

Huaku Development Co., Ltd.
PARENT COMPANY ONLY FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
December 31, 2022 and 2021
(Stock Code: 2548)

This financial report has not been reviewed or certified by an accountant

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Notice to Reader:

For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

HUAKU DEVELOPMENT CO., LTD.

Parent Company Only Financial Statements and Independent Auditors' Report

December 31, 2022 and 2021

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To Huaku Development Co., Ltd..

Audit Opinions

The auditors have audited the Parent Company Only Balance Sheet of Huaku Development Co., Ltd. as of December 31, 2022 and 2021, the Parent Company Only Statement of Comprehensive Income, Parent Company Only Statement of Changes in Equity, Parent Company Only Statement of Cash Flows, and Notes for Parent Company Only Financial Statements (including Statements on Significant Accounting Policies and Their Summary) for the period of January 1 to December 31, 2022 and 2021.

In our opinion, based on our audits and other independent auditors' reports (please refer to Other Matter sections), the aforementioned Parent Company Only Financial Statements present fairly, in all material respects, the financial position of Huaku Development Co., Ltd. as of December 31, 2022 and 2021, and its parent company only financial performance and cash flows for the periods from January 1 to December 31, 2022 and 2021.

Basis of Audit Opinions

We have performed the auditing in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Auditing Standards of ROC. Our responsibilities under those standards are further described in the section of Responsibility of Certified Public Accountants for Auditing Financial Statements. We are independent from Huaku Development Co., Ltd. in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities in accordance with the requirements stated in The Norm. Based on our auditing results and other independent auditors' reports, we believe that we have obtained sufficient and appropriate audit evidence to serve as the basis for our opinion.

Key Audit Matters

The key audit matters are those that we consider the most important according to our professional judgment when auditing the parent company only financial statements of Huaku Development Co., Ltd. for 2022. The said matters have been expressed when the financial statements were audited as a whole and when the audit opinions took form. Any personal opinion on any of the said matters is not expressed.

Key audit matters of the parent company only financial statements of Huaku Development Co., Ltd. for 2022 are as follows:

The Appropriateness of Recognition Timing of Building and Land Sales Revenue

Description of the Matter

Please refer to Note 4 (21) of the Notes for Parent Company Only Financial Statements for the accounting policies of the construction industry on operating revenue and Note 6 (16) for descriptions of accounting items.

The sales revenue of the construction industry is recognized when the real estate completes the transfer of ownership and the actual delivery of the housing. Since there is a large number of sales of premises in the construction industry, in order to confirm the validity of the recognition timing of the sales revenue, the Company needs to examine the transfer of ownership and delivery housing data one by one to recognize the sales revenue, which usually involves tremendous manual efforts. Therefore, we listed the closing date of sales revenue of real estate as one of the most important matters to audit.

Corresponding Audit Procedures

The corresponding audit procedures we took for the specific aspects described in the aforementioned audit matters are as follows:

- Interview with regulatory authority to understand and review the procedures for the recognition of building and land sales revenue and to adopt it consistently with the attribution period of financial statements.
- Conducting evaluation and validation of the appropriateness of the regulatory authority concerning the period of attribution of sales revenue of building and land before and after the closing date for a certain period, including the verification of the transfer date specified on the land registration and house ownership certificate as well as the date of the transfer date on the agreement signed by the client for handing over of property to confirm the accuracy of the recognition timing of building and land sales revenue.

Other Matters - Mentioning of the Audit Result of Other Certified Public Accountants (CPAs)

The 2022 and 2021 financial statements of parts of the investments made by Huaku Development Co., Ltd. using the equity method have not been audited by PwC Taiwan but by other CPAs. Therefore, the opinions on the parent company only financial statements listed above concerning the amount listed in the financial statements of such companies and the relevant information disclosed in Note 13 are based on the audit reports of the other CPAs. The amounts of investment accounted for using the equity method in the aforementioned companies were NT\$44,611 thousand and NT\$41,057 thousand as of December 31, 2022 and 2021, which constitute 0.109% and 0.097% of total assets, respectively. For the aforementioned companies, the recognized comprehensive income was NT\$7,747 thousand and NT\$4,853 thousand for the years ended December 31, 2022 and 2021, which constitute 0.261% and 0.166% of total comprehensive income, respectively.

Responsibility of the Management and the Governance Units for the Parent Company Only Financial Statements

The responsibility of the management was to act in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers to fairly represent the Company's financial status and also to maintain necessary internal control with regard to the compilation of the parent company only financial statements, so as to ensure such financial statements did not contain any material misstatement due to fraud or errors.

When the parent company only financial statements were in the process of preparation, the responsibility of the management also included the assessment of the going concern capacity of Huaku Development Co., Ltd., disclosure of related matters, and the adoption of the accounting basis of going concern, unless the management intended to liquidate or suspend the operation of Huaku Development Co., Ltd., or if there was no other option except liquidation or suspension of the company's operation.

The governing units of Huaku Development Co., Ltd. (including the Audit Committee) bear the responsibility to oversee the financial reporting process.

Responsibility of Certified Public Accountants for Auditing Parent Company Only Financial Statements

Our objective when auditing the parent company only financial statements was to obtain reasonable assurance whether they contained any material misstatement due to fraud or errors and issue the auditors' report. Reasonable assurance refers to high level of assurance. However, auditing work carried out in accordance with the Auditing Standards of ROC does not necessarily guarantee the detection of material misstatement in parent company only financial statements. Misstatements may be caused by fraud or errors. If the individual amounts or sums that the material misstatement involved may be reasonably expected to affect the financial decision making of users of the parent company only financial statements, such misstatement will be considered material.

We conducted the auditing according to the Auditing Standards of ROC, and also exercised our professional judgment and remained professionally skeptical. We have also executed the following tasks:

1. Identified and evaluated the risk of material misstatements due to fraud or errors in the consolidated financial statements; designed and carried out appropriate countermeasures for the evaluated risk, and obtained sufficient and appropriate evidence as the basis for the audit opinions. As fraud can involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, the risk of failing to detect material misstatements resulting from fraud is higher than the risk of failing to identify those coming from errors.
2. Achieved the necessary understanding of the internal control relevant to auditing verifications in order to design the auditing procedures appropriate for the given context. Nevertheless, the purpose of this is not to express an opinion on the effectiveness of Huaku Development Co., Ltd.'s internal control.
3. Evaluated the appropriateness of the accounting policies adopted by the management and the reasonableness of its accounting estimates and relevant disclosures.
4. Formed a conclusion pertaining to the appropriateness of the accounting basis of going concern adopted by the management of Huaku Development Co., Ltd.; determined whether material uncertainty exists or not on events or conditions which may significantly impact the going concern of Huaku Development Co., Ltd. If we thought such material uncertainty existed for such events or conditions, we must point it out in the auditors' report to remind users of the

parent company only financial statements to look out for related disclosures in the parent company only financial statements, or to revise our audit opinions if such disclosures were inappropriate. Our conclusion was established according to the audit evidence obtained by the date of the auditors' report. However, future events or conditions may cause Huaku Development Co., Ltd. to lose the capacity of going concern.

5. Evaluated the overall expression, structure and contents of the parent company only financial statements (including relevant Notes), and whether the parent company only financial statements fairly represent relevant transactions and events.
6. Obtained sufficient and appropriate audit proof of the financial information of Huaku Development Co., Ltd.'s constituents so as to express opinions on the parent company only financial statements. We were responsible for guiding, supervising and executing the audit work for the Company and also establishing the auditor's opinion on the parent company only financial statements.

We communicated with the governance units on the planned audit range and time, as well as material audit discoveries (including significant internal control defects found in the audit process).

We provided the governance units with a statement assuring the personnel of our accounting firm who are subject to independent regulations had acted according to the Norm of Professional Ethics for Certified Public Accountant of the Republic of China to remain neutral and also communicated with them about all relations and other matters (including related preventive measures) that could affect the independence of certified public accountants.

Based on the result of our discussion with the governance units, we decided on the matters to be regarded as key audit matters when auditing the 2022 parent company only financial statements of Huaku Development Co., Ltd. We have clearly described the said matters in the auditors' report, except certain matters whose public disclosure is prohibited by law, or certain matters we decided not to communicate under extremely rare circumstances because disclosure of such matters can be reasonably expected to lead to negative effects that would be greater than the public good they might bring.

