

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

Consolidated Financial Statements and
Independent Auditors' Report
2023 and 2022

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

King's Town Construction Co., Ltd.

Table of Contents

Item	Page
I. Cover Page	1
II. Table of Contents	2
III. Declaration of Consolidated Financial Statements of Affiliates	3
IV. Independent Auditors' Report	4-9
V. Consolidated Balance Sheets	10-11
VI. Consolidated Statements of Comprehensive Income	12
VII. Consolidated Statements of Changes in Equity	13
VIII. Consolidated Statements of Cash Flows	14
IX. Notes to Consolidated Financial Statements	
(I) Company History	15
(II) Approval Date and Procedures of the Financial Statements	15
(III) Application of New, Revised, and Amended Standards and Interpretations	15-16
(IV) Summary of Significant Accounting Policies	17-41
(V) Main Source of Significant Accounting Judgment, Estimation, and Assumption Uncertainties	42-43
(VI) Descriptions of Material Accounting Items	43-79
(VII) Related Party Transactions	80-86
(VIII) Pledged Assets	86
(IX) Significant Contingent Liabilities and Unrecognized Contract Commitments	86-89
(X) Significant Disaster Loss	89
(XI) Significant Subsequent Events	89
(XII) Others	90-97
(XIII) Supplementary Disclosure	
1. Information on significant transactions	98-103
2. Information on reinvestment	104
3. Information on Investments in Mainland China	104
4. Information on major shareholders	105
(XIV) Operating Segment Financial Information	105-107

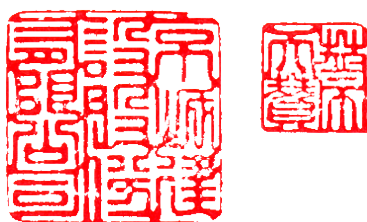
Declaration of Consolidated Financial Statements of Affiliates

In 2023 (from January 1 to December 31, 2023), pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the Company’s entities that shall be included in preparing the Consolidated Financial Statements of Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements of Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, a separate Consolidated Financial Statements of Affiliates will not be prepared.

Sincerely,

King’s Town Construction Co., Ltd.

Responsible person: Tsai, Tien-Tsan



March 14, 2024

Independent Auditors' Report

March 14, 2024

(2024) ShineWing Taiwan Audit Report No. 012

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

Audit opinion

We have audited the accompanying consolidated balance sheet of King's Town Construction Co., Ltd. and its subsidiaries as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in shareholders equity, cash flows for the years then ended, and notes of the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, based on our audits and other auditors' reports (please refer to the Other Matters section), the Consolidated Financial Statements mentioned above have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission in all material aspects, and are considered to have reasonably expressed the consolidated financial conditions of King s Town Construction Co., Ltd. and its subsidiaries as of December 31, 2023 and 2022, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2023 and 2022.

Basis for Opinions

We conducted our audits in accordance with the Regulation Governing the Auditing and Attestation 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 consolidated financial statements are free of material misstatement. We are independent of King's Town Construction Co., Ltd. and its subsidiaries in accordance with the

Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of the other auditors, we believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of King's Town Construction Co., Ltd. and its subsidiaries for the year ended December 31, 2023. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Consolidated Financial Statements of King's Town Construction Co., Ltd. and its subsidiaries for the year ended December 31, 2023 are as follows:

Inventory evaluation

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

The inventories of King's Town Construction Co., Ltd. and its subsidiaries are material to the Consolidated Balance Sheet. Inventories are evaluated in accordance with IFRS, IAS, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission. Inventories include properties held for sale, land, projects under development, construction sites, and prepaid land payments, and are stated at the lower of cost or net realizable value. An incorrect assessment of the net realizable value may result in a misrepresentation in the financial statements. 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 impact of changes in external market factors on the sales prices. The properties held for sale are evaluated based on the comparison with recent nearby transaction conditions or the contract prices of sales made recently by King's Town Construction Co., Ltd. Due to the high uncertainty of future input costs and the difficulty in obtaining comparable sales prices for lands and projects under construction, an

investment return analysis form for each case is sampled and selected for review and compared with market conditions to assess if the net realizable value is reasonable. With regard to construction sites, they are entrusted with the appraisal reports 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. and its subsidiaries as one of the key audit matters for the year.

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

Other Matters - Parent company only financial statements

King's Town Construction Co. Ltd. has also compiled Individual Financial Statements for 2023 and 2022, and they have also received an unqualified audit opinion from our CPA for your reference.

Other Matters - Adoption of other independent accountants

The financial reports for some of the investees listed in King's Town Construction Co. Ltd. and its subsidiaries' Consolidated Financial Statements pursuant to the equity method have not been audited by this CPA and were inspected by other CPAs. Therefore, the opinion expressed by our CPA on the aforementioned consolidated financial statements, regarding the amounts listed in those financial statements of the companies and the related information disclosed in Note XIII, is based on the audit reports of other CPAs. The amounts of investment accounted for using the equity method in the aforementioned companies are NT\$16,642 thousand and NT\$16,683 thousand as of December 31, 2023, and 2022, which constitute 0.04% and 0.05% of consolidated total assets, respectively. For the aforementioned companies, the recognized comprehensive income are NT\$5,327 thousand and NT\$5,964 thousand for the years ended December 31, 2023, and 2022, which constitute 1.21% and 0.59% of consolidated total comprehensive income, respectively.

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

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from significant misstatement whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material 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. If fraud or errors are considered significant, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the 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 consolidated 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 subsidiaries 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 consolidated 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. and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall expression, structure, and content of the consolidated financial statements (including related notes) and whether the consolidated financial statements include the relevant transactions and events expressed adequately.
6. Obtain sufficient and appropriate audit evidence for the consolidated financial information of the King's Town Construction Co. Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and implementing of the group audit. We remain solely responsible for our opinion on the Group's Financial Statements.

We communicate the following events with the governance unit, including the planned scope and audit time, as well as major audit findings (including significant deficiencies of internal control identified during the audit process).

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 112 consolidated financial statements of King's Town Construction Co., Ltd., and its subsidiaries. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ShineWing Taiwan
CPA: Chuang, Shu-



Financial Supervisory Commission Approval
No.
FSC Letter Jin-Guan-Zheng-Shen No.
1070345892

Yuan CPA: Jackson Jwo



Financial Supervisory Commission Approval
No.
FSC Letter Jin-Guan-Zheng-Shen No.
1070345892

King's Town Construction Co., Ltd.
Consolidated Balance Sheets
As of December 31, 2023 and 2022



Unit: NT\$ thousand

Assets		Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
11XX	Current assets					
1100	Cash and cash equivalents	VI.(I)	\$634,228	1.72	\$603,749	1.72
1150	Net notes receivable	VI.(III)	16,676	0.05	15,000	0.04
1170	Net trade receivables	VI.(III)	10,793	0.03	7,503	0.02
1180	Net trade receivables - related parties	VI.(III), VII	2	0.00	10	0.00
1200	Other receivables	VI.(IV)	7,964	0.02	2,609	0.01
1210	Other receivables - related parties	VI.(IV).VII	219	0.00	201	0.00
1220	Current tax assets		22	0.00	0	0.00
1320	Inventories	VI.(V), VIII	34,793,111	93.96	32,667,885	93.17
1410	Prepayments	VI.(VI)	458,631	1.24	577,732	1.65
1470	Other current assets	VI.(VII)	108,348	0.29	114,750	0.33
1476	Other financial assets - current	VI.(VIII).VIII	68,072	0.18	106,295	0.30
11XX	Total current assets		<u>\$36,098,066</u>	<u>97.49</u>	<u>\$34,095,734</u>	<u>97.24</u>
15XX	Non-current assets					
1510	Financial assets at fair value through profit and loss	VI.(II)	\$82	0.00	\$82	0.00
1550	Investments accounted for using the equity method	VI.(IX)	16,642	0.04	16,683	0.05
1600	Property, plant, and equipment	VI.(X)	621,170	1.68	675,298	1.93
1755	Net right-of-use assets	VI.(XI)	67,004	0.18	61,646	0.18
1780	Intangible assets	VI.(XII)	156,065	0.42	160,498	0.45
1840	Deferred tax assets	VI.(XXX)	18,352	0.05	19,775	0.05
1920	Refundable deposits	VIII	31,803	0.09	31,290	0.09
1930	Long-term notes and trade receivable	VI.(III)	20,000	0.05	2,785	0.01
15xx	Total non-current assets		<u>\$931,118</u>	<u>2.51</u>	<u>\$968,057</u>	<u>2.76</u>
1xxx	Total assets		<u>\$37,029,184</u>	<u>100.00</u>	<u>\$35,063,791</u>	<u>100.00</u>

(Continued) King's

Town Construction Co., Ltd.
Consolidated Balance Sheets
As of December 31, 2023, and 2022



				Unit: NT\$ thousand	
		December 31, 2023		December 31, 2022	
Liabilities and equity	Note	Amount	%	Amount	%
21XX Current liabilities					
2100 Short-term borrowings	VI.(XIII) VII, VIII	\$3,756,950	10.14	\$4,401,950	12.55
2110 Short-term bills payable	VI.(XIII) VII, VIII	4,587,399	12.39	3,734,677	10.65
2130 Contract liabilities - current	VI.(XXIII), VII	707,850	1.91	614,192	1.75
2150 Notes payable		88,089	0.24	47,687	0.14
2160 Notes payable - related parties	VII	143,115	0.39	80,011	0.23
2170 Trade payables		18,705	0.05	47,142	0.13
2180 Trade payables - related parties	VII	85,714	0.23	0	0.00
2200 Other payables		71,935	0.19	71,172	0.20
2220 Other payables - related parties	VII	160	0.00	138	0.00
2230 Current tax liabilities		51,861	0.14	138,450	0.40
2250 Provisions - current	VI.(XIV)	45,488	0.12	51,779	0.15
2280 Lease liabilities - current	VI.(XVIII)	1,282	0.00	1,134	0.00
2322 Long-term borrowings due within one operating cycle	VI.(XVII), VII, VIII	146,936	0.40	1,030,393	2.94
2335 Collection	VI.(XV)	50,819	0.14	73,337	0.21
2399 Other current liabilities - others	VI.(XVI)	5,809	0.02	9,585	0.03
21XX Total current liabilities		\$9,762,112	26.36	\$10,301,647	29.38
25XX Non-current liabilities					
2540 Long-term borrowings	VI.(XVII), VII, VIII	\$9,434,801	25.48	\$7,382,157	21.05
2570 Deferred tax liabilities	VI.(XXX)	3,987	0.01	17,121	0.05
2580 Lease liabilities - non-current	VI.(XVIII)	68,013	0.18	62,373	0.18
2611 Long-term notes payable	VI.(XIX)	7,595	0.02	0	0.00
2640 Net defined benefit liabilities - non-current	VI.(XXVIII)	18,757	0.05	19,557	0.05
2645 Deposits received	VII	5,904	0.02	5,910	0.02
25xx Total non-current liabilities		\$9,539,057	25.76	\$7,487,118	21.35
2XXX Total liabilities		\$19,301,169	52.12	\$17,788,765	50.73
3XXX Equity					
3110 Share capital - ordinary shares	VI.(XX)	\$3,694,196	9.98	\$3,690,564	10.53
3211 Paid-in capital - ordinary shares premium	VI.(XXI)	8,082	0.02	0	0.00
3300 Retained earnings					
3310 Legal reserve	VI.(XXII)	1,776,451	4.80	1,681,444	4.79
3350 Unappropriated earnings	VI.(XXII)	12,249,286	33.08	11,903,018	33.95
3300 Total retained earnings		\$14,025,737	37.88	\$13,584,462	38.74
3XXX Total equity		\$17,728,015	47.88	\$17,275,026	49.27
Total liabilities and equity		\$37,029,184	100.00	\$35,063,791	100.00

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

Chairperson: Tianye Investment Co., Ltd.

Representative: Tsai, Tien-Tsan

Manager: Tsai, Tien-Tsan

Accountant Officer: Liang, Su-Ying



King's Town Construction Co., Ltd.
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

Code	Account titles	Note	2023		2022	
			Amount	%	Amount	%
4000	Operating revenue					
4110	Sales revenue		\$2,553,746	100.00	\$3,384,220	100.00
4190	Sales discounts and allowances		0	0.00	(90)	(0.00)
4100	Net sales	VI.(XXIII)	\$2,553,746	100.00	\$3,384,130	100.00
5000	Operating costs		1,276,115	49.97	1,429,196	42.23
5900	Gross profit		\$1,277,631	50.03	\$1,954,934	57.77
6000	Operating expenses	VI.(XXXI)				
6100	Selling and marketing expenses		333,112	13.04	428,094	12.65
6200	General and administrative expenses		139,352	5.46	146,419	4.33
6000	Total operating expenses		\$472,464	18.50	\$574,513	16.98
6900	Operating income		\$805,167	31.53	\$1,380,421	40.79
7000	Non-operating income and expenses					
7100	Interest income	VI.(XXIV)	\$2,483	0.10	\$870	0.03
7010	Other income	VI.(XXV)	1,215	0.05	3,432	0.10
7020	Other gains and losses	VI.(XXVI)	(795)	(0.03)	(161)	0.00
7050	Finance costs	VI.(XXVII)	(318,623)	(12.48)	(230,847)	(6.83)
7060	Share of profit or loss of associates and joint ventures accounted for using the equity method	VI.(IX)	5,327	0.21	5,964	0.18
7000	Total non-operating income and expenses		(\$310,393)	(12.15)	(\$220,742)	(6.52)
7900	Income before tax		\$494,774	19.38	\$1,159,679	34.27
7950	Income tax expense	VI.(XXX)	52,733	2.07	150,005	4.44
8200	Current net income		\$442,041	17.31	\$1,009,674	29.83
8300	Other comprehensive income					
8310	Items not reclassified to profit or loss					
8311	Remeasurements of defined benefit plans	VI.(XXVIII)	(\$957)	(0.04)	\$309	0.01
8349	Incomes tax expense (gain) related to titles not subject to reclassification	VI.(XXX)	(191)	(0.01)	62	0.00
8300	Other comprehensive income (after tax)		(\$766)	(0.03)	\$247	0.01
8500	Total comprehensive income		\$441,275	17.28	\$1,009,921	29.84
9750	Basic earnings per share (NT\$)	VI.(XXXII)	\$1.20		\$2.73	
9850	Diluted earnings per share (NT\$)	VI.(XXXII)	\$1.20		\$2.73	

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

Chairperson: Tianye Investment Co., Ltd.

