

Stock Code: 2524

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

Consolidated Financial Statements and
Independent Auditors' Report
2024 and 2023

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

Tel: (07)558-6368

For the convenience of readers, the independent auditors' report and the accompanying 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	15-19
(IV) Summary of Significant Accounting Policies	19-52
(V) Main Source of Significant Accounting Judgment, Estimation, and Assumption Uncertainties	52-54
(VI) Descriptions of Material Accounting Items	54-94
(VII) Related Party Transactions	94-101
(VIII) Pledged Assets	101
(IX) Significant Contingent Liabilities and Unrecognized Contract Commitments	101-102
(X) Significant Disaster Loss	103
(XI) Significant Subsequent Events	103
(XII) Others	103-112
(XIII) Supplementary Disclosure	
1. Information on Significant Transactions	113-120
2. Information on Reinvestment	120
3. Information on Investments in Mainland China	120
4. Information on Major Shareholders	121
(XIV) Operating Segment Financial Information	121-124

Declaration of Consolidated Financial Statements of Affiliates

In 2024 (from January 1 to December 31, 2024), 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 13, 2025

Independent Auditors' Report

March 13, 2025

(2025) 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, 2024 and 2023, 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, 2024 and 2023, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2024 and 2023.

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, 2024. 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, 2024 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 2024 and 2023, and they have also received an unqualified audit opinion from our CPA for your reference.

Other Matters - Adoption of other independent accountants

The financial reports for some of the investees listed in King's Town Construction Co. Ltd. and its

subsidiaries' Consolidated Financial Statements pursuant to the equity method have not been audited by this CPA and were inspected by other CPAs. Therefore, the opinions on the consolidated financial statements listed above concerning the amount listed in the financial statements of such companies and the relevant information disclosed in Note XIII are based on the audit reports of the other CPAs. As of December 31, 2024 and 2023, the investment amounts in the aforementioned company, using the equity method, were NT\$15,872 thousand and NT\$16,642 thousand, respectively, accounting for 0.04% of the total consolidated assets. The recognized comprehensive income (loss) for the aforementioned company for the years 2024 and 2023 were NT\$4,024 thousand and NT\$5,327 thousand, respectively, representing 0.14% and 1.21% of the total consolidated comprehensive income (loss).

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 and issued 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 work:

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 Group 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.

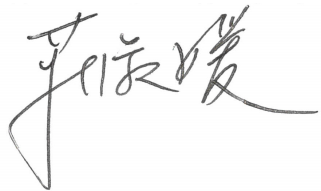
We communicate the following events with the governance unit, including the planned scope and audit time, as well as major audit findings (including significant deficiencies of internal control identified during the audit process).

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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China. 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 2024 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-Yuan



Financial Supervisory Commission Approval
No.

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

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
December 31, 2023 and 2024



				Unit: NT\$ thousands	
		December 31, 2024		December 31, 2023	
Assets	Note	Amount	%	Amount	%
11XX Current assets					
1100 Cash and cash equivalents	VI.(I)	\$3,000,245	7.30	\$634,228	1.72
1150 Net notes receivable	VI.(III)	20,200	0.05	16,676	0.05
1170 Net trade receivables	VI.(III)	6,463	0.01	10,793	0.03
1180 Net trade receivables - related parties	VI.(III), VII	7	0.00	2	0.00
1200 Other receivables	VI.(IV)	8,140	0.02	7,964	0.02
1210 Other receivables - related parties	VI.(IV).VII	144	0.00	219	0.00
1220 Current tax assets		78	0.00	22	0.00
1320 Inventories	VI.(V), VIII	36,467,608	88.70	34,793,111	93.96
1410 Prepayments	VI.(VI)	714,088	1.74	458,631	1.24
1470 Other current assets	VI.(VII)	9,548	0.02	108,348	0.29
1476 Other financial assets - current	VI.(VIII), VIII	33,373	0.08	68,072	0.18
11XX Total current assets		<u>\$40,259,894</u>	<u>97.92</u>	<u>\$36,098,066</u>	<u>97.49</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)	15,872	0.04	16,642	0.04
1600 Property, plant, and equipment	VI.(X)	543,699	1.32	621,170	1.68
1755 Net right-of-use assets	VI.(XI)	65,260	0.16	67,004	0.18
1780 Intangible assets	VI.(XII)	151,716	0.37	156,065	0.42
1840 Deferred tax assets	VI.(XXVIII)	40,236	0.10	18,352	0.05
1920 Refundable deposits	VIII	38,337	0.09	31,803	0.09
1930 Long-term notes and trade receivable	VI.(III)	0	0.00	20,000	0.05
15xx Total non-current assets		<u>\$855,202</u>	<u>2.08</u>	<u>\$931,118</u>	<u>2.51</u>
1xxx Total assets		<u><u>\$41,115,096</u></u>	<u><u>100.00</u></u>	<u><u>\$37,029,184</u></u>	<u><u>100.00</u></u>

(Continued)

King's Town Construction Co., Ltd.
Consolidated Balance Sheets
December 31, 2023 and 2024



		December 31, 2024		December 31, 2023		
Liabilities and equity		Note	Amount	%	Amount	%
21XX	Current liabilities					
2100	Short-term borrowings	VI.(XIII) VII, VIII	\$2,636,475	6.41	\$3,756,950	10.14
2110	Short-term bills payable	VI.(XIII) VII, VIII	4,445,526	10.81	4,587,399	12.39
2130	Contract liabilities - current	VI.(XXI), VII	726,803	1.77	707,850	1.91
2150	Notes payable		68,519	0.17	88,089	0.24
2160	Notes payable - related parties	VII	236,893	0.58	143,115	0.39
2170	Trade payables		27,007	0.07	18,705	0.05
2180	Trade payables - related parties	VII	188,314	0.46	85,714	0.23
2200	Other payables		161,484	0.39	71,935	0.19
2220	Other payables - related parties	VII	1,200	0.00	160	0.00
2230	Current tax liabilities		267,109	0.65	51,861	0.14
2250	Provisions - current	VI.(XIV)	47,062	0.11	45,488	0.12
2280	Lease liabilities - current	VI.(XVII)	1,305	0.00	1,282	0.00
2322	Long-term borrowings due within one operating cycle	VI.(XVI), VII, VIII	674,695	1.64	146,936	0.40
2335	Collection	VI.(XV)	73,210	0.18	50,819	0.14
2399	Other current liabilities - others		0	0.00	5,809	0.02
21XX	Total current liabilities		\$9,555,602	23.24	\$9,762,112	26.36
25XX	Non-current liabilities					
2540	Long-term borrowings	VI.(XVI), VII, VIII	\$10,913,456	26.54	\$9,434,801	25.48
2570	Deferred tax liabilities	VI.(XXVIII)	0	0.00	3,987	0.01
2580	Lease liabilities - non-current	VI.(XVII)	66,708	0.16	68,013	0.18
2611	Long-term notes payable		0	0.00	7,595	0.02
2640	Net defined benefit liabilities - non-current	VI.(XXVI)	14,293	0.04	18,757	0.05
2645	Deposits received	VII	4,144	0.01	5,904	0.02
25xx	Total non-current liabilities		\$10,998,601	26.75	\$9,539,057	25.76
2XXX	Total liabilities		\$20,554,203	49.99	\$19,301,169	52.12
3XXX	Equity					
3110	Share capital - ordinary shares	VI.(XVIII)	\$3,694,196	8.99	\$3,694,196	9.98
3211	Capital surplus – premium on ordinary shares	VI.(XIX)	8,082	0.02	8,082	0.02
3300	Retained earnings					
3310	Legal reserve	VI.(XX)	1,820,578	4.43	1,776,451	4.80
3350	Unappropriated earnings	VI.(XX)	15,038,037	36.57	12,249,286	33.08
3300	Total retained earnings		\$16,858,615	41.00	\$14,025,737	37.88
3XXX	Total equity		\$20,560,893	50.01	\$17,728,015	47.88
	Total liabilities and equity		\$41,115,096	100.00	\$37,029,184	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, 2024 and 2023



Code	Account titles	Note	2024		Unit: NT\$ thousands 2023	
			Amount	%	Amount	%
4000	Operating revenue					
4100	Net sales	VI.(XXI)	\$9,283,423	100.00	\$2,553,746	100.00
5000	Operating costs		5,105,455	55.00	1,276,115	49.97
5900	Gross profit		\$4,177,968	45.00	\$1,277,631	50.03
6000	Operating expenses	VI.(XXIX)				
6100	Selling and marketing expenses		523,903	5.64	333,112	13.04
6200	General and administrative expenses		193,410	2.08	139,352	5.46
6000	Total operating expenses		\$717,313	7.72	\$472,464	18.50
6900	Operating income		\$3,460,655	37.28	\$805,167	31.53
7000	Non-operating income and expenses					
7100	Interest income	VI.(XXII)	\$7,537	0.08	\$2,483	0.10
7010	Other income	VI.(XXIII)	2,975	0.03	1,215	0.05
7020	Other gains and losses	VI.(XXIV)	(9,676)	(0.10)	(795)	(0.03)
7050	Finance costs	VI.(XXV)	(324,683)	(3.50)	(318,623)	(12.48)
7060	Share of profit or loss of associates and joint ventures accounted for using the equity method	VI.(IX)	4,024	0.04	5,327	0.21
7000	Total non-operating income and expenses		(\$319,823)	(3.45)	(\$310,393)	(12.15)
7900	Income before tax		\$3,140,832	33.83	\$494,774	19.38
7950	Income tax expense	VI.(XXVIII)	309,139	3.33	52,733	2.07
8200	Current net income		\$2,831,693	30.50	\$442,041	17.31
8300	Other comprehensive income					
8310	Items not reclassified to profit or loss					
8311	Remeasurements of defined benefit plans	VI.(XXVI)	\$1,481	0.02	(\$957)	(0.04)
8349	Incomes tax expense (gain) related to titles not subject to reclassification	VI.(XXVIII)	296	0.00	(191)	(0.01)
8300	Other comprehensive income (net)		\$1,185	0.02	(\$766)	(0.03)
8500	Total comprehensive income		\$2,832,878	30.52	\$441,275	17.28
9750	Basic earnings per share (NT\$)	VI.(XXX)	\$7.67		\$1.20	
9850	Diluted earnings per share (NT\$)	VI.(XXX)	\$7.66		\$1.20	