PwC Taiwan

Hsiao, Chun-Yuan

CPA

Lin, Se-Kai

Former Securities and Futures Bureau, FSC

Approved Document, Reference No.:

FSC Zheng-Sixth-Zi No. 0960042326

FSC Zheng-Sixth-Zi No. 0960072936

February 22, 2023

Huaku Development Co., Ltd.
Parent Company Only Balance Sheet
December 31, 2022 and 2021

Unit: NT\$ thousands

			December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Assets			Notes			
Current assets						
1100	Cash and cash equivalents	6 (1)	\$ 1,572,606	4	\$ 2,335,264	6
1150	Notes receivable, net	6 (2) and 7	5,167	-	7,840	-
1170	Accounts receivable, net	6 (2)(10) and 8	163,593	-	202,443	-
1200	Other receivables	6 (10) and 8	11,289	-	26,231	-
130X	Inventories	6 (3) and 8	33,437,416	81	33,812,306	80
1410	Prepayments		8,144	-	5,171	-
1478	Construction refundable deposits		227,738	1	221,249	1
1479	Other current assets—others	6 (4) and 8	1,609,932	4	1,280,144	3
11XX	Total current assets		<u>37,035,885</u>	<u>90</u>	<u>37,890,648</u>	<u>90</u>
Non-current assets						
1550	Investment accounted for using the equity method	6 (5)	836,042	2	942,638	2
1600	Property, plant, and equipment		205,865	1	200,555	-
1755	Right-of-use assets		11,433	-	18,207	-
1760	Investment properties, net	6 (6) and 8	247,717	1	251,817	1
1840	Deferred income tax assets	6 (22)	19,221	-	19,680	-
1920	Refundable deposits		171,378	-	99,403	-
1930	Long-term notes and accounts receivable	6 (2)(10) and 8	2,493,028	6	2,849,570	7
1990	Other non-current assets—others		6,508	-	7,636	-
15XX	Total non-current assets		<u>3,991,192</u>	<u>10</u>	<u>4,389,506</u>	<u>10</u>
1XXX	Total assets		<u>\$ 41,027,077</u>	<u>100</u>	<u>\$ 42,280,154</u>	<u>100</u>

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Huaku Development Co., Ltd.
Parent Company Only Balance Sheet
December 31, 2022 and 2021

Unit: NT\$ thousands

	Liability and equity	Notes	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6 (7)	\$ 8,751,890	21	\$ 8,852,000	21
2110	Short-term notes and bills payable	6 (8)	299,800	1	2,230,921	5
2130	Contract liabilities—current	6 (16)	4,647,040	11	3,726,040	9
2150	Notes payable	7	1,032	-	2,403	-
2170	Accounts payable		241,231	1	298,030	1
2180	Accounts payable—related parties	7	811,152	2	963,659	2
2200	Other payables		453,087	1	425,986	1
2230	Current income tax liabilities		414,397	1	473,801	1
2280	Lease liabilities—current		3,825	-	6,808	-
2320	Long-term liabilities due within one year or one operating cycle	6 (10)	2,563,626	6	2,511,848	6
2399	Other current liabilities—others	6 (9)	203,142	1	233,808	1
21XX	Total current liabilities		<u>18,390,222</u>	<u>45</u>	<u>19,725,304</u>	<u>47</u>
	Non-current liabilities					
2540	Long-term loans	6 (10)	3,288,586	8	4,072,369	10
2570	Deferred income tax liabilities	6 (22)	3,560	-	2,280	-
2580	Lease liabilities—non-current		7,801	-	11,626	-
2640	Net defined benefit liabilities—non-current	6 (11)	32,015	-	34,778	-
2645	Guarantee deposits received		30,655	-	29,391	-
2670	Other non-current liabilities—other	6 (3)	4,596	-	26,389	-
25XX	Total non-current liabilities		<u>3,367,213</u>	<u>8</u>	<u>4,176,833</u>	<u>10</u>
2XXX	Total liabilities		<u>21,757,435</u>	<u>53</u>	<u>23,902,137</u>	<u>57</u>
	Equity					
	Share capital	6 (12)				
3110	Share capital from common stock		2,768,127	7	2,768,127	6
	Additional paid-in capital	6 (13)				
3200	Additional paid-in capital		78,986	-	77,678	-
	Retained earnings	6 (14)				
3310	Legal reserves		4,001,673	10	3,709,291	9
3350	Unappropriated retained earnings		12,410,036	30	11,817,684	28
	Other equity interest	6 (15)				
3400	Other equity interest		11,670	-	6,087	-
3500	Treasury stocks	6 (12)	(850)	-	(850)	-
3XXX	Total equity		<u>19,269,642</u>	<u>47</u>	<u>18,378,017</u>	<u>43</u>
	Material commitments and contingencies	9				
3X2X	Total liabilities and equity		<u>\$ 41,027,077</u>	<u>100</u>	<u>\$ 42,280,154</u>	<u>100</u>

The Notes for Parent Company Only Financial Statements are part of the Parent Company Only Financial Statements and should be read together.

Chairman: Chung, Long-Chang

Manager: Jason Hung

Accounting Supervisor: Liu, Jo-Mei

Huaku Development Co., Ltd.
Parent Company Only Statement of Comprehensive Income
December 31, 2022 and 2021

Unit: NT\$ thousands
(except for earnings per share in New Taiwan dollars)

	Items	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	6 (16) and 7	\$ 14,736,564	100	\$ 13,517,526	100
5000	Operating costs	6 (17) (18) and 7	(10,116,201)	(69)	(9,322,632)	(69)
5950	Net gross profit		<u>4,620,363</u>	<u>31</u>	<u>4,194,894</u>	<u>31</u>
	Operating expenses	6 (17) (18) and 7				
6100	Selling expenses		(429,904)	(3)	(249,918)	(2)
6200	Administrative expenses		(468,465)	(3)	(459,657)	(3)
6000	Total operational expenses		(898,369)	(6)	(709,575)	(5)
6900	Operating profit		<u>3,721,994</u>	<u>25</u>	<u>3,485,319</u>	<u>26</u>
	Non-operating income and expenses					
7100	Interest income	6 (19)	67,006	1	59,958	1
7010	Other income	6 (20) and 7	30,259	-	62,333	1
7020	Other gains and losses		724	-	755	-
7050	Financial cost	6 (21)	(109,109)	(1)	(97,707)	(1)
7070	Shares of profit (loss) of subsidiaries, associates, and joint ventures accounted for using the equity method	6 (5)	<u>4,173</u>	<u>-</u>	<u>57,581</u>	<u>-</u>
7000	Total non-operating income and expenses		(6,947)	-	82,920	1
7900	Pre-tax profit		<u>3,715,047</u>	<u>25</u>	<u>3,568,239</u>	<u>27</u>
7950	Income tax expense	6 (22)	(757,801)	(5)	(648,066)	(5)
8200	Net income		<u>\$ 2,957,246</u>	<u>20</u>	<u>\$ 2,920,173</u>	<u>22</u>
	Other comprehensive income (net)					
	Items not to be reclassified to profit or loss					
8311	Remeasurements of defined benefit plans	6 (11)	\$ 3,339	-	\$ 3,331	-
8330	Shares of profit (loss) of subsidiaries, associates, and joint ventures accounted for using the equity method—items not to be reclassified to profit or loss		<u>911</u>	<u>-</u>	<u>977</u>	<u>-</u>
8349	Income tax related to items not reclassified	6 (22)	(667)	-	(666)	-
8310	Total amount of items not to be reclassified to profit or loss		<u>3,583</u>	<u>-</u>	<u>3,642</u>	<u>-</u>
	Items that may be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements	6 (15)	6,979	-	(4,044)	-
8399	Income tax associated with items that may be reclassified	6 (15) (22)	(1,396)	-	809	-
8360	Total amount of items that may be reclassified to profit or loss		<u>5,583</u>	<u>-</u>	<u>(3,235)</u>	<u>-</u>
8300	Other comprehensive income (net)		<u>\$ 9,166</u>	<u>-</u>	<u>\$ 407</u>	<u>-</u>
8500	Total comprehensive income		<u>\$ 2,966,412</u>	<u>20</u>	<u>\$ 2,920,580</u>	<u>22</u>
	Basic earnings per share	6 (23)				
9750	Total basic earnings per share		<u>\$ 10.69</u>		<u>\$ 10.56</u>	
	Diluted earnings per share	6 (23)				
9850	Total diluted earnings per share		<u>\$ 10.63</u>		<u>\$ 10.50</u>	

The Notes for Parent Company Only Financial Statements are part of the Parent Company Only Financial Statements and should be read together.