Representative: Tsai, Tien-Tsan

Manager: Tsai, Tien-Tsan

Accountant Officer: Liang, Su-Ying

King's Town Construction Co., Ltd.
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2023 and 2022

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, 2022	\$3,717,590	\$13,865	\$1,513,033	\$11,121,358	\$12,634,391	\$0	\$16,365,846
B1	Profit appropriation and distribution in 2021			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	\$1,681,444	\$11,903,018	\$13,584,462	\$0	\$17,275,026
A1	Balance as of January 1, 2023	\$3,690,564	\$0	\$1,681,444	\$11,903,018	\$13,584,462	\$0	\$17,275,026
B1	Profit appropriation and distribution in 2022			95,007	(95,007)	0		0
B9	Employee compensation to capital increase	3,632	8,082			0		11,714
D1	Net income in 112				442,041	442,041		442,041
D3	Other comprehensive income in 112				(766)	(766)		(766)
D5	Total comprehensive income in 112				441,275	441,275	0	441,275
Z1	Balance as of December 31, 2023	\$3,694,196	\$8,082	\$1,776,451	\$12,249,286	\$14,025,737	\$0	\$17,728,015

Note: Employee compensation of NT\$4,998 thousand and NT\$11,714 thousand for 2023 and 2022, respectively, have been deducted from statements of comprehensive income.

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

Chairperson: Tianye Investment Co., Ltd.



Representative: Tsai, Tien-Tsan



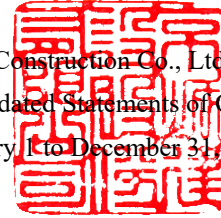
Manager: Tsai, Tien-Tsan



Accountant Officer: Liang, Su-Ying



King's Town Construction Co., Ltd. and subsidiaries
Consolidated Statements of Cash Flows
From January 1 to December 31, 2023 and 2022



Unit: NT\$ thousand

Code		January 1 to December 31, 2023	January 1 to December 31, 2022				
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Current year net profit before tax	\$494,774	\$1,159,679	B02700	Acquisition of property, plant, and equipment	(\$4,493)	(\$10,123)
A20000	Adjustment items:			B03700	Increase in refundable deposits	(705)	(2,745)
A20010	Revenue, expense and loss that do not affect the cash flows:			B03800	Decrease in refundable deposits	192	5,500
A20100	Depreciation expenses and other operating expenses	\$72,193	\$69,632	B04500	Acquisition of intangible assets	(89)	(430)
A20200	Amortization expenses	4,483	4,638	B06500	(Increase) Decrease in other financial assets	38,223	(25,383)
A20900	Interest expenses	318,623	230,847	B07600	Cash dividends received from investments accounted for using the equity method	5,368	3,169
A21200	Interest income	(2,483)	(870)	BBBB	Net cash inflow (outflow) from investing activities	\$38,496	(\$30,012)
A21300	Dividend income	(24)	(179)				
A22300	Share of profit or loss of associates accounted for using the equity method	(5,327)	(5,964)				
A22500	Loss in disposal of property, plant, and equipment	2,501	1,638				
A22600	Reclassification of property, plant, and equipment	151	1,179	CCCC	Cash flows from financing activities:		
A20010	Total revenue, expense and loss that do not affect the cash flows:	\$390,117	\$300,921	C00100	Proceeds from short-term borrowing	\$29,500,650	\$13,324,150
A30000	Changes in operating assets and liabilities			C00200	Repayments of short-term borrowings	(30,145,650)	(12,577,450)
A31000	Net changes in operating assets			C00500	Proceeds from short-term bills payable	21,133,900	17,659,000
A31130	Decrease (increase) in notes receivable	(\$18,891)	\$33,897	C00600	Repayments of short-term bills payable	(20,283,200)	(17,866,600)
A31150	(Increase) decrease in trade receivable	(3,282)	124,465	C01600	Proceeds from long-term borrowings	2,483,350	894,400
A31180	Increase in other receivables	(5,359)	(2,508)	C01700	Repayments of long-term borrowings	(1,314,163)	(1,136,883)
A31200	Increase in inventories	(2,139,804)	(1,164,418)	C03000	Increase in deposits received	880	1,517
A31230	(Increase) decrease in prepayments	118,321	(29,527)	C03100	Decrease in deposits received	(886)	(592)
A31240	(Increase) decrease in other current assets	6,402	(23,666)	C04020	Repayment of the principal portion of lease	(1,134)	(1,115)
A31000	Total net changes in operating assets	(\$2,042,613)	(\$1,061,757)	C04900	Treasury stock repurchase cost	0	(120,203)
A32000	Net change in operating liabilities			CCCC	Net cash inflow from financing activities	\$1,373,747	\$176,224
A32125	Increase in contract liabilities - current	\$93,658	\$23,319				
A32130	Gain (loss) in notes payable	111,101	(44,285)	EEEE	Increase (decrease) in current cash and cash equivalent	\$30,479	(\$464,681)
A32150	Increase (decrease) in trade payable	57,277	(562,828)	E00100	Cash and cash equivalent at the beginning of the period	603,749	1,068,430
A32180	Increase in other payables	8,627	15,133	E00200	Cash and cash equivalent at the end of the period	\$634,228	\$603,749
A32200	Increase (decrease) in provisions	(6,291)	7,071				
A32230	Decrease in other current liabilities	(26,294)	(12,460)				
A32240	Decrease in net defined benefit liabilities	(1,757)	(2,541)				
A32000	Total net changes in operating liabilities	\$236,321	(\$576,591)				
A30000	Total net changes in operating assets and liabilities	(\$1,806,292)	(\$1,638,348)				
A33000	Cash outflow from operating activities	(\$921,401)	(\$177,748)				
A33100	Interest received	2,469	866				
A33200	Dividend received	24	179				
A33300	Interest paid	(311,992)	(225,066)				
A33500	Income tax paid	(150,864)	(209,124)				
AAAA	Net cash outflows from operating activities	(\$1,381,764)	(\$610,893)				



King's Town Construction Co., Ltd.
Notes to Consolidated Financial Statements
2023 and 2022

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

I. Company History

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

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were approved for publication by the Board of Directors on March 14, 2024.

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

(I) Effect of the adoption of new issuance of or amendments to International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) as endorsed and issued 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 112:

Item	New, Revised, and Amended Standards and Interpretations	Effective Date of Issuance by the IASB
1	Amendments to IAS 1 - Disclosure Initiative-Accounting Policies	January 1, 2023
2	Amendments to IAS 8 - Definition of Accounting Estimates	January 1, 2023
3	Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
4	Amendments to IAS 12 - International Tax Reform — Pillar Two Model Rules	May 23, 2023

The Consolidated Company assessed the effects of adopting the aforementioned

standards and interpretations, and has found no significant effects on the Company's financial position and financial performance.

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

1. New, revised, and amended standards and interpretations of IFRS and IAS endorsed by the FSC and are applicable in 2024:

Item	New, Revised, and Amended Standards and Interpretations	Effective Date of Issuance by the IASB
1	Amendments to IAS 16 - Lease liability in a sale and leaseback	January 1, 2024
2	Amendment to IAS 1 - Classification of Liabilities as Current or Non-current	January 1, 2024
3	Amendment to IAS 1 - Non-current Liabilities with Covenants	January 1, 2024
4	Amendment to IAS 7 and IFRS 7 - Supplier Finance Arrangements	January 1, 2024

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

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

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

Item	New, Revised, and Amended Standards and Interpretations	Effective Date of Issuance by the IASB
1	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	Currently awaiting a decision by the IASB
2	IFRS 17 Insurance Contracts	January 1, 2023
3	Amendment to IFRS 17 - Insurance Contracts	January 1, 2023
4	Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	January 1, 2023
5	Amendment to IAS 21 - Lack of Exchangeability	January 1, 2025

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

IV. Summary of Significant Accounting Policies

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

(I) Compliance Statement

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

(II) Basis of Preparation

1. Except for the following important items, these Consolidated Financial Statements have been prepared based on historical costs; Historical costs are generally determined based on the fair value of the consideration paid for purchase of assets.
 - (1) Financial assets and liabilities at fair value through profit or loss are measured at fair value.
 - (2) Defined benefit liability derived from retirement plan assets less the present value of net defined benefit obligation.
2. The preparation of consolidated financial report in compliance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations, and explanatory announcements 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 Consolidated Financial Statements.
3. Functional currency and presentation currency

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

(III) Basis of Consolidation

1. Principles in the preparation of the Consolidated Financial Statements

- (1) All subsidiaries are included in the Consolidated Company's consolidated financial statements. 1. Subsidiaries refer to all entities controlled by the Consolidated Company. The Consolidated Company controls an entity when the Consolidated Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Consolidated Company obtains control of the subsidiaries and ceases when the Consolidated Company loses control of the subsidiaries.
- (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Consolidated Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Consolidated Company.
- (3) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, namely transactions with owners in their capacity as owners. The difference between the adjustment amount of non-controlling interests and the fair value of consideration paid or collected shall be directly recognized in equity.
- (4) When the Consolidated Company loses control over its subsidiary, the remaining investments in its former subsidiary shall be remeasured at fair value, and are treated as the fair value of the financial assets at initial recognition or the cost of investment in associates or joint ventures at initial recognition. The difference between fair value and carrying amount is recognized in current profit or loss. The Consolidated Company shall account for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Consolidated

Company had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Consolidated Company reclassifies the gain or loss from equity to profit or loss when it loses control of the subsidiary.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Principal Business Operation	Business Location	Percentage of shareholding(%)	
				December 31, 2023	December 31, 2022
The Company	H2O Hotel Co., Ltd. (H2O Hotel)	Hotels and Motels, Restaurants	Kaohsiung City Taiwan	100%	100%

3. Subsidiaries not included in the consolidated financial statements: None.
4. Adjustments for subsidiaries with different balance sheet dates: None.
5. Significant restrictions on the ability to acquire, utilize assets, and discharge liabilities: None.
6. Contents of subsidiaries' holding of securities issued by the parent company: None.
7. Subsidiaries that have non-controlling interests that are material to the Consolidated Company: None.

(IV) Foreign Currency Trading

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

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

4. All other exchange gains and losses are presented in the “Other gains and losses” in the Statement of Income.

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

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

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

The Consolidated Company classifies all the assets that do not meet the above-mentioned criteria as non-current.
2. Liabilities that meet one of the following criteria are classified as current liabilities:
 - (1) Liabilities that are expected to be settled within the normal operating cycle.
 - (2) Assets held primarily for trading purposes.

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

The Consolidated Company classifies all liabilities that do not meet the above conditions as non-current.

(VI) Cash and cash equivalents

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

(VII) Financial Instruments

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

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

(VIII) Financial 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 Consolidated Company shall be consistently on the trade date or the settlement date.

1. Types of measurement

Financial assets held by the Consolidated Company are classified as financial assets 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 Consolidated 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 measured at fair value through profit or loss are those not measured at amortized cost or at fair value through other comprehensive income. Upon initial recognition, the Consolidated Company may irrevocably designate financial assets that meet the criteria for measurement at amortized cost or at fair value through other comprehensive income as measured at fair value through profit or loss, to eliminate or significantly reduce an accounting mismatch.

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

- (1) Financial assets held based on the business model of collecting contract cash flow.
- (2) The terms of the contract of the financial assets generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

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

When 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:

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

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

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

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

2. Impairment of financial assets

The Consolidated Company 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.

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

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

At the end of each reporting period, the Consolidated Company assesses whether there is a credit impairment on financial assets measured at amortized cost and on investments in debt instruments measured at fair value through other comprehensive income/(loss). When there is one or more events arising that will

bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset. The evidence for credit impairment of financial assets includes the observable data for the following events:

- (1) Material financial hardship for borrower or issuer;
- (2) Default, such as arrearage or delinquency for more than 365 days;
- (3) Compromise made by Consolidated Company to borrower that would not be considered before, because of economic or contract reason related to borrower's financial difficulty;
- (4) The borrower is most likely to file for bankruptcy or conduct other financial arrangement; or
- (5) Disappearance of active market for the financial asset due to financial difficulty.

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

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

3. Derecognition of financial assets

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

On 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.

(IX) Classification Tools for Financial Liabilities and Equity

1. Financial liabilities and equity instruments

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

2. Equity instruments

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

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

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

3. Financial liabilities

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

Financial liabilities measured at amortized cost include account payables and borrowings, which, after initial recognition, are subsequently measured 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 derecognition is also recognized in profit and loss.

4. Derecognition of financial liabilities

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

When financial liabilities are derecognized, the difference between their carrying

amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

5. Offsetting of financial assets and liabilities

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

(X) Inventories

1. Construction Inventories

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

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

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

- (1) Construction sites: The net realizable value is estimated by real estate appraisers, where for non-road use land, the published land current value appreciation ratio by land administration authorities is adopted as the objective basis for land price adjustment and the criterion for present value assessment. For land designated for road use, the overall value is assessed using the comparative method of valuation.
- (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 (based on the current market conditions) minus the costs and selling expenses incurred during the sale of the property.

