

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

## Parent Company Only Financial Statements and Independent Auditors' Report 2022 and 2021

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*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

March 29, 2023

(2023) ShineWing Taiwan Audit Report No. 006

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, 2022 and 2021, 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, 2022 and 2021.

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, 2022 and 2021, as well as the parent company only financial performance and parent company only cash flows for the periods from January 1 to December 31, 2022 and 2021.

### **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 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, 2022. 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, 2022 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(XVIII) for the accounting policies on revenue and cost recognition and Note VI(XXIII) 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 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 auditing standards in the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also perform the following works:

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. and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and based on the audit evidence obtained, whether a significant uncertainty exists related to events or conditions that may cast significant doubt on King's Town Construction Co., Ltd. and its 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 the 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 on the parent company only financial statements.

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 2022 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: Chang, Jui-Ling

Accountant: Jackson Jwo

Financial Supervisory Commission Approval No.

Financial Supervisory Commission Approval No.

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

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

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King's Town Construction Co., Ltd.  
Parent Company Only Balance Sheets  
As of December 31, 2022 and 2021

Unit: NT\$ thousand

Assets	Note	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
11XX Current assets					
1100 Cash and cash equivalents	IV, VI.(I)	\$531,329	1.52	\$973,133	2.83
1150 Net notes receivable	IV, VI.(III)	15,000	0.04	36,682	0.11
1170 Net trade receivables	IV, VI.(III)	886	0.00	126,675	0.37
1180 Trade receivables - related parties - net	IV, VI.(III), VII	0	0.00	3,371	0.01
1200 Other receivables	IV, VI.(IV)	2,609	0.01	83	0.00
1210 Other receivables - related parties	IV, VI.(IV), VII	109	0.00	128	0.00
1320 Inventories	IV, VI.(V), VIII	32,662,856	93.37	31,498,764	91.61
1410 Prepayments	IV, VI.(VI)	571,681	1.63	546,035	1.59
1470 Other current assets	IV, VI.(VII)	114,624	0.33	90,919	0.26
1476 Other financial assets - current	IV, VI.(VIII), VIII	96,254	0.28	66,156	0.19
11XX Total current assets		<u>\$33,995,348</u>	<u>97.18</u>	<u>\$33,341,946</u>	<u>96.97</u>
15XX Non-current assets					
1510 Financial assets at fair value through profit and loss	IV, VI.(II)	\$82	0.00	\$82	0.00
1550 Investments accounted for using the equity method	IV, VI.(IX)	85,617	0.24	65,100	0.19
1600 Property, plant, and equipment	IV, VI.(X)	4,047	0.01	1,172	0.00
1755 Net right-of-use assets	IV, VI.(XI)	61,646	0.17	61,216	0.18
1760 Net investment properties	IV, VI.(XII), VII, VIII	625,192	1.79	686,442	2.00
1780 Intangible assets	IV, VI.(XIII)	158,626	0.45	162,456	0.47
1840 Deferred tax assets	IV, VI.(XXX)	19,770	0.06	18,926	0.06
1920 Refundable deposits	VIII	30,106	0.09	32,371	0.09
1930 Long-term notes and trade receivable	IV, VI.(III)	2,785	0.01	15,000	0.04
15xx Total non-current assets		<u>\$987,871</u>	<u>2.82</u>	<u>\$1,042,765</u>	<u>3.03</u>
1xxx Total assets		<u>\$34,983,219</u>	<u>100.00</u>	<u>\$34,384,711</u>	<u>100.00</u>

(Continued)

King's Town Construction Co., Ltd.  
Parent Company Only Balance Sheets  
As of December 31, 2022 and 2021

Unit: NT\$ thousand

Liabilities and equity	Note	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
21XX Current liabilities					
2100 Short-term borrowings	IV, VI.(XIV), VII, VIII	\$4,401,950	12.58	\$3,655,250	10.63
2110 Short-term bills payable	VI.(XIV), VII, VIII	3,734,677	10.67	3,896,969	11.33
2130 Contract liabilities - current	VI.(XXIII)	586,417	1.68	561,568	1.63
2150 Notes payable	IV	47,687	0.14	81,799	0.24
2160 Notes payable - related parties	IV, VII	80,011	0.23	90,004	0.26
2170 Trade payables	IV	26,381	0.08	16,566	0.05
2180 Trade payables - related parties	IV, VII	0	0.00	574,791	1.67
2200 Other payables		40,744	0.12	45,019	0.13
2220 Other payables - related parties	VII	783	0.00	325	0.00
2230 Current tax liabilities	IV	138,450	0.40	190,965	0.56
2250 Provisions - current	IV, VI.(XV)	51,779	0.15	44,708	0.13
2280 Lease liabilities - current	IV, VI.(XIX)	1,134	0.00	1,080	0.00
2322 Long-term borrowings due within one operating cycle	VI.(XVIII), VII, VIII	1,030,393	2.94	46,558	0.14
2335 Collection	VI.(XVI)	72,878	0.21	66,979	0.19
2399 Other current liabilities - others	VI.(XVII)	8,499	0.02	26,752	0.08
21XX Total current liabilities		\$10,221,783	29.22	\$9,299,333	27.04
25XX Non-current liabilities					
2540 Long-term borrowings	VI.(XVIII), VII, VIII	\$7,382,157	21.10	\$8,608,475	25.04
2570 Deferred tax liabilities	VI.(XXX)	17,121	0.05	22,825	0.07
2580 Lease liabilities - non-current	IV, VI.(XIX)	62,373	0.18	61,548	0.18
2640 Net defined benefit liabilities - non-current	IV, VI.(XXVIII)	19,557	0.06	22,407	0.06
2645 Deposits received		5,202	0.01	4,277	0.01
25xx Total non-current liabilities		\$7,486,410	21.40	\$8,719,532	25.36
2XXX Total liabilities		\$17,708,193	50.62	\$18,018,865	52.40
3XXX Equity					
3110 Share capital - ordinary shares	VI.(XX)	\$3,690,564	10.55	\$3,717,590	10.81
3211 Paid-in capital - ordinary shares premium	VI.(XXI)	0	0.00	13,865	0.04
3300 Retained earnings					
3310 Legal reserve	VI.(XXII)	1,708,314	4.88	1,539,903	4.48
3350 Unappropriated earnings	VI.(XXII)	11,876,148	33.95	11,094,488	32.27
3300 Total retained earnings		\$13,584,462	38.83	\$12,634,391	36.75
3XXX Total equity		\$17,275,026	49.38	\$16,365,846	47.60
Total liabilities and equity		\$34,983,219	100.00	\$34,384,711	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 Statements of Comprehensive Income  
From January 1 to December 31, 2022 and 2021

Unit: NT\$ thousand

Code	Account titles	Note	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue					
4110	Sales revenue		\$3,149,195	100.00	\$6,503,060	100.00
4190	Sales discounts and allowances		(90)	(0.00)	(173)	(0.00)
4100	Net sales	VI.(XXIII).VII	\$3,149,105	100.00	\$6,502,887	100.00
5000	Operating costs		1,316,516	41.81	3,883,411	59.72
5900	Gross profit		\$1,832,589	58.19	\$2,619,476	40.28
6000	Operating expenses	VI.(XXXI)				
6100	Selling and marketing expenses		293,070	9.31	346,818	5.33
6200	General and administrative expenses		123,507	3.92	128,111	1.98
6000	Total operating expenses		\$416,577	13.23	\$474,929	7.31
6900	Operating income		\$1,416,012	44.96	\$2,144,547	32.97
7000	Non-operating income and expenses					
7100	Interest income	VI.(XXIV)	\$841	0.03	\$233	0.00
7010	Other income	VI.(XXV)	2,520	0.08	2,332	0.04
7020	Other gains and losses	VI.(XXVI)	(160)	0.00	25,222	0.39
7050	Finance costs	VI.(XXVII)	(230,056)	(7.31)	(186,150)	(2.86)
7070	Share of profit or loss of subsidiaries accounted for using the equity method	VI.(IX)	(29,483)	(0.94)	(59,470)	(0.91)
7000	Total non-operating income and expenses		(\$256,338)	(8.14)	(\$217,833)	(3.34)
7900	Income before tax		\$1,159,674	36.82	\$1,926,714	29.63
7950	Income tax expense	IV, VI.(XXX)	150,000	4.76	239,305	3.68
8200	Current net income		\$1,009,674	32.06	\$1,687,409	25.95
8300	Other comprehensive income					
8310	Items not reclassified to profit or loss					
8311	Remeasurements of defined benefit plans	IV, VI.(XXVIII)	\$309	0.01	(\$4,127)	(0.06)
8349	Incomes tax expense (gain) related to titles not subject to reclassification	IV, VI.(XXX)	62	0.00	(825)	(0.01)
8300	Other comprehensive income (after tax)		\$247	0.01	(\$3,302)	(0.08)
8500	Total comprehensive income		\$1,009,921	32.07	\$1,684,107	25.89
9750	Basic earnings per share (NT\$)	IV, VI.(XXXII)	\$2.73		\$4.54	
9850	Diluted earnings per share (NT\$)	IV, VI.(XXXII)	\$2.73		\$4.54	

(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 Statements of Changes in Equity  
From January 1 to December 31, 2022 and 2021

Unit: NT\$ thousand

Code	Account name Summary	Share capital	Capital surplus	Retained earnings			Treasury shares	Total equity
				Legal reserve	Unappropriated earnings	Total		
A1	Balance as of January 1, 2021	\$0	\$0	\$1,371,436	\$9,578,848	\$10,950,284	\$0	\$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 in 2021				(3,302)	(3,302)		(3,302)
D5	Total comprehensive income 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	\$0	\$16,365,846
A1	Balance as of January 1, 2022	\$3,717,590	\$13,865	\$1,539,903	\$11,094,488	\$12,634,391	\$0	\$16,365,846
B1	Legal reserve			168,411	(168,411)	0		0
B9	Employee compensation to capital increase	5,414	14,048			0		19,462
D1	Net income in 2022				1,009,674	1,009,674		1,009,674
D3	Other comprehensive income in 2022				247	247		247
D5	Total comprehensive income in 2022				1,009,921	1,009,921	0	1,009,921
L1	Treasury stock repurchase						(120,203)	(120,203)
L3	Cancellation of treasury shares	(32,440)	(27,913)		(59,850)	(59,850)	120,203	0
Z1	Balance as of December 31, 2022	\$3,690,564	\$0	\$1,708,314	\$11,876,148	\$13,584,462	\$0	\$17,275,026

Note: Employee compensation of NT\$11,714 thousand and NT\$19,462 thousand for 2022 and 2021, 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, 2022 and 2021