Chairman : Chung, Long-Chang

Manager : Jason Hung

Accounting Supervisor: Liu, Jo-Mei

Huaku Development Co., Ltd.
Parent Company Only Statement of Changes in Equity
December 31, 2022 and 2021

Unit: NT\$ thousands

	Notes	Share capital from common stock	Additional paid-in capital			Retained earnings		Exchange differences on translation of foreign financial statements	Treasury stocks	Total equity
			Additional paid-in capital - New issue Premium	Additional paid-in capital— Treasury stock transaction	Additional paid-in capital - Others	Legal reserves	Unappropriated retained earnings			
<u>2021</u>										
Balance as of January 1, 2021		\$ 2,768,127	\$ 46,100	\$ 28,724	\$ 1,051	\$ 3,431,492	\$ 11,109,357	\$ 9,322	(\$ 850)	\$ 17,393,323
Net income		-	-	-	-	-	2,920,173	-	-	2,920,173
Other comprehensive income	6 (15)	-	-	-	-	-	3,642	(3,235)	-	407
Total comprehensive income		-	-	-	-	-	2,923,815	(3,235)	-	2,920,580
Appropriation and distribution of retained earnings	6 (14)									
Legal reserves		-	-	-	-	277,799	(277,799)	-	-	-
Cash dividends		-	-	-	-	-	(1,937,689)	-	-	(1,937,689)
Cash dividends received by subsidiaries from the Company		-	-	1,220	-	-	-	-	-	1,220
Dividends not claimed by shareholders over time		-	-	-	583	-	-	-	-	583
Balance as of December 31, 2021		\$ 2,768,127	\$ 46,100	\$ 29,944	\$ 1,634	\$ 3,709,291	\$ 11,817,684	\$ 6,087	(\$ 850)	\$ 18,378,017
<u>2022</u>										
Balance as of January 1, 2022		\$ 2,768,127	\$ 46,100	\$ 29,944	\$ 1,634	\$ 3,709,291	\$ 11,817,684	\$ 6,087	(\$ 850)	\$ 18,378,017
Net income		-	-	-	-	-	2,957,246	-	-	2,957,246
Other comprehensive income	6 (15)	-	-	-	-	-	3,583	5,583	-	9,166
Total comprehensive income		-	-	-	-	-	2,960,829	5,583	-	2,966,412
Appropriation and distribution of retained earnings	6 (14)									
Legal reserves		-	-	-	-	292,382	(292,382)	-	-	-
Cash dividends		-	-	-	-	-	(2,076,095)	-	-	(2,076,095)
Cash dividends received by subsidiaries from the Company		-	-	1,308	-	-	-	-	-	1,308
Balance as of December 31, 2022		\$ 2,768,127	\$ 46,100	\$ 31,252	\$ 1,634	\$ 4,001,673	\$ 12,410,036	\$ 11,670	(\$ 850)	\$ 19,269,642

The Notes for Parent Company Only Financial Statements are part of the Parent Company Only Financial Statements and should be read together.

Chairman: Chung, Long-Chang

Manager: Jason Hung

Accounting Supervisor: Liu,
Jo-Mei

Huaku Development Co., Ltd.
Parent Company Only Statement of Cash Flows
December 31, 2022 and 2021

Unit: NT\$ thousands

	Notes	2022	2021
<u>Cash flow from operating activities</u>			
Current net profit before tax		\$ 3,715,047	\$ 3,568,239
Adjusted items			
Income and expense items			
Shares of profit (loss) of subsidiaries and associates accounted for using the equity method		(4,173)	(57,581)
Amortization	6 (17)	1,796	2,166
Depreciation expenses	6 (17)	17,189	16,210
Interest expense	6 (21)	109,109	97,707
Interest income	6 (19)	(67,006)	(59,958)
Loss (gain) on disposal of property, plant and equipment		4	(755)
Changes in assets and liabilities relating to operating activities			
Net change in assets relating to operating activities			
Notes and accounts receivable, net		8,672	27,579
Other receivables		100,653	40,159
Inventories		503,119	(5,301,316)
Prepayments		(2,973)	32,621
Restricted deposits		(301,479)	428,597
Other current assets—other		(30,105)	17,740
Long-term installment accounts receivable		389,393	437,509
Net change in liabilities relating to operating activities			
Notes payable		(1,371)	(23,551)
Accounts payable		(56,799)	77,874
Accounts payable—related parties		(152,507)	(10,584)
Other payables		27,101	6,517
Advance receipt		(4,453)	(26,900)
Accrued pension liabilities		576	415
Other current liabilities—others		(26,214)	56,130
Contract liabilities		921,000	257,885
Realized amount of unrealized revenue within this period		(21,793)	(32,563)
Cash inflow (outflow) generated from operations		5,124,786	(445,860)
Dividends received		77,674	60,852
Interest received	6 (19)	67,006	59,958
Interest paid	6 (21)	(237,338)	(201,064)
Income tax paid		(817,529)	(317,316)
Cash inflow (outflow) from operating activities, net		4,214,599	(843,430)
<u>Cash flow from investment activities</u>			
Distribution of employee compensation to subsidiaries		(43,418)	(36,475)
Proceeds from acquisition of property, plant, and equipment		(11,175)	(10,892)
Proceeds from disposal of property, plant, and equipment		-	762
Decrease (increase) in construction performance deposit		(6,488)	57,633
Increase in refundable deposits		(71,975)	(22,657)
Decrease in other non-current assets		1,128	683

The Notes for Parent Company Only Financial Statements are part of the Parent Company Only Financial Statements and should be read together.

Chairman: Chung, Long-Chang

Manager: Jason Hung

Accounting Supervisor: Liu, Jo-Mei

Huaku Development Co., Ltd.
Parent Company Only Statement of Cash Flows
December 31, 2022 and 2021

Unit: NT\$ thousands

	Notes	2022	2021
Cash outflow from investment activities, net		(131,928)	(10,946)
<u>Cash flow from financing activities</u>			
Increase (decrease) in short-term loans	6 (24)	(100,110)	6,185,000
Decrease in short-term bills payable	6 (24)	(1,931,121)	(1,000,879)
Long-term loans borrowed	6 (24)	2,047,902	1,989,982
Long-term loans repaid	6 (24)	(2,779,907)	(2,430,346)
Redemption of lease principal	6 (24)	(7,262)	(7,233)
Increase in guarantee deposits received	6 (24)	1,264	14,328
Cash dividends paid	6 (14)(24)	(2,076,095)	(1,937,689)
Dividends not claimed by shareholders over time		-	583
Cash inflow (outflow) from financing activities, net		(4,845,329)	2,813,746
Increase (decrease) in cash and cash equivalents for the year		(762,658)	1,959,370
Cash and cash equivalents at the beginning of the year		2,335,264	375,894
Cash and cash equivalents at the end of the year		<u>\$ 1,572,606</u>	<u>\$ 2,335,264</u>

The Notes for Parent Company Only Financial Statements are part of the Parent Company Only Financial Statements and should be read together.

Chairman: Chung, Long-Chang

Manager: Jason Hung

Accounting Supervisor: Liu, Jo-Mei

Huaku Development Co., Ltd.
Notes for Parent Company Only Financial Statements
December 31, 2022 and 2021

Unit: NT\$ thousands
(Unless specified otherwise)

I. Company History

Huaku Development Co., Ltd. (“the Company”) was established in April 1989. It is engaged mainly in the subcontract construction, leasing, and sales of public housings, commercial buildings, and general-purpose plants and warehouses. The common shares of the Company have been listed on the Taiwan Stock Exchange since August 26, 2002.

II. Approval Date and Procedure of Financial Statements

The parent company only financial statements were approved and issued on February 22, 2023 by the Board of Directors.

III. Application of New and Amended Standards and Interpretations

(I) Effects of the adoption of new and amended IFRSs endorsed and issued into effect by the Financial Supervisory Commission ("FSC")

1. The following table summarizes the new, amended, and revised standards and interpretations of IFRSs endorsed and issued into effect by the FSC that are applicable in 2022:

<u>New standards, interpretations and amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

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

(II) Effect of the new issuance of or amendments to IFRSs as endorsed by the FSC but not yet adopted

1. The following table summarizes the new, amended, and revised standards and interpretations of IFRSs endorsed and issued into effect by the FSC that are applicable in 2023:

<u>New standards, interpretations and amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

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

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

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

<u>New standards, interpretations and amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by International Accounting Standards Board
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classify Debt as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

2. The Company assessed the effects of adopting the aforementioned standards and interpretations, and has found no significant effects on the Company's financial position and financial performance. The quantitative impacts will be disclosed when the assessment is complete.

IV. Statements on Significant Accounting Policies and Their Summary

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Statement of Compliance

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

(II) Preparation Basis

1. Except for the following significant items, these parent company only financial statements have been prepared under the historical cost convention:
 - (1) Financial assets measured at fair value through profit or loss.
 - (2) Defined benefit liability derived from retirement plan assets less the present value of net defined benefit obligation.
2. Critical accounting estimates are required in preparing a set of financial statements in compliance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations (collectively referred to as "IFRSs"). When the Company adopts the accounting policies, the management is required to exercise judgments on highly judgmental or complex items or significant assumptions and estimates with regards to this parent company only financial report. Please refer to Note 5 for details.

(III) Foreign Currency Translation

All items on the parent company only financial statements of the Company are measured at the currency of the principal economic environment in which the Company operates (i.e., functional currency). The parent company only financial statements are presented in NTD, which is the Company's functional presentation currency.

1. Foreign currency transaction and balance
 - (1) Foreign currency transaction is translated to the functional currency by using the spot exchange rate on the trade date or measurement date. Any translation differences occurred is to be recognized in the current profit or loss.
 - (2) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in

profit or loss.

- (3) For non-monetary assets and liabilities denominated in foreign currency, if they are measured at FVTPL, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in profit or loss; if they are measured at FVOCI, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in other comprehensive income; if they are not measured at fair value, they are measured at the historical exchange rates on initial transaction dates.
- (4) All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

2. Translation from foreign operations

- (1) The operating results and financial position of the Company, subsidiaries, and associates that have a functional currency different from the presentation currency are translated into the presentation currency by applying the following approaches:
 - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the end of the financial reporting period;
 - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period, and all resulting exchange differences are recognized in other comprehensive income.
- (2) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. However, if the Company still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

(IV) Classification of Current and Non-current Assets and Liabilities

The Company is engaged in subcontract construction, leasing, and sales of buildings or plants business. The operating cycle is usually longer than one year. The classification criteria for current or non-current of assets and liabilities related to the construction projects is based on the operating cycle. The classification criteria for current or non-current of other items are as follows:

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) Liabilities held primarily for trading purposes;
- (3) Assets that are expected to be realized within 12 months after the balance sheet date;
- (4) Cash, excluding those that are restricted, or to be exchanged or used to settle liabilities at least 12 months after the balance sheet date.