2. Hotel and restaurant inventories

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

(XI) Investment/ Associates Accounted for Using The Equity Method

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

and “investments accounted for under the equity method”. If the investment ratio decreases, in addition to the aforementioned adjustments, gains or losses previously recognized in other comprehensive income related to the reduction in ownership interest are reclassified to profit or loss in proportion to the decrease. The capital reserve recognized previously, when the associate is subsequently disposed of, is reclassified to profit or loss in accordance with the proportion of disposal.

6. When the change in the equity of the associates is not due to profit or loss and other comprehensive profit or loss items, and does not affect the Company’s shareholding ratio, the Company will recognize the change in the relevant ownership interest based on the shareholding ratio. Therefore, the recognized additional paid-in capital will be transferred to profit or loss proportionally to the disposal amount when the associate is subsequently disposed.
7. When the Consolidated Company disposes its investment in an associate and loses significant influence over this associate, the accounting treatment for amounts previously recognized in other comprehensive income in relation to the associate are the same as the one required if the relevant assets or liabilities were directly disposed of. That is, if gain/loss previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of relevant assets or liabilities, such gain/loss will be reclassified from equity to profit or loss when the Company loses significant influence over the associate. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
8. The Consolidated Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 39 - Financial Instruments: Recognition and Measurement. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the “share of profit or loss of an associate” in the statement of comprehensive income in accordance with IAS 36 - Impairment of Assets. In case the aforementioned recoverable amount adopts the useful value of the investment, the Consolidated Company will determine the relevant useful value based on the following estimates:
 - (1) The share of the present value of the estimated cash flows generated by the

associates of the Consolidated Company, including the cash flows generated by the associates due to the operation and the final disposal of the investment; or

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

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

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

(XII) Property, plant, and equipment

1. Recognition and measurement

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

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

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

2. 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.

3. Depreciation

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

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

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

(XIII) Lease

1. Identifying a lease

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

- (1) rights to nearly all economic benefits of the identified asset have been received; and
- (2) the control over the right to use the identified asset.

For contracts that are (or include) leases, the Consolidated Company will treat each lease component in the contract individually, and to separately treat them from the non-lease components in the contracts. Where a contract includes a lease

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

2. Where the Consolidated Company is a lessee:

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

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

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

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

The lease payments comprise as follows:

- (1) fixed payments, including in-substance fixed lease payments;
- (2) Variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;

- (3) amounts expected to be payable by the lessee under residual value guarantees;
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 Consolidated Company records right-of-use assets and lease liabilities defined as not investment properties in a single line item in the consolidated balance sheets.

For the short-term leasing of transportation equipment and the leasing of low-value object assets, the Consolidated Company chooses not to recognize right-of-use assets and lease liabilities, but recognize related payment for lease as expenses

on a straight-line basis during lease period.

3. Where the Consolidated Company is a lessor:

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

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

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

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

(XIV) Intangible assets

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

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

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

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

Computer software: 3 ~ 10 years

Image design: 15 years

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

Any change shall be accounted for as a change in accounting estimate.

(XV) Impairment of Non-financial Assets

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

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

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

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

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

(XVI) Trade and Notes Payables

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

(XVII) Provisions

Provisions are recognized when the Consolidated Company has a present legal or constructive obligation as a result of past events, and it is probable that the Company

will be required to settle the obligation and the amount of the obligation can be reliably estimated.

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

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

(XVIII) Revenue and cost recognition

1. Sales of premises

The Consolidated Company is principally engaged in the construction and sales of property, and the recognition of revenue is based on the transferring of property ownership. For the contracted sales of residential units, due to contract restrictions, the Consolidated Company usually does not apply the piece of real estate to other purposes. However, the Consolidated Company gains an enforceable right to payments for completed performance obligations when the legal ownership of the property is transferred to the customer, and the property has been physically delivered. Therefore, the Consolidated Company recognizes revenue at the point in time when the legal ownership of the property is transferred to the customer and the property has been physically delivered. However, revenue is also recognized if only one of these conditions is met within the reporting period, despite that the other occurs in the subsequent period.

Revenue is measured based on the transaction price of the contractual agreements.

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

reflecting the effect of time value of money are recognized as interest expenses and contract liabilities. The accumulated contract liabilities are reclassified as revenue upon the transfer of legal ownership.

2. Accommodation and hospitality revenue

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

(1) Hospitality services are recognized when the product is sold to customers.

Payment of transaction price is due immediately when the products are purchased by customers.

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

3. Financial composition

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

4. Rental revenue

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

5. Incremental costs of obtaining contracts

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

happen or not is recognized as expense, unless the cost is explicitly collectable from customer no matter the contract is acquired or not.

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

(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 Consolidated Company's net obligation in respect of a defined benefit pension plan is calculated separately for each plan by estimating the amount discounted to present value of the future benefit that employees have earned in return for their service in the current and prior periods. The fair value of any plan assets are deducted. The calculation is performed annually by a qualified actuary using the projected unit credit method. The discount rate is the yield on

the reporting date on corporate bonds or government bonds that have maturity dates approximating the terms of the Consolidated Company's obligations and are denominated in the same currency in which the benefits are expected to be paid.

The costs of defined benefits under the defined benefit pension plan include service cost, net interest, and the 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 to the payable income tax or receivable tax rebate of prior years. The additional business income tax levied on the undistributed earnings is recognized as income tax expense on the date when the distribution of earnings is resolved in the Shareholders' Meeting.

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

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

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

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

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

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

(XXII) Earnings per share

The Consolidated Company presents the basic and diluted earnings per share of shareholders of common stock equity. The basic earnings per share are calculated based on the profit attributable to the ordinary shareholder of the Consolidated Company divided by the weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Consolidated Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. 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.

(XXIII) Government grants

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

(XXIV) Segment information

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

(XXV) Dividend distribution

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

V. Main Source of Significant Accounting Judgment, Estimation, and Assumption Uncertainties

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

(I) Inventory evaluation

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

The Consolidated Company evaluates the amounts of normal inventory consumption, obsolete inventories or if market selling prices are lower than costs at the end of the reporting period, and writes down the cost of inventories to the net realizable value. This inventory valuation is primarily based on the nature of inventory, the actual selling prices of neighboring regions inquired, the selling prices of units sold, the return on investment analysis form or the valuation report provided by an external real property appraiser, and is therefore subject to significant changes.

(II) Impairment assessment of assets

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

(III) Provisions

Provisions are provisions for post-sale warranty liabilities, which are the present value of the Consolidated Company's management's best estimate of future economic

outflows resulting from warranty obligations. The estimates are based on contractual agreements and management's historical warranty experience, and are subject to adjustment due to construction materials, construction methods or other events that affect product quality. These estimates are primarily based on economic outflows over the future warranty period and are subject to change.

VI. Descriptions of Material Accounting Items

(I) Cash and cash equivalents

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$1,074	\$849
Demand deposits	633,053	602,873
Checking deposits	101	27
Total	<u>\$634,228</u>	<u>\$603,749</u>

1. The Consolidated Company possesses good credit with financial institutions, and contacts with several financial institutions to diversify credit risk, anticipated possibility of default is very low, the exposure cash amount on maximum credit risks at the end of the reporting period is same as cash equivalents.
2. The Consolidated Company's pre-sale construction project trust funds and other portions with restriction on use are classified under 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 Consolidated Company, please refer to Note XII.

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

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current		
Domestic unlisted stocks (venture capital)	<u>\$82</u>	<u>\$82</u>

1. The Consolidated Company's investment in domestic unlisted stocks has been designated as investments at fair value through profit or loss.
2. The Consolidated Company's financial assets measured at fair value through profit or loss recognized no valuation gains in both 2023 and 2022, amounting to NT\$0 thousand. Additionally, there were no disposals of these assets in 2023 and 2022.
3. The Consolidated Company has disclosed the credit and interest rate risks associated with financial instruments in Note XII.
4. None of the financial assets of the Consolidated Company has been pledged as collateral.

(III) Receivables

Item	December 31, 2023	December 31, 2022
Notes receivable		
Less than 1 year	\$16,676	\$15,000
Over 1 year	20,000	2,785
Total	<u>\$36,676</u>	<u>\$17,785</u>
Trade receivables		
Less than 1 year	\$10,793	\$7,503
Over 1 year	0	22
Less: Allowance for losses	0	(22)
Total	<u>\$10,793</u>	<u>\$7,503</u>
Trade receivables - related parties		
Less than 1 year	<u>\$2</u>	<u>\$10</u>

1. Long-term notes receivable of the Consolidated Company that are due in more than one year are classified under non-current assets as long-term notes receivable and other receivables.
2. The Consolidated Company's long-term notes receivable of more than one year represent advance payments from customers for decoration work. The period of one to three years is due to the time required for design and construction for the purchase of the rough housing units, and revenue is recognized upon completion

and acceptance of the decoration.

3. The Consolidated 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 accounts receivable of the Consolidated Company is as follows:

	December 31, 2023		
	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	\$47,393	0%	\$0
Less than 90 days	35	0%	0
Overdue 91 ~ 150 days	43	0%	0
Over 365 days	0	100%	0
Total	\$47,471		\$0

	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	\$25,298	0%	\$0
Less than 90 days	0	0%	0
Overdue 91 ~ 150 days	0	0%	0
Over 365 days	22	100%	22
Total	\$25,320		\$22

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

	December 31, 2023	December 31, 2022
Beginning balance	\$22	\$22
Decrease in the current period	(22)	0
Ending balance	\$0	\$22

4. The decrease in the current period is due to the collection of overdue accounts receivable
5. The majority of the credit period of the Consolidated Company's receivables is the date of transfer of ownership of the premises to the bank, or the date of credit card payment for the premises and credit card payment for food and beverage services and room accommodations to the bank. Prepayments for decorations involve customers issuing long-term notes receivable that are contingent on design and construction; revenue is recognized only after the decoration is completed and inspected. The Consolidated Company is in the construction and tourism industry and has a large and unrelated customer base, so the concentration of credit risk is limited. Please refer to Note XII for related credit risk information.
6. The Consolidated Company's notes receivable (including long-term notes receivable) and accounts receivable were not discounted or provided as collaterals.

(IV) Other receivables

Item	December 31, 2023	December 31, 2022
Other receivables	\$7,964	\$2,609
Other receivables - related parties	219	201
Total	\$8,183	\$2,810

1. Other receivables - related parties consist of sales expenses to be shared with landlords and payments due from related parties for sold gift boxes.
2. The Consolidated Company's other receivables were assessed not to be impaired and were not past due.

(V) Inventories

Item	December 31, 2023	December 31, 2022
Buildings held for sale	\$5,042,191	\$4,586,949
Land held for sale	1,837,571	1,473,555
Land under construction	2,821,180	2,703,979
Construction in progress	2,401,690	2,249,500
Land held for construction	21,900,303	20,847,402
Prepayment for land	786,044	801,638
Other inventories (Food & Beverage, etc.)	4,299	5,029
Less: Allowance for reduction to valuation	(167)	(167)
Total	<u>\$34,793,111</u>	<u>\$32,667,885</u>

Item	December 31, 2023	December 31, 2022
1. Buildings held for sale		
King's Town	\$1,754,647	\$1,860,268
King's Town Hyatt	614,839	612,673
Hua Shang	114,478	114,478
Yiwen Court	59,364	190,091
Ju Dan	105,137	135,930
Tian Feng	145,518	145,518
Shi Shang King's Town	13,569	20,360
Mei Shu Huang Ju	1,187,493	1,243,664
King's Town Garden	119,870	216,641
Xiang King's Town	0	4,194
Yue He Di	42,965	42,965
Fu +	884,144	0
Other projects	167	167
Total	<u>\$5,042,191</u>	<u>\$4,586,949</u>
Less: Allowance for reduction to valuation	<u>(167)</u>	<u>(167)</u>
Net	<u>\$5,042,024</u>	<u>\$4,586,782</u>

Item	December 31, 2023	December 31, 2022
2. Land held for sale		
King's Town	\$178,947	\$194,590
King's Town Hyatt	44,555	44,598
Yiwen Court	32,094	99,233
Ju Dan	62,663	83,855
Tian Feng	62,443	62,443
Shi Shang King's Town	8,946	13,423
Mei Shu Huang Ju	783,810	831,196
King's Town Garden	54,048	98,095
Xiang King's Town	0	4,269
Yue He Di	41,853	41,853
Fu +	568,212	0
Total	<u>\$1,837,571</u>	<u>\$1,473,555</u>

Item	December 31, 2023		
	Land under construction	Construction in progress	Total
3. Land under construction and construction in progress			
Kaohsiung Fuhe Section No. 698-1	\$358,073	\$136,210	\$494,283
Kaohsiung Longzhong Section No. 191	370,653	186,598	557,251
Kaohsiung Ai Qun No. 2748 (King's Town World of Heart)	1,001,698	1,775,817	2,777,515
Kaohsiung Bohsiao Section No. 1140 (Jing Wu Tong)	655,287	245,852	901,139
Tainan Yuguang Section No. 880, 4 in total	435,469	57,213	492,682
Total	<u>\$2,821,180</u>	<u>\$2,401,690</u>	<u>\$5,222,870</u>

Item	December 31, 2022		
	Land under construction	Construction in progress	Total
4. Land under construction and construction in progress			
Kaohsiung Fuhe Section No. 698-1	\$353,729	\$121,525	\$475,254
Kaohsiung Ai Qun No. 2748 (King's Town World of Heart)	1,001,698	1,305,230	2,306,928
Kaohsiung Shindu Section 163 (Fu +)	693,265	766,252	1,459,517
Kaohsiung Bohsiao Section No. 1140 (Jing Wu Tong)	655,287	56,493	711,780
Total	<u>\$2,703,979</u>	<u>\$2,249,500</u>	<u>\$4,953,479</u>

Item	December 31, 2023	December 31, 2022
5. Land held for construction		
Kaohsiung Chenggong Section No. 60-1, 62~64 and others	\$864,273	\$862,995
Kaohsiung Longzhong Section No. 191	0	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 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	0	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	3,398,920	3,385,666
Kaohsiung Xindu Section No. 49	46,653	46,653
Kaohsiung Xinzhuang 12 Sub-section No. 1167 and 1175	617,961	614,152
Tainan Kanjiao North Section No. 913	0	13,130
Kaohsiung Shinkang Section No. 25 and 29	188,458	0
Kaohsiung Shinkang Section No. 25-1 and 29-1	188,548	0
Kaohsiung Shinkang Section No. 26	34,123	0
Kaohsiung Shinkang Section No. 30	59,256	0
Kaohsiung Shinkang Section No. 31	12,058	0
Transferable land and deformed land	2,587,286	1,215,917
Total	<u>\$21,900,303</u>	<u>\$20,847,402</u>

Item	December 31, 2023	December 31, 2022
6. Prepayment for land		
Tainan Anan District, Caohu Phase I	\$201,677	\$201,677
Kaohsiung Chenggong Section No. 65.66	335,361	0
Tainan Kanjiaonan No. 19-1 and others	4,995	0
Transferable land and deformed land	244,011	599,961
Total	<u>\$786,044</u>	<u>\$801,638</u>

Item	December 31, 2023	December 31, 2022
7. Other inventories		
Food	\$3,016	\$3,474
Beverage	1,283	1,555
Subtotal	<u>\$4,299</u>	<u>\$5,029</u>

8. The information related to interest capitalization is as follows:

	December 31, 2023	December 31, 2022
The amount of capitalized interest	<u>\$122,630</u>	<u>\$81,087</u>

9. 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.