Unit: NT\$ thousand

Code		January 1 to December 31, 2022	January 1 to December 31, 2021	Code		January 1 to December 31, 2022	January 1 to December 31, 2021
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Current year net profit before tax	\$1,159,674	\$1,926,714	B00200	Disposal of financial assets at fair value through profit or loss	\$0	\$115,183
A20000	Adjustment items:			B01800	Acquisition of investment accounted for using the equity method	(50,000)	(70,000)
A20010	Revenue, expense and loss that do not affect the cash flows:			B02700	Acquisition of property, plant, and equipment	(3,770)	0
A20100	Depreciation expenses	\$63,709	\$64,068	B03700	Increase in refundable deposits	(2,745)	(208,640)
A20200	Amortization expenses	4,260	4,320	B03800	Decrease in refundable deposits	5,010	209,060
A20400	Gain on financial assets at fair value through profit or loss	0	(21,357)	B04500	Acquisition of intangible assets	(430)	(100)
A20900	Interest expenses	230,056	186,150	B06500	Increase in other financial assets	(30,098)	(66,156)
A21200	Interest income	(841)	(233)	BBBB	Net cash outflow from investing activities	(\$82,033)	(\$20,653)
A21300	Dividend income	(179)	0				
A22300	Share of profit or loss of subsidiaries accounted for using the equity method	29,483	59,470				
A23100	Gain on disposal of investments	0	(3,896)				
A20010	Total revenue, expense and loss that do not affect the cash flows:	\$326,488	\$288,522	CCCC	Cash flows from financing activities:		
A30000	Changes in operating assets and liabilities			C00100	Proceeds from short-term borrowing	\$13,324,150	\$16,716,020
A31000	Net changes in operating assets			C00200	Repayments of short-term borrowings	(12,577,450)	(17,549,576)
A31130	Decrease (increase) in notes receivable	\$33,897	(\$11,523)	C00500	Proceeds from short-term bills payable	17,651,000	14,730,000
A31150	(Increase) decrease in trade receivable	129,160	(28,529)	C00600	Repayments of short-term bills payable	(17,812,600)	(14,987,000)
A31180	Decrease (increase) in other receivables	(2,502)	750,092	C01600	Proceeds from long-term borrowings	894,400	1,990,518
A31200	Increase in inventories	(1,164,092)	(2,317,367)	C01700	Repayments of long-term borrowings	(1,136,883)	(333,352)
A31230	Increase in prepayments	(28,777)	(88,156)	C03000	Increase in deposits received	1,517	2,739
A31240	Increase in other current assets	(23,705)	(82,340)	C03100	Decrease in deposits received	(592)	(1,340)
A31000	Total net changes in operating assets	(\$1,056,019)	(\$1,777,823)	C04020	Repayment of the principal portion of lease	(1,115)	(1,062)
A32000	Net change in operating liabilities			C04800	Treasury stock repurchase cost	(120,203)	0
A32125	Increase in contract liabilities - current	\$24,849	\$65,865	CCCC	Net cash inflow from financing activities	\$222,224	\$566,947
A32130	Loss in notes payable	(44,105)	(28,427)				
A32150	Decrease in trade payable	(564,976)	(218,326)	EEEE	Increase (decrease) in current cash and cash equivalent	(\$441,804)	\$425,735
A32180	Increase in other payables	12,305	16,734	E00100	Cash and cash equivalent at the beginning of the period	973,133	547,398
A32200	Increase in provisions	7,071	8,891	E00200	Cash and cash equivalent at the end of the period	\$531,329	\$973,133
A32230	Increase (decrease) in other current liabilities	(12,354)	6,822				
A32240	Decrease in net defined benefit liabilities	(2,541)	(3,112)				
A32000	Total net changes in operating liabilities	(\$579,751)	(\$151,553)				
A33000	Cash inflow (outflow) from operating activities	(\$149,608)	\$285,860				
A33100	Interest received	836	233				
A33200	Dividend received	179	0				
A33300	Interest paid	(224,278)	(187,449)				
A33500	Income tax received	0	2,556				
A33500	Income tax paid	(209,124)	(221,759)				
AAAA	Net cash outflows from operating activities	(\$581,995)	(\$120,559)				

(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

2022 and 2021

(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 is 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 29, 2023.

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

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

International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations applicable endorsed by the FSC in 2022:

<u>New Standards, Interpretations and Amendments</u>	<u>Major Amendments</u>	<u>Effective Date of Issuance by the IASB</u>
• Amendments to IFRS 3 - Reference to the Conceptual Framework	The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also	January 1, 2022

New Standards, Interpretations and Amendments	Major Amendments	Effective Date of Issuance by the IASB
	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.	
• Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use	The amendments prohibit a company from deducting from the cost of property, plant, and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.	January 1, 2022
• Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract	The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The "cost of fulfilling a contract" includes the incremental cost of performance and other costs directly related to fulfilling a contract.	January 1, 2022
• 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</p>	January 1, 2022

New Standards, Interpretations and Amendments	Major Amendments	Effective Date of Issuance by the IASB
	<p>different from the terms of the original financial liability.</p> <p>Amendments to IFRS 16 - Leases</p> <p>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</p> <p>The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.</p>	

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 2023:

New Standards, Interpretations and Amendments	Major Amendments	Effective Date of Issuance by the IASB
<ul style="list-style-type: none"> <li>• Amendments to IAS 1 - Disclosure Initiative-Accounting Policies</li> </ul>	<p>The major amendments to IAS 1 include: Require companies to disclose their significant accounting policies rather than their material accounting policies; clarify that accounting policy information related to transactions, other events or circumstances that are not material and do not require disclosure of such information; and clarify that all accounting policy information that is not related to a transaction, other</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"> <li>• Amendments to IAS 8 - Definition of Accounting Estimates</li> </ul>	<p>event or circumstance that is material to the company's financial statements. The amendment introduces 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 amendment also clarifies the relationship between accounting policies and accounting estimates by specifying that a company is required to establish accounting estimates for the purposes of the accounting policies it applies.</p>	January 1, 2023
<ul style="list-style-type: none"> <li>• Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</li> </ul>	<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 assessed the effects of adopting the aforementioned standards and interpretations, and has found no significant effects on the Company's financial position and financial performance.

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

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

New Standards, Interpretations and Amendments	Major Amendments	Effective Date of Issuance by the IASB
<ul style="list-style-type: none"> <li>• Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and</li> </ul>	<p>This project addresses the acknowledged inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and</p>	To be determined by IASB

New Standards, Interpretations and Amendments	Major Amendments	Effective Date of Issuance by the IASB
its Associate or Joint Venture	<p>IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or joint venture. IAS 28 states that when non-monetary assets are contributed in exchange for an interest in an associate or a joint venture, the share of gains or losses shall be eliminated in accordance with the treatments of a downstream transaction. However, IFRS 10 requires a full recognition of gains or losses arising from the loss of control of a subsidiary. These amendments prohibit the aforementioned regulations from IAS 28; when the loss of control of a business, as defined in IFRS 3 occurs, a full gain or loss should be recognized. 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>	
<ul style="list-style-type: none"> <li>• Amendment to IFRS 16 "Lease Liabilities in Sale and Leaseback"</li> </ul>	<p>This is a consistent application of IFRS 16 "Leases" for sellers and lessees to add additional accounting treatment to sale and leaseback transactions.</p>	January 1, 2024
<ul style="list-style-type: none"> <li>• IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"</li> </ul>	<p>This standard provides a comprehensive model to insurance contracts, including all accounting treatment (recognition, measurement, expression, and disclosure principle). The core of the</p>	January 1, 2024



New Standards,  
Interpretations and  
Amendments

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Major Amendments

Effective Date of  
Issuance by the IASB

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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.

The carrying amount of the insurance contract group at the end of each reporting period is the sum of the remaining security liabilities and the claims liabilities incurred. 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). IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an

New Standards, Interpretations and Amendments	Major Amendments	Effective Date of Issuance by the IASB
	interim standard - IFRS 4 Insurance Contracts - from annual reporting periods beginning on or after 1 January 2023.	
• Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	These amendments allow an enterprise to choose applicable classification coverage approach upon initial application of the various comparative periods specified in IFRS 17. This option allows an entity to classify all financial assets, including those held through activities that are not linked to contracts within the scope of IFRS 17, on an instrument-by-instrument basis, based on how it expects to classify such assets when IFRS 9 is initially applied during the comparative period. Enterprises that have already applied IFRS 9 or will initially apply both IFRS 9 and IFRS 17 may choose to apply the classification coverage method.	January 1, 2023
• Amendment to IAS 1 - Classification of Liabilities as Current or Non-current	This amendment targets sections 69-76 in IAS 1 - Presentation of Financial Statements concerning the classification of liability as either current or non-current.	January 1, 2024
• Amendment to IAS 1 Non-current Liabilities with Contractual Provisions	This amendment adds information about long-term debt contracts provided by enterprises. It clarifies that contractual obligations that are subject to 12 months after the reporting period do not affect the classification of these liabilities as current or non-current as of the end of the reporting period.	January 1, 2024

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 other comprehensive 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. Assets that meet one of the following criteria are classified as current assets:
  - (1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
  - (2) Assets held primarily for trading purposes.
  - (3) Assets that are expected to be realized within 12 months after the end of the reporting period.
  - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the end of the reporting period. The 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 only 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 assets

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.

The Company reclassifies all affected financial assets from the first day of the next reporting period only when there is a change in the operating model for managing financial assets.

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 derecognition, gain or loss is recognized in profit and loss.

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

C. Financial assets at fair value through other comprehensive income

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

- a. The objective of the Consolidated Company's business model is achieved both by collecting contractual cash flows and selling financial assets.
- b. The terms of the contract of the financial assets generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

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

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 financial 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) Investments 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

Transportation Equipment	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) Lease

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;  
and
- (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	:	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) 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 contracts

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.

## (XIX) 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.

(XX) 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 Consolidated Company's obligations and are denominated in the same currency in which the benefits are expected to be paid.

The costs of defined benefits under the defined benefit pension plan include service cost, net interest, and the 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.

(XXI) 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 equity investments in subsidiaries, affiliates or joint ventures, the time for reverse of which may be controlled by the Company and where there is a high probability that such temporary differences will not be reversed.
3. Initial recognition of goodwill.

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

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

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

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

(XXII) 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.

(XXIII) 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. If the employees' compensation is paid in the form of stock, it is classified as potential ordinary shares. If the potential ordinary shares are dilutive, diluted earnings per share is disclosed in addition to simple earnings per share. Diluted earnings per share assumes that all dilutive potential ordinary shares are outstanding during the period, so the current net income and the number of outstanding ordinary shares are adjusted for the effect of dilutive potential ordinary shares.

(XXIV) 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.

(XXV) 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) Valuation 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) Inventory evaluation

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 made mainly based on the nature of inventories, inquiries about the transaction prices in neighboring regions, the recent transaction prices of sold units, investment return analysis table or the appraisal report provided by external real estate appraiser, therefore, it may subject to significant changes.

(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 equivalents

Item	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$58	\$78
Demand deposits	531,244	972,864
Checking deposits	27	191
Total	\$531,329	\$973,133

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. The Company's pre-sale construction project trust funds and other portions with restriction on use are classified as Other financial assets – current. Please refer to Note VI(VIII) and Note XIII for details.
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, 2022	December 31, 2021
Non-current		
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\$0 in 2022 and NT\$21,357 thousand in 2021, plus a gain of NT\$0 in 2022 and NT\$3,896 thousand in 2021 from disposal of 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) Note and trade receivables

Item	December 31, 2022	December 31, 2021
Notes receivable		
Measured at amortized cost		
Less than 1 year	\$15,000	\$36,682
Over 1 year	2,785	15,000
Total	\$17,785	\$51,682
Trade receivables		
Measured at amortized cost		
Less than 1 year	\$886	\$126,675
Over 1 year	22	22
Less: Allowance for doubtful accounts - Trade receivables	(22)	(22)
Total	\$886	\$126,675
Trade receivables - related parties		
Less than 1 year	\$0	\$3,371

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

2. 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.
3. 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, 2022		
	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	\$18,671	0%	\$0
Less than 60 days	0	0%	0
Over 365 days	22	100%	22
Total	<u>\$18,693</u>		<u>\$22</u>
	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>

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

	December 31, 2022	December 31, 2021
Beginning balance	\$22	\$22
Increase in the current period	0	0
Ending balance	<u>\$22</u>	<u>\$22</u>

4. 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.
5. The Company's notes receivable (including long-term notes receivable) and accounts receivable were not discounted or provided as collaterals.