The Company classifies all assets not meeting the aforesaid criteria as non-current assets.

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) Liabilities held primarily for trading purposes;
- (3) Liabilities that are expected to be settled within 12 months after the balance sheet date;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Settlement by the issue of equity instruments based on transaction party's choice does not impact classification.

The Company classifies all liabilities not meeting the aforesaid criteria as non-current liabilities.

(V) Cash equivalents

Cash equivalents refer to investments that are short-term, highly liquid, subject to a low risk of changes in value, and readily convertible to a known amount of cash. Time deposits satisfying the aforementioned definition and for which the objective of holding is to meet the short-term operating cash commitment (including time deposits with a contract period within 12 months) are classified as the cash equivalent.

(VI) Accounts Receivables and Notes Receivables

1. It refers to receivables and notes of which the contractual right to consideration for goods sold or services rendered is unconditional.
2. At initial recognition, the Company measures the financial assets at fair value. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss.

(VII) Impairment of Financial Assets

The Company measures the loss allowance for financial assets and accounts receivable

containing significant financial components or loan commitment and financial guarantee contract measured at amortized cost after taking into account all reasonable and provable information (including forward-looking information) at each balance sheet date; where the credit risk has not significantly increased since initial recognition, the loss allowance is measured at the 12-month expected credit losses; where the credit risk has increased significantly since initial recognition, the loss allowance is measured at full lifetime expected credit losses; and where they are accounts receivables or contract assets that do not comprise any significant financing components, the loss allowance is measured at full lifetime expected credit losses.

(VIII) Derecognition of Financial Assets

The Company derecognizes an asset when its contractual rights to receive cash flows from the financial asset expire.

(IX) Lease Transactions for the Lessors—Operating Leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(X) Inventories

1. Inventories including buildings and land held for construction, construction in progress, and buildings and land held for sale are initially recorded at cost. The construction profit or loss is recognized with the completed contract method. The buildings and land held for construction is transferred to the premise under construction when it is actively developed, and the related interest is capitalized during the period from the active development or construction to the completion of the work.
2. The specific land rights acquired by the Company and its right to construct residential buildings on that land are leased for the profession of the construction. It complies with the definition of IAS 2.6 and IAS 2.8 and recognizes the land use rights acquired as inventory costs.
3. At the end of the period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(XI) Investment accounted for using the equity method

Subsidiary

1. Subsidiaries refer to all entities controlled by the Company. The Company controls an entity when the 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.
2. Unrealized gains or losses arising from the transactions between the Company and its subsidiaries have already been eliminated. Accounting policies of subsidiaries are adjusted, when necessary, to remain consistent with those of the Company.
3. The Company's share of its subsidiaries' 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 Company's share of losses in a subsidiary equals or exceeds its equity in the subsidiary, the Company shall continue to recognize losses in proportion to its shareholding percentage in such a subsidiary.

Associates

1. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. The Company's investments in associates are accounted for using the equity method and are initially recognized at cost upon acquisition.
2. The 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. If the 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 ownership percentage of the associate, the Company recognizes the change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
4. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the 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 Company.

5. When the Company disposes its investment in an associate and loses significant influence over the said 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 still retains significant influence over this associate, then 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.
6. According to "Regulations Governing the Preparation of Financial Statements by Securities Issuers", the allocated amount in income (loss) of parent company only financial reports, consolidated financial reports prepared, and other comprehensive income (loss) attributable to shareholders of the parent company are the same. Shareholders' equity in parent company only financial reports and equity attributable to shareholders of parent company in consolidated financial reports are the same.

Joint ventures

The Company accounts for its investment interest in joint ventures using the equity method. If there is evidence indicating that the net realizable value of the asset has decreased or that an impairment loss has occurred on the asset, the full loss is recognized immediately. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture (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 joint venture.

(XII) Property, plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other amount of repairs and maintenance fee are recognized as current profit or loss when they are incurred.

3. Land is not depreciated. The cost model is applied to other property, plant and equipment, and these are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the property, plant, and equipment comprise any significant components, they are depreciated individually.
4. The Company reviews each asset's residual values, useful lives and depreciation methods at the end of each financial year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. Except that the useful life of the real estate property is 30 years, the useful life of all other assets is 3 to 5 years.

(XIII) Lease Transactions for the Lessees—Right-of-Use Assets / Lease Liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date when they are available for use by the Company. When the lease contract is a short-term lease or lease of a low-value asset, the lease payments are recognized as an expense on a straight-line basis over the lease term.
2. The lease liabilities are recognized as the present value of the lease payments that have not been paid at the lease commencement date discounted at the Company's incremental borrowing rate of interest. The lease payments include:

- (1) Fixed payments, less any lease incentives receivable;
- (2) Variable lease payments that depend on an index or a rate;

The lease liability is measured at amortized cost using the effective interest method subsequently, and the interest expense is appropriated during the lease period. When the non-contractual modification causes a change in the lease period or lease payment, the subsequent lease liability will be reassessed, and re-measurements will be used to adjust the right-of-use assets.

3. The right-of-use asset is recognized at cost at the lease commencement date. The cost comprises:
 - (1) The amount equal to the lease liability at its initial recognition;
 - (2) Lease payments made at or before the commencement of the lease;
 - (3) Any initial direct costs incurred by the lessee; and
 - (4) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the

underlying asset to the condition required by the terms and conditions of the lease.

The subsequent measurement adopts the cost model, and depreciation expenses are recognized at the earlier of the expiration date of the right-of-use asset or the lease period. When the lease liability is reassessed, the right-of-use asset will adjust any remeasurement of the lease liability.

(XIV) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its economic durable service life; the useful life is 66 years.

(XV) Impairment of Non-financial Assets

The Company assesses at each balance sheet date the recoverable amounts of those assets for which there is an indication that they are impaired. An impairment loss is recognized for the amount when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior periods no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(XVI) Accounts Payables and Notes Payables

1. Accounts payables and notes payables refer to the debts incurred by purchase of materials, goods, or services on credit, and the notes payables incurred by both operating and non-operating activities.
2. However, short-term accounts/notes payables without interest payment, given insignificant effects of their discounting, are subsequently measured at the invoice price.

(XVII) Provisions

Provisions are prepared for warranty. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

(XVIII) Employee Benefits

1. Short-term employee benefits
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in the period when the employees render service.

2. Pensions

(1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

(2) Defined benefit plans

- A. The net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Company in the current period or prior periods. The amount recognized is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is computed by independent actuaries every year using the projected unit credit method. The discount rate employed is the market yields on government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the defined benefit plan.
- B. The re-measured amount of defined benefit plans is recognized in other comprehensive income as it arises and presented in retained earnings.
- C. Expenses associated with past service costs are recognized immediately in profit or loss.

3. Compensation to employees and remuneration to directors and supervisors

Compensation to employees and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in accounting estimates. If employee compensation is distributed by shares, the Company will calculate the number of shares based on the closing price on the day before the resolution in the Board meeting.

(XIX) Income tax

- 1. Income tax expense comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in

other comprehensive income or equity.

2. The income tax expenses are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. For the income tax levied on the unappropriated retained earnings in accordance with the Income Tax Act, it will be recognized as income tax for unappropriated retained earnings based on the actual distribution of surplus after the surplus distribution proposal is adopted at the shareholders' meeting in the year following the year of which the said surplus is generated.
3. Deferred income tax adopts the balance sheet approach. It is recognized as the temporary difference between the tax bases of assets and non-consolidated liabilities and their carrying amounts in the balance sheet at the reporting date. The deferred income tax is not recognized if it arises from initial recognition of an asset or liability in a transaction (other than a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit (or loss). Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
5. Current income tax assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XX) Distribution of dividends

Dividends to be distributed to shareholders of the Company are recognized when they are

resolved by the Board of Directors' Meeting; Distribution in cash dividends is recognized as a liability, whilst distribution in stock dividends is recognized as stock dividends to be distributed, which is transferred to common share on the date when new shares are issued.

(XXI) Revenue Recognition

Property sales

1. The Company is principally engaged in the subcontract construction, leasing, and sales of property, and the recognition of revenue is based on the transferring of property ownership. For the contracted sales of residential contracts, subject to the terms of the contract, the real property has no other use for the Company, but until the legal ownership of the real property is transferred to the customer, the Company has an freely enforceable right to the contractual amount and therefore revenue is recognized when ownership or use rights are transferred to the customer.
2. Part of the Company's sales contracts includes variable consideration of price concessions. The Company takes the expected value or the most probable amount as an appropriate estimate of the variable consideration.
3. The Company's sales contract of pre-sale houses contains provisions for advance payment from customers, and the time between advance receipt and commodity ownership transfer is longer than one year. According to IFRS 15, if the Company judges that there are significant financing components in an individual pre-sale home contract, it shall adjust the amount of the commitment consideration and recognize the interest cost. In addition, IFRS 15 states that companies should determine the significance of the financing component only at the contract level, rather than the financial level at the portfolio level.