10. Please refer to Note VIII to the financial statements for the pledge of premises for sale, premises under construction and construction sites.

11. Cost of goods sold related to inventories amounted to NT\$1,149,589 thousand and NT\$1,309,910 thousand in 2023 and 2022, respectively; in addition, there were NT\$0 thousand and NT\$375 thousand of inventory write-down benefit, respectively.

(VI) Prepayments

Item	December 31, 2023	December 31, 2022
Prepaid expenses	\$452,756	\$572,460
Supplies inventories	5,740	5,133
Input tax	135	139
Total	<u>\$458,631</u>	<u>\$577,732</u>

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

(VII) Other current assets

Item	December 31, 2023	December 31, 2022
Payments on behalf of others	\$1,446	\$4,522
Incremental costs of obtaining contracts	106,902	110,228
Total	<u>\$108,348</u>	<u>\$114,750</u>

The incremental costs for obtaining a contract are the commission paid by the Consolidated Company to agencies for obtaining real estate sales and purchase contracts which is expected to be recovered. These costs are recognized as assets and amortized over the period when the revenue from the sale of the properties is recognized. In 2023 and 2022, amortization expenses of NT\$17,861 thousand and NT\$0 thousand, respectively, were recognized under selling expenses.

(VIII) Other financial assets - current

Item	December 31, 2023	December 31, 2022
Restricted bank deposits	<u>\$68,072</u>	<u>\$106,295</u>

Other financial assets - current for the consolidated company include trust funds for presale construction projects, issued gift vouchers, performance trusts for construction prepayments, and contingency accounts, which are secured by pledged bank deposits. Please refer to Note VIII.

(IX) Investments accounted for using the equity method

Name of Investee	December 31, 2023		December 31, 2022	
	Amount	Shareholding	Amount	Shareholding
Associate				
Yangmin International Catering Co., Ltd.	<u>\$16,642</u>	40%	<u>\$16,683</u>	40%

1. In 2016, the Consolidated Company invested in Yangmin International Catering Co., Ltd. at a cost of NT\$8,000 thousand, which is mainly engaged in restaurant operations. Investments accounted for using the equity method are recognized on the basis of the investee's share of the financial statements audited by other accountants during the same period. As of December 31, 2023 and 2022, the balance of

investments amounted to NT\$16,642 thousand and NT\$16,683 thousand, representing 0.04% and 0.05% of the total consolidated assets, respectively. The share of interest in affiliates recognized under the equity method amounted to NT\$5,327 thousand and NT\$5,964 thousand for 2023 and 2022, respectively, accounting for 1.21% and 0.59% of the consolidated profit or loss respectively.

2. Associate

(1) The basic information of the Consolidated Company's associates is as follows.

Name of Investee	Main Operation Locations	Principal Business Operation	%	
			December 31, 2023	December 31, 2022
Yangmin International Catering Co., Ltd.	Taiwan	Catering business	40%	40%

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

Balance Sheet

	Yangmin International Catering Co., Ltd.	
	December 31, 2023	December 31, 2022
Current assets	\$45,657	\$54,939
Non-current assets	10,604	4,552
Current liabilities	(14,656)	(17,783)
Non-current liabilities	0	0
Net assets	\$41,605	\$41,708

Comprehensive Income Statement

	Yangmin International Catering Co., Ltd.	
	December 31, 2023	December 31, 2022
Net Operating Revenue	\$93,911	\$85,813
Gross profit	\$44,326	\$41,983
Current net income	\$13,317	\$14,911
Other comprehensive income/(loss) (after tax)	\$0	\$0
Total comprehensive income	\$13,317	\$14,911
Dividends received from the associates	\$5,368	\$3,169

(3) The Consolidated Company's investments accounted for under the equity method are not pledged as collateral.

(X) Property, plant, and equipment

	Housing and Construction	Machinery	Transportation Equipment	Office Equipment	Other Equipment	Operating equipment	Total
Cost							
2023/01/01	\$972,736	\$7,868	\$3,770	\$3,109	\$46,111	\$16,310	\$1,049,904
Increase	1,585	82	939	55	566	1,348	4,575
Disposal and obsolescence	0	0	0	(118)	(1,719)	(1,749)	(3,586)
Re- classification	0	0	0	0	14,578	0	14,578
Others	0	0	0	0	0	(151)	(151)
2023/12/31	<u>\$974,321</u>	<u>\$7,950</u>	<u>\$4,709</u>	<u>\$3,046</u>	<u>\$59,536</u>	<u>\$15,758</u>	<u>\$1,065,320</u>
2022/01/01	\$972,573	\$7,868	\$0	\$7,686	\$44,176	\$15,052	\$1,047,355
Increase	163	0	3,770	328	2,482	4,075	10,818
Disposal and obsolescence	0	0	0	(4,905)	(547)	(1,638)	(7,090)
Others	0	0	0	0	0	(1,179)	(1,179)
2022/12/31	<u>\$972,736</u>	<u>\$7,868</u>	<u>\$3,770</u>	<u>\$3,109</u>	<u>\$46,111</u>	<u>\$16,310</u>	<u>\$1,049,904</u>
Accumulated depreciation and impairment							
2023/01/01	\$346,667	\$2,635	\$52	\$2,294	\$22,958	\$0	\$374,606
Depreciation	61,458	789	702	229	7,451	0	70,629
Disposal and obsolescence	0	0	0	(118)	(967)	0	(1,085)
2023/12/31	<u>\$408,125</u>	<u>\$3,424</u>	<u>\$754</u>	<u>\$2,405</u>	<u>\$29,442</u>	<u>\$0</u>	<u>\$444,150</u>
2022/01/01	\$285,275	\$1,781	\$0	\$6,258	\$18,676	\$0	\$311,990
Depreciation	61,392	854	52	941	4,829	0	68,068
Disposal and obsolescence	0	0	0	(4,905)	(547)	0	(5,452)
2022/12/31	<u>\$346,667</u>	<u>\$2,635</u>	<u>\$52</u>	<u>\$2,294</u>	<u>\$22,958</u>	<u>\$0</u>	<u>\$374,606</u>
Net carrying amount							
2023/12/31	<u>\$566,196</u>	<u>\$4,526</u>	<u>\$3,955</u>	<u>\$641</u>	<u>\$30,094</u>	<u>\$15,758</u>	<u>\$621,170</u>
2022/12/31	<u>\$626,069</u>	<u>\$5,233</u>	<u>\$3,718</u>	<u>\$815</u>	<u>\$23,153</u>	<u>\$16,310</u>	<u>\$675,298</u>
2022/01/01	<u>\$687,298</u>	<u>\$6,087</u>	<u>\$0</u>	<u>\$1,428</u>	<u>\$25,500</u>	<u>\$15,052</u>	<u>\$735,365</u>

- (1) Housing and construction refer to that in July 2012, the Consolidated Company entered into a land right deed with the Kaohsiung City Government for the establishment of land rights at Lot 22, Longbei Section, Kaohsiung City for a period of 50 years for the construction of a tourist hotel, which was completed in May 2017. The building was classified as investment property in the Company's individual financial statements and a lease agreement was signed with a subsidiary on January 18, 2017 for the operation of the tourist hotel business by the subsidiary, which is the property, plant and equipment of the Consolidated Company.
- (2) Please refer to Note VIII to the financial statements for the guarantees provided by property, plant and equipment.
- (3) Please refer to Note VI(XVIII) for information on property, plant and equipment and land and premises for sale held by the Consolidated Company

that are leased to others under operating leases.

(XI) Right-of-use assets

1. Major lease activities and terms

(1) The Consolidated Company acquired the land right of the Kaohsiung Municipal Government located at No. 22, Longbei Section, Gushan District for the construction of a tourist hotel for a period of 50 years and agreed that the Consolidated Company shall not assign, mortgage, lease or lend the land to others for construction use except with the prior consent of the Kaohsiung Municipal Government, and upon the termination of the continuance period, the Consolidated Company shall have no contractual preferential rights to acquire Temporary differences the leased land. It was remeasured in 2023 and 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:

	Land
Cost of right-of-use assets	
Balance as of January 1, 2023	\$67,754
Remeasurement	6,922
Balance as of December 31, 2023	<u>\$74,676</u>
Balance as of January 1, 2022	<u>\$65,760</u>
Remeasurement	1,994
Balance as of December 31, 2022	<u>\$67,754</u>
Depreciation of right-of-use assets	
Balance as of January 1, 2023	\$6,108
Current depreciation	1,564
Balance as of December 31, 2023	<u>\$7,672</u>
Balance as of January 1, 2022	<u>\$4,544</u>
Current depreciation	1,564
Balance as of December 31, 2022	<u>\$6,108</u>
Carrying amount	
December 31, 2023	<u>\$67,004</u>
December 31, 2022	<u>\$61,646</u>

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

(XII) Intangible assets

	Land use rights	Other intangible assets	Total
Cost			

Balance as of January 1, 2023	\$200,020	\$6,052	\$206,072
Increase	0	50	50
Balance as of December 31, 2023	<u>\$200,020</u>	<u>\$6,102</u>	<u>\$206,122</u>
Balance as of January 1, 2022	\$200,020	\$5,583	\$205,603
Increase	0	469	469
Balance as of December 31, 2022	<u>\$200,020</u>	<u>\$6,052</u>	<u>\$206,072</u>
Accumulated amortization			
Balance as of January 1, 2023	\$42,003	\$3,571	\$45,574
Amortization	4,001	482	4,483
Balance as of December 31, 2023	<u>\$46,004</u>	<u>\$4,053</u>	<u>\$50,057</u>
Balance as of January 1, 2022	\$38,003	\$2,933	\$40,936
Amortization	4,000	638	4,638
Balance as of December 31, 2022	<u>\$42,003</u>	<u>\$3,571</u>	<u>\$45,574</u>
Net carrying amount			
Balance as of December 31, 2023	<u>\$154,016</u>	<u>\$2,049</u>	<u>\$156,065</u>
Balance as of December 31, 2022	<u>\$158,017</u>	<u>\$2,481</u>	<u>\$160,498</u>
Balance as of January 1, 2022	<u>\$162,017</u>	<u>\$2,650</u>	<u>\$164,667</u>

Other intangible assets include computer software and systems.

1. Amortization expense for the Consolidated Company's intangible assets for 2023 and 2022 is reported in the following items

Item	2023	2022
Manufacturing overheads	\$2,800	\$2,800
Operating expenses	1,683	1,838
Total	<u>\$4,483</u>	<u>\$4,638</u>

2. In July 2012, the Consolidated Company entered into a land right deed with the Kaohsiung City Government for the establishment of the land at Lot 22, Sec. 22, Longbei, Kaohsiung City, with a royalty amount of \$200,020 thousand for the period from July 2012 to July 2062 for the operation of a tourist hotel.
3. As of the end of each reporting period, none of the intangible assets of the Consolidated Company has been pledged as collateral.