(IV) Other receivables

Item	December 31, 2022	December 31, 2021
Other receivables	\$2,609	\$83
Other receivables - related parties	109	128
Total	\$2,718	\$211

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, 2022	December 31, 2021
Buildings held for sale	\$4,586,949	\$5,353,441
Land held for sale	1,473,555	1,798,448
Land under construction	2,703,979	2,048,692
Construction in progress	2,249,500	1,363,468
Land held for construction	20,847,402	20,618,705
Prepayment for land	801,638	316,552
Less: Provision for loss of inventory	(167)	(542)
Total	\$32,662,856	\$31,498,764

Item	December 31, 2022	December 31, 2021
1. Buildings held for sale		
Mandala (Ji Jing)	\$0	\$10,628
King's Town	1,860,268	2,023,746
King's Town Hyatt	612,673	722,615
Hua Shang	114,478	114,478
Yiwen Court	190,091	355,342
Ju Dan	135,930	135,930
Tian Feng	145,518	145,518
Shi Shang King's Town	20,360	78,028

Item	December 31, 2022	December 31, 2021
Mei Shu Huang Ju	1,243,664	1,287,130
King's Town Garden	216,641	419,136
Xiang King's Town	4,194	4,194
Yue He Di	42,965	56,293
Other projects	167	403
Total	\$4,586,949	\$5,353,441
Less: Provision for loss of inventory	(167)	(403)
Net	\$4,586,782	\$5,353,038
<b>2. Land held for sale</b>		
Mandala (Ji Jing)	\$0	\$8,353
King's Town	194,590	216,559
King's Town Hyatt	44,598	53,542
Yiwen Court	99,233	188,971
Ju Dan	83,855	83,855
Tian Feng	62,443	62,443
Shi Shang King's Town	13,423	50,268
Mei Shu Huang Ju	831,196	881,111
King's Town Garden	98,095	194,101
Xiang King's Town	4,269	4,269
Yue He Di	41,853	54,837
Other projects	0	139
Total	\$1,473,555	\$1,798,448
Less: Provision for loss of inventory	0	(139)
Net	\$1,473,555	\$1,798,309
<b>3. Land under construction and construction in progress</b>		
	Construction in progress	Total
Fuhe Section No. 698-1	\$121,525	\$475,254
Ai Qun No. 2748 (King's Town World of Heart)	1,305,230	2,306,928
Xindu Section No. 163 (Fu+)	766,252	1,459,517
Bohsiao Section No. 1140 (Jing Wu Tong)	56,493	711,780
Total	\$2,249,500	\$4,953,479

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

Item	December 31, 2022	December 31, 2021
<b>4. Land held for construction</b>		
Kaohsiung Chenggong Section No. 84 and others	\$862,995	\$661,292

Item	December 31, 2022	December 31, 2021
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 Qinghai No. 229	4,278,594	4,278,594
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	0	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, 4 in total	435,469	435,469
Kaohsiung Qiaotou Shixing Section No. 924	14,055	14,055
Kaohsiung Shixing Section 925, 2 in total	112,196	112,196
Kaohsiung Shixing Section 927, 3 in total	84,625	84,625
Kaohsiung Shixing Section 928, 3 in total	\$107,554	\$107,554
Kaohsiung Qiaotou Shixing Section No. 967	6,640	6,640
Kaohsiung Qiaotou Shixing Section No. 968	42,794	42,794
Kaohsiung Longdong Section No. 1	513,991	513,991
Tainan Kanjiao North Section No. 820	3,385,666	3,385,666
Kaohsiung Xindu Section No. 49	46,653	46,653
Kaohsiung Xinzhuang 12 Sub-section No. 1167 and 1175	614,152	0
Tainan Kanjiao North Section No. 913	13,130	0
Transferable land and deformed land	1,215,917	1,160,918
Total	<u>\$20,847,402</u>	<u>\$20,618,705</u>

5. Prepayment for land

Item	December 31, 2022	December 31, 2021
Kaohsiung Chenggong Section No. 60-1, 62-64	\$0	\$117,699
Tainan Anan District, Caohu Phase I	201,677	197,853
Kaohsiung Qiaotou Shixing Section No. 935-1	0	1,000
Tainan Rende Zhongcuo Section No. 718, etc.	230,092	0
Kaohsiung Youchang Three Subsections No. 1061, etc.	306,883	0
Tainan Rende Taizi Section No. 600, etc.	31,062	0
Tainan Rende Kanjiao North Section No. 1491, etc.	31,924	0
Subtotal	<u>\$801,638</u>	<u>\$316,552</u>

6. The above-listed premises under construction are residential buildings built in Kaohsiung City. The amount of interest capitalized in construction in progress was NT\$73,456 thousand and NT\$44,227 thousand in 2022 and 2021, 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\$7,631 thousand and NT\$8,297 thousand in 2022 and 2021, respectively.
8. Please refer to Note VIII to the financial statements for the pledge of premises for sale, premises under construction and construction sites.
9. Cost of goods sold related to inventories amounted to NT\$1,240,485 thousand and NT\$3,804,333 thousand in 2022 and 2021, respectively; neither of which included NT\$375 thousand and NT\$0 thousand of inventory write-down benefit in 2022 and 2021, respectively.

(VI) Prepayments

Item	December 31, 2022	December 31, 2021
Prepaid expenses	\$571,542	\$546,000
Input tax	139	35
Total	\$571,681	\$546,035

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

(VII) Other current assets

Item	December 31, 2022	December 31, 2021
Payments on behalf of others	\$4,396	\$2,966
Incremental costs of obtaining contracts	110,228	87,953
Total	\$114,624	\$90,919

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 therefor recognized as an asset.

(VIII) Other financial assets - current

Item	December 31, 2022	December 31, 2021
Restricted bank deposits	\$96,254	\$66,156

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, 2022		December 31, 2021	
	Amount	Shareholding	Amount	Shareholding
H2O Hotel Co., Ltd. (H2O Hotel)	\$85,617	100%	\$65,100	100%

(1) For information about the Company's subsidiaries, please refer to the 2022 Consolidated Financial Statements of the Company.

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

Balance Sheet

	H2O Hotel Co., Ltd. (H2O Hotel)	
	December 31, 2022	December 31, 2021
Current assets	\$101,137	\$125,804
Non-current assets	2,322,499	2,438,533
Current liabilities	(92,000)	(174,239)
Non-current liabilities	(2,314,310)	(2,364,016)
Net assets	<u>\$17,326</u>	<u>\$26,082</u>

Comprehensive Income Statement

	H2O Hotel Co., Ltd. (H2O Hotel)	
	December 31, 2022	December 31, 2021
Net Operating Revenue	<u>\$270,060</u>	<u>\$190,621</u>
Gross profit	<u>\$89,971</u>	<u>\$35,352</u>
Net Income	<u>(\$58,757)</u>	<u>(\$72,267)</u>
Other comprehensive income/(loss) (after tax)	\$0	\$0
Total comprehensive income	<u>(\$58,757)</u>	<u>(\$72,267)</u>

- (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 2022 and December 2021, H2O Hotel Co., Ltd. increased its capital by cash in the amount of NT\$50,000 thousand and 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\$440,000 thousand and NT\$390,000 thousand as of December 31, 2022 and 2021, respectively. The share of loss recognized for the subsidiary was NT\$58,757 thousand and NT\$72,267 thousand in 2022 and 2021, 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 in 2022 and 2021, respectively. The difference affects the Company's share of benefit recognized



under the equity method by NT\$29,274 thousand and NT\$12,797 thousand in 2022 and 2021, respectively.

(X) Property, plant, and equipment

	Transportation Equipment	Office Equipment	Other Equipment	Total
Cost				
2022.01.01	\$0	\$4,892	\$1,231	\$6,123
Increase	3,770	0	0	3,770
Disposal and obsolescence	0	(4,892)	(518)	(5,410)
2022.12.31	<u>\$3,770</u>	<u>\$0</u>	<u>\$713</u>	<u>\$4,483</u>
2021.01.01	\$0	\$5,255	\$1,231	\$6,486
Disposal and obsolescence	0	(363)	0	(363)
2021.12.31	<u>\$0</u>	<u>\$4,892</u>	<u>\$1,231</u>	<u>\$6,123</u>
Accumulated depreciation and impairment				
2022.01.01	\$0	\$4,239	\$712	\$4,951
Depreciation	52	653	190	895
Disposal and obsolescence	0	(4,892)	(518)	(5,410)
2022.12.31	<u>\$52</u>	<u>\$0</u>	<u>\$384</u>	<u>\$436</u>
2021.01.01	\$0	\$3,545	\$465	\$4,010
Depreciation	0	1,057	247	1,304
Disposal and obsolescence	0	(363)	0	(363)
2021.12.31	<u>\$0</u>	<u>\$4,239</u>	<u>\$712</u>	<u>\$4,951</u>
Net carrying amount				
2022.12.31	<u>\$3,718</u>	<u>\$0</u>	<u>\$329</u>	<u>\$4,047</u>
2021.12.31	<u>\$0</u>	<u>\$653</u>	<u>\$519</u>	<u>\$1,172</u>
2021.01.01	<u>\$0</u>	<u>\$1,710</u>	<u>\$766</u>	<u>\$2,476</u>

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

(XI) 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. It was remeasured in 2022 to be in line with an increase in price index.

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, 2022	\$65,760
Remeasurement	1,994
Balance as of December 31, 2022	<u>\$67,754</u>
Balance as of January 1, 2021	<u>\$65,760</u>
Balance as of December 31, 2021	<u>\$65,760</u>
Depreciation of right-of-use assets	
Balance as of January 1, 2022	\$4,544
Current depreciation	1,564
Balance as of December 31, 2022	<u>\$6,108</u>
Balance as of January 1, 2021	<u>\$3,029</u>
Current depreciation	1,515
Balance as of December 31, 2021	<u>\$4,544</u>
Carrying amount	
Balance as of December 31, 2022	<u>\$61,646</u>
Balance as of December 31, 2021	<u>\$61,216</u>

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

(XII) Investment properties

	<u>Buildings</u>
Cost	
2022.01.01	\$971,633
2022.12.31	\$971,633
2021.01.01	\$971,633
2021.12.31	\$971,633
Accumulated depreciation	
2022.01.01	\$285,191
Current depreciation	61,250
2022.12.31	\$346,441
2021.01.01	\$223,942
Current depreciation	61,249
2021.12.31	\$285,191
Net carrying amount	
2022.12.31	\$625,192
2021.12.31	\$686,442
2021.01.01	\$747,691

1. Investment real estate - 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:

	<u>January 1 to December 31, 2022</u>	<u>January 1 to December 31, 2021</u>
Rental income from investment properties (recorded as operating income)	\$37,143	\$37,143
Direct operating expenses from investment properties that generate rental income in the current period	76,026	76,121

2. The fair value of investment properties - buildings as of December 31, 2022 and 2021 was NT\$2,023,410 thousand and NT\$2,219,399 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, 2022	\$200,020	\$1,510	\$201,530
Increase	0	430	430
Balance as of December 31, 2022	\$200,020	\$1,940	\$201,960
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	\$200,020	\$1,510	\$201,530
Accumulated amortization and impairment			
Balance as of January 1, 2022	\$38,003	\$1,071	\$39,074
Amortization	4,000	260	4,260
Balance as of December 31, 2022	\$42,003	\$1,331	\$43,334
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	\$38,003	\$1,071	\$39,074
Net carrying amount			
Balance as of December 31, 2022	\$158,017	\$609	\$158,626
Balance as of December 31, 2021	\$162,017	\$439	\$162,456
Balance as of January 1, 2021	\$166,017	\$659	\$166,676

1. Amortization expense for the Company's intangible assets for 2022 and 2021 is reported in the following items

Item	2022	2021
Other operating costs	\$4,000	\$4,000
Operating expenses	260	320
Total	\$4,260	\$4,320

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

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

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

	December 31, 2022	December 31, 2021
1. Short-term borrowings		
Secured loans	\$4,401,950	\$3,655,250
Interest rate range		
Secured loans	2.233%~2.85%	1.55%~1.80%
Repayment period	2023.02.09~113.11.25	2022.01.26~2023.05.25
2. Short-term bills payable	\$3,740,400	\$3,902,000
Less: Discount on short-term bills payable	(5,723)	(5,031)
Net	\$3,734,677	\$3,896,969
Interest rate range		
Financing commercial promissory note	1.468%~2.743%	0.478%~1.538%
Unused limit	\$2,009,895	\$5,424,995

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, 2022	\$44,708
Newly increased liability provision for the period	7,071
Balance as of December 31, 2022	\$51,779
Balance as of January 1, 2021	\$35,817
Newly increased liability provision for the period	8,891
Balance as of December 31, 2021	\$44,708

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, 2022	December 31, 2021
Land collections	\$19,790	\$8,086
Building collections	32,686	15,130
Decoration collections	14,094	16,094
Collections - others	6,308	27,669
Total	\$72,878	\$66,979

(XVII) Other current liabilities - others

Item	December 31, 2022	December 31, 2021
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## Tax payable

\$8,499

\$26,752

(XVIII)