(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, 2024 and 2023

Unit: NT\$ thousand

Code	Summary	Account name	Share capital	Capital surplus	Retained earnings			Total equity
					Legal reserve	Unappropriated earnings	Total	
A1	Balance as of January 1, 2023		\$3,690,564	\$0	\$1,681,444	\$11,903,018	\$13,584,462	\$17,275,026
B1	Legal reserve				95,007	(95,007)	0	0
N1	Equity-Based Compensation Transactions - Employee Compensation Capital Increase		3,632	8,082			0	11,714
D1	Net income in 2023					442,041	442,041	442,041
D3	Other comprehensive income in 2023					(766)	(766)	(766)
D5	Total comprehensive income in 2023					441,275	441,275	\$441,275
A1	Balance as of January 1, 2024		\$3,694,196	\$8,082	\$1,776,451	\$12,249,286	\$14,025,737	\$17,728,015
B1	Legal reserve				44,127	(44,127)	0	0
D1	Net income in 2024					2,831,693	2,831,693	2,831,693
D3	Other comprehensive income in 2024					1,185	1,185	1,185
D5	Total comprehensive income in 2024					2,832,878	2,832,878	2,832,878
Z1	Balance as of December 31, 2024		\$3,694,196	\$8,082	\$1,820,578	\$15,038,037	\$16,858,615	\$20,560,893

(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, 2024 and 2023

Unit: NT\$ thousands

Code		2024	2023				
AAAA	Cash flow from operating activities:						
A10000	Current year net profit before tax	\$3,140,832	\$494,774				
A20000	Adjustment items:			A33000	Cash inflow (outflow) from operating activities	\$2,029,748	(\$921,401)
A20010	Revenue, expense and loss that do not affect the cash flows:			A33100	Interest received	6,760	2,469
A20100	Depreciation expenses and other operating expenses	\$71,067	\$72,193	A33200	Dividend received	350	24
A20200	Amortization expenses	4,483	4,483	A33300	Interest paid	(324,951)	(311,992)
A20300	Expected credit losses	49	0	A33500	Income tax paid	(120,114)	(150,864)
A20400	Net gain on financial assets at fair value through profit or loss	(1,107)	0	AAAA	Net cash inflow (outflow) from operating activities	\$1,591,793	(\$1,381,764)
A20900	Interest expenses	324,683	318,623				
A21200	Interest income	(7,537)	(2,483)	BBBB	Cash flow from investing activities:		
A21300	Dividend income	(350)	(24)	B00100	Acquisition of financial assets at fair value through profit or loss	(\$188,426)	\$0
A22300	Share of profit or loss of associates accounted for using the equity method	(4,024)	(5,327)	B00200	Disposal of financial assets at fair value through profit or loss	189,533	0
A22500	Loss in disposal of property, plant, and equipment	8,977	752	B02700	Acquisition of property, plant, and equipment	(5,367)	(4,493)
A22600	Reclassification of property, plant, and equipment	3,186	1,900	B03700	Increase in refundable deposits	(7,659)	(705)
A22800	Disposition of intangible asset losses	138	0	B03800	Decrease in refundable deposits	1,125	192
A20010	Total revenue, expense and loss that do not affect the cash flows:	\$399,565	\$390,117	B04500	Acquisition of intangible assets	(272)	(89)
A30000	Changes in operating assets and liabilities			B06500	Increase in other financial assets	34,699	38,223
A31000	Net changes in operating assets			B07600	Cash dividends received from investments accounted for using the equity method	4,794	5,368
A31130	Decrease (increase) in notes receivable	\$16,476	(\$18,891)	BBBB	Net cash inflow from investing activities	\$28,427	\$38,496
A31150	(Increase) decrease in trade receivable	4,276	(3,282)				
A31180	Decrease (increase) in other receivables	676	(5,359)	CCCC	Cash flows from financing activities:		
A31200	Increase in inventories	(1,674,497)	(2,139,804)	C00100	Proceeds from short-term borrowing	\$17,000,125	\$29,500,650
A31230	(Increase) decrease in prepayments	(258,026)	118,321	C00200	Repayments of short-term borrowings	(18,120,600)	(30,145,650)
A31240	Decrease in other current assets	98,800	6,402	C00500	Proceeds from short-term bills payable	16,717,200	21,133,900
A31000	Total net changes in operating assets	(\$1,812,295)	(\$2,042,613)	C00600	Repayments of short-term bills payable	(16,854,300)	(20,283,200)
A32000	Net change in operating liabilities			C01600	Proceeds from long-term borrowings	4,851,420	2,483,350
A32125	Increase in contract liabilities - current	\$18,953	\$93,658	C01700	Repayments of long-term borrowings	(2,845,006)	(1,314,163)
A32130	Gain in notes payable	66,613	111,101	C03000	Increase in deposits received	191	880
A32150	Increase in trade payable	110,902	57,277	C03100	Decrease in deposits received	(1,951)	(886)
A32180	Increase in other payables	90,005	8,627	C04020	Repayment of the principal portion of lease	(1,282)	(1,134)
A32200	Increase (decrease) in provisions	1,574	(6,291)	CCCC	Net cash inflow from financing activities	\$745,797	\$1,373,747
A32230	Increase (decrease) in other current liabilities	16,582	(26,294)				
A32240	Decrease in net defined benefit liabilities	(2,983)	(1,757)	EEEE	Increase in current cash and cash equivalent	\$2,366,017	\$30,479
A32000	Total net changes in operating liabilities	\$301,646	\$236,321	E00100	Cash and cash equivalent at the beginning of the period	634,228	603,749
A30000	Total net changes in operating assets and liabilities	(\$1,510,649)	(\$1,806,292)	E00200	Cash and cash equivalent at the end of the period	\$3,000,245	\$634,228

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

Chairperson: Tianye Investment Co., Ltd.

Representative: Tsai, Tien-Tsan

Manager: Tsai, Tien-Tsan

Accountant Officer: Liang, Su-Ying

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

2024 and 2023

(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 hospitality.

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were approved for publication by the Board of Directors on March 13, 2025.

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 2024:

Item	New, Revised, and Amended Standards and Interpretations	Effective Date of Issuance by the IASB
1	Amendment to IFRS 16 “Lease Liabilities in 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 Contractual Provisions	January 1, 2024
4	Amendment to IAS 7 and IFRS 7 - Supplier Finance Arrangements	January 1, 2024

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, revised IFRSs, and international accounting standards endorsed by FSC:

Item	New, Revised, and Amended Standards and Interpretations	Effective Date of Issuance by the IASB
1	Amendment to IAS 21 - Lack of Exchangeability	January 1, 2025

The assessment of the Consolidated Company regarding the applicability of the aforementioned new revised standards will not have a significant impact on the financial reporting of the merged company.

- (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 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
2	Amendments to IFRS 9 and IFRS 7 “contracts for electricity that depend on the laws of nature”	January 1, 2026

Item	New, Revised, and Amended Standards and Interpretations	Effective Date of Issuance by the IASB
3	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
4	IFRS 17 Insurance Contracts	January 1, 2023
5	Amendment to IFRS 17 - Insurance Contracts	January 1, 2023
6	Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	January 1, 2023
7	IFRS 18 “Presentation and Disclosure of Financial Statements”	January 1, 2027
8	IFRS 19 “Disclosure of Subsidiaries Not Subject to Public Accountability”	January 1, 2027
9	Annual Improvements to IFRS Accounting Standards – Cycle 11	January 1, 2026

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

(1) Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”

The details of this amendment are explained as follows:

- A. Clarification of financial liabilities will be excluded on the settlement date, and an explanation of the accounting treatment for financial liabilities settled through electronic payment prior to the settlement date will be provided.
- B. Clarification of how to assess the cash flow characteristics of financial assets that are linked to environmental, social, and governance (ESG) factors or other similar characteristics.
- C. Clarification of the handling of non-recourse assets and contract-linked instruments.

D. Regarding financial assets or liabilities related to terms and contingent characteristics (including those linked to ESG), as well as equity instruments classified as measured at fair value through other comprehensive income, IFRS 7 requires additional disclosures.

(2)) IFRS 18 “Presentation and Disclosure of Financial Statements”

IFRS 18 “Presentation and Disclosure of Financial Statements” replaces IAS 1 and updates the structure of the Statement of Comprehensive Income. It also introduces new disclosures for management performance measurement and strengthens the principles of aggregation and disaggregation applied to the primary financial statements and notes. The main changes are as follows:

A. Enhancing the Comparability of the Income Statement

In the income statement, revenues and expenses are classified into five categories: operating, investing, financing, income tax, and discontinued operations. The first three categories represent new classifications aimed at improving the structure of the income statement. Additionally, all enterprises are required to provide subtotals based on the new definitions, including operating profit and loss. By enhancing the structure of the income statement and redefining subtotals, investors can have a consistent starting point when analyzing the financial performance of companies, making it easier to conduct comparisons.

B. Enhancing the Transparency of Management Performance Measurement

Require enterprises to disclose explanations of enterprise-specific indicators related to the income statement (referred to as management performance measures).

C. Summary of Useful Financial Statement Information

The decision regarding the placement of financial information in the primary financial statements or notes is to establish application guidelines. This change is expected to provide more detailed and useful information. Companies are required to provide more transparent information regarding their operating expenses to assist investors in finding and understanding the information they utilize.

Relevant impacts will be disclosed upon the completion of the assessment.

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 and issued into effect 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. "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 shareholding of subsidiaries that do not result in loss of control are treated as equity transactions. The Company and the carrying amount of non-controlling interests have been adjusted to reflect the changes in their relative interests in the subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized in equity and attributed to the owners of the Company.
- (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, 2024	December 31, 2023
The Company	H2O Hotel Co., Ltd. (H2O Hotel)	Hotel business, restaurant business	Kaohsiung City Taiwan	100%	100%

3. Subsidiaries not included in the consolidated financial statements: None.

4. Adjustments for subsidiaries with different balance sheet dates: None.

5. Significant restrictions on the ability to acquire, utilize assets, and discharge liabilities: None.

6. 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 other comprehensive profit or loss, the resulting exchange

differences are recognized in other comprehensive income items; if the balances are not measured at fair value, they are measured at the historical exchange rates at the dates of initial transactions.

4. All other exchange gains and losses shall be presented under “Other gains and losses” in the Income Statement.

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

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

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

The Consolidated Company classifies all the assets that do not meet the above-mentioned criteria as non-current.

2. Liabilities that meet one of the following criteria are classified as current liabilities:
 - (1) Liabilities that are expected to be settled within the normal operating cycle.
 - (2) Assets held primarily for trading purposes.