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

	December 31, 2023	December 31, 2022
1. Bank borrowings		
Secured loans	\$3,756,950	\$4,401,950
Unused limit	\$997,050	\$592,050
Interest rate range	2.55%~2.89%	2.233%~2.85%
Repayment period	2024/01/19~2027/05/16	2023/02/09~2024/11/25
2. Short-term bills payable	\$4,591,100	\$3,740,400
Less: Discount on short-term bills payable	(3,701)	(5,723)
Net	\$4,587,399	\$3,734,677
Interest rate range	1.558%~2.838%	1.468%~2.743%
Unused limit	\$2,918,550	\$1,417,845

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

(XIV) Provisions - current

	Warranty provision
Balance as of January 1, 2023	\$51,779
Reduced liability provision for the period	(6,291)
Balance as of December 31, 2023	\$45,488
Balance as of January 1, 2022	\$44,708
Increased liability provision for the period	7,071
Balance as of December 31, 2022	\$51,779

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

(XV) Collection

Item	December 31, 2023	December 31, 2022
Land collections	\$10,236	\$19,790
Building collections	18,356	32,686
Decoration collections	14,094	14,094
Collections - others	8,133	6,767
Total	\$50,819	\$73,337

(XVI) Other current liabilities - others

Item	December 31, 2023	December 31, 2022
Tax payable	\$5,809	\$9,585

(XVII) Long-term borrowings

Nature of borrowings	Borrowing period, repayment method and interest rate range	December 31, 2023	December 31, 2022
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 2.73% and 2.405% as of December 31, 2023 and 2022, respectively.	\$1,591,250	\$1,675,000
Secured borrowings	From June 2019 to June 2026, interest is payable monthly in a lump sum at maturity with floating interest rates of 2.7% and 2.325% as of December 31, 2023 and 2022, respectively.	547,200	576,000
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 2.24% and 2.00% on December 31, 2023 and 2022, respectively. Borrowings due within one year rerecognized were NT\$46,936 thousand and NT\$46,393 thousand as of December 31, 2023 and 2022, respectively.	439,207	485,150

Nature of borrowings	Borrowing period, repayment method and interest rate range	December 31, 2023	December 31, 2022
Secured borrowings	From January 2022 to January 2027, interest is payable monthly in a lump sum at maturity with floating interest rates of 2.50% and 2.25% as of December 31, 2023 and 2022, respectively.	184,395	194,100
Secured borrowings	From January 2022 to January 2027, interest is payable monthly in a lump sum at maturity with floating interest rates of 2.50% and 2.25% as of December 31, 2023 and 2022, respectively.	176,035	185,300
Secured borrowings	Interest is payable on a monthly basis from October 2021 to October 2026. There is a grace period of three years from the initial drawdown date, and starting from the 37th month, \$100,000 thousand is repaid every six months, with the remainder due in a lump sum payment at maturity. The floating interest rates are 2.55% and 2.425% as of December 31, 2023 and 2022, respectively. Borrowings due within one year were NT\$100,000 thousand and NT\$0 as of December 31, 2023 and 2022, respectively.	2,000,000	2,000,000
Secured borrowings	From December 2022 to December 2027, interest is payable monthly in a lump sum at a floating rate of 2.46% and 2.335% as of December 31, 2023 and 2022, respectively.	\$415,000	\$415,000
Secured borrowings	From May 2023 to May 2026, interest is payable monthly in a lump sum at maturity with a floating rate of 2.2438% as of December 31, 2023.	1,200,700	0
Secured borrowings	From May 2023 to May 2026, interest is payable monthly in a lump sum at maturity with a floating rate of 2.2438% as of December 31, 2023.	50,000	0
Secured borrowings	From June 2023 to June 2025, interest is payable monthly in a lump sum at maturity with a floating rate of 2.688985% as of December 31, 2023.	627,300	0

Nature of borrowings	Borrowing period, repayment method and interest rate range	December 31, 2023	December 31, 2022
Secured borrowings	From December 2023 to July 2027, interest is payable monthly in a lump sum at maturity with a floating rate of 2.602% as of December 31, 2023.	181,200	0
Secured borrowings	From March 2023 to September 2027, interest is payable monthly in a lump sum at maturity with a floating rate of 3.002% as of December 31, 2023.	139,900	0
Secured borrowings	From March 2020 to March 2025, interest is payable monthly in a lump sum at maturity with floating interest rates of 2.27% and 2.035% as of December 31, 2023 and 2022, respectively.	1,240,000	1,280,000
Secured borrowings	From July 2023 to July 2028, interest is payable monthly in a lump sum at maturity with a floating rate of 3.05% as of December 31, 2023.	\$191,550	\$0
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 2.675% and 2.055%~2.425% as of December 31, 2023 and 2022, respectively. Borrowings due within one year were transferred to NT\$474,000 thousand as of December 31, 2022.	598,000	1,092,000
Secured borrowings	From May 2019 to November 2023, interest is payable monthly in a lump sum at maturity with a floating rate of 2.035% as of December 31, 2023. On December 31, 2022, loans maturing within one year were reclassified and amounted to NT\$510,000 thousand. In June 2023, as the collateral construction land was committed to an ongoing project, it was reclassified by nature as a short-term loan.	0	510,000
Total		\$9,581,737	\$8,412,550
Less: Net long-term borrowings due within one year or one operating cycle Use this segment		(146,936)	(1,030,393)
Net		<u>\$9,434,801</u>	<u>\$7,382,157</u>
Unused limit		<u>\$7,360,170</u>	<u>\$3,798,600</u>

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

(XVIII) Lease agreements

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

	December 31, 2023	December 31, 2022
Current	\$1,282	\$1,134
Non-current	\$68,013	\$62,373

Please refer to Note XII for maturity analysis.

The Consolidated Company remeasured its lease liabilities due to changes in the consumer price index, adjusting the lease consideration accordingly during the period of January 1 to December 31 of 2022 and 2023. There were no significant issuance, repurchases, or repayments of lease liabilities caused by new or terminated leases.

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

	2023	2022
Interest expense – lease obligations payable	\$419	\$771
Short-term lease expenses	\$3,614	\$7,642
Expense on leases with low-value underlying assets	\$1,185	\$1,186
Total cash flows on lease	\$6,308	\$10,118

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

2. Lessor lease (recorded as operating income)
 - (1) The Consolidated Company leases, premises for sale and construction sites, which are classified as operating leases because almost all the risks and remuneration attached to the ownership of the underlying assets have not been transferred.

- (2) The Consolidated Company recognized fixed lease payments and rent income dependent on index or rate changes under operating lease agreements (recorded as operating income) of NT\$41,370 thousand and NT\$33,320 thousand for the years from January 1 to December 31, 2023 and 2022, respectively.
- (3) The maturity analysis of lease payments under operating leases of the Consolidated Company to report the total undiscounted lease payments to be received in the future is presented as follows:

	December 31, 2023	December 31, 2022
Within 1 year	\$27,222	\$24,486
1 to 2 years	26,291	24,579
2 to 3 years	22,552	25,576
3 to 5 years	20,004	34,152
Over 5 years	7,843	16,131
Non-discounted future cash flows of lease	\$103,912	\$124,924

- (4) The Consolidated Company has one signed lease that is not included in the above table. The lease for the period from October 1, 2019 to February 28, 2035 is currently in litigation with the lessee as described in Note IX, therefore, this lease has been collected since it was signed and thus is not included in the above table.
- (5) The Consolidated Company holds lands for construction provided for lease as a parking lot for a period ranging from 7 to 15 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.

(XIX) Long-term notes payable

	December 31, 2023	December 31, 2022
Long-term notes payable	\$7,595	\$0
Less: Discount on long-term notes payable	0	0
Total	<u>\$7,595</u>	<u>\$0</u>

As of December 31, year 2023, the long-term notes payable were issued for the gas piping projects of construction works in progress, with maturity dates in July 2026 and January 2027, respectively.

(XX) Share capital

1. As of December 31, 2023 and December 31, 2022, the Company's total authorized share capital was both NT\$5,000,000 thousand, with a par value of NT\$10, and its paid-in capital were NT\$3,694,196 thousand and NT\$3,690,564 thousand, respectively, with 369,419 thousand and 369,056 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)

	2023	2022
Number of shares outstanding at the beginning of the period (in thousands)	369,056	371,759
Cancellation of repurchase treasury shares (in thousands)	0	(3,244)
Employee compensation to capital increase (in thousands)	363	541
Number of shares outstanding at the end of the period (in thousands)	<u>369,419</u>	<u>369,056</u>

2. On March 29, 2023, the Board of Directors of the Company resolved to distribute NT\$11,714 thousand in employee compensation for 2022 through the issuance of shares. The number of shares to be distributed was calculated based on the closing price of NT\$32.25 per share on the day before the Board's resolution, resulting in the issuance of 363,221 new shares. This capital increase was filed with the Financial Supervisory Commission on July 6, 2023, and was approved in a Board of Directors meeting on August 10, 2023, with the same date set as the capital

increase record date. The registration of this transaction with the Ministry of Economic Affairs was completed on September 4, 2023.

3. On March 23, 2022, the Board of Directors of the Company resolved to distribute NT\$19,462 thousand in employee compensation for 2021 through the issuance of shares. The number of shares to be distributed was calculated based on the closing price of NT\$35.95 per share on the day before the Board's resolution, resulting in the issuance of 541,356 new shares. This capital increase was filed with the Financial Supervisory Commission on August 1, 2022, and was approved in a Board of Directors meeting on August 11, 2022, with August 15, 2022, set as the capital increase record date. The registration of this transaction with the Ministry of Economic Affairs was completed on September 12, 2022.
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 10, 2022 as the base date for the capital reduction, which involved canceling 3,244 thousand treasury shares. The changes were registered with the Ministry of Economic Affairs on November 25, 2022.
5. Treasury shares
 - (1) 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\$120,217 thousand.
 - (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.

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.

- (3) Treasury shares held by the Company may be neither pledged nor assigned rights in accordance with the Securities and Exchange Act
- (4) On November 10, 2022, the Company's Board of Directors resolved to retire 3,244 thousand treasury shares previously repurchased, with an original total amount of NT\$120,217 thousand. After deducting NT\$14 thousand for handling fees, the net amount was NT\$120,203 thousand. The record date for the capital reduction was set as November 10, 2022, resulting in the retirement of 3,244 thousand issued shares. Upon retirement, the face value of the shares is first offset against the capital stock, and any difference between the book value of the treasury shares and their face value is adjusted in the capital reserves in proportion to the retirement ratio. Any shortfall is then offset against retained earnings.

(XXI) Capital surplus

	December 31, 2023	December 31, 2022
Shares premium	\$8,082	\$0

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 funds can be used to offset company losses. When there are no losses, the distribution of new shares or cash can be decided by a shareholder meeting resolution, based on the proportion of the shareholders' existing shares. However, the distribution of new shares or cash is limited to the portion of the reserve that exceeds 25% of the paid-in capital amount.

2. Dividend distribution

The Company held its annual general shareholders' meetings on June 28, 2023, and June 23, 2022, during which the distribution of profits for 2022 and 2021 was approved, respectively. It was resolved to allocate the statutory reserve as required, with no distribution of the remaining profits.

3. The Company's Board of Directors approved the profit distribution proposal for 2023, which has yet to be presented to the shareholders' meeting. The proposal includes the allocation of the statutory reserve, with no distribution of the remaining profits.

(XXIII) Operating revenue

	2023	2022
Land revenue	\$1,101,511	\$1,497,063
Building revenue	1,106,967	1,584,752
Rental revenue	41,370	33,320
Accommodation service revenue	164,845	143,110
Catering service revenue	139,053	125,975
Discount of premises revenue	0	(90)
Total	<u>\$2,553,746</u>	<u>\$3,384,130</u>

1. Revenue breakdown

	2023	2022
Major regional markets		
Taiwan	<u>\$2,553,746</u>	<u>\$3,384,130</u>

	2023	2022
Major products/ service		
Sales of premises	\$2,208,478	\$3,081,725
Rental revenue	41,370	33,320
Accommodation service revenue	164,845	143,110
Catering service revenue	139,053	125,975
Total	<u>\$2,553,746</u>	<u>\$3,384,130</u>

	2023	2022
Timing of revenue recognition:		
At a fixed point in time	\$2,347,531	\$3,207,700
Performance obligations fulfilled over time	206,215	176,430
Total	<u>\$2,553,746</u>	<u>\$3,384,130</u>

2. Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable	\$16,676	\$15,000	\$36,682
Long-term notes receivable	20,000	2,785	15,000
Trade receivables	10,715	7,525	132,000
Less: Allowance for losses	0	(22)	(22)
Total	<u>\$47,391</u>	<u>\$25,288</u>	<u>\$183,660</u>
Contract liabilities - Sale of premise	\$678,540	\$585,115	\$560,581
Contract liabilities - Advances from rent	1,274	1,302	987
Contractual Liabilities - Rooms and catering services	10,918	12,315	11,791
Contract liabilities - Advances from gift card	17,118	15,416	17,485
Contract liabilities - Advances from baking	0	44	29
Total	<u>\$707,850</u>	<u>\$614,192</u>	<u>\$590,873</u>

- (1) The amount from the opening contract liabilities recognized in operating income was NT\$147,369 thousand and NT\$199,842 thousand from January 1 to December 31, 2023 and 2022, respectively.
- (2) The changes in contract liabilities primarily arise from the differences between the timing of the Consolidated Company transferring goods or services and fulfilling performance obligations, and the timing of customer payments.
- (3) The Consolidated Company's contracts for the sale of pre-sale premises and advances from gift cards contain provisions for pre-receipt of payments from customers, and the time interval between the pre-receipt and the transfer of merchandise control is longer than one year. According to IFRS 15, contract liabilities related to sales of pre-sale of premises and advances from gift cards contracts were recognized.

(XXIV) Interest income

	2023	2022
Interest on bank deposits	\$2,445	\$834
Interest income from corporate bond investments	34	0
Other interest income	4	36
Total interest income	<u>\$2,483</u>	<u>\$870</u>

The Consolidated Company designated its investments in domestic corporate bonds as financial assets measured at fair value through profit or loss. These were disposed of by December 31, 2023, resulting in a balance of zero at the end of the period.