Nature of borrowings	Borrowing period, repayment method and interest rate range	December 31, 2022	December 31, 2021
Long-term bank borrowings			
Secured borrowings	From March 2020 to December 2028, interest is payable monthly in a lump sum at maturity with floating interest rates of 2.405% and 1.73% as of December 31, 2022 and 2021, respectively.	\$1,675,000	\$1,765,000
Secured borrowings	From June 2019 to June 2026, interest is payable monthly in a lump sum at maturity with floating interest rates of 2.325% and 1.7% as of December 31, 2022 and 2021, respectively.	576,000	607,000
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 2.00% and 1.54% on December 31, 2022 and 2021, respectively. Borrowings due within one year rerecognized were NT\$46,393 thousand and NT\$46,558 thousand as of December 31, 2022 and 2021, respectively.	485,150	531,033
Secured borrowings	From January 2022 to January 2027, interest is payable monthly in a lump sum at a floating rate of 2.25% as of December 31, 2022.	194,100	0
Secured borrowings	From January 2022 to January 2027, interest is payable monthly in a lump sum at a floating rate of 2.25% as of December 31, 2022.	185,300	0
Secured borrowings	Interest is payable on a monthly basis from October 2021 to October 2026, with at least NT\$100,000 thousand repayable on the date when it reaches three years from the date of initial drawdown and the remaining amount to be repaid on due date by lump sum, at floating interest rates of 2.425% and 1.80% as of December 31, 2022 and 2021, respectively.	2,000,000	1,900,000
Secured borrowings	From December 2022 to December 2027, interest is payable monthly in a lump sum at a floating rate of 2.335% as of December 31, 2022, respectively.	\$415,000	\$0
Secured borrowings	From March 2020 to March 2025, interest is payable monthly in a lump sum at maturity with floating interest rates of 2.035% and 1.45% as of December 31, 2022 and 2021, respectively.	1,280,000	1,300,000
Secured borrowings	From May 2019 to November 2023, interest is payable monthly in a lump sum at maturity with floating interest rates of 2.035% and 1.45% as of December 31, 2022 and 2021, respectively. Borrowings due within one year were transferred to NT\$510,000 thousand as of December 31, 2022.	510,000	510,000
Secured borrowings	From October 2019 to January 2023, then extended to October 2025, with NT\$158 million repaid every four months from October 2022 to October 2023 and the rest payable monthly in a lump sum at maturity with floating interest rates of 2.055%~2.425% and 1.43% as of December 31, 2022 and 2021, respectively. Borrowings due within one year were transferred to NT\$474,000 thousand as of December 31, 2022.	1,092,000	1,270,000
Secured borrowings	Original from January 3, 2012 to January 3, 2016, then extended to January 3, 2020, then extended to January 3, 2024, interest is payable monthly, in one lump sum at maturity with floating interest rates of 0% and 1.54% as of December 31, 2022 and 2021. It was fully repaid in February, 2022.	0	272,000

Nature of borrowings	Borrowing period, repayment method and interest rate range	December 31, 2022	December 31, 2021
Secured borrowings	From June 2020 to June 2023, interest is payable monthly in a lump sum at maturity with floating interest rates of 0% and 1.606881% as of December 31, 2022 and 2021, respectively. It was fully repaid in March, 2022.	\$0	\$500,000
Total		\$8,412,550	\$8,655,033
Less: Net long-term borrowings due within one year or one operating cycle Use this segment		(1,030,393)	(46,558)
Net		\$7,382,157	\$8,608,475
Unused limit		\$3,798,600	\$4,310,000

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, 2022	December 31, 2021
Current	\$1,134	\$1,080
Non-current	\$62,373	\$61,548

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 except for the remeasurement of lease liabilities as a result of adjustments to lease consideration due to a change in price index from January 1 to December 31, 2022 and 2021.

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

	2022	2021
Interest expense – lease obligations payable	\$771	\$231
Short-term lease expenses	\$5,092	\$6,587
Expense on leases with low-value underlying assets	\$217	\$215
Total cash flows on lease	\$7,029	\$8,112

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 method of “COVID-19-Related Rent Concessions”, and recognized the changes in rent payment occurred due to rent

concession as deduction of interest expenses of lease liabilities from January 1 to June 30, 2022 and from January 1 to December 31, 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\$67,380 thousand and NT\$63,038 thousand for the years from January 1, to December 31, 2022 and 2021, respectively.

(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, 2022</u>	<u>December 31, 2021</u>
Within 1 year	\$58,446	\$92,296
1 to 5 years	158,447	224,342
Over 5 years	16,131	22,047
Non-discounted future cash flows of lease	<u>\$233,024</u>	<u>\$338,685</u>

(4) The Company has one signed lease that is not included in the above table. The lease for the period from October 1, 2019 to February 28, 2035 is currently in litigation with the lessee as described in Note IX, therefore, this lease has been collected since it was signed and thus is not included in the above table.

(5) The 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) Share capital

1. As of December 31, 2022 and December 31, 2021, the Company's total authorized share capital was NT\$5,000,000 thousand and NT\$4,500,000 thousand, respectively, with a par value of NT\$10, and its paid-in capital were NT\$3,690,564 thousand and NT\$3,717,590 thousand, respectively, with 369,056 thousand and 371,759 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>2022</u>	<u>2021</u>
January 1	371,759	371,193
Cancellation of repurchase treasury shares	(3,244)	0
Employee compensation to capital increase	541	566
December 31	<u>369,056</u>	<u>371,759</u>

2. On June 23, 2022, the Company resolved by the shareholders' meeting to issue 541,356 new shares by transferring employees' remuneration of NT\$19,462 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 1, 2022, and the board of directors resolved on August 11, 2022, that the base date for the capital increase is August 15, 2022.
3. 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 16, 2021.

4. On July 8, 2022, 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 3,244 thousand, and on November 10, 2022, the board of directors resolved to set November 11, 2022 as the base date for the capital reduction, and the change was registered on November 25, 2022.

5. Treasury shares

(1) The reason for share re-acquisition and movements in the number of treasury stock are as follows:

Year of repurchase	Name of the Company holding the shares	Reason for share re-acquisition	December 31, 2022	
			Thousand shares	Carrying amount
Sixth	The Company	Maintain the Company's credit and shareholders' rights and interests, and handle the cancellation of shares	\$3,244	\$120,203
		Cancel	(3,244)	(120,203)
	Total		<u>0</u>	<u>\$0</u>

There was no such situation on December 31, 2021.

(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 July 8, 2022, 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. 3,244 thousand shares were repurchased from July 11 to

September 7, 2022, at an average purchase price of NT\$37.06 per share and repurchase costs of NT\$120,203 thousand. Based on March 31, 2022, the maximum number of shares that the Company may repurchase is 37,175.9 thousand shares and the maximum amount of shares to be purchased is NT\$12,886,644 thousand.

(5) On November 10, 2022, the Company's board of directors resolved to cancel 3,244 thousand shares of treasury shares repurchased, reducing capital by NT\$120,203 thousand, respectively, with the base dates of November 10, 2022, and after the cancellation of 3,244 thousand shares issued, the number of common shares outstanding was 369,056 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Capital premium from employee compensation	\$27,913	\$13,865
Cancellation of treasury shares transactions	(27,913)	0
Net	<u>\$0</u>	<u>\$13,865</u>

In accordance with the Company Act, capital surplus must first be used to cover losses before new shares or cash can be issued in proportion to the shareholders' original shares. The realized capital surplus referred to in the preceding paragraph includes the proceeds from the issuance of shares in excess of par value and the proceeds from the receipt of gifts. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital surplus may be capitalized in an amount not exceeding 10% of the paid-in capital each year.

(XXII) Retained earnings

Based on the Articles of Incorporation, the annual earnings of the Company shall be first appropriated to pay taxes and offset accumulated losses before allocating 10% of

the remaining earning to the legal reserve (not applicable where accumulated legal reserve has reached the amount required by law and regulations) and a special reserve in accordance to CMP's operating needs and pursuant to the applicable law and regulations. Any retained earnings available for distribution together with accumulated undistributed retained earnings may be proposed by the Board of Directors to appropriate and be resolved at the Annual General Meeting. The percentage of cash dividends shall not be less than 10% of the total amount distributed. 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(XXV) for the employee compensation distribution policy set forth in the Articles of Incorporation.

(1) Legal reserve

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

(2) Dividend distribution

The shareholders' meetings approved the distribution of earnings for years ended December 31, 2021 and 2020 on June 23, 2022 and August 12, 2021 as follows:



	Earnings distribution		Dividends per share	
	2021	2020	2021	2020
Legal reserve	\$168,411	\$168,467	-	-
Cash dividend	0	0	\$0	\$0

- (3) The proposal of distribution of earnings for 2022 was approved by the Company's board of directors on March 29, 2023, but has not yet been resolved by the shareholders' meeting; the proposal is as follows:

	2022	
	Amount	Dividends per share (NT\$)
Legal reserve	\$100,992	-
Cash dividend	0	\$0

For related information, please visit the Market Observation Post System or other channels.

(XXIII) Operating revenue

	2022	2021
Land revenue	\$1,497,063	\$3,052,029
Building revenue	1,584,752	3,387,993
Lease revenue	67,380	63,038
Return and discount of premises revenue	(90)	(173)
Total	\$3,149,105	\$6,502,887

(1) Revenue breakdown

	2022	2021
Major regional markets		
Taiwan	\$3,149,105	\$6,502,887
Major products/ service		
Premises revenue	\$3,081,725	\$6,439,849
Lease revenue	67,380	63,038
Total	\$3,149,105	\$6,502,887
Timing of revenue recognition:		
At a fixed point in time	\$3,081,725	\$6,439,849
Performance obligations fulfilled over time	67,380	63,038
Total	\$3,149,105	\$6,502,887

(2) Contract liabilities - current

	2022	2021
Sale of premises	\$585,115	\$560,581
Rental premises	1,302	987
Total	<u>\$586,417</u>	<u>\$561,568</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\$181,939 thousand and NT\$318,557 thousand from January 1 to December 31, 2022 and 2021, respectively.

(XXIV) Interest income

	2022	2021
Interest on bank deposits	\$808	\$203
Other interest income	33	30
Total interest income	<u>\$841</u>	<u>\$233</u>

(XXV) Other income

	2022	2021
Dividend income	\$179	\$0
Other income - others	2,341	2,332
Total	<u>\$2,520</u>	<u>\$2,332</u>

(XXVI) Other gains and losses

	2022	2021
Gain (loss) on disposal of financial assets at fair value through profit or loss	\$0	\$3,896
Valuation gain (loss) on financial assets measured at fair value through profit or loss	0	21,357
Miscellaneous income (expense)	(160)	(31)
Total	<u>(\$160)</u>	<u>\$25,222</u>

(XXVII) Finance costs

	2022	2021
Interest expenses		
Bank borrowings	\$311,143	\$238,674
Less: Capitalization of interest	(81,087)	(52,524)
Finance costs	<u>\$230,056</u>	<u>\$186,150</u>

(XXVIII) 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\$1,450 thousand and NT\$1,331 thousand in the parent company only statements of comprehensive income in 2022 and 2021, respectively.

	2022	2021
Selling and marketing expenses - Retirement benefits expenses	\$250	\$246
General and administrative expenses - Retirement benefits expenses	\$1,200	\$1,085



## 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. The designated account shall be accepted by the agency determined by the central competent authority, so the Company has no right to participate in the use of pension fund.

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

	<u>2022</u>	<u>2021</u>
Service costs for the current period	\$147	\$377
Net interest on defined benefit liabilities (assets)	112	133
Recognized in profit or loss	<u>\$259</u>	<u>\$510</u>
Remeasurements		
Compensation on plan assets (excluding net interest on net defined benefit liabilities (assets))	(\$2,131)	(\$345)
Actuarial losses (gains) - experience adjustments	1,921	3,504
Actuarial losses (gains) - changes in financial assumptions	(99)	328
Actuarial losses (gains) - changes in population assumptions	0	640
Recognized in other comprehensive income	<u>(\$309)</u>	<u>\$4,127</u>

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

	<u>2022</u>	<u>2021</u>
Selling and marketing expenses	\$24	\$47
General and administrative expenses	235	463
Total	<u>\$259</u>	<u>\$510</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$48,912	\$46,737
Fair value of plan assets	(29,355)	(24,330)
Net defined benefit liabilities	<u>\$19,557</u>	<u>\$22,407</u>

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

	2022	2021
Beginning balance	\$46,737	\$45,532
Service costs for the current period	147	377
Interest expenses	206	252
Remeasurements		
Actuarial losses (gains) - experience adjustments	1,921	3,504
Actuarial losses (gains) - changes in financial assumptions	(99)	328
Actuarial losses (gains) - changes in population assumptions	0	640
Benefits paid on plan assets	0	(3,896)
Ending balance	\$48,912	\$46,737

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

	2022	2021
Fair value of plan assets at the beginning of the period	\$24,330	\$24,140
Expected return on plan assets	94	119
Remeasurements of plan assets (excluding net interest included in net defined benefit liabilities (assets))	2,131	345
Contribution by the employer	2,800	3,622
Actual payment of employee benefits	0	(3,896)
Fair value of plan assets at the end of the period	\$29,355	\$24,330

- (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, 2022 and 2021, 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, 2022</u>	<u>December 31, 2021</u>
	<u>\$29,355</u>	<u>\$24,330</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, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.500%	0.500%
Growth rate of future salary	3.000%	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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.25%	<u>(\$593)</u>	<u>(\$654)</u>
Decrease by 0.25%	<u>\$590</u>	<u>\$680</u>
Expected salary increase rate		

Increase by 0.25%	<u>\$584</u>	<u>\$651</u>
Decrease by 0.25%	<u>(\$570)</u>	<u>(\$633)</u>

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\$295 thousand to the defined benefit plans for the one year period after the reporting date of 2022.