V. Primary Sources of Uncertainties in Significant Accounting Judgments, Estimates, and Assumptions

When preparing the parent company only financial statements, management of the Company had determined its accounting policies based on its judgments and made accounting estimates and assumptions based on a rational expectation of future events depending on the circumstances at the balance sheet date. 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. The Company does not have an important judgment on the adoption of accounting policies, and significant accounting estimates and assumptions, which are at risk of significant changes in the carrying amount of assets and carrying amount of liabilities in the next financial year.

VI. Descriptions of Material Accounting Items

(I) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving fund	\$ 40	\$ 40
Checking deposits and demand deposits	1,572,566	2,335,224
	<u>\$ 1,572,606</u>	<u>\$ 2,335,264</u>

1. The Company deals with financial institutions having high credit quality. The Company also deals with various financial institutions in order that credit risks can be diversified. Therefore, the expected risk of default is pretty low.
2. The Company's restricted use of the pre-sale construction projects trust fund have been listed under "Other current assets - other". Please refer to Notes 6 (4) and 8 for details.

(II) Notes and accounts receivable

	December 31, 2022	Amount of receivables guaranteed	Guaranteed loan amount
Notes receivable			
Within 1 year	\$ 5,167	\$ -	\$ -
Accounts receivable			
Within 1 year	163,593	96,977	96,977
Over 1 year (Note)	2,493,028	2,488,586	2,488,586
	<u>\$ 2,661,788</u>	<u>\$ 2,585,563</u>	<u>\$ 2,585,563</u>
	December 31, 2021	Amount of receivables guaranteed	Guaranteed loan amount
Notes receivable			
Within 1 year	\$ 7,840	\$ -	\$ -
Accounts receivable			
Within 1 year	202,443	128,569	128,569
Over 1 year (Note)	2,849,570	2,813,320	2,813,320
	<u>\$ 3,059,853</u>	<u>\$ 2,941,889</u>	<u>\$ 2,941,889</u>

Note: The Company's long-term installment accounts receivables over one year are listed under the item "long-term notes and accounts receivable".

1. The Company signed a credit agreement with Mega International Commercial Bank secured with the installment accounts receivables arising from the partial sale of "Huaku New World" in installments as collateral. Please refer to Note 6 (10) and 8 for details. The Company's information on secured loans with accounts receivable as collateral is as above.
2. The balances of receivables (including notes receivables) contracted by the Company and clients as of December 31, 2022, December 31, 2021 and January 1, 2021 were \$2,659,063, \$3,056,043, and \$3,519,046, respectively.
3. Interest income recognized by the Company in profit or loss in 2022 and 2021 was \$59,567 and \$59,582, respectively.
4. The notes and accounts receivable above are non-overdue and non-impaired notes and accounts.

5. Without considering the collateral or other credit enhancements held, the exposure amount that best represents the maximum credit risk of the Company's notes and accounts receivable as of December 31, 2022 and 2021 is the carrying amount of notes and accounts receivable and long-term installment accounts receivable in each period.
6. For credit risk of accounts receivables and notes receivables, please refer to Note 12 (2).

(III) Inventories

	December 31, 2022	December 31, 2021
<u>Buildings and land held for sale</u>		
Huaku Royal Highness	\$ 494,342	\$ 1,324,869
Hwaku Sky Garden	216,479	1,152,823
Huaku Innovation Fortune Center	-	615,802
Huaku New World	-	16,318
	<u>710,821</u>	<u>3,109,812</u>
Less: Allowance for valuation loss	(21,292)	(9,461)
	<u>689,529</u>	<u>3,100,351</u>
<u>Construction in progress</u>		
Huaku National Landmark (formerly Xinzhuang Factory & Office Building Project)	4,066,904	2,723,038
Huaku Casa Blanca (formerly Wenlin North Road Project II)	2,568,348	-
Huaku Moon River	2,325,551	1,862,225
Huaku Happy Fortune Center (formerly Innovation Fortune II)	2,249,468	1,854,024
Huaku Zhongyuan Landmark (formerly Zhonghe Factory & Office Building)	1,807,637	1,480,778
Huaku Deyue (formerly Zhonghe Residential Project)	1,614,792	-
Huaku Wenling (formerly Wenlin North Road Project)	1,356,522	1,194,871
Huaku Sky Tower (formerly Zhuangtian Road, Taishan Project)	1,288,880	-
Huaku Daan Educational Institution	737,393	598,905
Huaku Garden Mansion	-	3,937,509
Huaku Bella Vita	-	2,872,556
	<u>18,015,495</u>	<u>16,523,906</u>
	December 31, 2022	December 31, 2021
Land held for construction		
Nangang Yucheng Project	\$ 4,863,686	\$ 4,535,225
Taichung Jingmao Road Project	2,945,125	-
Tiding Avenue Project	2,385,050	1,882,842
Guangpu Hsinchu Project, Second Phase	1,875,266	1,217,040
Xinyi Guangfu Project	723,940	559,544
Zhengda Xindian Project	594,999	562,421
Fuxing S. Road Urban Renewal Project	241,061	-
Dunnan Project	198,834	198,834
Huaku Casa Blanca (formerly Wenlin North Road Project II)	-	2,223,340
Huaku Deyue (formerly Zhonghe Residential Project)	-	1,506,697
Huaku Sky Tower (formerly Zhuangtian Road, Taishan Project)	-	1,040,653
Others	105,117	105,090
	<u>13,933,078</u>	<u>13,831,686</u>
Advance for land and others		
Zhengda Beitou Project	763,543	-
Taichung Jingmao Road Project	-	288,121
Fuxing S. Road Urban Renewal Project	-	47,983
Floor area and road land	49,078	33,566
	<u>812,621</u>	<u>369,670</u>
Less: Allowance for valuation loss	(13,307)	(13,307)
	<u>799,314</u>	<u>356,363</u>
	<u>\$ 33,437,416</u>	<u>\$ 33,812,306</u>

1. Huaku New World
 - (1) In 2013, the Company signed the "Training Institute, MOF, And Its Surrounding State-Owned Land Cooperative Development Contract" with the National Property Administration, MOF, obtained the right to land and paid the rights amounted to \$1.388 billion, and the lease period was 70 years. This project (Huaku New World) was recognized as revenue when land and house use rights were transferred to customers.
 - (2) Some units following the Company's policy of leasing are transferred to the "Investment Property" item along with the land use rights after completion of registration.
 - (3) Please refer to 6(10) for details of the information on the property of this project provided as guarantee.
2. On June 4, 2010, the Company signed a contract to sell part of the land held in Sanyu Section of Taipei City (Huaku Sky Garden Project) to Tsai, a non-related person. The full land price of the sales transaction has received and the ownership transfer procedure has completed, only because after the sale of the land as mentioned earlier, the Company immediately signed a contract with the buyer for the joint land construction, land sales, and joint construction contracts should be treated as the same transaction; therefore, its gain on disposal was regarded as unrealized and deferred. The Company transfers unrealized benefits as revenue based on the proportion of sales. As of December 31, 2022 and 2021, the unrealized amounts were \$4,596 and \$26,389, respectively, which were listed under "other non-current liabilities— other".
3. The amount of interest capitalized in the Company's inventories for 2022 and 2021 is \$128,229 and \$103,357, respectively, and the net interest rate margin range within the capitalized interest is 0.88% ~ 1.56% and 0.66% ~ 0.83%, respectively.
4. The cost of inventories recognized as expenses and losses by the Company in 2022 and 2021 were \$10,198,378 and \$9,347,320, respectively, including the cost of goods sold recognized from cost adjusted to net realizable value \$11,831 and (\$21,134), respectively. In 2022, the net realizable value of inventories recovered due to the sale and transfer of some inventories whose net realizable value was lower than their cost.
5. Please refer to Note 8 for details of the pledge of inventories by the Company.

(IV) Other current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Restricted bank deposits	\$ 1,251,651	\$ 950,172
Incremental costs for obtaining contracts	312,973	326,749
Other current assets	45,308	3,223
	<u>\$ 1,609,932</u>	<u>\$ 1,280,144</u>

The restricted bank deposits are the Company's pre-sale project trust loans; please refer to Notes 8 and 9 for details.

(V) Investment accounted for using the equity method

	December 31, 2022	December 31, 2021	Shareholding percentage
Subsidiaries:			
Pin Shing Construction Co., Ltd.	\$ 398,73	\$ 375,70	100.0
Chengdu Wancheng Duobao Real Estate Co., Ltd.	66,88	129,53	80.0
Chengdu Huaku Real Estate Co., Ltd.	340,55	409,80	80.0
Associates:			
Taiwan Digit Automated Control Co., Ltd.	24,80	22,29	40.0
Joint ventures:			
Huapu Construction Co., Ltd.	5,06	5,30	50.0
	<u>\$ 836,04</u>	<u>\$ 942,63</u>	

1. For information about the subsidiaries of the Company, please refer to Note 4 (3) of the Company's 2022 Notes for Consolidated Financial Statements.
2. For the carrying amounts of the Company's non-significant associates and joint ventures as of December 31, 2022 and 2021, please refer to the table above; the operating results are as follows:

	2022	2021
Net Income from continuing operations	\$ 6,466	\$ 5,235
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 6,466</u>	<u>\$ 5,235</u>

3. The unrealized gross profit from upstream transactions of the Company for the years ended December 31, 2022 and 2021 was \$104,675 and \$89,748, respectively, which was eliminated as a deduction of "investments accounted for using the equity method".
4. The investees that the Company holds more than 50% of the voting shares or with de facto control have been included as entities in the Company's consolidated financial statements.