(XXV) Other income

	2023	2022
Dividend income	\$24	\$179
Other income - others	1,191	3,253
Total	<u>\$1,215</u>	<u>\$3,432</u>

(XXVI) Other gains and losses

	2023	2022
Exchange gains	\$9	\$0
Others	(804)	(161)
Total	<u>(\$795)</u>	<u>(\$161)</u>

(XXVII) Finance costs

	2023	2022
Interest expenses		
Bank borrowings	\$440,834	\$311,163
Lease liabilities	419	771
Less: Capitalization of interest	(122,630)	(81,087)
Finance costs	<u>\$318,623</u>	<u>\$230,847</u>

(XXVIII) Post-retirement benefit plans

1. Defined contribution plans

Since July 1, 2005, the Consolidated Company has adopted a defined contribution retirement plan in accordance with the Labor Pension Act. Regarding the portion of the retirement pension system prescribed by the “Labor Pension Act” applicable to employee, the Consolidated Company contributes 6% of employees’ monthly salaries to the individual accounts of the Bureau of Labor Insurance. Under the plan, the Consolidated Company has no legal or agreed obligation to make additional contributions after making fixed contributions to the Bureau of Labor Insurance. The Consolidated Company recognized an expense of NT\$6,587 thousand and NT\$6,454 thousand in the consolidated statements of comprehensive income in 2023 and 2022, respectively.

	2023	2022
Selling and marketing expenses - Retirement benefits expenses	\$2,650	\$2,674
General and administrative expenses - Retirement benefits expenses	\$2,112	\$1,996
Operating costs - Retirement benefits expenses	\$1,825	\$1,784

2. Defined benefit plans

In compliance with the requirements set forth in the Labor Standards Act, the Company has stipulated a defined benefit pension plan, which is applicable to the years of service rendered by regular employees prior to, and after (if employees elect to continue to apply the Labor Standards Act), the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Consolidated

Company sets aside 2% of the employee's total salary each month as pension funds and deposit it to the designated account under the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Consolidated Company shall assess the balance in the designated account. If the total available amount of the appropriation is less than the amount required for the payment of pensions to all the employees who are eligible to retire in the following year, calculated according to the above method, the Consolidated Company will make up the deficiency in one single appropriation before the end of March in the following year. The designated account shall be accepted by the agency determined by the central competent authority, so the Consolidated Company has no right to participate in the use of pension fund.

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

	2023	2022
Service costs for the current period	\$139	\$147
Net interest on defined benefit liabilities (assets)	291	112
Recognized in profit or loss	<u>\$430</u>	<u>\$259</u>
Remeasurements		
Compensation on plan assets (excluding net interest on net defined benefit liabilities (assets))	(\$270)	(\$2,131)
Actuarial losses (gains) - experience adjustments	955	1,921
Actuarial losses (gains) - changes in financial assumptions	272	(99)
Recognized in other comprehensive income	<u>\$957</u>	<u>(\$309)</u>

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

	2023	2022
Selling and marketing expenses	\$42	\$24
General and administrative expenses	388	235
Total	<u>\$430</u>	<u>\$259</u>

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$46,209	\$48,912
Fair value of plan assets	(27,452)	(29,355)
Net defined benefit liabilities	<u>\$18,757</u>	<u>\$19,557</u>

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

	2023	2022
Beginning balance	\$48,912	\$46,737
Service costs for the current period	139	147
Interest expenses	639	206
Remeasurements		
Actuarial losses (gains) - experience adjustments	955	1,921
Actuarial losses (gains) - changes in financial assumptions	272	(99)
Benefits paid on plan assets	(4,708)	0
Ending balance	<u>\$46,209</u>	<u>\$48,912</u>

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

	2023	2022
Fair value of plan assets at the beginning of the period	\$29,355	\$24,330
Expected return on plan assets	348	94
Remeasurements of plan assets (excluding net interest included in net defined benefit liabilities (assets))	270	2,131
Contribution by the employer	2,187	2,800
Actual payment of employee benefits	(4,708)	0
Fair value of plan assets at the end of the period	<u>\$27,452</u>	<u>\$29,355</u>

(6) The fund asset of the Consolidated Company's defined benefit pension plan (hereinafter referred to as the "Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (i.e. deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Consolidated Company is not entitled to participate in the operation and management of the fund, it is not possible to disclose the classification of the fair value of the plan assets in accordance with paragraph 142 of IAS 19. For the composition of the fair value of the fund in total as of the years ended December 31, 2023, and 2022, please refer to the various labor pension utilization reports issued by the government.

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

December 31, 2023	December 31, 2022
\$27,452	\$29,355

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

date were as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.375%	1.500%
Growth rate of future salary	3.000%	3.000%

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

	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.25%	(\$541)	(\$593)
Decrease by 0.25%	\$554	\$590
Expected salary increase rate		
Increase by 0.25%	\$530	\$584
Decrease by 0.25%	(\$520)	(\$570)

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

The Consolidated Company is expected to make a contribution payment of NT\$287 thousand to the defined benefit plans for the one year period after the reporting date of 2023.

The weighted average period of the defined benefit plan is 8.67 years.

The maturity analysis of the pension payments is as follows:

Under 1 year	\$12,420
1 to 2 years	4,476
2 to 5 years	10,640
Over 5 years	13,195
	<u>\$40,731</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. However, when the Company has accumulated losses, it should reserve an amount in advance to offset these losses. 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\$4,998 thousand and NT\$11,714 thousand for 2023 and 2022, 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 and was reported as operating expenses for the period.

On March 14, 2024, the Board of Directors resolved to distribute NT\$4,998 thousand for employee compensation and NT\$0 for director's remuneration for 2023, and on March 29, 2023, the Board of Directors resolved to distribute NT\$11,714 thousand for employee compensation and NT\$0 for director compensation for 2022. There was no difference from the amounts recognized as expenses in 2023 and 2022.

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

(1) Major components of income tax expenses were as follows:

	2023	2022
Current income tax expenses		
Incurred this year		
Income Tax	\$9,279	\$62,902
Land value increment tax	12,221	18,112
Unappropriated earnings	42,753	75,596
Deferred tax		
Occurrence and reversal of temporary differences	(11,520)	(6,605)
Income tax expense	<u>\$52,733</u>	<u>\$150,005</u>

(2) Income tax recognized in other comprehensive income

	2023	2022
Deferred income tax gains (expense)		
Remeasurements of defined benefit obligations	<u>(\$191)</u>	<u>\$62</u>

2. Reconciliation of income tax expense to accounting profit.

	2023	2022
Income before tax	<u>\$494,774</u>	<u>\$1,159,679</u>
Income tax calculated at the statutory tax rate applicable to the Company	\$98,955	\$231,935
Tax-exempt proceeds from land transactions	(101,111)	(174,847)
Losses recognized under the equity method	3,017	5,897
Impact of income tax adjustments according to tax laws	8,418	(83)
Occurrence and reversal of temporary differences	(11,520)	(6,605)
5% levy on unappropriated earnings	42,753	75,596
Land value increment tax	<u>12,221</u>	<u>18,112</u>
Income tax expense	<u>\$52,733</u>	<u>\$150,005</u>

3. 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, 2023				
A. Deferred tax assets				
Prepayments	\$5,503	\$0	\$0	\$5,503
Warranty provision payable	10,356	(1,258)	0	9,098
Net defined benefit liabilities - non-current	3,911	(351)	191	3,751
Differences in employee benefit tax recognition	5	(5)	0	0
Total deferred tax assets	<u>\$19,775</u>	<u>(\$1,614)</u>	<u>\$191</u>	<u>\$18,352</u>
B. Deferred tax liabilities				
Inventories	<u>\$17,121</u>	<u>(\$13,134)</u>	<u>\$0</u>	<u>\$3,987</u>

(2) 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
Differences in employee benefit tax recognition	9	(4)	0	5
Total deferred tax assets	<u>\$18,935</u>	<u>\$902</u>	<u>(\$62)</u>	<u>\$19,775</u>
B. Deferred tax liabilities				
Inventories	<u>\$22,825</u>	<u>(\$5,704)</u>	<u>\$0</u>	<u>\$17,121</u>

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

	December 31, 2023	December 31, 2022
Loss carryforwards	<u>\$62,438</u>	<u>\$58,248</u>

5. The Consolidated Company's business income tax settlement and declaration up until 110 have been approved.
6. As of December 31, 2023, the Consolidated Company's undeducted loss carryforwards and final deductible year are shown below:

Year of occurrence	Loss amount	Deducted amount	Undeducted balance	Final year tax credits are due
2015	\$2,230	\$0	\$2,230	2025
2016	19,239	(11,003)	8,236	2026
2017	122,462	(51,872)	70,590	2027
2018	96,004	(50,410)	45,594	2028
2019	34,666	0	34,666	2029
2020	46,928	0	46,928	2030
2021	48,897	0	48,897	2031
2022	34,101	0	34,101	121
112	20,947	0	20,947	122
Total	<u>\$425,474</u>	<u>(\$113,285)</u>	<u>\$312,189</u>	

(XXXI) The summary of employee benefits, depreciation, and amortization expenses by function is as follows:

By function By nature		2023			2022		
		Operation costs	Operation expenses	Total	Operation costs	Operation expenses	Total
Employee benefit expenses							
Salary expenses		35,417	109,475	144,892	34,042	114,598	148,640
Labor and health insurance expenses		3,957	11,301	15,258	3,795	10,224	14,019
Retirement benefits expenses		1,825	5,192	7,017	1,784	4,929	6,713
Remuneration to Directors		0	2,704	2,704	0	2,500	2,500
Other employee benefits		1,717	7,036	8,753	1,441	7,143	8,584
Depreciation expenses		48,865	23,328	72,193	46,275	23,357	69,632
Amortization expenses		2,800	1,683	4,483	2,800	1,838	4,638

(XXXII) Earnings per share

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

1. Basic earnings per share

	2023	2022
Profit attributable to the holders of ordinary shares of the Company	\$442,041	\$1,009,674
calculation of diluted earnings per share (in thousands)	369,333	369,680
Basic earnings per share	\$1.20	\$2.73

2. Diluted earnings per share

	2023	2022
Attributable to the ordinary shares of the Company		
Profit attributable to holders (diluted)	\$442,041	\$1,009,674
calculation of diluted earnings per share (in thousands)	369,333	369,680
Effect of potentially dilutive ordinary shares:		
Impact on employee remuneration	244	364
Weighted average number of ordinary shares outstanding used for calculation of diluted earnings per share (in thousands)	369,577	370,044
Diluted earnings per share	\$1.20	\$2.73

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

(XXXIII) Additional information regarding cash flows

	2023	2022
Increase in property, plant, and equipment	\$4,575	\$10,818
Net increase in other payables	(82)	(695)
Cash paid during the year	<u>\$4,493</u>	<u>\$10,123</u>
	2023	2022
Increase in intangible assets	\$50	\$469
Decrease (increase) in other payables	39	(39)
Cash paid during the year	<u>\$89</u>	<u>\$430</u>

(XXXIV) Changes in liabilities from financing activities

Reconciliation of liabilities from financing activities was as follows:

	2023/01/01	Cash flows	Non-cash changes	2023/12/31
Short-term borrowings	\$4,401,950	(\$645,000)	\$0	\$3,756,950
Face value of short-term bills payable	3,740,400	850,700	0	4,591,100
Long-term borrowings	8,412,550	1,169,187	0	9,581,737
Deposits received	5,910	(6)	0	5,904
Lease liabilities	63,507	(1,134)	6,922	69,295
Liabilities from the financing activities	<u>\$16,624,317</u>	<u>\$1,373,747</u>	<u>\$6,922</u>	<u>\$18,004,986</u>
	2022/01/01	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	3,948,000	(207,600)	0	3,740,400
Long-term borrowings	8,655,033	(242,483)	0	8,412,550
Deposits received	4,985	925	0	5,910
Lease liabilities	62,628	(1,115)	1,994	63,507
Liabilities from the financing activities	<u>\$16,325,896</u>	<u>\$296,427</u>	<u>\$1,994</u>	<u>\$16,624,317</u>

VII. Related Party Transactions

(I) Names of related parties and their relationship

Name	Relationship with the Consolidated 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
King's Town Construction Co., Ltd.	The Company's Chairman is the chairman of such company
Yangmin International Catering Co., Ltd.	Associate of the Company
Tsai, Tien-Tsan	Chairman of the Company
Meiyun S. Tsai	The spouse of the Chairman of the Company and a director of the Company.

(II) Significant transactions with related parties

1. Operating revenue

Name	2023		2022	
	Amount	Percentage of sales of the Consolidated Company	Amount	Percentage of sales of the Consolidated Company
Chieh Chih Construction Co., Ltd.	\$455	0.02%	\$22	0.00%
Baihong Construction Co., Ltd.	200	0.01%	37	0.00%
Yangmin International Catering Co., Ltd.	4,456	0.17%	4,461	0.14%
King's Town Construction Co., Ltd.	451	0.02%	4	0.00%
Other related parties	178	0.00%	156	0.00%
Total	<u>\$5,740</u>	<u>0.22%</u>	<u>\$4,680</u>	<u>0.14%</u>

Sales to related parties are made at normal market prices, and the collection period is 30 to 90 days.

2. Rental revenue

The related party Yangmin International Catering Co., Ltd. entered into leases with the Consolidated Company in 2023 and 2022 as follows.

The lease details are as follows:

Lessee	Lease subject	Lease period	Rent collection status	Rental revenue
<u>January 1 to December 31, 2023</u>				
Yangmin International Catering Co., Ltd.	1F., No. 366, Minghua Rd., Gushan Dist.,Kaohsiung City (Restaurant)	2022/01/01~ 2026/12/31	The monthly rent is NT\$389 thousand (including business tax), which is determined based on the rental market rates of the nearby area. Rent is collected monthly via bank transfer, and includes interest calculated on the deposit.	\$4,456
<u>January 1 to December 31, 2022</u>				
Yangmin International Catering Co., Ltd.	1F., No. 366, Minghua Rd., Gushan Dist.,Kaohsiung City (Restaurant)	2022/01/01~ 2026/12/31	The monthly rent is NT\$389 thousand (including business tax), which is determined based on the rental market rates of the nearby area. Rent is collected monthly via bank transfer, and includes interest calculated on the deposit.	\$4,456

3. Contracting work (Purchases)

Chieh Chih Construction Co., Ltd. and Baihong Construction Co., Ltd. are related parties of the Consolidated Company, and the Consolidated Company's projects are contracted by these two companies. The contract price is based on the cost of the two companies plus appropriate profit, and the payment terms are similar to those of a general contractor, but the actual date of cashing the notes is subject to the Company's capital situation.