The weighted average period of the defined benefit plan is 9.12 years.

The maturity analysis of the pension payments is as follows:

Under 1 year	\$12,660
1 to 2 years	5,064
2 to 5 years	9,712
Over 5 years	<u>16,068</u>
	<u>43,504</u>

(XXIX) 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 shall be reported to the shareholders' meeting.

The amounts provided for employee compensation were NT\$11,714 thousand and NT\$19,462 thousand for 2022 and 2021, and the amounts provided for directors' compensation were both NT\$0, 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 29, 2023, the Board of Directors resolved to distribute NT\$11,714 thousand for employee compensation and NT\$0 for director's remuneration for 2022, and on March 23, 2022, the Board of Directors resolved to distribute NT\$19,462 thousand for employee compensation and NT\$0 for director compensation for 2021. There was no difference from the amounts recognized as expenses in 2022 and 2021.

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

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

(XXX) Income Tax

1. Income tax expense

Major components of income tax expenses were as follows:

	<u>2022</u>	<u>2021</u>
Current income tax expenses		
Incurred this year		
Income Tax	\$62,902	\$115,155
Land value increment tax	18,112	65,079
Unappropriated earnings	75,596	75,810
Deferred tax		
Occurrence and reversal of temporary differences	(6,610)	(16,739)
Income tax expense	<u>\$150,000</u>	<u>\$239,305</u>

2. Reconciliation of income tax expense to accounting profit.

	<u>2022</u>	<u>2021</u>
Accounting profit	\$1,159,674	\$1,926,714
Tax at the applicable tax rate	\$231,935	\$385,343
Effect of income tax adjustment items		
Items to be increased (decreased) when determining taxable income	(1,497)	(9,005)
Valuation loss (gain) on financial assets	0	(4,271)
Tax-exempt proceeds from land	(174,847)	(267,054)
Tax-exempt income from marketable securities	0	(3,530)
Losses recognized under the equity method	5,897	11,894
Warranty provision	1,414	1,778
Occurrence and reversal of temporary differences	(6,610)	(16,739)
5% levy on unappropriated earnings	75,596	75,810
Other income taxes (land value increment tax)	18,112	65,079
Income tax expense	<u>\$150,000</u>	<u>\$239,305</u>

3. Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
Deferred income tax gains (expense)		
Related to defined benefit plan remeasurement	\$62	(\$825)

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

	Balance on January 1	Recognized in profit or loss	Recognized in other comprehensive income	Balance on December 31
(1) January 1 to December 31, 2022				
A. Deferred tax assets				
Prepayments	\$5,503	\$0	\$0	\$5,503
Warranty provision payable	8,942	1,414	0	10,356
Net defined benefit liabilities - non-current	4,481	(508)	(62)	3,911
Total deferred tax assets	<u>\$18,926</u>	<u>\$906</u>	<u>(\$62)</u>	<u>\$19,770</u>
B. B. Deferred tax liabilities				
Inventories	<u>\$22,825</u>	<u>(\$5,704)</u>	<u>\$0</u>	<u>\$17,121</u>
(2) 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>

5. The Company's business income tax settlement and declaration up until 2020 have been approved.

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

By nature \ By function	2022			2021		
	Operation costs	Operation expenses	Total	Operation costs	Operation expenses	Total
Employee benefit expenses						
Salary expenses	0	52,286	52,286	0	59,137	59,137
Labor and health insurance expenses	0	3,495	3,495	0	3,325	3,325
Retirement benefits expenses	0	1,709	1,709	0	1,841	1,841
Remuneration to Directors	0	2,500	2,500	0	2,299	2,299
Other employee benefits	0	4,497	4,497	0	7,807	7,807
Depreciation expenses	62,814	895	63,709	62,764	1,304	64,068
Depletion expenses	0	0	0	0	0	0
Amortization expenses	4,000	260	4,260	4,000	320	4,320

(1) Additional information on the number of employees and employee benefit expenses for 2022 and 2021 is as follows:



	2022	2021
Number of employees	44	42
Number of directors who do not serve as employees	5	5
Average employee benefit expenses	\$1,589	\$1,949
Average employee salary expenses	\$1,341	\$1,598
Average adjustment of employee salary expenses	-16.08%	-0.62%

- (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

	2022	2021
Basic earnings per share (Unit: NT\$)	\$2.73	\$4.54
Diluted earnings per share (Unit: NT\$)	\$2.73	\$4.54

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

	2022	2021
Profit attributable to the holders of ordinary shares of the Company	<u>\$1,009,674</u>	<u>\$1,687,409</u>
Weighted average number of ordinary shares outstanding used for calculation of diluted earnings per share (in thousands)	369,680	371,407
Effect of potentially dilutive ordinary shares:		
Employee Remuneration	<u>364</u>	<u>477</u>
Weighted average number of ordinary shares outstanding used for calculation of diluted earnings per share (in thousands)	<u>370,044</u>	<u>371,884</u>

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 at the Board of Directors' meeting in the following year.

(XXXIII) Changes in liabilities from financing activities

Reconciliation of liabilities from financing activities was as follows:

	2022.1.1	Cash flows	Non-cash changes	2022.12.31
Short-term borrowings	\$3,655,250	\$746,700	\$0	\$4,401,950
Face value of short-term bills payable	3,902,000	(161,600)	0	3,740,400
Long-term borrowings	8,655,033	(242,483)	0	8,412,550
Deposits received	4,277	925	0	5,202
Lease liabilities	<u>62,628</u>	<u>(1,115)</u>	<u>1,994</u>	<u>63,507</u>
Liabilities from the financing activities	<u>\$16,279,188</u>	<u>\$342,427</u>	<u>\$1,994</u>	<u>\$16,623,609</u>
Short-term borrowings	\$4,488,806	(\$833,556)	\$0	\$3,655,250
Face value of short-term bills payable	4,159,000	(257,000)	0	3,902,000
Long-term borrowings	6,997,867	1,657,166	0	8,655,033
Deposits received	2,878	1,399	0	4,277
Lease liabilities	<u>63,690</u>	<u>(1,062)</u>	<u>0</u>	<u>62,628</u>
Liabilities from the financing activities	<u>\$15,712,241</u>	<u>\$566,947</u>	<u>\$0</u>	<u>\$16,279,188</u>

## VII. Related Party Transactions

### (I) 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
H2O Hotel Co., Ltd. (H2O Hotel)	Subsidiary of the Company
Yangmin International Catering Co., Ltd.	Associate of the Company
Tsai, Tien-Tsan	Chairman of the Company
Meiyun S. Tsai	Spouse of the chairman of the Company

### (II) Significant transactions with related parties

#### 1. Rental revenue

Name	2022		2021	
	Amount	Percentage of sales of the Company	Amount	Percentage of sales of the Company
H2O Hotel Co., Ltd. (H2O Hotel)	\$38,517	1.22%	\$38,526	0.59%

(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	2022	2021
H2O Hotel Co., Ltd. (H2O Hotel)	1F., No. 366, Minghua Rd., Gushan Dist., Kaohsiung City (Longbei Section No. 22)	2019/02/01~2025/01/31	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 2022 and 2021 due to the epidemic)	\$37,143	\$37,143
H2O Hotel Co., Ltd. (H2O Hotel)	8 levels at No. 300, Funong Rd., Gushan Dist., Kaohsiung City, 1 building in total (Longzhong Section No. 128-3)	2019/02/01~2025/01/31	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
	No. 620, Meishu E. 2nd Rd., Gushan	2019/09/01~2027/08/31	The rent will be calculated from November 1, 2019 at	903	903

Lessee	Lease subject	Lease period	Rental charged per lease term	2022	2021
H2O Hotel Co., Ltd. (H2O Hotel)	Dist., Kaohsiung City (Mei Shu Huang Ju)		NT\$158 thousand per month (including business tax) and the rental income will be calculated on a monthly basis, all of which will be collected by bank remittance. (Rent will be reduced by half from January to December in 2022 and 2021 due to the epidemic)		
H2O Hotel Co., Ltd. (H2O Hotel)	No. 623, Mengzi Rd., Zuoying Dist., Kaohsiung City (King's Town Garden)	2020/09/01~2027/08/31 contract terminated on 2022/12/1	The monthly rental income of NT\$10 thousand (including business tax) is calculated on a monthly basis and is collected by bank remittance.	105	114
Total				<u>\$38,517</u>	<u>\$38,526</u>

## 2. 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 2022 and 2021, the Company entrusted Chien-Chih Construction Co., Ltd. to contract for various construction sites, accounting for 24.03% and 5.42% 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	
		2022	2021
Aiqun Section No. 2748 (King's Park World of Heart)	\$2,014,000	\$538,121	\$328,598
Bohsiao Section No. 1140, 7 in total (Jing Wu Tong)	\$1,405,500	9,524	0
Total		<u>\$547,645</u>	<u>\$328,598</u>

- (2) In 2022 and 2021, the Company entrusted EPILEDS Construction Co., Ltd. with the contracted construction projects, accounting for 7.94% and 4.55% 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	
		2022	2021
Xindu Section No. 163 (Fu+)	\$880,200	180,992	276,217

3. The Company purchased construction land from related parties, Tsai, Tien-Tsan, Meiyun S. Tsai and other related parties.

Land No.	Total Contract Price	Price payment
		2022
Rende Zhongcuo Section No. 718, etc., 82 in total	\$230,772	\$229,427
Youchang Three Subsections No. 1061, etc., 174 in total	305,995	305,995
Total		\$535,422

- (1) The contract for the Rende Zhongcuo Section No. 718, etc., 82 in total was signed on November 1, 2022. The total purchase and sale contract price was based on the related party's transaction price plus interest on necessary capital, and payment was made in accordance with the contract. As of December 31, 2022, no transfers had been completed.
- (2) The contract for the Youchang Three Subsections No. 1061, etc., 174 in total was signed on November 11, 2022. The total purchase and sale contract price was based on the related party's transaction price plus interest on necessary capital, and payment was made in accordance with the contract. As of December 31, 2022, no transfers had been completed.