(VI) Investment Property

	2022	2021
<u>House and land use rights</u>		
January 1	\$ 251,817	\$ 254,278
Transferred in for the period	-	1,633
Accumulated depreciation	(4,100)	(4,094)
December 31	<u>\$ 247,717</u>	<u>\$ 251,817</u>

- Investment properties are for the use of lessees. The lease term of the leased real estate lasts until 2030. The rental income and direct operating expenses of the investment properties are as follows:

	2022	2021
Rental revenue from investment property	\$ 9,572	\$ 9,344
Direct operating expenses incurred by investment property generating rental revenue in the current period	\$ 6,096	\$ 6,188

- The fair value of the investment property held by the Company as of December 31, 2022 and 2021 was \$581,827 and \$572,777, respectively. The valuation is based on the recent transaction prices of comparable similar targets in the region where the investment property is located, which is classified as Level 2 fair value.
- The maturity analysis of the lease payments for the investment properties leased out by the Company under operating leases is as follows:

	December 31, 2022	December 31, 2021
Within 1 year	\$ 9,951	\$ 9,430
2 to 5 years	42,104	39,236
Over 5 years	16,222	20,799
	\$ 68,277	\$ 69,465

(VII) Short-term loans

Loan type	December 31, 2022	Interest rate range	Collateral
<u>Bank loans</u>			
Secured bank borrowings	\$ 8,201,890	1.08%~2.37%	Inventories - buildings and land
Credit loans	550,000	1.15%~1.86%	None
	\$ 8,751,890		

Loan type	December 31, 2021	Interest rate range	Collateral
<u>Bank loans</u>			
Secured bank borrowings	\$ 7,002,000	1.08%~1.35%	Inventories - buildings and land
Credit loans	1,850,000	1.00%~1.10%	None
	\$ 8,852,000		

(VIII) Short-term notes and bills payable

Loan type	December 31, 2022	December 31, 2021
Short-term notes and bills payable	\$ 300,000	\$ 2,232,000
Less: Discount on short-term bills payable	(200)	(1,079)
Net	<u>\$ 299,800</u>	<u>\$ 2,230,921</u>
Interest rate range	1.29%~2.09%	0.99%~1.35%

(IX) Other current liabilities—others

	December 31, 2022	December 31, 2021
Warranty provisions	\$ 77,213	\$ 106,403
Payment collection	108,041	75,426
Others	17,888	51,979
	<u>\$ 203,142</u>	<u>\$ 233,808</u>

(X) Long-term loans

Loan type Long-term bank loans	Loan period and repayment method	Interest rate range	Collateral	December 31, 2022
Credit loans	From June 2021 to June 2023; the interest is paid on a monthly basis.	0.88%~1.63%	None	\$ 1,259,050
"	From July 2022 to July 2024; the interest is paid on a monthly basis.	"	"	1,000,000
"	From July 2022 to July 2023; the interest is paid on a monthly basis.	"	"	1,000,000
Loans secured by accounts receivable	From June 2017 to September 2039; the interest is paid on a monthly basis	1.89%~2.42%	Read Note for details	<u>2,593,162</u>
				5,852,212
Less: Long-term loans due within one year or one operating cycle				<u>(2,563,626)</u>
				<u>\$ 3,288,586</u>

Loan type	Loan period and repayment method	Interest rate range	Collateral	December 31, 2021
Long-term bank loans				
Credit loans	From June 2020 to June 2022; the interest is paid on a monthly basis	0.88%~1.10%	None	\$ 1,349,400
"	From June 2020 to July 2022; the interest is paid on a monthly basis	"	"	350,000
"	From June 2021 to June 2023; the interest is paid on a monthly basis.	"	"	1,937,000
Loans secured by accounts receivable	From June 2017 to September 2039; the interest is paid on a monthly basis	1.89%	Read Note for details	2,947,817
				6,584,217
Less: Long-term loans due within one year or one operating cycle				(2,511,848)
				\$ 4,072,369

The Company's unused balance of loan limit as of December 31, 2022 and 2021 were \$10,310,140 and \$8,557,052, respectively.

Accounts receivable / Loans secured by other receivables

The Company signed the secured loans agreement to use Accounts Receivable as collateral with the Mega International Commercial Bank. The Company utilized the Installment Accounts Receivable from the Company's sale of Huaku New World Project, the rights of the building site, and the construction and its subsidiaries as collateral to obtain a loan amount of NT\$6 billion originally, and the loan limit was adjusted to NT\$4 billion on May 9, 2022 with unchanged loan tenor of 20 years. Please refer to Note 6 (2) for details. The main terms of the agreement are as follows:

1. The loan period of each account receivable shall not exceed 20 years from the date when the funds are used.
2. The used amount mentioned above shall be circulated from the date of first use to the date of expiration of five years, and the unspent balance of loans shall be automatically canceled at that time.
3. During the duration of the secured loans using account receivable as collateral, the Company shall maintain all the following financial ratios on the basis of the consolidated annual financial statements audited by the accountant, which shall be checked once a year:
 - (1) Current ratio: not less than 100%.
 - (2) Debt ratio (total liabilities/tangible net worth): not greater than 230%.

(XI) Pensions

1. 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. Pension payments for employees qualified for the aforementioned retirement criteria are calculated in accordance with the years of service rendered and the average salaries or wages of the last six months prior to retirement. Two bases are given for each full year of service over the first 15 years, and one base is given for an additional year of service thereafter, provided that the total bases do not exceed 45. The Company contributes on a monthly basis 2% of the total salary (wages) as the pension fund, which is deposited in a designated account with the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Fund. Prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.

- (1) Amounts recognized on the balance sheets are as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligation	(\$ 74,509)	(\$ 73,900)
Fair value of plan assets	42,494	39,122
Net defined benefit liabilities	(\$ 32,015)	(\$ 34,778)

- (2) Changes in net defined benefit liabilities are as follows:

	2022		
	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1	(\$ 73,900)	\$ 39,122	(\$ 34,778)
Current service cost	(350)	-	(350)
Interest (expense) revenue	(450)	224	(226)
	(74,700)	39,346	(35,354)
Remeasurement:			
Return on plan assets (excluding amounts included in interest revenue or expenses)	-	3,148	3,148
Effect of changes in financial assumptions	2,335	-	2,335
Experience adjustment	(2,144)	-	(2,144)
	191	3,148	3,339
Provision of pension funds	-	-	-
Payment of pension	-	-	-

December 31	<u>(\$ 74,509)</u>	<u>\$ 42,494</u>	<u>(\$ 32,015)</u>
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	2021		
	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1	(\$ 77,509)	\$ 39,815	(\$ 37,694)
Current service cost	(363)	-	(363)
Interest (expense) revenue	(189)	94	(95)
	(78,061)	39,909	(38,152)
Remeasurement:			
Return on plan assets (excluding amounts included in interest revenue or expenses)	-	611	611
Effect of changes in demographic assumptions	(70)	-	(70)
Effect of changes in financial assumptions	1,857	-	1,857
Experience adjustment	933	-	933
	2,720	611	3,331
Provision of pension funds	-	-	-
Payment of pension	1,441	(1,398)	43
December 31	(\$ 73,900)	\$ 39,122	(\$ 34,778)

- (3) The fund asset of the Company's defined benefit pension plan ("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. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19.142. For the composition of the fair value of the Fund in total as of December 31, 2022 and 2021, please refer to the various labor pension

utilization reports issued by the government.

- (4) Actuarial assumptions on pensions are summarized as follows:

	2022	2021
Discount rate	1.20%	0.65%
Future salary increases	2.00%	2.00%

The assumptions for the future mortality rate are based on the published statistics and experience of each country.

Effects of changes in the principal actuarial assumptions on present value analysis of defined benefit obligation are as follows:

	Discount rate		Future salary increases	
	Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 1,021)	\$ 1,046	\$ 1,036	(\$ 1,017)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 1,131)	\$ 1,161	\$ 1,143	(\$ 1,120)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension liability is the same. The method of analyzing sensitivity and the method of calculate net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of the sensitivity analysis for the current period are the same as those used in the previous period.

- (5) The Company expects to make a contribution of \$0 to the pension plans for the year ended December 31, 2023.
- (6) As of December 31, 2022, the pension plan's weighted average duration was 5 years. The maturity analysis of the pension payments is as follows:

Within 1 year	\$ 10,144
1-2 years	2,917
2-5 years	34,564
Over 5 years	31,699
	<u>\$ 79,324</u>

2. Starting from July 1, 2005, the Company has set up a defined contribution plan for all employees with ROC citizenship in accordance with the Labor Pension Act. For the employees of the Company who choose to apply the labor pension system as defined in the Labor Pension Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. The benefits accrued are paid monthly or in a lump sum upon termination of employment. For the years ended December 31, 2022 and 2021, the net pension costs recognized under the defined contribution plan aforementioned were \$3,275 and \$3,137, respectively.