(1) In 2023 and 2022, the Consolidated Company entrusted Chien-Chih Construction Co., Ltd. to contract for various construction sites, accounting for 19.49% and 24.03% of the Consolidated Company's total contracted work amount, respectively, and the contract prices and current shipments were as follows:

Site name	Contract price (including tax)	Purchases	
		2023	2022
Kaohsiung Fuhe Section No. 698-1 Renovation	\$2,486,986	\$0	\$0
Kaohsiung Ai Qun No. 2748 (World of Heart)	\$2,014,000	407,652	538,121
Kaohsiung Bohsiao Section No. 1140 (Jing Wu Tong)	\$1,405,500	159,076	9,524
Total		<u>\$566,728</u>	<u>\$547,645</u>

- (2) In 2023 and 2022, the Consolidated Company entrusted EPILEDS Construction Co., Ltd. with the contracted construction projects, accounting for 11.47% and 7.94% of the total contracted construction amount of the Consolidated Company, respectively. The contract price and the current purchase price were as follows:

Site name	Contract price (including tax)	Purchases	
		2023	2022
Kaohsiung Fuhe Section No. 698-1 Structural Engineering	\$2,006,214	\$0	\$0
Kaohsiung Longzhong Section No. 191	\$1,072,320	57,146	0
Kaohsiung Shindu Section 163 (Fu +)	\$970,200	276,311	180,992
Tainan Yuguang Section No. 880, 3 in total	\$1,377,360	0	0
Total		<u>\$333,457</u>	<u>\$180,992</u>

4. Land held for construction

- (1) The Consolidated Company purchased 82 plots of road-use land from related party Tsai, Tian-Tsan, located at Ren De Zhong Cuo Section, plot no. 718, among others. The contract was signed on November 1, 2022, with an

original total contract price of NT\$230,772 thousand. This price included the transaction price with a related party plus the necessary interest on capital, with payments made according to the contract terms. Due to some of the land being occupied, a refund of NT\$1,452 thousand was processed, resulting in a net payment of NT\$229,320 thousand for the land. The transfer of ownership was completed in January, 2023.

- (2) The Consolidated Company purchased 174 plots of road-use land from related parties Tsai, Tian-Tsan, Meiyun S. Tsai, and other related parties, located at You Chang Section, Third Subsection 1061 and other plots. The contract was signed on November 11, 2022, with a total contract price of NT\$305,995 thousand. This price was determined based on the transaction price with related parties plus the necessary interest on capital, with payments made according to the contract terms. The transfer of ownership was completed in March 2023.

5. Accounts receivable, other receivables, note payables, accounts payables, other payables, contract liabilities-current, and deposits received.

Name of project and related party	December 31, 2023		December 31, 2022	
	Balance	Percentage	Balance	Percentage
(1) Trade receivables				
Baihong Construction Co., Ltd.	\$2	0.02%	\$10	0.13%
(2) Other receivables				
Meiyun S. Tsai	\$109	1.33%	\$109	3.88%
King's Town Construction Co., Ltd.	25	0.31%	0	0.00%
Yangmin International Catering Co., Ltd.	78	0.95%	92	3.27%
Other related parties	7	0.09%	0	0.00%
Total	\$219	2.68%	\$201	7.15%

Other receivables represent receivables from landlords' share of selling expenses and payments on behalf of associates.

(3) Notes payable

Chieh Chih Construction Co., Ltd.	\$40,011	17.31%	\$65,003	50.90%
Baihong Construction Co., Ltd.	103,104	44.59%	15,008	11.75%
Total	<u>\$143,115</u>	<u>61.90%</u>	<u>\$80,011</u>	<u>62.65%</u>

Name of project and related party	December 31, 2023		December 31, 2022	
	Balance	Percentage	Balance	Percentage
(4) Trade payables				
Baihong Construction Co., Ltd.	<u>\$85,714</u>	<u>82.09%</u>	<u>\$0</u>	<u>0.00%</u>
(5) Other payables				
Yangmin International Catering Co., Ltd.	<u>\$160</u>	<u>0.22%</u>	<u>\$138</u>	<u>0.19%</u>
(6) Contract liabilities - current				
Chieh Chih Construction Co., Ltd.	\$23	0.01%	\$34	0.01%
Baihong Construction Co., Ltd.	11	0.00%	12	0.00%
King's Town Construction Co., Ltd.	8	0.00%	11	0.00%
Other related parties	72	0.01%	81	0.01%
Total	<u>\$114</u>	<u>0.02%</u>	<u>\$138</u>	<u>0.02%</u>
(7) Deposits received				
Yangmin International Catering Co., Ltd.	<u>\$708</u>	<u>11.99%</u>	<u>\$708</u>	<u>11.98%</u>

6. Lease expenses

Lease expenses	Price payment	
	2023	2022
King's Town Construction Co., Ltd.	<u>\$1,029</u>	<u>\$1,029</u>

The lease details are as follows:

Lessor	Lease subjects	Lease period	Rent payment status	2023	2022
King's Town Construction Co., Ltd.	12F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City	2021/07/01~ 2022/06/30 2022/07/01~ 2023/06/30 2023/07/01~ 2024/06/30	The monthly rent is NT\$90 thousand (including business tax), which is determined based on the rental market rates of the nearby area. Rent is paid monthly via bank transfer.		
		Rent.		<u>\$1,029</u>	<u>\$1,029</u>

7. Others

- (1) The Chairman of the Consolidated Company and Director Meiyun S. Tsai provided the Consolidated Company with loans from banks secured by their own assets, land plots no. 551 and 554 in the Shi Jia Section, amounting to NT\$1,000,000 thousand as of December 31, 2023 and 2022, respectively.
- (2) Director Meiyun S. Tsai of the Consolidated Company and other related parties provided their own assets, land at Guo Tian Zi Section 687 and other plots, as collateral for the Consolidated Company to issue commercial paper through a bills finance company. As of December 31 in 2023 and 2022, the amounts of commercial paper issued were NT\$350,000 thousand and NT\$450,000 thousand, respectively.
- (3) The Chairman of the Consolidated Company and Director Meiyun S. Tsai provided land at Qinghai Lot No. 216 and the Consolidated Company's construction site, Qinghai Lot No. 229, as joint collateral for loans from the bank and the issuance of commercial paper. As of December 31 in 2023 and 2022, the loan amounts were NT\$1,591,250 thousand and NT\$1,675,000 thousand, respectively, with the amount of commercial paper issued being NT\$1,675,000 thousand for both years.
- (4) The Consolidated Company's investment in affiliates is described in Note VI(IX).
- (5) In 2023 and 2022, the Consolidated Company collected water and garbage removal fees from a related party, Yangmin International Catering Co. The decrease in utilities was NT\$343 thousand and NT\$336 thousand, the decrease in garbage collection was both NT\$142 thousand, and collection of meal charges from tenants were NT\$718 thousand and NT\$411 thousand, respectively.
- (6) In 2023 and 2022, 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\$0 thousand and NT\$1,239 thousand, respectively.

(7) The Consolidated Company's related party, Chien-Chih Construction Co., Ltd., provided guaranteed promissory notes for the construction work, which were recorded as NT\$678,061 thousand and NT\$429,362 thousand as of December 31, 2023, and 2022, respectively.

(8) The Consolidated Company's related party, Baihong Construction Co., Ltd., provided guaranteed promissory notes for the projects, which were recorded as NT\$580,155 thousand and NT\$134,566 thousand as of December 31, 2023, and 2022, respectively.

8. Information on remuneration to the management

	2023	2022
Short-term employee benefits	\$25,149	\$27,558

VIII. Pledged Assets

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

Name of assets	Secured subject	December 31, 2023	December 31, 2022
Buildings and land held for sale	Collateralized borrowing and issuance of commercial promissory notes	\$5,565,214	\$4,129,718
Construction in progress	Collateralized borrowing and issuance of commercial promissory notes	5,222,870	4,953,479
Land held for construction	Collateralized borrowing and issuance of commercial promissory notes	19,266,364	17,098,597
Housing and Construction	Secured borrowings	563,942	625,192
Other financial assets - current	Pre-sold project trust and performance trust	68,072	106,295
Refundable deposits	Disaster management guarantee	27,046	27,019
Total		\$30,713,508	\$26,940,300

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. As of December 31, 2023, the total contract value (including tax) of the construction contracts that had been signed was NT\$10,362,380 thousand, with an outstanding payment amount of NT\$8,537,243 thousand.
2. In 2019, the Consolidated Company leased the premises for sale on first basement level and the first and second level of Hua Shang Building to a fitness company, which caused dissatisfaction of the residents and convened the 2019 second temporary meeting of the sub-owners, and amended its management regulations to prohibit the establishment of specific industries, including gymnasiums. The Consolidated Company believes that it has infringed upon the Company's right to use its assets; therefore, it filed a civil lawsuit against the "Hua Shang Building Management Committee" to confirm that the resolution shown by the defendant "Hua Shang Building Management Committee" at the 2019 second temporary meeting of the owners of the Hua Shang Building on November 23, 2019 is invalid. The first instance of the case was conducted by the District Court in Qiaotou, Taiwan and, based on 2020 Su Zi No. 1202 document, the Consolidated Company was judged as winning in the lawsuit partially, and the defendant "Hua Shang Building Management Committee" submitted an appeal within the statutory period (Case Number: 2022 Shang Zi No. 62) . The result of the case is still pending in court.
3. In 2019, the Consolidated Company leased premises for sale on the first basement level and the first and second level of Hua Shang Building to World Fitness Asia Limited (H.K.) Taiwan Branch. As a result, the Taiwan branch of Hong Kong Business World Fitness Co., Ltd. was unable to operate due to a dispute arising from the residents' dissatisfaction with the Consolidated Company's act of leasing the land to the fitness company. The company filed a lawsuit against the Consolidated Company for damages in the amount of NT\$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: 2023 Chong Shang Zi No. 27). The Consolidated Company has filed an appeal during the legal period, and the result of the case is still pending.

4. In 2020, the Consolidated Company leased premises for sale on the first basement level and the first and second level of Hua Shang Building to World Fitness Asia Limited (H.K.) Taiwan Branch. As a result, the Taiwan branch of Hong Kong Business World Fitness Co., Ltd. was unable to operate due to a dispute arising from the residents' dissatisfaction with the Company's act of leasing the land to the fitness company. Therefore, a lawsuit was filed against World Fitness Asia Limited (H.K.) Taiwan Branch, seeking NT\$1,045 thousand in rent and NT\$3,150 thousand in restitution damages, totaling NT\$4,195 thousand. On May 12, 2022, the Taiwan Kaohsiung District Court denied the Consolidated 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 Consolidated Company was the litigation agent for the first trial of a lawsuit for damages for repair of building damage between Kaicheng Construction Co., Ltd. and Wujia Ruichun Community Management Committee. The management committee requested NT\$700 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) was ruled by the Kaohsiung branch of Taiwan High Court on August 23, 2023, as not eligible for appeal.
6. 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 Consolidated Company's project construction. Therefore, it filed a lawsuit for damages against the Consolidated 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.

7. The Consolidated 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 Consolidated Company acts as a “major business operator” for this project to deal with and execute the matters related to this project as a representative to the external.
8. The Consolidated Company signed the Contract for Cooperative Development of Tainan Rende Smart Technology Park with SanDi Properties Co., Ltd., and acts as joint constructors with SanDi Properties Co., Ltd., and they provide guarantee to each other for financing.

As of December 31, 2023 and 2022, the financing endorsement and guarantee of the Consolidated Company are as follows:

Endorser/Guarantor	Endorsee/Guarantee	December 31, 2023	December 31, 2022	Guarantee purpose
King's Town Construction Co., Ltd.	SanDi Properties Co., Ltd.	\$2,000,000	\$2,000,000	Loan financing credit guarantee

9. As of December 31, 2023 and December 31, 2022, the Consolidated 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 Consolidated Company's capital management is to ensure that the Consolidated Company can continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital, and that returns are provided to stockholders. In order to maintain or adjust the capital structure, the Consolidated Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Consolidated Company regulates the borrowing amount based on the progress of the project and the funds required for the operation.

(II) Financial Instruments

1. Since the carrying amounts of the Consolidated Company's financial instruments not measured at fair value (including cash and cash equivalents, notes and account receivables, 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, detailed information on financial instruments measured at fair value can be found in Note VI(II) and Note XII(II)3.(4)C, D. Detailed information on these financial instruments has been disclosed in their respective individual notes.

	December 31, 2023	December 31, 2022
<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	\$634,228	\$603,749
Net notes receivable and trade receivables (including related parties)	27,471	22,513
Other receivables (including related parties)	8,183	2,810
Other financial assets (including current and non- current)	68,072	106,295
Refundable deposits	31,803	31,290
Long-term notes and trade receivable	20,000	2,785
Subtotal	\$789,757	\$769,442
Total	\$789,839	\$769,524

Financial liabilities

Measured at amortized cost		
Short-term borrowings	\$3,756,950	\$4,401,950
Short-term bills payable	4,587,399	3,734,677
Notes payable and trade payables (including related parties)	335,623	174,840
Other payables (including related parties)	72,095	71,310
Long-term borrowings (including long-term borrowing due within one operating cycle)	9,581,737	8,412,550
Lease liabilities (including current)	69,295	63,507
Long-term notes payable	7,595	0
Deposits received	5,904	5,910
Total	\$18,416,598	\$16,864,744

2. Financial risk management policy

- (1) The Consolidated Company's daily operations are subject to a number of financial risks, including market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Consolidated Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Consolidated Company's

financial position and financial performance.