4. Accounts receivable, other receivables, note payables, accounts payables, and other payables.

Name of project and related party	December 31, 2022		December 31, 2021	
	Balance	Percentage	Balance	Percentage
(1) Trade receivables H2O Hotel Co., Ltd. (H2O Hotel)	\$0	0.00%	\$3,371	2.59%
(2) Other receivables Meiyun S. Tsai	\$109	4.01%	\$128	60.66%
Other receivables represent receivables from landlords for their share of sales costs.				
(3) Notes payable Chieh Chih Construction Co., Ltd. Baihong Construction Co., Ltd. Total	\$65,003 15,008 \$80,011	50.90% 11.75% 62.65%	\$55,002 35,002 \$90,004	32.01% 20.37% 52.38%
(4) Trade payables Chieh Chih Construction Co., Ltd. Baihong Construction Co., Ltd. Total	\$0 0 \$0	0.00% 0.00% 0.00%	\$298,857 275,934 \$574,791	50.54% 46.66% 97.20%
(5) Other payables H2O Hotel Co., Ltd. (H2O Hotel) Yangmin International Catering Co., Ltd. Total	\$749 34 \$783	1.80% 0.08% 1.88%	\$192 133 \$325	0.42% 0.30% 0.72%

5. Lease expenses

Rental expenses	Price payment	
	2022	2021
Other related parties	\$1,029	\$1,029

The lease expenses are as follows:

Lessor	Lease subjects	Lease period	Rental charged per lease term	2022	2021
Other related parties	12F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City	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\$1,000,000 thousand and NT\$1,312,000 thousand as of December 31, 2022 and 2021, 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\$450,000 thousand and NT\$750,000 thousand as of December 31, 2022 and 2021, respectively.
- (3) The Chairman and his spouse of the Company provided land at Qinghai Lot No. 216 and the Consolidated Company's construction site, Qinghai Lot No. 229, as joint mortgages to banks and issued commercial promissory notes for NT\$1,675,000 thousand and NT\$1,765,000 thousand, respectively, and commercial promissory notes for NT\$1,675,000 thousand and NT\$1,765,000 thousand, respectively, as of December 31, 2022 and December 31, 2021.
- (4) The Company's investment in subsidiaries is described in Note VI(IX).
- (5) In 2022 and 2021, the Company paid the related party, H2O Hotel Co., Ltd., expenses such as hospitality and venue fees, which were recorded as NT\$1,009 thousand and NT\$949 thousand for social networking, and NT\$15 thousand and NT\$223 thousand for miscellaneous expenses, respectively.
- (6) In 2022 and 2021, the Company paid compensation to related parties Tsai, Tien-Tsan, Meiyun S. Tsai and other related parties for the demolition of buildings, which was recorded as construction in progress - miscellaneous expenses of NT\$1,239 thousand and NT\$0 thousand, respectively.
- (7) The Company's related party, Baihong Construction Co., Ltd. provided guaranteed promissory notes for the projects, which was recorded as NT\$134,566 in 2022 and 2021, respectively.
- (8) The Company's related party, Chien-Chih Construction Co., Ltd. provided guaranteed promissory notes for the construction work, which were recorded as NT\$429,362 thousand and NT\$288,812 thousand in 2022 and 2021, respectively.

7. Information on remuneration to the management

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	<u>\$21,969</u>	<u>\$23,998</u>

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, 2022	December 31, 2021
Buildings and land held for sale	Collateralized borrowing and issuance of commercial promissory notes	\$4,129,718	\$2,240,305
Construction in progress	Collateralized borrowing and issuance of commercial promissory notes	4,953,479	3,412,160
Land held for construction	Collateralized borrowing and issuance of commercial promissory notes	17,098,597	19,313,594
Investment properties	Secured borrowings	625,192	686,442
Other financial assets - current	Advances from construction project trust funds and performance bond	96,254	66,156
Refundable deposits	Disaster management guarantee	27,019	24,977
Total		<u>\$26,930,259</u>	<u>\$25,743,634</u>

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

- As of December 31, 2022, 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\$1,850,143 thousand and the amount outstanding was NT\$2,449,557 thousand.
- 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 first instance of the case was conducted by the District Court in Qiaotou, Taiwan and, based on 2020 Su Zi No. 1202 document, the Company was judged as winning in the lawsuit partially, and the defendant “Hua Shang Building Management Committee” submitted an appeal within the statutory period. The result of the case is still pending in court.

3. In 2019, the Company leased premises for sale on the first basement level and the first and second level of Hua Shang Building to World Fitness Asia Limited (H.K.) Taiwan Branch. As a result, the Taiwan branch of Hong Kong Business World Fitness Co., Ltd. was unable to operate due to a dispute arising from the residents' dissatisfaction with the Company's act of leasing the land to the fitness company. The company filed a lawsuit against the Company for damages in the amount of NT\$27,710 thousand, including NT\$6,591 thousand, NT\$574 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. On November 28, 2022, the Kaohsiung District Court ruled that the Company should pay NT\$3,137 thousand plus interest to the plaintiff for the case (Case number: 2021 Shen Zhong Su No. 57). The Company has filed an appeal during the legal period, and the result 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 act of leasing the land to the fitness company. Therefore, a lawsuit was filed against World Fitness Asia Limited (H.K.) Taiwan Branch, seeking NT\$1,045 thousand in rent and NT\$3,150 thousand in restitution damages, totaling NT\$4,195 thousand. On May 12, 2022, the Taiwan Kaohsiung District Court denied the Company's request for the case (Case number: 2021 Su Zi No. 780). The Consolidated Company has filed an appeal (Case

number: 2022 Shang Zi No. 200) during the legal period, and the result 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 of January 4, 2019 to approve the letter of change of commercial use of the second floor of the Hua Shang Building and the appeal inadmissible. If an unfavorable decision is obtained, it may affect the right to use the assets of the Company. On December 29, 2022, the Supreme Administrative Court denied the request for appeal by the Hua Shang Building Management Committee for the case (formerly known as Case No. 118 of 2020).
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 number: Shen Su Zi No. 1126 of 2020) has been rejected and closed, and civil judgment has been issued, by Kaohsiung District Court in Taiwan. The Management Committee appealed again, and the case (Case number: Shang Yi Zi No. 7 of 2022) is currently being heard by Kaohsiung branch Taiwan High Court, and the result is still pending in the court.
7. In 2016, 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 signed the Contract for Cooperative Development of Tainan Rende Smart Technology Park with SanDi Properties Co., Ltd., and acts as joint constructors with SanDi Properties Co., Ltd., and they provide guarantee to each other for financing.

As of the years ended December 31, 2022 and 2021, the Company's financing endorsement/guarantee is as follows: :

Endorser/ Guarantor	Endorsee/Guarantee	December 31, 2022	December 31, 2021	Guarantee purpose
King's Town Construction Co., Ltd.	SanDi Properties Co., Ltd.	\$2,000,000	\$2,000,000	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, 2022 were as follows:

Project	Trust Bank
---------	------------

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

11. As of December 31, 2022 and 2021, the Company had entrusted banks to issue price performance guarantee for the pre-sale cases with a guarantee amount of NT\$18,580.

#### 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 Consolidated Company can continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital, and that returns are provided to stockholders. In order to maintain or adjust the capital structure, the 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

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

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Domestic unlisted stocks	\$82	\$82
Financial assets at amortized cost		
Cash and cash equivalents	\$531,329	\$973,133
Net notes receivable and trade receivables (including related parties)	15,886	166,728
Other receivables (including related parties)	2,718	211
Other financial assets (including current and non-current)	96,254	66,156
Refundable deposits	30,106	32,371
Long-term notes and trade receivable	2,785	15,000
Subtotal	\$679,078	\$1,253,599
Total	\$679,160	\$1,253,681
<u>Financial liabilities</u>		
Measured at amortized cost		
Short-term borrowings	\$4,401,950	\$3,655,250
Short-term bills payable	3,734,677	3,896,969
Notes payable and trade payables (including related parties)	154,079	763,160
Other payables (including related parties)	41,527	45,344
Long-term borrowings (including long-term borrowing due within one operating cycle)	8,412,550	8,655,033
Lease liabilities (including current)	63,507	62,628
Deposits received	5,202	4,277
Total	\$16,813,492	\$17,082,661

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 opinions of the Board of Directors. Through

cooperation with the Company's each operating unit, 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 invests mainly in domestic non-listed equity instruments. These equity instruments are classified as financial assets at fair value through profit or loss in the balance sheet. The Company is not exposed to price risk of equity instruments as the amount of its investment is not material. The Company is not exposed to commodity price risk. The Company is not exposed to price risks from products.

B. Cash flow and fair value interest rate risk

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, 2022 and 2021, 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\$960 thousand and NT\$963 thousand for 2022 and 2021, 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 Consolidated 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, 2022 and 2021 were not significant.
- C. No written-off debts with recourse existed as of December 31, 2022 and 2021.

(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, 2022				
Short-term borrowings	\$3,321,950	\$600,000	\$480,000	\$0
Short-term bills payable	3,734,677	0	0	0
Notes and accounts receivable	153,804	151	0	124
(Including amounts to related parties)				
Other payables	41,527	0	0	0
(Including amounts to related parties)				
Provisions - current	14,331	3,973	16,884	16,591
Long-term borrowings (including that due within one operating cycle)	339,081	691,312	2,293,615	5,088,542
Lease liabilities (including current)	565	569	2,328	60,045
December 31, 2021				
Short-term borrowings	\$1,400,450	\$1,774,800	\$480,000	\$0
Short-term bills payable	3,896,969	0	0	0
Notes and accounts receivable	182,551	5,694	574,791	124
(Including amounts to related parties)				
Other payables	45,122	0	206	16
Provisions - current	7,980	3,650	15,810	17,268
Long-term borrowings (including that due within one operating cycle)	23,189	1,168,369	1,602,294	5,861,181
Lease liabilities (including current)	538	542	2,218	59,330

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 1I: 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, 2022 (i.e. January 1,2022)	\$82
December 31, 2021 (i.e. January 1,2021)	\$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, 2022 and 2021:

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Assets				
<u>Repetitive fair value</u>				
Valuation gain (loss) on financial assets measured				
Financial assets - current				
Domestic listed stocks	\$0	\$0	\$0	\$0
Valuation gain (loss) on financial assets measured				
Financial assets - 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, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Repetitive fair value</u>				
Valuation gain (loss) on financial assets measured				
Financial assets				
Domestic listed stocks	\$0	\$0	\$0	\$0
Valuation gain (loss) on financial assets measured				
Financial assets - 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>

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 2022 and 2021, there was no transfer between Level 1 and Level 2 fair value measurement.
- (5) In 2022 and 2021, 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.	Table IV
7	Purchases or sales with related parties totaling NT\$100 million or more than 20% of the paid-in capital.	Table V
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

King's Town Construction Co., Ltd.  
Details on endorsements/guarantees to others.  
December 31, 2022

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	5,182,508	2,000,000	2,000,000	2,000,000	0	11.58%	8,637,513	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 and associates)  
 December 31, 2022  
 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 and loss	8,152	\$82	1.63%	*	

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

(Table III)

King's Town Construction Co., Ltd.  
Acquisition of real estate totaling NT\$300 million or more than 20% of the paid-in capital.

Unit: NT\$ thousand

Acquirer of real estate	Name of property	Date of occurrence	Transaction amount	Payment 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 Chung, Chun	None	—	—	—	—	Real estate valuation report by professional valuation firm	Land held for construction for business operations	
King's Town Construction Co., Ltd.	No. 1167 and 1175, Xinzhuang 12 Sub-section, Zuoying Dist., Kaohsiung City	2022.1.10	\$609,810	Actual payment \$609,810	Natural person Mr. Tseng	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 2022, therefore, recorded as land prepayment, and the rest transfer are listed as land held for construction.

(Table IV)

King's Town Construction Co., Ltd.  
Disposal of real estate totaling NT\$300 million or more than 20% of the paid-in capital.

Unit: NT\$ thousand

## Others

Disposal of property	Name of property	Date of occurrence	Original acquisition date	Carrying amount	Transaction amount	Payment collection status	Profit or loss on disposal	Counterparty	Relationship	Purpose of Disposal	Basis or reference for price setting	Agreements
King's Town Construction Co., Ltd.	Inventories-Buildings and land held for sale	2022.10	Sale of inventories, not applicable	N/A	\$737,060	Received an amount of \$737,060 in accordance with the contract	N/A	HanHuang Co., Ltd.	None	Obtaining benefits	Amounts appraised by Chung Cheng Real Estate Appraisers: \$733,078	None



(Table V)

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

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	\$547,645	24.03%	Subject to contract	—	—	Notes payable \$65,003 Trade payables \$0	50.90% 0.00%	
King's Town Construction Co., Ltd.	Baihong Construction Co., Ltd.	The Company's Chairman is the supervisor of such company	Purchases	\$180,992	7.94%	Subject to contract	—	—	Notes payable \$15,008 Trade payables \$0	11.75% 0.00%	
King's Town Construction Co., Ltd.	Tsai, Tien-Tsan	Chairman of the Company	Purchases	\$229,427	10.07%	Subject to contract	—	—	Notes payable \$0 Trade payables \$0	0.00% 0.00%	
King's Town Construction Co., Ltd.	Tsai, Tien-Tsan	Chairman of the Company	Purchases	\$193,741	8.50%	Subject to contract	—	—	Notes payable \$0 Trade payables \$0	0.00% 0.00%	

(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.	Hotel Restaurants	\$440,000	\$390,000	44,000	100%	\$85,617	(\$58,757)	(\$29,483)	I

Note 1. The Company recognized a loss share of NT\$58,757 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 Consolidated 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\$29,274 thousand.