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

(4) At the end of the reporting period, there is no right to defer the repayment of the liability for at least twelve months beyond the reporting period.

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

Through the loss allowance account, the carrying amount of all financial assets is reduced for the impairment loss, except for the investment in debt instruments measured at FVTOCI for which the impairment loss is recognized in other comprehensive income and does not reduce the carrying amount.

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 financial assets only when the contractual rights to the cash flows from the financial assets are terminated, or when the financial assets have been transferred and substantially all the risks and rewards of ownership have been transferred to other entities, or when the assets have neither been transferred nor retained substantially and control over the financial assets has not been retained.

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.

When the Consolidated Company repurchases its own equity instruments, the consideration paid, including any directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stock. Subsequent sales or reissuance of treasury stock are recognized as an increase in equity, with any resulting surplus or deficit recognized as capital surplus. If the capital surplus is insufficient to offset the deficit, the shortfall is recognized as retained earnings. 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 derecognize is also recognized in profit and loss.

4. Derecognition of financial liabilities

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

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

5. Offsetting of financial assets and liabilities

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

(X) Inventories

1. Construction Inventories

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

Inventories are measured at the lower of cost or net realizable value and are compared on a line-by-line basis to determine the lower of cost or net realizable

value. The cost includes all necessary expenditures and capitalized borrowing costs to get an asset in place and in conditions ready for use.

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

- (1) Construction sites: The net realizable value is 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 Consolidated 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 to 45 years
Machinery	2 to 10 years
Office Equipment	3 to 10 years
Other Equipment	2 to 20 years
Transportation Equipment (Business facilities adopt Inventory Method)	3 to 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;
- (2) the control over the right to use the identified asset.

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

2. Where the Consolidated Company is a lessee:

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

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

Right-of-use assets are subsequently depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Consolidated Company

regularly assesses whether the right-of-use asset is impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

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

The lease payments comprise as follows:

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

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

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

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

The changes in (iv) and (v) decreases the scope of a lease. When a lease modification decreases the scope of a lease, the carrying value of the right-of-use asset is decreased to reflect partial 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 to 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

Rental income generated from leasing is recognized as operating revenue on a straight-line basis over the lease term, and directly attributable depreciation expenses and related costs are recognized in conjunction with the revenue as operating costs.

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.

4. Short-term employee benefits

Short-term employee benefits obligations are recognized as expenses at the time services are rendered. If the Company has a current legal or presumed payment obligation due to services provided by employees in the past, and such obligation can be reliably estimated, the amount shall be recognized as a liability.

(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 or liabilities recognized at the initial recognition of transactions that are not classified as business combinations do not affect accounting profits and taxable income (loss) at the time of the transaction, nor do they result in equivalent taxable and deductible temporary differences.
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;
2. The taxing of deferred tax assets and liabilities fulfils one of the scenarios below:
 - (1) Levied by the same taxing authority;

- (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

Item	December 31, 2024	December 31, 2023
Cash on hand and petty cash	\$497	\$1,074
Demand deposits	1,999,341	633,053
Checking deposits	407	101
Time Deposit	1,000,000	0
Total	<u>\$3,000,245</u>	<u>\$634,228</u>

1. The Consolidated Company has established relationships with financial institutions that have a good credit, and the Consolidated Company collaborates with multiple financial institutions to diversify credit risk, anticipating that the likelihood of default is very low.
2. Bank time deposits with original maturities of less than three months, if intended to meet short-term cash commitments rather than for investment or other purposes, may be converted into fixed cash at any time, with minimal risk of value fluctuation, and should be reported as cash and cash equivalents.
3. The Consolidated Company's pre-sale construction project trust funds and other portions with restriction on use are classified as Other financial assets – current. Please refer to Note VI(VIII) and Note XIII for details.
4. For the disclosed information on the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Consolidated Company, please refer to Note XII.

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

Item	December 31, 2024	December 31, 2023
Current		
Non-derivative financial assets:		
Domestic listed stocks	<u>\$0</u>	<u>\$0</u>
Non-current		
Domestic unlisted stocks (venture capital)	<u>\$82</u>	<u>\$82</u>

1. The Consolidated Company invests in domestic unlisted stocks, designating such investments as financial assets measured at fair value through profit or loss. The company is currently in the liquidation process.
2. The Consolidated Company reported net gains from financial assets measured at fair value through profit or loss for 2024 and 2023, totaling NT\$1,107 thousand and NT\$0 thousand, respectively.
3. The Consolidated Company recognized dividend income from financial assets measured at fair value through profit or loss in the amounts of NT\$350 thousand and NT\$24 thousand for 2024 and 2023, respectively.
4. The Consolidated Company has disclosed the credit and interest rate risks associated with financial instruments in Note XII.
5. None of the financial assets of the Consolidated Company has been pledged as collateral.

(III) Receivables

Item	December 31, 2024	December 31, 2023
Notes receivable		
Less than 1 year	\$20,200	\$16,676
Over 1 year	<u>0</u>	<u>20,000</u>
Total	<u>\$20,200</u>	<u>\$36,676</u>
Trade receivables		
Less than 1 year	\$6,512	\$10,793
Less: Allowance for losses	<u>(49)</u>	<u>0</u>
Total	<u>\$6,463</u>	<u>\$10,793</u>
Trade receivables - related parties		
Less than 1 year	<u>\$7</u>	<u>\$2</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, 2024		
	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	\$26,670	0%	\$0
Over 365 days	49	100%	49
Total	<u>\$26,719</u>		<u>\$49</u>

	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 to 150 days	43	0%	0
Total	<u>\$47,471</u>		<u>\$0</u>

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

	December 31, 2024	December 31, 2023
Beginning balance	\$0	\$22
Increase in the current period	49	0
Decrease in the current period	0	(22)
Ending balance	<u>\$49</u>	<u>\$0</u>

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

(IV) Other receivables

Item	December 31, 2024	December 31, 2023
Other receivables	\$8,140	\$7,964
Other receivables - related parties	144	219
Total	\$8,284	\$8,183

1. Other receivables - Related parties refer to the sales expenses that should be allocated by the receivable landowners and the payments made on behalf of related enterprises.
2. The Consolidated Company's other receivables were assessed not to be impaired and were not past due.

(V) Inventories

Item	December 31, 2024	December 31, 2023
Construction industry:		
Buildings held for sale	\$5,122,885	\$5,042,191
Land held for sale	1,656,395	1,837,571
Land under construction	1,819,482	2,821,180
Construction in progress	1,536,170	2,401,690
Land held for construction	26,038,037	21,900,303
Prepayment for land	290,210	786,044
Less: Allowance for reduction to valuation	(167)	(167)
Subtotal	\$36,463,012	\$34,788,812
Hospitality industry:		
Food	\$3,448	\$3,016
Beverage	1,148	1,283
Subtotal	\$4,596	\$4,299
Total	\$36,467,608	\$34,793,111

Item	December 31, 2024	December 31, 2023
1. Buildings held for sale		
King's Town	\$1,699,066	\$1,754,647
King's Town Hyatt	587,096	614,839
Hua Shang	114,478	114,478
Yiwen Court	39,335	59,364
Ju Dan	79,592	105,137
Tian Feng	131,270	145,518
Shi Shang King's Town	0	13,569
Mei Shu Huang Ju	661,251	1,187,493
King's Town Garden	5,424	119,870
World of Heart	1,257,581	
Yue He Di	28,824	42,965
Fu +	518,801	884,144
Other projects	167	167
Total	\$5,122,885	\$5,042,191
Less: Allowance for reduction to valuation	(167)	(167)
Net	\$5,122,718	\$5,042,024

Item	December 31, 2024	December 31, 2023
2. Land held for sale		
King's Town	\$171,425	\$178,947
King's Town Hyatt	43,219	44,555
Yiwen Court	21,266	32,094
Ju Dan	46,442	62,663
Tian Feng	56,109	62,443
Shi Shang King's Town	0	8,946
Mei Shu Huang Ju	451,069	783,810
King's Town Garden	2,967	54,048
World of Heart	510,537	
Yue He Di	28,078	41,853
Fu +	325,283	568,212
Total	\$1,656,395	\$1,837,571

Item	December 31, 2025		
3. Land under construction and construction in progress	Land under construction	Construction in progress	Total
Kaohsiung Fuhe Section No. 698-1	\$358,073	\$370,714	\$728,787
Kaohsiung Longzhong Section No. 191	370,653	439,969	810,622
Kaohsiung Bohsiao Section No. 1140 (Jing Wu Tong)	655,287	449,868	1,105,155
Tainan Yuguang Section No. 880, 4 in total	435,469	275,619	711,088
Total	<u>\$1,819,482</u>	<u>\$1,536,170</u>	<u>\$3,355,652</u>

Item	December 31, 2024		
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 (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, 2024	December 31, 2023
4. Land held for construction		
Kaohsiung Chenggong Section No. 60-1, 62-64 and others	\$0	\$864,273
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	1,726,876	685,719
Kaohsiung Qinghai No. 127	0	662,012
Kaohsiung Qinghai No. 128	0	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
Kaohsiung Qiaotou Shixing Section No. 924	119,233	14,055
Kaohsiung Shixing Section 925, 2 in total	248,631	112,196
Kaohsiung Shixing Section 927, 3 in total	0	84,625
Kaohsiung Shixing Section 928, 3 in total	0	107,554
Kaohsiung Qiaotou Shixing Section No. 967	0	6,640
Kaohsiung Qiaotou Shixing Section No. 968	0	42,794
Kaohsiung Longdong Section No. 1	513,991	513,991
Tainan Kanjiao North Section No. 820	3,398,965	3,398,920
Kaohsiung Xindu Section No. 49	46,653	46,653
Kaohsiung Xinzhuang 12 Sub-section No. 1167 and 1175	618,913	617,961
Kaohsiung Shinkang Section No.25 and 29	188,458	188,458

Item	December 31, 2024	December 31, 2023
Kaohsiung Shinkang Section No. 25-1 and 29-1	188,548	188,548
Kaohsiung Shinkang Section No. 26	34,123	34,123
Kaohsiung Shinkang Section No. 30	59,256	59,256
Kaohsiung Shinkang Section No. 31	12,058	12,058
Kaohsiung Qinghai Section No. 565 and others	252,835	0
Kaohsiung Shinkang Section No. 32	25,233	0
Kaohsiung Hsinsheng Section No. 27 and others	1,346,922	0
Kaohsiung Dapi Section No. 20.21	909,094	0
Kaohsiung Longdong Section No.3	683,305	0
Kaohsiung Xinmin Section No. 289.290	1,018,706	0
Tainan Kanjiao South Section No.13	7,472	0
Transferable land and deformed land	3,344,729	2,587,286
Total	<u>\$26,038,037</u>	<u>\$21,900,303</u>

Item	December 31, 2024	December 31, 2023
5. Prepayment for land		
Tainan Anan District, Caohu Phase I	\$201,677	\$201,677
Kaohsiung Chenggong Section No. 65.66	0	335,361
Transferable land and deformed land	88,533	249,006
Total	<u>\$290,210</u>	<u>\$786,044</u>

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

	December 31, 2024	December 31, 2023
The amount of capitalized interest	<u>\$153,769</u>	<u>\$122,630</u>

7. The land purchased or sold in Kaohsiung City and Tainan City is recorded as prepaid land at the time of signing the contract and paying for each installment and is transferred to the land for future construction after the transfer.
8. Please refer to Note VIII to the financial statements for the pledge of premises for sale, premises under construction and construction sites.