- (2) Financial risk management of the Consolidated Company is carried out by its finance department based on the policies approved by the Board of Directors. Through cooperation with the Consolidated Company's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks.
- (3) The Consolidated Company does not undertake derivatives for hedging financial risks.

3. Significant financial risks and degrees of financial risks

(1) Market risks

A. Price risks

The Consolidated Company invests mainly in domestic unlisted equity instruments (venture capital funds). These equity instruments are classified as financial assets at fair value through profit or loss in the balance sheet. The Consolidated Company is not exposed to price risk of equity instruments as the amount of its investment is not material. The Consolidated 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 Consolidated Company's interest rate risks come from short-term borrowings, financing commercial paper and long-term borrowings. Loans with floating interest rates expose the Consolidated Company to cash flow interest rate risks, of which a portion is offset by the cash held with floating interest rates. Borrowings issued at fixed rates exposed the Consolidated Company to fair value interest rate risk. During the years ended December 31, 2023 and 2022, the Consolidated Company's borrowings at floating interest rate were denominated in the NTD.

The Consolidated Company simulates a number of scenarios and analyzes interest rate risk, including consideration of refinancing, extending

contracts of existing positions, and other available financings to calculate the impact of changes in specific interest rates on profit or loss.

Based on the simulations performed, the impact on post-tax profit of a 1% shift would be a maximum increase or decrease of NT\$99,383 thousand and NT\$96,372 thousand for 2023 and 2022, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(2) Credit risks

- A. Credit risk refers to the risk of financial loss of the Consolidated Company arising from default by clients or counterparties of financial instruments on the contractual obligations. Credit risk mainly derives from cash and cash equivalents, derivative financial instruments, and deposits within banks and financial institutions, as well as trade receivables not yet collected in cash and committed transactions. The banks and financial institutions with which transactions are conducted are all of good credit standing, therefore, the credit risk associated with deposits held at these financial institutions is considered limited.
- B. The Consolidated Company primarily engages in the business of renting and selling residential properties and land. Revenue from the sale of properties is recognized when the full contract price is received, the transfer of ownership is completed, and the property is physically handed over. Consequently, the amount of receivables arising from property sales should be minimal, and the likelihood of non-recovery is low. In addition, the Consolidated 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 were not significant for the period from January 1 to December 31 in both 2023 and 2022.

C. No written-off debts with recourse existed as of December 31, 2023 and 2022.

(3) Liquidity risks

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

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

Non-derivative financial liabilities	Within 6 months	6 to 12 months	1 to 3 years	Over 3 years
December 31, 2023				
Short-term borrowings	\$2,714,466	\$560,414	\$26,010	\$514,894
Short-term bills payable	4,591,100	0	0	0
Notes and accounts receivable (Including amounts to related parties)	335,499	0	3,255	4,464
Other payables (Including amounts to related parties)	67,081	5,013	0	1
Provisions - current	7,650	4,500	18,400	17,850
Long-term borrowings (including that due within one operating cycle)	145,618	245,158	6,603,699	3,309,194
Lease liabilities (including current)	1,233	1,233	4,932	87,335

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 (Including amounts to related parties)	174,565	151	0	124
Other payables (Including amounts to related parties)	71,310	0	0	0
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

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

(4) Information on fair value

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

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

Level 2: The inputs are observable for the asset or liability, either directly or indirectly, excluding quoted prices included within

Level 1. The fair values of certain derivative instruments and equity instruments invested by the Consolidated Company are all Level 2 inputs.

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

	Investments in equity instruments without an active market
December 31, 2023 (i.e. January 1, 2023)	\$82
December 31, 2022 (i.e. January 1, 2022)	\$82

- B. For financial instruments with active markets, their fair value is measured at the market quoted prices on balance sheet date. When quoted prices can be obtained immediately and regularly from stock exchanges and regulatory agencies, and such quoted prices represent actual and regular market transactions under normal conditions, the markets are deemed active markets. The financial assets held by the Consolidated Company are equity instruments without an active market, designated as financial assets - current measured at fair value through profit or loss. Due to their minimal amount, they are valued at cost, which corresponds to Level 3 of the fair value hierarchy. However, if the net asset value method is used as the valuation technique for fair value, there is no impairment.
- C. Below states the information on the Consolidated Company's financial instruments measured at fair value that have been classified in accordance with the nature, characteristics, risks and fair values of assets or liabilities as of December 31, 2023 and 2022:

December 31, 2023				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Repetitive fair value</u>				
Valuation gain (loss) on financial assets measured				
Financial assets - non-current				
Domestic unlisted stocks (Venture Capital Fund)	\$0	\$0	\$82	\$82

December 31, 2022				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Repetitive fair value</u>				
Valuation gain (loss) on financial assets measured				
Financial assets - non-current				
Domestic unlisted stocks (Venture Capital Fund)	\$0	\$0	\$82	\$82

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

- (1) The fair value of the Consolidated Company's domestic listed stocks and beneficiary certificates are input based on the closing price and net value of the market price, respectively (i.e. Level 1).
- (2) In addition to the aforementioned financial instruments with an active market, the fair value of other financial instruments is acquired by valuation technique or by reference to the counterparty quotes. The current fair value of financial instruments obtained through valuation techniques, discounted cash flow method or other valuation techniques, including the use of models based on market information available at the end of the reporting period (i.e. Level 3).
- (3) In 2023 and 2022, the Company did not experience any transfers between Level 1 and Level 2 of the fair value hierarchy.
- (4) In 2023 and 2022, 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.	Table II
4	Cumulative amount of the stock of the same marketable securities purchased or sold totaling NT\$300 million or more than 20% of the paid-in capital.	None
5	Acquisition of real estate totaling NT\$300 million or more than 20% of the paid-in capital:	Table III
6	Disposal of real estate totaling NT\$300 million or more than 20% of the paid-in capital.	None
7	Purchases or sales with related parties totaling NT\$100 million or more than 20% of the paid-in capital.	Table IV
8	Receivables from related party totaling NT\$100 million or more than 20% of the paid-in capital.	None
9	Engaging in derivatives trading.	None
10	Business relationships and significant intercompany transactions.	Table V

King’s Town Construction Co., Ltd.
Details on endorsements/guarantees to others.
December 31, 2023

Unit: NT\$ thousand

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	Ending Balance of Endorsements/ Guarantees	Actual Drawdown	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	Guarantee Provided by a Subsidiary to Parent Company	Guarantee Provided to Subsidiaries in Mainland China
		Name of Company	Relationship (Note 2)										
0	King’s Town Construction Co., Ltd.	SanDi Properties Co., Ltd.	5	5,318,405	2,000,000	2,000,000	2,000,000	0	11.28%	8,864,008	N	N	N

- Note1:

Instructions for the number column:
(1) The Company is “0”.
(2) The investee companies are numbered in order starting from “1”.
- Note2:

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.
- Note3:

(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.

Table II

King’s Town Construction Co., Ltd.
Marketable securities held (excluding investments in subsidiaries)
December 31, 2023

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(%)	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%	\$82	

* Hua Chih Venture Capital, due to its lack of significance, is valued at cost as its fair value. However, even when using the net asset value method as the valuation technique for fair value, there is no impairment observed.

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 of NT\$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.	Kaohsiung City, Lingya District, Chenggong Section, Land Plots No. 65 and 66.	2023/08/29	\$334,410	Actual payment of NT\$334,410	First Commercial Bank Ltd.	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) and land plots No. 65 and 66 at Chenggong Section, Lingya Disctrict, Kaohsiung City, is not yet completed by the end of December 2023, therefore they were recorded as land prepayments.

Table IV

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	\$566,728	19.49%	Subject to contract	—	—	Notes payable \$40,011	17.31%	
									Trade payables \$0	0.00%	
King’s Town Construction Co., Ltd.	Baihong Construction Co., Ltd.	The Company’s Chairman is the supervisor of such company	Purchases	\$333,457	11.47%	Subject to contract	—	—	Notes payable \$103,104	44.59%	
									Trade payables \$85,714	82.09%	

Table V

King’s Town Construction Co., Ltd.
Business relationships and significant intercompany transactions
January 1 to December 31, 2023

Unit: NT\$ thousand

Name of Company	Name of counterparty	Nature of relationship	Intercompany transactions			
			Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
King’s Town Construction Co., Ltd.	H2O Hotel Co., Ltd. (H2O Hotel)	Parent to subsidiary	Sales revenue	\$46,006	Monthly contractual payments	1.80%
King’s Town Construction Co., Ltd.	H2O Hotel Co., Ltd. (H2O Hotel)	Parent to subsidiary	Entertainment expense	908	Under the same terms as ordinary transactions.	0.04%
King’s Town Construction Co., Ltd.	H2O Hotel Co., Ltd. (H2O Hotel)	Parent to subsidiary	Miscellaneous expenses	143	Under the same terms as ordinary transactions.	0.01%
H2O Hotel Co., Ltd. (H2O Hotel)	King’s Town Construction Co., Ltd.	Subsidiary to parent	Right-of-use assets	1,509,009	Monthly contractual payments	4.08%
H2O Hotel Co., Ltd. (H2O Hotel)	King’s Town Construction Co., Ltd.	Subsidiary to parent	Sales revenue	1,051	Under the same terms as ordinary transactions.	0.05%

(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			
King's Town Construction Co., Ltd.	H2O Hotel Co., Ltd.	No. 366, Minghua Rd., Gushan Dist., Kaohsiung City	Hotel and restaurant	\$490,000	\$440,000	49,000	100%	\$120,532	(\$41,476)	(\$15,085)	I
H2O Hotel Co., Ltd. (H2O Hotel)	Yangmin International Catering Co. Ltd.	2F., No. 51, Ln. 69, Jingye 2nd Rd., Zhongshan Dist., Taipei City	Restaurants	\$8,000	\$8,000	800	40%	\$16,642	\$13,317	\$5,327	

Note1: The Company recognized a loss share of NT\$41,476 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 King's Town Construction Co., Ltd., classified it as an operating lease, resulting in a difference in profit or loss recognition. This difference impacted the share of profits recognized by King's Town Construction Co., Ltd. using the equity method, amounting to NT\$26,391 thousand.

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

None.

(IV) Information on major shareholders:

Name of major shareholders	Shareholding (shares)	Shareholding
Tsai, Tien-Tsan	85,577,838	23.16%
Tiangang Investment Co., Ltd.	63,328,801	17.14%
Tianye Investment Co., Ltd.	49,652,072	13.44%
Chien-Chih Construction Co., Ltd.	31,651,513	8.56%
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

(I) Operating segment

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

The information is provided to the main business decision-makers to allocate resources and to evaluate the performance of each department, focusing on the category of product or service delivered or provided. In accordance with IFRS 8, "Operating Segments," the Company is only a single division that sells housing and

land; H2O Hotel, a subsidiary established on April 16, 2015, is engaged in hotel and restaurant operations, and the accounting policies of the operating segments are all the same as those described in the summary of significant accounting policies in Note IV.

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

	2023			
	Construction Department	Accommodation Department	Adjustments and elimination	Total
Revenue				
Net revenue from external customers	\$2,245,392	\$303,898	\$4,456	\$2,553,746
Net intersegment revenue	46,006	1,051	(47,057)	0
Total revenue	<u>\$2,291,398</u>	<u>\$304,949</u>	<u>(\$42,601)</u>	<u>\$2,553,746</u>
Interest income	\$2,124	\$359	\$0	\$2,483
Interest expenses	318,198	22,632	(22,207)	318,623
Depreciation and amortization	3,812	55,454	17,410	76,676
Investment profit or loss recognized under the equity method	(15,085)	5,327	15,085	5,327
Significant revenue, expense and loss:				
Other income	872	4,799	(4,456)	1,215
Reportable segment profit or loss	<u>\$442,041</u>	<u>(\$41,476)</u>	<u>\$41,476</u>	<u>\$442,041</u>

	2022			
	Construction Department	Accommodation Department	Adjustments and elimination	Total
Revenue				
Net revenue from external customers	\$3,110,589	\$269,085	\$4,456	\$3,384,130
Net intersegment revenue	38,516	975	(39,491)	0
Total revenue	<u>\$3,149,105</u>	<u>\$270,060</u>	<u>(\$35,035)</u>	<u>\$3,384,130</u>
Interest income	\$841	\$29	\$0	\$870
Interest expenses	230,056	27,215	(26,424)	230,847
Depreciation and amortization	1,155	65,548	7,567	74,270
Investment profit or loss recognized under the equity method	(29,483)	5,964	29,483	5,964
Significant revenue, expense and loss:				
Other income	2,341	19,930	(19,018)	3,253

	2022			
	Construction Department	Accommodation Department	Adjustments and elimination	Total
Reportable segment profit or loss	\$1,009,674	(\$58,757)	\$58,757	\$1,009,674
Reportable segment assets				
December 31, 2023	\$36,952,043	\$1,706,687	(\$1,629,546)	\$37,029,184
December 31, 2022	\$34,983,219	\$2,423,636	(\$2,343,064)	\$35,063,791
Reportable segment liabilities				
December 31, 2023	\$19,224,028	\$1,680,837	(\$1,603,696)	\$19,301,169
December 31, 2022	\$17,708,194	\$2,406,310	(\$2,325,739)	\$17,788,765

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

(IV) Product information

Products and service	2023	2022
Land revenue	\$1,101,511	\$1,497,026
Building revenue	1,106,967	1,584,699
Rental revenue	41,370	33,320
Room revenue	164,845	143,110
Catering revenue	139,053	125,975
Total	\$2,553,746	\$3,384,130

(V) Important customer information:

The Consolidated Company's sales to an individual customer accounted for more than 10% of net operating revenues in 2023 and 2022:

None.