(III) 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	23.18%
Tiangang Investment Co., Ltd.	63,328,801	17.15%
Tianye Investment Co., Ltd.	49,652,072	13.45%
Chien-Chih Construction Co., Ltd.	31,651,513	8.57%
Tsai	23,616,339	6.39%
Meiyun S. Tsai	20,209,951	5.47%

(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

N/A

# King's Town Construction Co., Ltd.

## Statements of Accounting Items

2022

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

Statements of significant accounting subjects

Item	Number/Index
Statements of assets, liabilities and equity Items	
Statement s of cash and cash equivalents	Statement I
Statement of financial assets at fair value through profit or loss - non-current	Statement II
Statement of notes receivables	Statement III
Statement of trade receivables	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)
Statement of change in accumulated depreciation of property, plant and equipment	Note VI.(X)
Statement of change in right-of-use assets	Note VI.(XI)
Statement of change in accumulated depreciation and accumulated impairment of right-of-use assets	Note VI.(XI)
Statement of change in investment properties	Note VI.(XII)
Statement of change in accumulated depreciation of investment properties	Note VI.(XII)
Statement of change in intangible assets	Note VI.(XIII)
Statement of change in accumulated depreciation of intangible assets	Note VI.(XIII)
Statement of short-term loans	Statement XII
Statement of short-term bills payable	Statement XIII
Statement of contract liabilities - current	Statement XIV
Statement of notes payable	Statement XV
Statement of trade payables	Statement XVI
Statement of other payables	Statement XVII
Statement of provisions	Note VI.(XV)
Statement of collections	Note VI.(XVI)
Statement of long-term borrowings	Statement XVIII
Statement of lease liabilities	Statement XIX
Statement of profit or loss items	
Statement of operating revenue	Statement XX
Statement of operating costs	Statement XXI
Statement of selling and marketing expenses	Statement XXII
Statement of general and administrative expenses	Statement XXIII
Other operating income and expenses	Note VI.(XXIV) ~ (XXVII)

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

## Statement s of cash and cash equivalents

As of December 31, 2022

Item	Summary	Amount	Remark
Cash	Cash on hand and petty cash	\$58	
Bank deposits	Demand deposits	531,244	
	Checking deposits	27	
Total		<u>\$531,329</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, 2022

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.	8,152	<u>\$82</u>	0	<u>\$0</u>	0	<u>\$0</u>	Ordinary shares	8,152	1.63%	<u>\$82</u>	None

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

## Statement of notes receivables

As of December 31, 2022

Name of client	Summary	Amount	Remark
(1) Notes receivable:			
Non-related party			
Mr. Lai	Operation	\$15,000	
Subtotal		\$15,000	
Less: Allowance for doubtful accounts		0	
Net notes receivable		\$15,000	
(2) Long-term notes receivable			
Non-related party			
Mr. Yeh and Mr. Tsai	Operation	\$2,785	
Less: Long-term notes receivable due within one year		0	
Long-term notes receivable - non-current		\$2,785	



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

## Statement of trade receivables

As of December 31, 2022

Name of client	Summary	Amount	Remark
(1) Trade receivables:			
Non-related party			
Mr. Yeh	Operation	\$22	
Tingyi Technology	Rental income from Longzhong Section 129-3~4	109	
Ting Wang Technology	Rental income from Longzhong Section No. 128-4	84	
Bao Sheng Parking	Rental income from Qinghai Section No. 229, Lan Tian Middle Section No. 30-2, Xingnan Section No. 11, Longzhong Section No. 22, Xinmin No. 163, Longdong Section No. 1, and Xindu Section No. 49	474	
Shanmin System	Rental income from Qinghai Section No. 126~128	176	
Li Xin Technology	Rental income from Yue He Di Store	43	
Subtotal		\$908	
Less: Allowance for doubtful accounts		(22)	
Net trade receivables		\$886	

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

## Statement of other receivables and other receivables from related parties

As of December 31, 2022

Item	Summary	Amount	Remark
(1) Other receivables			
Taiwan Power Company	Photovoltaic revenue receivables	\$3	
Taiga Development Corporation	Receivables of apportionment of expenses for repairs and maintenance, advertising, etc.	2,522	
Fu Zhu Advertising and Marketing Co., Ltd.	Display board receivables	76	
Others	Interest receivable on fixed deposits	8	
Total		<u>\$2,609</u>	
(2) Other receivables - related parties:			
Meiyun S. Tsai	Receivables of apportionment of sales and miscellaneous expenses from landlord	\$109	

King's Town Construction Co., Ltd.  
Statement of buildings and land held for sale  
As of December 31, 2022

Item	Summary	Amount		Guarantee or pledge
		Cost	Net realizable value	
King's Town		\$2,054,858	\$6,666,538	Short-term borrowings
King's Town Hyatt		657,271	761,651	None
Hua Shang		114,478	410,195	None
Yiwen Court		289,324	460,585	None
Ju Dan		219,785	486,284	None
Tian Feng		207,961	344,354	None
Shi Shang King's Town		33,783	74,808	None
Mei Shu Huang Ju		2,074,860	4,342,237	Short-term borrowings and short-term bills payable
King's Town Garden		314,736	752,923	None
Xiang King's Town		8,463	13,725	None
Yue He Di		84,818	109,999	None
Other projects		167	0	None
Subtotal		\$6,060,504	\$14,423,299	
Less: Allowance for reduction to market		(167)		
Net		\$6,060,337		

King's Town Construction Co., Ltd.  
Statement of changes in construction in progress  
As of December 31, 2022

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	\$438,197	\$0	\$28,321	\$8,736		\$0	\$475,254	Long-term borrowings
Ai Qun No. 2748 (King's Town World of Heart)	1,723,352	0	550,588	32,988		0	2,306,928	Short-term borrowings
Xindu Section No. 163 (Fu+)	1,250,611	0	184,017	24,889		0	1,459,517	Short-term borrowings
Bohsiao Section No. 1140 (Jing Wu Tong)	0	655,287	49,650	6,843		0	711,780	Long-term borrowings
<b>Total</b>	<b>\$3,412,160</b>	<b>\$655,287</b>	<b>\$812,576</b>	<b>\$73,456</b>		<b>\$0</b>	<b>\$4,953,479</b>	

King's Town Construction Co., Ltd.  
Statement of changes in land held for construction  
As of December 31, 2022

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 and others	\$661,292	\$200,595	\$1,108		\$0	\$0	862,995 None
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 None
Kaohsiung Longzhong Section No. 128-4, etc, 3 in total	716,926	0	0		0	0	716,926 Long-term borrowings
Kaohsiung Qinghai No. 229	4,278,594	0	0		0	0	4,278,594 Long-term borrowings and short-term bills payable
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 Long-term borrowings
Kaohsiung Bohsiao Section No. 1140, 7 in total	655,287	0	0		655,287	0	0 None
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, 2022

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, 4 in total	435,469	0	0	0	0	435,469	Short-term bills payable
Kaohsiung Qiaotou Shixing Section No. 924	14,055	0	0	0	0	14,055	Long-term borrowings
Kaohsiung Shixing Section 925, 2 in total	112,196	0	0	0	0	112,196	Long-term borrowings
Kaohsiung Shixing Section 927, 3 in total	84,625	0	0	0	0	84,625	Long-term borrowings
Kaohsiung Shixing Section 928, 3 in total	107,554	0	0	0	0	107,554	Long-term borrowings
Kaohsiung Qiaotou Shixing Section No. 967	6,640	0	0	0	0	6,640	Long-term borrowings
Kaohsiung Qiaotou Shixing Section No. 968	42,794	0	0	0	0	42,794	Long-term borrowings
Kaohsiung Longdong Section No. 1	513,991	0	0	0	0	513,991	Long-term borrowings
Tainan Kanjiao North Section No. 820	3,385,666	0	0	0	0	3,385,666	Long-term borrowings
Kaohsiung Xindu Section No. 49	46,653	0	0	0	0	46,653	None
Kaohsiung Xinzhuang 12 Sub-section No. 1167 and 1175	0	612,821	1,331	0	0	614,152	Long-term borrowings
Tainan Kanjiao North Section No. 913	0	13,048	82	0	0	13,130	None
Transferable land and deformed land	1,160,918	86,360	0	0	31,361	1,215,917	None
	<u>\$20,618,705</u>	<u>\$912,824</u>	<u>\$2,521</u>	<u>\$655,287</u>	<u>\$31,361</u>	<u>\$20,847,402</u>	

King's Town Construction Co., Ltd.  
Statement of change in prepaid premises  
As of December 31, 2022

Name of project/construction	Beginning balance	Current increase		Current decrease		Ending balance
		Cost	Capitalized interest	Transaction cancellation refund	Transfer of land held for construction	
Kaohsiung Chenggong Section No. 60-1, 62-64	\$117,699	\$83,140	\$672	\$0	\$201,511	\$0
Tainan Anan District, Caohu Phase I	197,853	0	3,824	0	0	201,677
Kaohsiung Qiaotou Shixing Section No. 935-1	1,000	0	0	1,000	0	0
Kaohsiung Xinzhuang 12 Sub-section No. 1167 and 1175	0	612,705	358	0	613,063	0
Tainan Kanjiao North Section No. 498, etc.	0	15,276	0	0	15,276	0
Tainan Zhongqing Section No. 411, etc.	0	7,941	0	0	7,941	0
Tainan Kanjiao North Section No. 913	0	13,048	13	0	13,061	0
Tainan Zhongcuo Section No. 718, etc.	0	229,426	666	0	0	230,092
Tainan Xingong Section No. 531, etc.	0	18,447	0	0	18,447	0
Tainan Yuehwang Section No. 133, etc.	0	17,533	0	0	17,533	0
Tainan Tuku Section No. 492, etc.	0	6,978	0	0	6,978	0
Tainan Delun Section No. 812, etc.	0	16,979	0	0	16,979	0
Kaohsiung Youchang Three Subsections No. 1061, etc.	0	305,995	888	0	0	306,883
Tainan Taizi Section No. 600, etc.	0	31,062	0	0	0	31,062
Tainan Zhongcuo Section No. 668, etc.	0	2,921	0	0	2,921	0
Tainan Kanjiao North Section No. 1491, etc.	0	31,924	0	0	0	31,924
Subtotal	<u>\$316,552</u>	<u>\$1,393,375</u>	<u>\$6,421</u>	<u>\$1,000</u>	<u>\$913,710</u>	<u>\$801,638</u>

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

## Statement of prepayments, other current assets and other financial assets - current

As of December 31, 2022

Item	Summary	Amount	Remark
Prepaid expenses	Prepaid insurance premiums for buildings, group insurance, etc.	\$444	
	Prepaid rent	17	
	Prepaid construction expenses	562,610	
	Prepaid software maintenance fee, permanent legal advisor fee and security service fee, etc.	8,471	
Subtotal		<u>\$571,542</u>	
Input tax	Business tax not yet filed at the end of December 2022	<u>\$139</u>	
Toto prepayments		<u><u>\$571,681</u></u>	
Payments on behalf of others	Management fees and payments on behalf of others	\$4,396	
Incremental costs of obtaining contracts	Commission paid to the agent for obtaining the agreement for sale and purchase of premises which the Company expects to recover	<u>110,228</u>	
Total other current assets		<u><u>\$114,624</u></u>	
Other financial assets - current	Advances from construction project trust funds and performance bond	<u><u>\$96,254</u></u>	



King's Town Construction Co., Ltd.  
 Long-term equity investments accounted for using the equity method  
 As of December 31, 2022

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
	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Share of profit or loss recognized using the equity method in accordance with IFRS 16	Shares (in thousand)	Amount			Shares (in thousand)	Shareholding	Amount	Total	Unit price (Dollar)		
H2O Hotel Co., Ltd. (H2O Hotel)	39,000	<u>\$65,100</u>	5,000	<u>\$50,000</u>	<u>\$29,274</u>	0	<u>\$0</u>	<u>(\$58,757)</u>	Ordinary shares	44,000	100.00%	<u>\$85,617</u>	<u>\$17,326</u>	0.39	Equity method	None