9. Cost of inventories transferred to cost of goods sold amounted to NT\$4,983,358 thousand and NT\$1,149,589 thousand for 2024 and 2023, respectively; inventory write-down reversal benefits were nil in both years.

(VI) Prepayments

Item	December 31, 2024	December 31, 2023
Prepaid expenses	\$709,192	\$452,756
Supplies inventories	4,833	5,740
Input tax	63	135
Total	<u>\$714,088</u>	<u>\$458,631</u>

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

(VII) Other current assets

Item	December 31, 2024	December 31, 2023
Payments on behalf of others	\$1,313	\$1,446
Incremental costs of obtaining contracts	8,235	106,902
Total	<u>\$9,548</u>	<u>\$108,348</u>

The incremental costs for obtaining a contract represent commissions paid by the Consolidated Company to agencies for securing real estate sales contracts, which are expected to be recoverable. These costs are recognized as assets and amortized over the period in which the revenue from the sale of the properties is recognized. In 2024 and 2023, amortization expenses of NT\$123,490 thousand and NT\$17,861 thousand, respectively, were recognized under selling expenses.

(VIII) Other financial assets - current

Item	December 31, 2024	December 31, 2023
Restricted bank deposits	\$33,373	\$68,072

Other financial assets – current refer to the Consolidated Company’s pre-sale housing project trust accounts, performance trust accounts for the redemption of issued gift certificates, and reimbursement accounts, which are pledged as collateral for bank deposits. Please refer to Note VIII.

(IX) Investments accounted for using the equity method

Name of Investee	December 31, 2024		December 31, 2023	
	Amount	Shareholding	Amount	Shareholding
Associate				
Yangmin International Catering Co., Ltd.	\$15,872	40%	\$16,642	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, 2024 and 2023, the carrying amount of investments was NT\$15,872 thousand and NT\$16,642 thousand, respectively, each representing 0.04% of the total consolidated assets. The share of profit from associates recognized under the equity method for 2024 and 2023 was NT\$4,024 thousand and NT\$5,327 thousand, accounting for 0.14% and 1.21% 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	Percentage of ownership interest and voting rights held by the Consolidated Company	
			December 31, 2024	December 31, 2023
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, 2024	December 31, 2023
Current assets	\$39,923	\$45,657
Non-current assets	8,565	10,604
Current liabilities	(8,807)	(14,656)
Non-current liabilities	0	0
Net assets	\$39,681	\$41,605

Comprehensive Income Statement

	Yangmin International Catering Co., Ltd.	
	December 31, 2024	December 31, 2023
Net Operating Revenue	\$80,085	\$93,911
Gross profit	\$37,751	\$44,326
Current net income	\$10,062	\$13,317
Other comprehensive income/(loss) (after tax)	\$0	\$0
Total comprehensive income	\$10,062	\$13,317
Dividends received from the associates	\$4,794	\$5,368

(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	Other Equipment	Operating equipment	Total
Cost						
Balance as of January 1, 2024	\$974,321	\$7,950	\$4,709	\$62,582	\$15,758	\$1,065,320
Increase	171	0	0	1,319	2,525	4,015
Disposal and obsolescence	(2,080)	(5,960)	0	(9,974)	(3,186)	(21,200)
Balance as of December 31, 2024	<u>\$972,412</u>	<u>\$1,990</u>	<u>\$4,709</u>	<u>\$53,927</u>	<u>\$15,097</u>	<u>\$1,048,135</u>
Balance as of January 1, 2023	\$972,736	\$7,868	\$3,770	\$49,220	\$16,310	\$1,049,904
Increase	1,585	82	939	621	1,348	4,575
Disposal and obsolescence	0	0	0	(1,837)	(1,900)	(3,737)
Re-classification	0	0	0	14,578	0	14,578
Balance as of December 31, 2023	<u>\$974,321</u>	<u>\$7,950</u>	<u>\$4,709</u>	<u>\$62,582</u>	<u>\$15,758</u>	<u>\$1,065,320</u>
Accumulated depreciation and impairment						
Balance as of January 1, 2024	\$408,125	\$3,424	\$754	\$31,847	\$0	\$444,150
Depreciation	61,588	246	798	6,691	0	69,323
Disposal and obsolescence	(2,080)	(2,296)	0	(4,661)	0	(9,037)
Balance as of December 31, 2024	<u>\$467,633</u>	<u>\$1,374</u>	<u>\$1,552</u>	<u>\$33,877</u>	<u>\$0</u>	<u>\$504,436</u>
Balance as of January 1, 2023	\$346,667	\$2,635	\$52	\$25,252	\$0	\$374,606
Depreciation	61,458	789	702	7,680	0	70,629
Disposal and obsolescence	0	0	0	(1,085)	0	(1,085)
Balance as of December 31, 2023	<u>\$408,125</u>	<u>\$3,424</u>	<u>\$754</u>	<u>\$31,847</u>	<u>\$0</u>	<u>\$444,150</u>
Net carrying amount						
Balance as of December 31, 2024	<u>\$504,779</u>	<u>\$616</u>	<u>\$3,157</u>	<u>\$20,050</u>	<u>\$15,097</u>	<u>\$543,699</u>
Balance as of December 31, 2023	<u>\$566,196</u>	<u>\$4,526</u>	<u>\$3,955</u>	<u>\$30,735</u>	<u>\$15,758</u>	<u>\$621,170</u>
Balance as of January 1, 2023	<u>\$626,069</u>	<u>\$5,233</u>	<u>\$3,718</u>	<u>\$23,968</u>	<u>\$16,310</u>	<u>\$675,298</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 self-owned assets held by the Consolidated Company, including construction land and land and premises for sale, that are leased to others under operating leases.

(XI) Right-of-use assets

1. Major lease activities and terms

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

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

	2024	2023
Cost		
Balance on January 1	\$74,676	\$67,754
Remeasurement	0	6,922
Balance on December 31	<u>\$74,676</u>	<u>\$74,676</u>
Accumulated depreciation		
Balance on January 1	\$7,672	\$6,108

	2024	2023
Depreciation	1,744	1,564
Balance on December 31	\$9,416	\$7,672
Carrying amount		
Balance on January 1	\$67,004	\$61,646
Balance on December 31	\$65,260	\$67,004

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

(XII) Intangible assets

Cost	Land use rights	Others	Total
Balance as of January 1, 2024	\$200,020	\$6,102	\$206,122
Increase	0	272	272
Disposal and obsolescence	0	(324)	(324)
Balance as of December 31, 2024	\$200,020	\$6,050	\$206,070
Balance as of January 1, 2023	\$200,020	\$6,052	\$206,072
Increase	0	50	50
Balance as of December 31, 2023	\$200,020	\$6,102	\$206,122
Accumulated amortization and impairment			
Balance as of January 1, 2024	\$46,004	\$4,053	\$50,057
Amortization	4,001	482	4,483
Disposal and obsolescence	0	(186)	(186)
Balance as of December 31, 2024	\$50,005	\$4,349	\$54,354
Balance as of January 1, 2023	\$42,003	\$3,571	\$45,574
Amortization	4,001	482	4,483
Balance as of December 31, 2023	\$46,004	\$4,053	\$50,057
Carrying amount			
Balance as of December 31, 2024	\$150,015	\$1,701	\$151,716
Balance as of December 31, 2023	\$154,016	\$2,049	\$156,065
Balance as of January 1, 2023	\$158,017	\$2,481	\$160,498

1. The amortization expenses of intangible assets for 2024 and 2023 are reported under the following items in the consolidated income statement.

Item	2024	2023
Manufacturing overheads	\$2,800	\$2,800

Operating expenses	1,683	1,683
Total	<u>\$4,483</u>	<u>\$4,483</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 construction of a tourist hotel. The land leased from the Kaohsiung City Government is recognized as a right-of-use asset.
3. As of December 31, 2024, and December 31, 2023, The Consolidated Company has not provided any collateral guarantees for its intangible assets.