(XII) Share capital

1. As of December 31, 2022, the Company's authorized capital was \$5,000,000, and the paid-in capital was \$2,768,127 with a par value of NT\$10 per share. Share payments for the Company's issued stocks have been collected in full. The number of outstanding shares of the Company at the beginning and the end of the period is 276,812,726 shares.
2. Treasury stock
 - (1) The Company had no treasury stock transactions for the years ended December 31, 2022 and 2021.
 - (2) As of December 31, 2022 and 2021, the Company's subsidiary Pin Shing Construction Co., Ltd., held the Company's shares for the purpose of investment profit; the details are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of shares (thousand shares)	<u>174</u>	<u>174</u>
Carrying amounts	<u>\$ 850</u>	<u>\$ 850</u>

(XIII) Additional paid-in capital

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

(XIV) Retained earnings

1. According to the Company's Articles of Incorporation, after offsetting any loss of prior years and paying all taxes and dues, 10% of the annual net income shall be set aside as legal reserves. The remaining net income and the unappropriated retained earnings from prior years can be allocable earnings. The aforementioned distributable earnings shall be distributed as a dividend by the board of directors and then submitted to the shareholders' meeting for report.
2. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall be limited to 25% of the reserves in excess of the paid-in capital.
3. The Company may allocate earnings only after providing special reserve for debt balance in other equity on the date of balance sheet, and the reversal of debit balance in other equity, if any, may be stated into allocable earnings.
4. The distribution of earnings for 2021 and 2020, which were proposed and approved in the annual shareholders' meetings on May 31, 2022 and August 3, 2021, respectively, are as follows:

	2021		2020	
	Amount	Dividends per share (NT\$)	Amount	Dividends per share (NT\$)
Legal reserves	\$ 292,382		\$ 277,799	
Cash dividends	2,076,095	\$ 7.5	1,937,689	\$ 7

5. As of February 22, 2023, the Company's earnings distribution plan for 2022 had not been approved by the Board of Directors.

(XV) Other equity

	2022	2021
Exchange differences on translation of foreign financial statements		
January 1	\$ 6,087	\$ 9,322
- The Company	6,979	(4,044)
- Tax amount of the Company	(1,396)	809
December 31	\$ 11,670	\$ 6,087

(XVI) Operating revenue

	2022	2021
Revenue from contract with customers	\$ 14,719,266	\$ 13,497,761
Others	17,298	19,765
	<u>\$ 14,736,564</u>	<u>\$ 13,517,526</u>

1. Segments of revenue from contract with customers

The Company's revenue is derived from the provision of goods and services that are transferred at a certain point in time, or gradually transferred over time. The revenue can be subdivided into the following major product lines:

2022	Taiwan		
	Sales of construction	Others	Total
Timing of revenue recognition			
- Revenue recognized at a specific timing	\$ 14,719,266	\$	\$ 14,719,266
- Gradually transferred revenue over time	-	17	17,298
	<u>\$ 14,719,266</u>	<u>\$ 17</u>	<u>\$ 14,736,564</u>

2021	Taiwan		
	Sales of construction	Others	Total
Timing of revenue recognition			
- Revenue recognized at a specific timing	\$ 13,497,761	\$	\$ 13,497,761
- Gradually transferred revenue over time	-	19	19,765
	<u>\$ 13,497,761</u>	<u>\$ 19</u>	<u>\$ 13,517,526</u>

2. The aggregate amount of the transaction price and the estimated recognized revenue year of the sales contract signed by the Company as of December 31, 2022, which had not yet satisfied its performance obligations, are as follows:

Estimated recognized revenue year	Amount of contracts signed
2023 - 2026	<u>\$ 26,460,365</u>

3. Contract liabilities

The contract liabilities related to contract revenues recognized by the Company are listed as follows:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liability - current:			
Contract liabilities - advance land receipts	\$ 2,932,836	\$ 2,463,020	\$ 2,530,09
Contract liabilities - advance building receipts	1,714,204	1,263,020	938,05
	<u>\$ 4,647,040</u>	<u>\$ 3,726,040</u>	<u>\$ 3,468,15</u>

- (1) The Company's sales contract of pre-sale houses 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, contract liabilities related to sales of pre-sale homes were recognized as current liabilities.

(2) Provision for opening contract liabilities

	2022	2021
Opening balance for contract liabilities recognized as pre-sale construction contract	\$ 2,802,828	\$ 1,245,112

(XVII) Additional information regarding the nature of expenses

	2022	2021
Construction costs	\$ 10,112,101	\$ 9,318,538
Employee benefit expenses	305,757	288,767
Depreciation and amortization	18,985	18,376
Advertising expenses	428,174	250,583
Taxation	64,335	80,860
Rental expenses	628	680
Other costs and expenses	84,590	74,403
Operating cost and operating expenses	\$ 11,014,570	\$ 10,032,207

(XVIII) Employee benefit expenses

	2022	2021
Wages and salaries	\$ 227,216	\$ 214,118
Directors' remuneration	50,052	47,722
Labor and health insurance expenses	11,334	11,079
Pension expenses	3,851	3,552
Other personnel cost	13,304	12,296
	\$ 305,757	\$ 288,767

1. As stated in the Articles of Incorporation, if there is any remaining profits after deducing the accumulated deficits from the profits of the year, the Company shall allocate 3%-5% of the remaining profits as compensation to employees, and no greater than 2% of the remaining profits as remuneration to directors and supervisors.
2. For the years ended December 31, 2022 and 2021, the Company recognized compensation to employees amounted to \$116,340 and \$111,750, respectively, and remuneration to directors amounted to \$46,540 and \$44,700, respectively, all

presented under payroll expense.

Based on the profitability of the year ended in 2022, it is estimated to allocate 3% and 1.2%, respectively, and the estimated amounts were in alignment with the amount decided by the Board of Directors. The aforementioned employee compensation would be paid in cash.

The Company's 2021 employee bonus and directors' remuneration are consistent with the amounts recognized in the financial statements for the year ended December 31, 2021.

Information regarding employees' salary and remuneration to directors approved by the board of directors of the Company can be found at the Market Observation Post System (MOPS) website.

(XIX) Interest income

	2022	2021
Interests on bank deposits	\$ 7,439	\$ 376
Interest income from financial assets at amortized cost	59,567	59,582
	<u>\$ 67,006</u>	<u>\$ 59,958</u>

(XX) Other income

	2022	2021
Contract default income from the buyers	\$ 286	\$ 18,068
Advertising service income	26,551	40,427
Other income	3,422	3,838
	<u>\$ 30,259</u>	<u>\$ 62,333</u>

(XXI) Financial cost

	2022	2021
Interest expense - bank loans		
- Bank loans	\$ 167,974	\$ 101,126
- Installment accounts receivable	59,606	59,645
- Lease liabilities	131	159
Financial expenses	9,627	40,134
	<u>237,338</u>	<u>201,064</u>
Less: Amount capitalized of qualified assets	(128,229)	(103,357)
	<u>\$ 109,109</u>	<u>\$ 97,707</u>

(XXII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2022	2021
Current income tax:		
Income tax incurred in the current period	\$ 675,886	\$ 569,411
Land value increment tax recognized in income tax in the current period	62,040	51,197
Tax on undistributed surplus earnings	27,767	28,125
Under(Over)-estimated provision of the prior year's income tax	(7,568)	(152)
Total current income tax	758,125	648,581
Deferred income tax:		
Recognition and reversal of temporary differences	(324)	(515)
Income tax expense	\$ 757,801	\$ 648,066

(2) Income tax benefit (expense) amount associated with other comprehensive income:

	2022	2021
Currency translation differences	(\$ 1,396)	\$ 809
Remeasurement of defined benefit obligations	(667)	(666)
	(\$ 2,063)	\$ 143

2. Relation between income tax expense and accounting profit:

	2022	2021
Income tax expense at the statutory rate	\$ 743,010	\$ 713,651
Effect of non-recognition by law	8,334	(16,249)
Effect from tax-exempt income	(75,419)	(127,991)
Recognition and reversal of temporary differences	(324)	(515)
Tax on undistributed surplus earnings	27,767	28,125
Over-estimated provision of the prior years' income tax	(7,568)	(152)
Effect of repatriation of earnings of overseas subsidiaries	(39)	-
Land value increment tax recognized in income tax for the current period	62,040	51,197
Income tax expense	\$ 757,801	\$ 648,066

3. Deferred tax assets and liabilities resulting from temporary differences are as follows:

	2022			
	Recognized in other			December 31
	January 1	profit and loss	comprehensive income	
<u>Deferred income tax assets</u>				
Construction warranty reserve	\$ 3,000	\$ 200	\$ -	\$ 3,200
Unrealized expenses	8,199	8	-	8,207
Remeasurements from defined benefit plans	8,481	-	(667)	7,814
	19,680	208	(667)	19,221
<u>Deferred income tax liabilities</u>				
Exchange differences on translation of foreign operations	(1,522)	-	(1,396)	(2,918)
Book-tax difference in retirement pensions	(758)	116	-	(642)
	(2,280)	116	(1,396)	(3,560)
Total	\$ 17,400	\$ 324	(\$2,063)	\$ 15,661

	2021			
	Recognized in other			December 31
	January 1	Profit and loss	comprehensive income	
<u>Deferred income tax assets</u>				
Construction warranty reserve	\$ 2,600	\$ 400	\$ -	\$ 3,000
Unrealized expenses	8,175	24	-	8,199
Remeasurements from defined benefit plans	9,147	-	(666)	8,481
	19,922	424	(666)	19,680
<u>Deferred income tax liabilities</u>				
Exchange differences on translation of foreign operations	(2,331)	-	809	(1,522)
Book-tax difference in retirement pensions	(849)	91	-	(758)
	(3,180)	91	809	(2,280)
Total	\$ 16,742	\$ 515	\$ 143	\$ 17,400

4. The difference between the Company's finance income and taxable income is mainly caused by the tax exemption from land transaction tax.
5. The tax authorities have examined income tax returns of the Company through the year ended December 31, 2020.

