655,033</u>			<u>\$12,965,033</u>	
	Less: Long-term borrowings due within one operating cycle			<u>(\$46,558)</u>				
	Net long-term borrowings			<u>\$8,608,475</u>				

King's Town Construction Co., Ltd.
Statement of lease liabilities
As of December 31, 2021

Item	Amount			Contract period	Interest
	Due within one year	Due over one year	Total		
Land	\$1,080	\$61,548	\$62,628	Land leased from Kaohsiung City Finance Bureau for NT\$2,154 thousand per year and NT\$180 thousand per month for the lease period of 2012.8.7 to 2062.6.7	1.73% per annum

King's Town Construction Co., Ltd.
Statement of operating revenue
As of December 31, 2021

Item	Summary	Amount	Remark
Land revenue	Mandala	\$36,000	
	King's Town	333,885	
	Xiande Section No. 826	23,100	
	King's Town Hyatt	37,296	
	Yiwen Court	257,348	
	Ju Dan	312,107	
	King's Hanshin Online	263,725	
	Mei Shu Huang Ju	931,474	
	King's Town Garden	745,875	
	Yue He Di	111,219	
		Subtotal	<u>\$3,052,029</u>
Sales returns and discounts	Land for sale	(71)	
		<u><u>\$3,051,958</u></u>	

King's Town Construction Co., Ltd.
Statement of operating revenue (Continued)
As of December 31, 2021

Item	Summary	Amount	Remark
Building revenue	Mandala	\$22,857	
	King's Town	339,930	
	Xiande Section No. 826	35,895	
	King's Town Hyatt	90,443	
	Yiwen Court	394,288	
	Ju Dan	216,830	
	King's Hanshin Online	266,100	
	Mei Shu Huang Ju	940,349	
	King's Town Garden	993,014	
	Yue He Di	88,287	
	Subtotal	<u>\$3,387,993</u>	
Sales returns and discounts	Premises for sale	(102)	
		<u>\$3,387,891</u>	
Other operating revenue	Rental income	<u><u>\$63,038</u></u>	

King's Town Construction Co., Ltd.
Statement of operating costs
As of December 31, 2021

Subject name	Summary	Amount	Remark
Prepayment for land and buildings at the beginning of the period		\$140,281	
Purchase of land and buildings during the period		5,152,434	
Prepayment for land and buildings at the end of the period		(316,552)	
Transfer to land held for construction		\$4,976,163	
Land held for construction at the beginning of the period		15,648,922	
Add: Purchase of land held for construction in the current period		27,045	
Land held for construction at the end of the period		(20,618,705)	
Less: Volume transfer of land held for construction		(3,146)	
Construction in progress - Land held for construction		\$30,279	
Construction project		608,303	
Construction expenses		60,495	
Construction costs		\$699,077	
Construction in Progress at the beginning of the period		2,713,083	
Construction in Progress at the end of the period		(3,412,160)	
Building costs		\$0	
Buildings and land held for sale at the beginning of the period		10,679,653	
Buildings and land held for sale at the end of the period		(7,151,889)	
Add: Increase in renovation work during the period		269,066	
Payment for construction work and repairs, etc.		4,330	
Home appliances gift for customers		3,173	
Construction costs		\$3,804,333	
Other operating costs		\$79,078	
Operating costs		\$3,883,411	

King's Town Construction Co., Ltd.
Statement of selling and marketing expenses
As of December 31, 2021

Subject name	Summary	Amount	Remark
Salary expenses		\$9,098	
Postage & Telegram charge		50	
Repairs and maintenance expense		20,385	
Advertising fee		162,422	
Utility fee		12,782	
Insurance fee		688	
Tax expense		71,874	
Food expenses		173	
Commission expenses		2,801	
Miscellaneous expenses		66,222	
Service fees		30	
Retirement benefit		293	
Total		<u>\$346,818</u>	

King's Town Construction Co., Ltd.
Statement of general and administrative expenses
As of December 31, 2021

Subject name	Summary	Amount	Remark
Salary expenses		\$52,338	
Rental expenses		6,802	
Stationery		1,168	
Travel expense		56	
Delivery expense		25	
Postage & Telegram charge		801	
Repairs and maintenance expense		654	
Advertising fee		412	
Utility fee		1	
Insurance fee		3,329	
Entertainment expense		9,458	
Tax expense		35,023	
Depreciation		1,304	
Amortization expense		320	
Overtime allowance expense		165	
Food expenses		825	
Employee benefits		6,503	
Training fee		100	
Transportation fee		567	
Sundry purchases		278	
Service fees		2,725	
Retirement benefit		1,548	
Book fee		43	
Miscellaneous expenses		3,666	
Total		<u>\$128,111</u>	