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
1. Bank borrowings		
Secured loans	<u>\$2,636,475</u>	<u>\$3,756,950</u>
Unused limit	<u>\$4,606,000</u>	<u>\$997,050</u>
Interest rate range	<u>2.345%~3.14%</u>	<u>2.55%~2.89%</u>
Repayment period	<u>2025.02.28</u> <u>~2028.06.30</u>	<u>2024.01.19</u> <u>~2027.05.16</u>
2. Short-term bills payable	<u>\$4,454,000</u>	<u>\$4,591,100</u>
Less: Discount on short-term bills payable	<u>(8,474)</u>	<u>(3,701)</u>
Net	<u>\$4,445,526</u>	<u>\$4,587,399</u>
Interest rate range	<u>1.808%~3.038%</u>	<u>1.558%~2.838%</u>
Unused limit	<u>\$1,658,531</u>	<u>\$2,918,550</u>

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

(XIV) Provisions - current

	<u>2024</u>	<u>2023</u>
Warranty provision		
Balance on January 1	\$45,488	\$51,779
Current Period Increase (Decrease)	<u>1,574</u>	<u>(6,291)</u>
Balance on December 31	<u>\$47,062</u>	<u>\$45,488</u>

Warranty provision represents post-sale warranty expenses 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, 2024	December 31, 2023
Land collections	\$6,796	\$10,236
Building collections	13,196	18,356
Decoration collections	17,094	14,094
Collections - others	36,124	8,133
Total	<u>\$73,210</u>	<u>\$50,819</u>

(XVI) Long-term borrowings

Nature of borrowings	Loan period and repayment method	December 31, 2024	December 31, 2023
Long-term bank borrowings			
Secured borrowings	From March 2020 to December 2028, interest will be paid monthly, with annual reviews of the loan conditions, and repayment will be made in accordance with the agreement.	\$1,511,600	\$1,591,250
Secured borrowings	From June 2019 to June 2026, interest is paid monthly, with annual reviews of the loan terms, and repayments are made according to the agreement.	519,800	547,200
Secured borrowings	From April 2024 to October 2026, interest will be paid monthly, with annual reviews of the loan terms, and repayment will be made in accordance with the agreement.	2,128,000	0
Secured borrowings	From July 2017 to July 2032, the loan period is 15 years (including a 2-year grace period). During the grace period, interest will be paid monthly, and after the grace period ends, the principal will	392,451	439,207

Nature of borrowings	Loan period and repayment method	December 31, 2024	December 31, 2023
	be amortized using the effective interest method.		
Secured borrowings	From January 2022 to January 2027, interest will be paid monthly, and the principal will be repaid in full at maturity.	175,175	184,395
Secured borrowings	From January 2022 to January 2027, interest will be paid monthly, with annual reviews of the loan conditions, and repayment will be made in accordance with the agreement.	167,233	176,035
Secured borrowings	From October 2024 to October 2028, interest will be paid monthly, with annual reviews of the loan terms, and repayment will be made in accordance with the agreement.	214,420	0
Secured borrowings	From December 2024 to December 2029, interest will be paid monthly, with annual reviews of the loan terms, and repayment will be made in accordance with the agreement.	271,700	0

Nature of borrowings	Loan period and repayment method	December 31, 2024	December 31, 2023
Secured borrowings	From December 2022 to December 2027, interest will be paid monthly, and the principal will be repaid in full at maturity.	415,000	415,000
Secured borrowings	From May 2023 to May 2026, interest will be paid monthly, and the principal will be repaid in full at maturity.	2,000,000	1,200,700
Secured borrowings	From May 2023 to May 2026, interest will be paid monthly, and repayment will be made in accordance with the agreement.	1,113,000	50,000
Secured borrowings	From December 2023 to July 2027, interest will be paid monthly, with annual reviews of the loan terms, and	\$172,140	\$181,200

Nature of borrowings	Loan period and repayment method	December 31, 2024	December 31, 2023
	repayment will be made in accordance with the agreement.		
Secured borrowings	From March 2023 to September 2027, interest will be paid monthly, with annual reviews of the loan terms, and repayment will be made in accordance with the agreement.	132,900	139,900
Secured borrowings	Originally from March 2020 to March 2025, the term was extended to March 2029. Interest will be paid monthly, and the principal will be repaid in full at maturity.	1,178,000	1,240,000
Secured borrowings	Originally from October 2019 to October 2025, the term was extended to October 2026. In October 2023, the loan amount was reduced. Interest is paid monthly, and the principal will be repaid in full at maturity.	560,350	598,000
Secured borrowings	From June 2023 to June 2025, interest will be paid monthly, and the principal will be repaid in full at maturity.	261,382	627,300
Secured borrowings	From December 2024 to December 2027, interest will be paid monthly, and the principal will be repaid in full at maturity.	375,000	0
Secured borrowings	From July 2023 to July 2028, interest will be paid monthly, and the principal will be repaid in full at maturity.	0	191,550
Secured borrowings	Interest is payable on a monthly basis from October 2021 to October 2026. There is a three-year grace period starting from the initial drawdown date. Beginning in the 37th month, NT\$100,000 thousand is repaid every six months, and the remaining balance is repaid in a lump sum at maturity.	0	2,000,000
Total		\$11,588,151	\$9,581,737

Nature of borrowings	Loan period and repayment method	December 31, 2024	December 31, 2023
Less: Net long-term borrowings due within one year or one operating cycle Use this segment		(674,695)	(146,936)
Net		<u>\$10,913,456</u>	<u>\$9,434,801</u>
Unused limit		<u>\$2,081,900</u>	<u>\$7,360,170</u>
Interest rate range		<u>2.365%~3.252%</u>	<u>2.24%~3.05%</u>

Long-term bank borrowings were secured by the Company's inventories, investment properties, and real estate provided by related parties. Please refer to Notes VII and VIII for details.

(XVII) Lease agreements

- The Consolidated Company's lease liabilities are as follows

	December 31, 2024	December 31, 2023
Current	<u>\$1,305</u>	<u>\$1,282</u>
Non-current	<u>\$66,708</u>	<u>\$68,013</u>

Please refer to Note XII for maturity analysis.

The Consolidated Company leases land located at No. 22, Longbei Section, Gushan District, Kaohsiung City from the Kaohsiung City Government. The land use rights date back to 1961, and the rent is calculated at 5% of the assessed land value tax amount. From January 1 to December 31, 2024 and 2023, the lease consideration was reassessed due to adjustments in the declared land value, leading to a re-evaluation of the lease liabilities and right-of-use assets, without any new or terminated leases resulting in significant lease liabilities, nor any circumstances of repurchase or repayment.

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

	2024	2023
Interest expense – lease obligations payable	<u>\$1,184</u>	<u>\$419</u>
Short-term lease expenses	<u>\$3,197</u>	<u>\$3,614</u>

Expense on leases with low-value underlying assets	\$996	\$1,185
Total cash flows on lease	\$5,827	\$6,308

The Consolidated Company selects to apply recognition exemptions to leases of vehicles, office spaces, 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.

3. 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, rent income dependent on index or rate changes, and variable lease income calculated based on actual parking volume and duration under operating lease agreements (recorded as operating income) of NT\$41,290 thousand and NT\$41,370 thousand for the years from January 1 to December 31, 2024 and 2023, 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:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Within 1 year	\$26,844	\$27,222
1 to 2 years	22,943	26,291
2 to 3 years	13,597	22,552
3 to 5 years	15,674	20,004
Over 5 years	4,497	7,843

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Non-discounted future cash flows of lease	\$83,555	\$103,912
(4) The Consolidated Company originally had a lease agreement for the period from October 1, 2019 to February 28, 2035; however, litigation with the lessee commenced immediately after the agreement was signed. As no rent has been collected since the inception of the lease, it is not included in the above table. This lease was terminated on April 30, 2024.		
(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.		

(XVIII) Share capital

- As of December 31, 2024 and December 31, 2023, the Company's total authorized share capital was NT\$5,000,000 thousand, with a par value of NT\$10 per share. The paid-in capital was NT\$3,694,196 thousand in both years, with 369,419 thousand common shares issued, and payments for all issued shares had been received.

	<u>2024</u>	<u>2023</u>
Number of shares outstanding at the beginning of the period (in thousands)	369,419	369,056
Employee compensation to capital increase (in thousands)	0	363
Number of shares outstanding at the end of the period (in thousands)	369,419	369,419

- 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.

(XIX) Capital surplus

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Shares premium	<u>\$8,082</u>	<u>\$8,082</u>

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

(XX) 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(XXVII) 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 27, 2024, and June 28, 2023, during which the distribution of profits for 2023 and 2022 was approved, respectively. It was resolved to allocate the statutory reserve as required, with the remaining profits not to be distributed.

3. On March 13, 2025, the Board of Directors resolved to approve the proposed earnings distribution for 2024, which has not yet been submitted to the shareholders' meeting. It was resolved to allocate the statutory reserve as required, with the remaining earnings not to be distributed.

(XXI) Operating revenue

	2024	2023
Land revenue	\$5,413,312	\$1,101,511
Building revenue	3,539,914	1,106,967
Rental revenue	41,290	41,370
Accommodation service revenue	162,839	164,845
Catering service revenue	126,068	139,053
Total	<u>\$9,283,423</u>	<u>\$2,553,746</u>

1. Revenue breakdown

	2024	2023
Major regional markets		
Taiwan	\$9,283,423	\$2,553,746
	2024	2023
Major products/service		
Sales of premises	\$8,953,226	\$2,208,478
Rental revenue	41,290	41,370
Room revenue	162,839	164,845
Catering revenue	126,068	139,053
Total	\$9,283,423	\$2,553,746
	2024	2023
Timing of revenue recognition:		
At a fixed point in time	\$9,079,294	\$2,347,531
Performance obligations fulfilled over time	204,129	206,215
Total	\$9,283,423	\$2,553,746

2. Contract balance

	December 31, 2024	December 31, 2023	January 1, 2023
Notes receivable	\$20,200	\$16,676	\$15,000
Long-term notes receivable	0	20,000	2,785
Trade receivables	6,470	10,717	7,525
Less: Allowance for losses	0	0	(22)
Total	\$26,670	\$47,393	\$25,288
Contract liabilities - Sale of premise	\$698,296	\$678,540	\$585,115
Contract liabilities - Advances from rent	1,309	1,274	1,302
Contractual Liabilities - Rooms and catering services	10,298	10,918	12,315
Contract liabilities - Advances from gift card	16,900	17,118	15,416
Contract liabilities - Advances from baking	0	0	44
Total	\$726,803	\$707,850	\$614,192

(1) The amount from the opening contract liabilities recognized in operating income was NT\$438,566 thousand and NT\$147,369 thousand from January 1 to December 31, 2024 and 2023, 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.

(XXII) Interest income

	2024	2023
Interest on bank deposits	\$7,535	\$2,445
Interest income from corporate bond investments	0	34
Other interest income	2	4
Total interest income	<u>\$7,537</u>	<u>\$2,483</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.