King's Town Construction Co., Ltd.  
Statement of short-term loans  
As of December 31, 2022

Type of Loans	Summary	Ending balance	Contract period	Interest rate range	Line of credit	Pledge or guarantee
Secured borrowings	Financial institution borrowings	\$600,000	2022/11/15-	2.76286%	\$600,000	Buildings held for sale: King's Town
			2023/11/15			
Secured borrowings	Financial institution borrowings	800,000	2022/06/30-	2.233%	800,000	Buildings held for sale: Mei Shu Huang Ju
			2023/06/30			
Secured borrowings	Financial institution borrowings	1,108,500	2022/11/11-	2.75%~2.85%	1,365,000	Construction in progress: King's Town World of Heart
			2023/02/25			
Secured borrowings	Financial institution borrowings	1,000,000	2022/11/28-	2.75%	1,260,000	Land provided by related parties
			2023/02/25			
Secured borrowings	Financial institution borrowings	413,450	2022/11/28~	2.75%	489,000	Land held for construction: Lantian Middle Section No. 30-2
			2023/02/25			
Secured borrowings	Financial institution borrowings	480,000	2020/06/15-	2.3146%	480,000	Construction in progress: Fu+
			2024/11/25			
Total		<u>\$4,401,950</u>			<u>\$4,994,000</u>	

King's Town Construction Co., Ltd.  
Statement of short-term bills payable  
As of December 31, 2022

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	Mega Bank - Lingyarong Co., Ltd.	Within 1 year	2.33%	\$1,675,000	\$2,863	\$1,672,137	Land held for construction - Qinghai Section No. 229 and Private land provided by related parties
Issuance of commercial paper	Mega Bank - Lingyarong Co., Ltd.	Within 1 year	2.28%	576,000	985	575,015	Land held for construction - Longzhong Section No. 22
Issuance of commercial paper	China Bills Finance Corp.	Within 1 year	2.743%	450,000	627	449,373	Private land provided by related parties
Issuance of commercial paper	DBS BANK	Within 1 year	1.468%	282,400	431	281,969	Land held for construction - Yuguang Section No. 880, 4 in total
Issuance of commercial paper	Grand Bills Finance Corp.	Within 1 year	2.698%	235,000	361	234,639	Land held for construction - Longzhong Section No. 191
Issuance of commercial paper	Grand Bills Finance Corp.	Within 1 year	2.698%	102,000	157	101,843	Land held for construction - Xingnan Section No. 11
Issuance of commercial paper	Taiwan Finance Corporation	Within 1 year	2.548%	420,000	299	419,701	Buildings and land held for sale: Mei Shu Huang Ju
Total				<u>\$3,740,400</u>	<u>\$5,723</u>	<u>\$3,734,677</u>	

King's Town Construction Co., Ltd.  
Statement of contract liabilities - current  
As of December 31, 2022

Item	Summary	Amount	Remark
Sale of premises	King's Town	\$33,057	
	King's Town Hyatt	29,840	
	Yiwen Court	7,992	
	Ju Dan	5,101	
	Mei Shu Huang Ju	13,294	
	King's Town Garden	8,083	
	World of Heart	394,365	
	Fu +	75,245	
	Jing Wu Tong	18,138	
	Subtotal	<u>\$585,115</u>	
Rental premises	American Institute in Taiwan	\$770	
	Chuyu food & beverage Co., Ltd.	77	
	Shih Yu Food And Drink Co., Ltd.	46	
	Chang, Fang-Jui	68	
	Bao Sheng Parking	341	
	Subtotal	<u>\$1,302</u>	
Total	<u><u>\$586,417</u></u>		

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

## Statement of notes payable

As of December 31, 2022

Name of client	Summary	Amount	Remark
Notes payable:			
Related parties: Operation			
Chieh Chih Construction Co., Ltd.	Construction	\$65,003	
Baihong Construction Co., Ltd.	Construction	15,008	
Subtotal		<u>\$80,011</u>	
Non-related parties: Operation			
Mr. Chen	Land payment	\$13,140	
Others		34,547	(Note)
Subtotal		<u>\$47,687</u>	
Total		<u><u>\$127,698</u></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, 2022

Name of client	Summary	Amount	Remark
Non-related parties: Operation			
Mr. Huang	Land payment	\$3,000	
Mr. Huang	Land payment	3,000	
Mr. Huang	Relocation payment	3,500	
Mr. Hsiao	Land payment	7,800	
Mr. Yen	Land payment, relocation payment	4,270	
Mr. Yen	Land payment, relocation payment	4,240	
Others		571	(Note)
Total		<u>\$26,381</u>	

Note: The balance of each account did not exceed the amount of NT\$400 thousand.

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

## Statement of other payables

As of December 31, 2022

Item	Summary	Amount	Remark
Salary payable	December salary and year-end bonus	\$8,958	
Bonuses payable to employees	Employee compensation accruals for 2022	11,714	
Interest expense payable	December interest expense	11,824	
Others	Labor costs, labor and health insurance premiums, labor pension, welfare payments, and entertainment expense, etc.	9,031	(Including trade payable from other related parties of NT\$783 thousand)
Total		\$41,527	

King's Town Construction Co., Ltd.  
Statement of long-term borrowings  
As of December 31, 2022

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	\$1,675,000	\$1,675,000	2020.03.11-2028.12.31	2.405%	\$1,675,000	Land held for construction - Qinghai Section No. 229 and private land provided by related parties
Secured borrowings	Financial institution borrowings	0	576,000	576,000	2019.06.28~2026.06.30	2.325%	1,051,000	Land held for construction - Longzhong Section No. 22
Secured borrowings	Financial institution borrowings	0	0	0	2021.07.15-2025.11.30	-	2,200,000	Construction in process - Fuhe Section No. 698-1
Secured borrowings	Financial institution borrowings	46,393	438,757	485,150	2017.07.17-2032.07.17	2.00%	485,150	Investment properties Longbei Section No. 22
Secured borrowings	Financial institution borrowings	0	194,100	194,100	2022.01.10-2027.01.10	2.25%	230,000	Land held for construction - Section 924, 9 in total
Secured borrowings	Financial institution borrowings	0	185,300	185,300	2022.01.10-2027.01.10	2.25%	220,000	Land held for construction - Longdong Section No. 1
Secured borrowings	Financial institution borrowings	0	2,000,000	2,000,000	2021.10.26-2026.10.26	2.425%	2,000,000	Land held for construction - Kanjiao North Section No. 820
Secured borrowings	Financial institution borrowings	0	415,000	415,000	2022.12.06-2027.12.06	2.335%	570,000	Land held for construction - Longzhong Section No. 128-3, etc, 4 in total
Secured borrowings	Financial institution borrowings	0	0	0	2022.12.19-2027.07.31	-	393,000	Land held for construction - Xinzhuang 12 Sub-section No. 1175



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	0	0	2022.12.19-2027.09.30	-	175,000	Land held for construction - Xinzhuang 12 Sub-section No. 1167
Secured borrowings	Financial institution borrowings	0	1,280,000	1,280,000	2020.03.12-2025.03.12	2.035%	1,280,000	Land held for construction - Qinghai Section No. 126~128
Secured borrowings	Financial institution borrowings	510,000	0	510,000	2019.05.16-2023.11.16	2.035%	840,000	Construction in progress - Bohsiao Section No. 1140, 7 in total
Secured borrowings	Financial institution borrowings	474,000	618,000	1,092,000	2019.10.17-2025.10.17	2.055~2.425%	1,092,000	Land held for construction - Xinmin Section No. 159, 160
Total		<u>\$1,030,393</u>	<u>\$7,382,157</u>	<u>\$8,412,550</u>			<u>\$12,211,150</u>	
Less: Long-term borrowings due within one operating cycle				(1,030,393)				
Net long-term borrowings				<u>\$7,382,157</u>				

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

## Statement of lease liabilities

As of December 31, 2022

Item	Amount			Contract period	Interest
	Due within one year	Due over one year	Total		
Land				Land leased from Kaohsiung City Finance Bureau for NT\$2,220 thousand per year and NT\$185 thousand per month for the lease period of 2012.8.7 to 2062.6.7.	1.73% per annum
	\$1,134	\$62,373	\$63,507		

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

## Statement of operating revenue

As of December 31, 2022

Item	Summary	Amount	Remark
Land revenue	Mandala	\$37,728	
	King's Town Rose Garden	180	
	King's Town	673,558	
	King's Town Hyatt	59,417	
	Yiwen Court	178,928	
	Shi Shang King's Town	95,700	
	Mei Shu Huang Ju	129,281	
	King's Town Garden	301,481	
	Yue He Di	20,790	
	Subtotal	\$1,497,063	
	Sales returns and discounts	Land for sale	(37)
		\$1,497,026	

King's Town Construction Co., Ltd.  
Statement of operating revenue (Continued)  
As of December 31, 2022

Item	Summary	Amount	Remark
Building revenue	Mandala	\$23,954	
	King's Town Rose Garden	114	
	King's Town	511,545	
	King's Town Hyatt	102,196	
	Yiwen Court	296,326	
	Shi Shang King's Town	97,238	
	Mei Shu Huang Ju	128,152	
	King's Town Garden	406,932	
	Yue He Di	18,295	
		Subtotal	<u>\$1,584,752</u>
Sales returns and discounts	Premises for sale	(53)	
		<u>\$1,584,699</u>	
Other operating revenue	Rental income	<u>\$67,380</u>	

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

## Statement of operating costs

As of December 31, 2022

Subject name	Summary	Amount	Remark
Prepayment for land and buildings at the beginning of the period		\$316,552	
Purchase of land and buildings during the period		1,398,796	
Prepayment for land and buildings at the end of the period		(801,638)	
Transfer to land held for construction		\$913,710	
Land held for construction at the beginning of the period		20,618,705	
Add: Purchase of land held for construction in the current period		1,635	
Land held for construction at the end of the period		(20,847,402)	
Less: Volume transfer of land held for construction		(31,361)	
Construction in progress - Land held for construction		\$655,287	
Construction project		728,638	
Construction expenses		157,394	
Construction costs		\$1,541,319	
Construction in Progress at the beginning of the period		3,412,160	
Construction in Progress at the end of the period		(4,953,479)	
Building costs		\$0	
Buildings and land held for sale at the beginning of the period		7,151,889	
Buildings and land held for sale at the endg of the period		(6,060,504)	
Add: Increase in renovation work during the period		137,927	
Payment for construction work and repairs, etc.		9,873	
Home appliances gift for customers		1,675	
Less: Inventory decline loss rebounded		(375)	
Construction costs		\$1,240,485	
Other operating costs		\$76,031	
Operating costs		\$1,316,516	

King's Town Construction Co., Ltd.  
Statement of selling and marketing expenses  
As of December 31, 2022

Subject name	Summary	Amount	Remark
Salary expenses		\$8,139	
Postage & Telegram charge		45	
Repairs and maintenance expense		21,074	
Advertising fee		152,909	
Utility fee		8,711	
Insurance fee		736	
Tax expense		51,806	
Food expenses		173	
Commission expenses		2,013	
Service fees		197	
Retirement benefit		274	
Miscellaneous expenses		46,993	
Total		<u>\$293,070</u>	

King's Town Construction Co., Ltd.  
Statement of general and administrative expenses  
As of December 31, 2022

Subject name	Summary	Amount	Remark
Salary expenses		\$46,647	
Rental expenses		5,309	
Stationery		407	
Travel expense		188	
Delivery expense		28	
Postage & Telegram charge		762	
Repairs and maintenance expense		833	
Advertising fee		217	
Utility fee		4	
Insurance fee		3,434	
Entertainment expense		9,472	
Donation expense		1,100	
Tax expense		36,428	
Depreciation		895	
Amortization expense		260	
Overtime allowance expense		159	
Food expenses		867	
Employee benefits		3,149	
Training fee		50	
Transportation fee		581	
Sundry purchases		19	
Service fees		3,313	
Retirement benefit		1,435	
Book fee		36	
Miscellaneous expenses		7,914	
Total		<u>\$123,507</u>	