(XXIII) Other income

	2024	2023
Dividend income	\$350	\$24
Other income - others	2,625	1,191
Total	<u>\$2,975</u>	<u>\$1,215</u>

(XXIV) Other gains and losses

	2024	2023
Disposition of asset losses	(\$9,115)	(\$752)
Foreign currency exchange gains	5	9
Gain on the financial assets measured at fair value through profit or loss	1,107	0
Others	(1,673)	(52)
Total	(\$9,676)	(\$795)

(XXV) Finance costs

	2024	2023
Interest expenses		
Bank borrowings	\$477,198	\$440,751
Lease liabilities	1,184	419
Interest accrued on deposits	70	83
Less: Capitalization of interest	(153,769)	(122,630)
Finance costs	\$324,683	\$318,623

(XXVI) Employee Benefit

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 recognizes the following pension expenses related to the established allocation plan:

	2024	2023
Selling and marketing expenses - Retirement benefits expenses	\$2,241	\$2,650
General and administrative expenses - Retirement benefits expenses	\$2,348	\$2,112
Operating costs - Retirement benefits expenses	\$1,497	\$1,825

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:

	2024	2023
Service costs for the current period	\$120	\$139
Net interest on defined benefit liabilities (assets)	256	291
Recognized in profit or loss	<u>\$376</u>	<u>\$430</u>
Remeasurements		
Compensation on plan assets (excluding net interest on net defined benefit liabilities (assets))	(\$2,731)	(\$270)
Actuarial losses (gains) - experience adjustments	1,933	955
Actuarial losses (gains) - changes in financial assumptions	(683)	272
Recognized in other comprehensive income	<u>(\$1,481)</u>	<u>\$957</u>

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

	2024	2023
Selling and marketing expenses	\$27	\$42
General and administrative expenses	349	388
Total	<u>\$376</u>	<u>\$430</u>

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

	December 31, 2024	December 31, 2023
Present value of defined benefit obligation	\$44,941	\$46,209
Fair value of plan assets	(30,648)	(27,452)
Net defined benefit liabilities	<u>\$14,293</u>	<u>\$18,757</u>

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

	2024	2023
Beginning balance	\$46,209	\$48,912
Service costs for the current period	120	139
Interest expenses	550	639
Remeasurements		
Actuarial losses (gains) - experience adjustments	1,933	955
Actuarial losses (gains) - changes in financial assumptions	(683)	272
Benefits paid on plan assets	(3,188)	(4,708)
Ending balance	\$44,941	\$46,209

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

	2024	2023
Fair value of plan assets at the beginning of the period	\$27,452	\$29,355
Expected return on plan assets	294	348
Remeasurements of plan assets (excluding net interest included in net defined benefit liabilities (assets))	2,731	270
Contribution by the employer	3,359	2,187
Actual payment of employee benefits	(3,188)	(4,708)
Fair value of plan assets at the end of the period	\$30,648	\$27,452

(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, 2024, and 2023, 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, 2024	December 31, 2023
\$30,648	\$27,452

- (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, 2024	December 31, 2023
Discount rate	1.750%	1.375%
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, 2024	December 31, 2023
Discount rate		
Increase by 0.25%	(\$441)	(\$541)
Decrease by 0.25%	\$452	\$554
Expected salary increase rate		
Increase by 0.25%	\$433	\$530
Decrease by 0.25%	(\$424)	(\$520)

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 methods and assumptions used for the sensitivity analysis in this period are the same as those in the previous period.

The Consolidated Company is expected to make a contribution payment of NT\$275 thousand to the defined benefit plans for the one year period after the reporting date of 2024.

The weighted average period of the defined benefit plan is 9.16 years.

The maturity analysis of the pension payments is as follows:

Under 1 year	\$16,747
1 to 2 years	4,676
2 to 5 years	7,207
Over 5 years	10,787
	<u>\$39,417</u>

3. Short-term Paid Leave and Liabilities

As of December 31, 2024, and December 31, 2023, the Consolidated Company has accrued liabilities for paid leave amounting to NT\$2,034 and NT\$3,462, respectively. These amounts are included under other payables.

(XXVII) 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\$31,726 thousand and NT\$4,998 thousand for 2024 and 2023, respectively, and the amounts provided for directors' compensation were both NT\$0. These amounts were estimated by multiplying the Consolidated Company's net income before tax for the period, before deducting employee and directors' compensation, by one percent for employee compensation as specified in the Consolidated Company's Articles of Incorporation. Directors' compensation was NT\$0 and was reported as operating expenses for the period.

On March 13, 2025, the Board of Directors resolved to distribute NT\$31,726 thousand for employee compensation and NT\$0 for directors' remuneration for the year 2024, and on March 14, 2024, the Board of Directors resolved to distribute NT\$4,998 thousand for employee compensation and NT\$0 for directors' remuneration for 2023. There was no difference from the amounts recognized as expenses in 2024 and 2023.

If the Board of Directors resolves to distribute employee compensation in shares, the number of shares shall be calculated based on the closing price on the day prior to the date of the Board 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".

(XXVIII) Income Tax

1. Income tax expense

(1) Income tax recognized in profit or loss

	2024	2023
Current income tax expenses		
Income Tax Generated from Current Period Income	\$255,910	\$9,279
Land value increment tax	52,539	12,221
Levy on unappropriated earnings	19,857	42,753
Adjustment of current income tax for the previous period	7,000	0
Deferred income tax gains		
Occurrence and reversal of temporary differences	(26,167)	(11,520)
Income tax expense	<u>\$309,139</u>	<u>\$52,733</u>

(2) Income tax recognized in other comprehensive income

	2024	2023
Deferred income tax (gains) expense		
Remeasurements of defined benefit obligations	\$296	(\$191)
2. Reconciliation of income tax expense to accounting profit.		
	2024	2023
Income before tax	\$3,140,832	\$494,774
Income tax calculated at the statutory tax rate applicable to the Company	\$657,319	\$98,955
Tax-exempt proceeds from land transactions	(408,447)	(101,111)
Losses recognized under the equity method	3,400	3,017
Impact of income tax adjustments according to tax laws	3,638	8,418
Occurrence and reversal of temporary differences	(26,167)	(11,520)
Levy on unappropriated earnings	19,857	42,753
Land value increment tax	52,539	12,221
Adjustment of current income tax for the previous period	7,000	0
Income tax expense	\$309,139	\$52,733

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, 2024				
A. Deferred tax assets				
Inventories	\$0	\$27,918	\$0	\$27,918
Prepayments	5,503	(5,456)	0	47
Warranty provision payable	9,098	314	0	9,412
Net defined benefit liabilities - non-current	3,751	(596)	(296)	2,859
Total deferred tax assets	<u>\$18,352</u>	<u>\$22,180</u>	<u>(\$296)</u>	<u>\$40,236</u>
B. Deferred tax liabilities				
Inventories	<u>\$3,987</u>	<u>(\$3,987)</u>	<u>\$0</u>	<u>\$0</u>
(2) 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>

4. The Company's business income tax settlement and declaration up until 2022 have been approved.

5. The details of unrecognized deferred tax assets are as follows:

	December 31, 2024	December 31, 2023
Tax loss carryforwards	<u>\$63,465</u>	<u>\$62,438</u>

Tax loss carryforwards refer to losses incurred within the past ten years that, in accordance with the Income Tax Act and subject to approval by the tax authority, may be deducted from the current year's taxable income before income tax is

assessed. These items have not been recognized as deferred tax assets because the Company is not likely to have sufficient taxable income in the future to utilize the temporary differences.

As of December 31, 2024, the Consolidated Company's unused tax loss

carryforwards and the final year in which they may be deducted 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	2032
2023	20,947	0	20,947	2033
2024	5,138	0	5,138	2034
Total	<u>\$430,612</u>	<u>(\$113,285)</u>	<u>\$317,327</u>	

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

By function By nature	2024			2023		
	Operation costs	Operation expenses	Total	Operation costs	Operation expenses	Total
Employee benefit expenses						
Salary expenses	32,931	135,494	168,425	35,417	109,475	144,892
Labor and health insurance expenses	3,360	10,678	14,038	3,957	11,301	15,258
Retirement benefits expenses	1,497	4,965	6,462	1,825	5,192	7,017
Remuneration to Directors	0	2,880	2,880	0	2,704	2,704
Other employee benefits	1,394	13,756	15,150	1,717	7,036	8,753
Depreciation expenses	48,451	22,616	71,067	48,865	23,328	72,193
Amortization expenses	2,800	1,683	4,483	2,800	1,683	4,483

(XXX) 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

	2024	2023
Profit attributable to the holders of ordinary shares of the Company	\$2,831,693	\$442,041
calculation of diluted earnings per share (in thousands)	369,419	369,333
Basic earnings per share	\$7.67	\$1.20

	2024	2023
2. Diluted earnings per share		
Attributable to the ordinary shares of the Company		
Profit attributable to holders (diluted)	\$2,831,693	\$442,041
calculation of diluted earnings per share (in thousands)	369,419	369,333
Effect of potentially dilutive ordinary shares:		
Impact on employee remuneration	485	244
Weighted average number of ordinary shares outstanding used for calculation of diluted earnings per share (in thousands)	369,904	369,577
Diluted earnings per share	\$7.66	\$1.20

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.

(XXXI) Additional information regarding cash flows

	2024	2023
Increase in property, plant, and equipment	\$4,015	\$4,575
Net (increase) decrease in other payables	1,352	(82)
Cash paid during the year	<u>\$5,367</u>	<u>\$4,493</u>

	2024	2023
Increase in intangible assets	\$272	\$50
Net decrease in other payables	0	39
Cash paid during the year	<u>\$272</u>	<u>\$89</u>

(XXXII) Changes in liabilities from financing activities

Reconciliation of liabilities from financing activities was as follows:

	2024.1.1	Cash flows	Non-cash changes	2024.12.31
Short-term borrowings	\$3,756,950	(\$1,120,475)	\$0	\$2,636,475
Face value of short-term bills payable	4,591,100	(137,100)	0	4,454,000
Long-term borrowings	9,581,737	2,006,414	0	11,588,151
Deposits received	5,904	(1,760)	0	4,144
Lease liabilities	<u>69,295</u>	<u>(1,282)</u>	<u>0</u>	<u>68,013</u>
Liabilities from the financing activities	<u>\$18,004,986</u>	<u>\$745,797</u>	<u>\$0</u>	<u>\$18,750,783</u>
	<u>2023.1.1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>2023.12.31</u>

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>

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 the directors of the Company

(II) Significant transactions with related parties

1. Operating revenue

Name	2024	2023
	Amount	Amount
Chieh Chih Construction Co., Ltd.	\$209	\$455
Baihong Construction Co., Ltd.	129	200
Yangmin International Catering Co., Ltd.	4,459	4,456
King's Town Construction Co., Ltd.	0	451
Other related parties	38,982	178
Total	<u>\$43,779</u>	<u>\$5,740</u>

The sales of premises to related parties were made at normal market prices. The

sales of premises to other related parties in 2024 and 2023 amounted to NT\$38,833 thousand and NT\$0 thousand, respectively, which were paid upon the transfer of the properties, and the remaining catering revenues were collected within 30 to 90 days.

2. Lease income from operating activities are as follows:

The related party Yangmin International Catering Co., Ltd. entered into leases with the Consolidated Company in 2024 and 2023 as follows.

The lease details are as follows:

Lessee	Lease subject	Lease period	Rent and Collection Status	Rental revenue
<u>January 1 to December 31, 2024</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.	<u>\$4,456</u>

Lessee	Lease subject	Lease period	Rent and 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.	<u>\$4,456</u>

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) The Consolidated Company has commissioned Chieh Chih Construction Co., Ltd. to undertake various construction projects for 2024 and 2023. The contract price and current purchases are as follows:

Site name	Contract price (including tax)	Purchases	
		2024	2023
Kaohsiung Fuhe Section No. 698-1 Renovation	\$2,486,986	\$0	\$0
Kaohsiung Ai Qun No. 2748 (World of Heart)	\$2,211,730	593,929	407,652
Kaohsiung Bohsiao Section No. 1140 (Jing Wu Tong)	\$1,405,500	172,415	159,076
Total		<u>\$766,344</u>	<u>\$566,728</u>

- (2) The Consolidated Company has commissioned EPILEDS Construction Co., Ltd. to undertake various construction projects for 2024 and 2023. The contract price and current purchases are as follows:

Site name	Contract price (including tax)	Purchases	
		2024	2023
Kaohsiung Fuhe Section No. 698-1 Structural Engineering	\$2,006,214	\$214,310	\$0
Kaohsiung Longzhong Section No. 191	\$1,072,320	228,601	57,146
Kaohsiung Shindu Section 163 (Fu +)	\$970,200	0	276,311
Tainan Yuguang Section No. 880, 3 in total	\$1,377,360	200,015	0
Total		<u>\$642,926</u>	<u>\$333,457</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. Receivables from related parties

Name of project and related party	December 31, 2024	December 31, 2023
	Balance	Balance
(1) Trade receivables		
Baihong Construction Co., Ltd.	\$7	\$2
(2) Other receivables		
Meiyun S. Tsai	\$111	\$109
King's Town Construction Co., Ltd.	0	25
Yangmin International Catering Co., Ltd.	33	78
Other related parties	0	7
Total	\$144	\$219

Other receivables represent amounts receivable for the landlords' share of selling expenses and payments made on behalf of related parties.

6. Payables to related parties.

	December 31, 2024	December 31, 2023
Name of project and related party	Balance	Balance
(1) Notes payable		
Chieh Chih Construction Co., Ltd.	\$91,884	\$40,011
Baihong Construction Co., Ltd.	145,009	103,104
Total	<u>\$236,893</u>	<u>\$143,115</u>
(2) Trade payables		
Chieh Chih Construction Co., Ltd.	\$188,314	\$0
Baihong Construction Co., Ltd.	0	85,714
Total	<u>\$188,314</u>	<u>\$85,714</u>
(3) Other payables		
King's Town Construction Co., Ltd.	\$1,132	\$0
Yangmin International Catering Co., Ltd.	68	160
Total	<u>\$1,200</u>	<u>\$160</u>

7. Contract liabilities - current

	December 31, 2024	December 31, 2023
Name of project and related party	Balance	Balance
Chieh Chih Construction Co., Ltd.	\$23	\$23
Baihong Construction Co., Ltd.	11	11
King's Town Construction Co., Ltd.	8	8
Other related parties	61	72
Total	<u>\$103</u>	<u>\$114</u>

8. Deposits received

December 31, 2024	December 31, 2023
-------------------	-------------------

Name of project and related party	Balance	Balance
Yangmin International Catering Co., Ltd.	\$708	\$708

Deposits received represent lease deposits.

9. Lease expenses

Lease expenses	Price payment	
	2024	2023
King's Town Construction Co., Ltd.	\$1,029	\$1,029

The lease details are as follows:

Lessor	Lease subjects	Lease period	Rent and payment status	2024	2023
King's Town Construction Co., Ltd.	12F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City	2022/07/01~ 2023/06/30 2023/07/01~ 2024/06/30 2024/07/01~ 2025/06/30	The monthly rent is NT\$90 thousand (including business tax), which is determined based on the rental market rates of the nearby area, paid monthly via bank transfer.	\$1,029	\$1,029

10. Others

- (1) The Chairman of the Consolidated Company and Director Meiyun S. Tsai provided land Lot. 551 and 554 in the Shi Jia Section, which are her personal assets, as collateral for the Consolidated Company's bank loans. The loan amounts secured by this collateral were NT\$798,000 thousand and NT\$1,000,000 thousand as of December 31, 2024 and 2023, 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 2024 and 2023, the amounts of

commercial paper issued were NT\$0 thousand and NT\$350,000 thousand, respectively.

- (3) The Chairman of the Consolidated Company and Director Meiyun S. Tsai provided land at Qinghai Lot No. 216 together with the Consolidated Company's construction site at Qinghai Lot No. 229 as joint collateral for bank loans and the issuance of commercial paper. As of December 31, 2024 and 2023, the loan amounts were NT\$1,511,600 thousand and NT\$1,591,250 thousand, respectively, and the amounts of commercial paper issued were NT\$1,591,200 thousand and NT\$1,675,000 thousand, respectively.
- (4) The Consolidated Company's investment in affiliates is described in Note VI(IX).
- (5) In 2024 and 2023, the Consolidated Company collected water and garbage removal fees from a related party, Yangmin International Catering Co., Ltd. The decrease in utilities was NT\$313 thousand and NT\$343 thousand, and the decrease in garbage collection was NT\$142 thousand for both years. In addition, collection of meal charges from tenants amounted to NT\$196 thousand and NT\$718 thousand, respectively.
- (6) In 2024 and 2023, the Consolidated Company paid the related party, Yangmin International Catering Co., Ltd., expenses such as customer hospitality, which were recorded as NT\$535 and NT\$409 for social expenses, and NT\$0 and NT\$298 for miscellaneous expenses, 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\$590,649 thousand and NT\$678,061 thousand as of December 31, 2024 and 2023, 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 as of December 31, 2024 and 2023.

11. Information on remuneration to the management

	2024	2023
Short-term employee benefits	\$28,305	\$25,149

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, 2024	December 31, 2023
Buildings and land held for sale	Collateralized borrowing and issuance of commercial promissory notes	\$4,014,274	\$5,565,214
Construction in progress	Collateralized borrowing and issuance of commercial promissory notes	3,355,652	5,222,870
Land held for construction	Collateralized borrowing and issuance of commercial promissory notes	22,386,348	19,266,364
Housing and Construction	Secured borrowings	502,729	563,942
Other financial assets - current	Pre-sold real estate trust and performance trust	33,373	68,072
Refundable deposits	Disaster management guarantee and industry-academia collaboration	33,493	27,046
	Deposit		
Total		\$30,325,869	\$30,713,508

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

- As of December 31, 2024, the total contract value (including tax) of the construction contracts that had been signed was NT\$8,348,380 thousand, with an outstanding payment amount of NT\$7,255,239 thousand.
- As of December 31, 2024, the total contract value of the signed agreements for the

acquisition of construction land was NT\$395,000 thousand, with an outstanding payment amount of NT\$200,000 thousand.

3. 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.
4. 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, 2024 and 2023, the financing endorsement and guarantee of the Consolidated Company are as follows:

Endorser/Guarantor	Endorsee/Guarantee	December 31, 2024	December 31, 2023	Guarantee purpose
King's Town Construction Co., Ltd.	SanDi Properties Co., Ltd.	<u>\$3,000,000</u>	<u>\$2,000,000</u>	Loan financing credit guarantee

5. As of December 31, 2024 and December 31, 2023, the Consolidated Company had entrusted banks to issue price performance guarantee for the pre-sale cases with a guarantee amount of NT\$18,580.
6. In 2024, the Consolidated Company applied to the bank for a performance guarantee limit of NT\$200,000 thousand. This limit is exclusively intended to provide the performance guarantee documents required for the energy management incentive items associated with the “Tainan City Urban Planning Industrial Zone Renewal and Vertical Development” project, as submitted to the Tainan City Government.

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. Type of Financial Instrument

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Current		
Domestic listed stocks	<u>\$0</u>	<u>\$0</u>
Non-current		
Domestic unlisted stocks	<u>\$82</u>	<u>\$82</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$3,000,245	\$634,228
Net notes receivable and trade receivables (including related parties)	26,670	27,471

	December 31, 2024	December 31, 2023
Other receivables (including related parties)	8,284	8,183
Other financial assets (including current and non-current)	33,373	68,072
Refundable deposits	38,337	31,803
Long-term notes and trade receivable	0	20,000
Subtotal	\$3,106,909	\$789,757
Total	\$3,106,991	\$789,839

Financial liabilities

Measured at amortized cost

Short-term borrowings	\$2,636,475	\$3,756,950
Short-term bills payable	4,445,526	4,587,399
Notes payable and trade payables (including related parties)	520,733	335,623
Other payables (including related parties)	162,684	72,095
Long-term borrowings (including long-term borrowing due within one operating cycle)	11,588,151	9,581,737
Lease liabilities (including current and non-current)	68,013	69,295
Long-term notes payable	0	7,595
Deposits received	4,144	5,904
Total	\$19,425,726	\$18,416,598

2. Financial risk management policy

- (1) The Consolidated Company's daily operations are subject to a number of financial risks, including market risk (including interest rate risk and price risk),

credit risk and liquidity risk. The Consolidated Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Consolidated Company's financial position and financial performance.

(2) Financial risk management of the Consolidated Company is carried out by its finance department based on the policies approved by the Board of Directors. Through cooperation with the Consolidated Company's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks.

(3) The Consolidated Company does not undertake derivatives for hedging financial risks.

3. Significant financial risks and degrees of financial risks

(1) Market risks

A. Price risks

The Consolidated Company is exposed to price risk associated with equity instruments, which are classified in the balance sheet as financial assets measured at fair value through profit or loss. To manage the price risk of equity instrument investments, the Consolidated Company invests based on established limits and investment targets. These investments are in non-public venture capital funds, and due to the insignificance of the investment amounts, the consolidated company is not exposed to price risk related to equity instruments.

B. Cash flow and fair value interest rate risk

The Consolidated Company's interest rate risks come from short-term borrowings, and long-term borrowings. The funds borrowed at floating interest rates expose the Consolidated Company to cash flow interest rate risk. In 2024 and 2023, 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.

If the interest rate changes by 0.25% on the reporting date, with all other variables held constant, the Company's cash outflows related to financial liabilities would increase or decrease by NT\$35,562 thousand and NT\$33,347 thousand for 2024 and 2023, respectively. This is primarily due to the Company's exposure to interest rate risk from its floating rate borrowings.

(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. Furthermore, the Consolidated Company has a large customer base and does not significantly concentrate transactions with a single customer; therefore, the credit risk associated with accounts receivable does not pose a significant concentration risk. 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 2024 and 2023.

C. No written-off debts with recourse existed as of December 31, 2024 and 2023.

(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, including estimated interest. 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, 2024				
Short-term borrowings	\$1,360,203	\$563,455	\$540,099	\$243,826
Short-term bills payable	4,454,000	0	0	0
Notes and accounts receivable (including amounts to related parties)	512,919	95	7,595	124
Other payables (including amounts to related parties)	162,683	0	0	1
Provisions - current	7,410	7,800	17,950	16,900
Long-term borrowings (including long-term borrowing due within one operating cycle)	667,221	307,641	7,943,037	3,435,959
Lease liabilities (including current)	1,233	1,233	4,932	84,869
December 31, 2023				

Non-derivative financial liabilities	Within 6 months	6 to 12 months	1 to 3 years	Over 3 years
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 long-term borrowing 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

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.

- 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. The Consolidated Company measures financial assets at fair value through profit or loss on a recurring basis. As of December 31, 2024, and December 31, 2023, the financial instruments measured at fair value are classified by the nature, characteristics, risks, and fair value hierarchy of the assets and liabilities. The relevant information is as follows:

	December 31, 2024			
	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, 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

- 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 2024 and 2023, the Company did not experience any transfers between Level 1 and Level 2 of the fair value hierarchy.
- (4) In 2024 and 2023, there was no transfers into or out of Level 3. The details of the changes are as follows:

	Investments in equity instruments without an active market
December 31, 2024 (i.e., January 1, 2023)	\$82
December 31, 2023 (i.e., January 1, 2022)	\$82

- E. Financial instruments not measured at fair value include cash and cash equivalents, accounts and notes receivable (including long-term notes receivable), other receivables, deposits paid, restricted bank deposits, short-term borrowings, short-term notes payable, notes payable, accounts payable, other payables, long-term borrowings, and the carrying amounts of deposits received, which are reasonable approximations of fair value.

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.	Table IV
7	Purchases or sales with related parties totaling NT\$100 million or more than 20% of the paid-in capital.	Table V
8	Receivables from related party totaling NT\$100 million or more than 20% of the paid-in capital.	None
9	Engaging in derivatives trading.	None
10	Business relationships and significant intercompany transactions.	Table VI

Table I

King's Town Construction Co., Ltd.
Details on endorsements/guarantees to others.
December 31, 2024

Unit: NT\$ thousands

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	6,168,267	3,000,000	3,000,000	2,059,760	0	14.59%	10,280,446	N	N	N

Note 1: Instructions for the number column:

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

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

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

Note 3:

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

Table II

King's Town Construction Co., Ltd.
Marketable securities held (excluding investments in subsidiaries)
December 31, 2024

Unit: NT\$ thousands

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

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

Table III

King's Town Construction Co., Ltd.

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

Unit: NT\$ thousands

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.	Prepaid Land Payment - Cost equivalent land in the rezoning of self-administered municipal land at Caohu, Annan District, Tainan City (I)	2020.12.17	\$395,000	\$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	\$334,410	First Commercial Bank Ltd.	None	—	—	—	—	Real estate valuation report by professional valuation firm	Land held for construction for business operations	
King's Town Construction Co., Ltd.	Construction Land - No. 27-30, Hsinsheng Section, Zuoying District, Kaohsiung City	2024.6.12	\$1,336,821	\$1,336,821	23 natural persons including Chen	None	—	—	—	—	Real estate valuation report by professional valuation firm	Land held for construction for business operations	
King's Town Construction Co., Ltd.	Construction land – Kaohsiung City, Niaosong District, Dapi Section, No. 20 and 21.	2024.07.29	\$899,739	\$899,739	36 natural persons including Chou	None	—	—	—	—	Real estate valuation report by professional valuation firm	Land held for construction for business operations	
King's Town Construction Co., Ltd.	Construction Land - Lot 3, Longdong Section, Gushan District, Kaohsiung City	2024.07.03	\$679,270	\$679,270	11 natural persons including Mr. Yu,	None	—	—	—	—	Real estate valuation report by professional valuation firm	Land held for construction for business operations	
King's Town Construction Co., Ltd.	Construction land – Kaohsiung City, Zuoying District, Xinmin Section, Lots 289 and 290.	2024.08.06	\$1,011,551	\$1,011,551	6 natural persons including Hsu	None	—	—	—	—	Real estate valuation report by professional valuation firm	Land held for construction for business operations	

The transfer of the above cost equivalent land in the rezoning of self-administered municipal land at Caohu, Annan District, Tainan City (I) is not yet completed by the end of December 2024.

Table IV

King's Town Construction Co., Ltd.

Disposal of real estate totaling NT\$300 million or more than 20% of the paid-in capital.

Unit: NT\$ thousands

Disposal company of property	Name of property	Date of occurrence	Original acquisition date	Carrying amount	Transaction amount	Payment collection status	Profit or loss on disposal	Counterparty	Relationship with the Company	Purpose of Disposal	Basis or reference for price setting	Other agreements
King's Town Construction Co., Ltd.	Land and buildings located at Lot 60-1, 62-64, Chenggong Section, Lingya District, Kaohsiung City.	2024.07.10	2008.10.16	\$540,345	\$1,311,842	A total of \$1,311,842 has been received.	\$771,409	Run Long Construction Co., Ltd.	None	Disposal of idle and undeveloped land to boost profitability	Real estate valuation report by professional valuation firm	
King's Town Construction Co., Ltd.	Land parcels No. 65 to 86 and 20 other lots (total of 22 lots) and their buildings in Chenggong Section, Lingya District, Kaohsiung City.	2024.07.26	2008.11.18~ 2024.01.16	\$660,270	\$988,047	A total of \$988,047 has been received.	\$322,458	Jin Jyun Construction Co., Ltd.	None	Disposal of idle and undeveloped land to boost profitability	Real estate valuation report by professional valuation firm	

Table V

King's Town Construction Co., Ltd.

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

Unit: NT\$ thousands

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	\$766,344	11.88%	Subject to contract	—	—	Notes payable \$91,884 Trade payables \$188,314	30.09% 87.46%	
King's Town Construction Co., Ltd.	Baihong Construction Co., Ltd.	The Company's Chairman is the supervisor of such company	Purchases	\$642,926	9.97%	Subject to contract	—	—	Notes payable \$145,009 Trade payables \$0	47.48% 0.00%	

Table VI

King's Town Construction Co., Ltd.
Business relationships and significant intercompany transactions
January 1 to December 31, 2024

Unit: NT\$ thousands

Name of Company	Name of counterparty	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
			Account name	Amount	Trading terms	
King's Town Construction Co., Ltd.	H2O Hotel Co., Ltd. (H2O Hotel)	Parent to subsidiary	Operating revenue	\$52,095	Monthly contractual payments	0.56%
King's Town Construction Co., Ltd.	H2O Hotel Co., Ltd. (H2O Hotel)	Parent to subsidiary	Entertainment expense	883	Under the same terms as ordinary transactions.	0.01%
King's Town Construction Co., Ltd.	H2O Hotel Co., Ltd. (H2O Hotel)	Parent to subsidiary	Miscellaneous expenses	198	Under the same terms as ordinary transactions.	0.00%
H2O Hotel Co., Ltd. (H2O Hotel)	King's Town Construction Co., Ltd.	Subsidiary to parent	Right-of-use assets	1,464,987	Monthly contractual payments	3.56%
H2O Hotel Co., Ltd. (H2O Hotel)	King's Town Construction Co., Ltd.	Subsidiary to parent	Operating revenue	1,081	Under the same terms as ordinary transactions.	0.01%

(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	\$520,000	\$490,000	52,000	100%	\$133,531	(\$21,348)	(\$17,001)	-
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%	\$15,872	\$10,062	\$4,024	

Note 1: The Company recognized a loss share of NT\$21,348 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\$4,347 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 primary operating decision-makers for the purpose of resource allocation and performance evaluation of each department, with a focus on

the category of product or service delivered or rendered, as each is managed separately due to differing technical requirements and marketing strategies. 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:

	2024			
	Construction Department	Accommodation Department	Adjustments and elimination	Total
Revenue				
Net revenue from external customers	\$8,990,060	\$288,906	\$4,457	\$9,283,423
Net intersegment revenue	52,095	1,081	(53,176)	0
Total revenue	<u>\$9,042,155</u>	<u>\$289,987</u>	<u>(\$48,719)</u>	<u>\$9,283,423</u>
Interest income	\$6,884	\$653	\$0	\$7,537
Interest expenses	323,494	18,171	(16,982)	324,683
Depreciation and amortization	3,910	44,057	27,583	75,550
Investment profit or loss recognized under the equity method	(17,001)	4,024	17,001	4,024
Significant revenue, expense and loss:				
Other income	1,984	6,911	(5,920)	2,975
Reportable segment profit or loss	<u>\$2,832,878</u>	<u>(\$21,348)</u>	<u>\$21,348</u>	<u>\$2,832,878</u>

	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>
Reportable segment assets				
December 31, 2024	<u>\$41,049,224</u>	<u>\$1,664,574</u>	<u>(\$1,598,702)</u>	<u>\$41,115,096</u>
December 31, 2023	<u>\$36,952,043</u>	<u>\$1,706,687</u>	<u>(\$1,629,546)</u>	<u>\$37,029,184</u>
Reportable segment liabilities				
December 31, 2024	<u>\$20,488,331</u>	<u>\$1,630,073</u>	<u>(\$1,564,201)</u>	<u>\$20,554,203</u>
December 31, 2023	<u>\$19,224,028</u>	<u>\$1,680,837</u>	<u>(\$1,603,696)</u>	<u>\$19,301,169</u>

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

(IV) Product information

Products and service	2024	2023
Land revenue	\$5,413,312	\$1,101,511
Building revenue	3,539,914	1,106,967
Rental revenue	41,290	41,370
Room revenue	162,839	164,845
Catering revenue	126,068	139,053
Total	<u>\$9,283,423</u>	<u>\$2,553,746</u>

(V) Important customer information:

The Consolidated Company's sales to an individual customer accounted for more than 10% of net operating revenues in 2024 and 2023:

Name of client	2024		2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Run Long Construction Co., Ltd.	\$1,311,842	14.13%	\$0	0.00%
Jin Jyun Construction Co., Ltd.	988,047	10.64%	0	0.00%