(XXIII) Earnings per share

2022			
	Amount after tax	Weighted average number of common shares outstanding (shares in thousands)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 2,957,246</u>	276,638	<u>\$ 10.69</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee remuneration	-	1,541	
Profit attributable to common stock shareholders plus assumed conversion of all dilutive potential common stocks	<u>\$ 2,957,246</u>	<u>278,179</u>	<u>\$ 10.63</u>

2021			
	Amount after tax	Weighted average number of common shares outstanding (shares in thousands)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 2,920,173</u>	276,638	<u>\$ 10.56</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee remuneration	-	1,422	
Profit attributable to common stock shareholders plus assumed conversion of all dilutive potential common stocks	<u>\$ 2,920,173</u>	<u>278,060</u>	<u>\$ 10.50</u>

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(XXIV) Changes in liabilities from financing activities

2022							
	Short-term loans	Long-term loans (Note 2)	Short-term notes and bills payable	Guarantee deposits received	Lease liabilities	Dividends payable	Total liabilities from financing activities
January 1	\$ 8,852,000	\$ 6,584,217	\$ 2,230,921	\$ 29,391	\$ 18,434	\$ -	\$ 17,714,963
Changes in cash flows from financing activities	(100,110)	(732,005)	(1,931,121)	1,264	(7,262)	(2,076,095)	(4,845,329)
Payment of interest expense (Note 1)	-	-	-	-	(131)	-	(131)
Other non-cash changes	-	-	-	-	585	2,076,095	2,076,680
December 31	<u>\$ 8,751,890</u>	<u>\$ 5,852,212</u>	<u>\$ 299,800</u>	<u>\$ 30,655</u>	<u>\$11,626</u>	<u>\$ -</u>	<u>\$ 14,946,183</u>

2021							
	Short-term loans	Long-term loans (Note 3)	Short-term notes and bills payable	Guarantee deposits received	Lease liabilities	Dividends payable	Total liabilities from financing activities
January 1	\$ 2,667,000	\$ 7,024,581	\$ 3,231,800	\$ 15,063	\$ 10,374	\$ -	\$ 12,948,818
Changes in cash flows from financing activities	6,185,000	(440,364)	(1,000,879)	14,328	(7,233)	(1,937,689)	2,813,163
Payment of interest expense (Note 1)	-	-	-	-	(159)	-	(159)
Other non-cash changes	-	-	-	-	15,452	1,937,689	1,953,141
December 31	<u>\$ 8,852,000</u>	<u>\$ 6,584,217</u>	<u>\$ 2,230,921</u>	<u>\$ 29,391</u>	<u>\$ 18,434</u>	<u>\$ -</u>	<u>\$ 17,714,963</u>

Note 1: Statement of cash flows from operating activities

Note 2: It includes \$2,563,626 long-term loans due within one year or one operating cycle, accounted for under the item “Long-term liabilities due within one year or one operating cycle.”

Note 3: It includes \$2,511,848 long-term loans due within one year or one operating cycle, accounted for under the item “Long-term liabilities due within one year or one operating cycle.”

VII. Related-Party Transactions

(I) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Pin Shing Construction Co., Ltd.	Subsidiary
Chengdu Wancheng Duobao Real Estate Co., Ltd.	Subsidiary
Chengdu Huaku Real Estate Co., Ltd.	Subsidiary
Taiwan Digit Automated Control Co., Ltd.	Associates
Huapu Construction Co., Ltd.	Associates
Full Come Foundation Eng. Ltd.	Associates
Huaku Education Foundation	Other related parties
Chang-Hsueh Investment Co., Ltd. and other six people	Other related parties
Jason Hung	The main management of the Company

(II) Significant transactions between related parties

1. Sales

During the years of 2022 and 2021, the board of directors of the Company resolved to sell the projects developed and constructed by the Company to the related parties, and the total transaction amount including tax were \$527,630 and \$0, respectively.

2. Purchases and commitments

	2022	2021
Subsidiary	\$ 2,886,390	\$ 2,893,812
Associates	50,957	55,198
	<u>\$ 2,937,347</u>	<u>\$ 2,949,010</u>

- (1) The contraction project entrusted by the Company to Pin Shing Construction Co., Ltd. was in compliance with the contract, and the payment period was approximately 120 days; the payment period to non-related parties is approximately within one month or 45 days.
- (2) As of December 31, 2022, the total price of the uncompleted project construction contracts signed between the Company and Pin Shing Construction Co., Ltd. was \$8,731,519, and the amount of unrecognized construction payments was \$5,543,657.

3. Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary	<u>\$ 29,086</u>	<u>\$ 12,740</u>

4. Notes and accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary	<u>\$ 795,309</u>	<u>\$ 952,587</u>
Associates	<u>15,843</u>	<u>11,072</u>
	<u>\$ 811,152</u>	<u>\$ 963,659</u>

The accounts payable to related parties are mainly from the purchase transaction. The accounts payables are non-interest bearing.

5. Donation expenses

	<u>2022</u>	<u>2021</u>
Other related parties	<u>\$ -</u>	<u>\$ 1,000</u>

6. Administrative fees income (recognized as "Other income")

	<u>2022</u>	<u>2021</u>
Subsidiary	<u>\$ 1,714</u>	<u>\$ 1,714</u>

7. Property transaction

The Company sold the transportation equipment held by the Company to the key management in 2021, and the sales information is as follows:

	<u>2021</u>	
	<u>Proceeds from disposal</u>	<u>(Loss) gain from disposal</u>
The key management	<u>\$ 762</u>	<u>\$ 762</u>

(III) Information on the remunerations of the key management

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	<u>\$ 114,809</u>	<u>\$ 111,417</u>

VIII. Pledged Assets

The Company's assets pledged as collateral are as follows:

Assets	Carrying amounts		Purpose of the pledge
	December 31, 2022	December 31, 2021	
Installment accounts receivable			Loans secured by accounts receivable
- Accounts receivable	\$ 96,977	\$ 128,569	
- Long-term notes and accounts receivable	2,358,652	2,704,716	
Other installments receivable			Loans secured by accounts receivable
- Other receivables	7,599	5,928	
- Long-term notes and accounts receivable	129,934	108,604	
Other current assets			Pre-sale construction project trust fund
- Restricted bank deposits	1,251,651	950,172	
Inventories	28,933,296	25,335,166	Short-term loans and commercial papers payable
Investment property	247,717	251,817	Loans secured by accounts receivable
	<u>\$ 33,025,826</u>	<u>\$ 29,484,972</u>	

IX. Significant Commitments and Contingencies

- (I) As of December 31, 2022, the total value of the engineering contract signed between the Company and non-related parties amounted to \$1,293,722 and the amount not yet estimated is \$782,602.
- (II) As of December 31, 2022, the amount not yet estimated for the contracts of land purchase signed by the Company is \$2,555,800.
- (III) As of December 31, 2022, the Company had signed letters of trust deed with the trustee financial institution for the project of construction in progress, and the relevant project names and trust banks were as follows:

Project name	Trust bank
Huaku Moon River	E.SUN Commercial Bank, Ltd.
Huaku Deyue	E.SUN Commercial Bank, Ltd.
Huaku Daan Educational Institution	Hua Nan Commercial Bank, Ltd.
Huaku Wenling	E.SUN Commercial Bank, Ltd.
Huaku Zhongyuan Landmark	Taishin International Bank Co., Ltd.
Huaku Casa Blanca	Cathay United Bank Co., Ltd.
Hwaku Sky Tower	Taipei Fubon Commercial Bank Co., Ltd.
Huaku Trade and Finance Center	CTBC Bank Co., Ltd.

The Group has processed the registrations of transferring the values trust or real estate development trust to the financial institution that undertakes the assurance for the construction as mentioned above projects.

X. Significant Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

(I) Capital security risk management

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

(II) Financial instruments

1. Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets/loans and receivables measured at amortized cost		
Cash and cash equivalents	\$ 1,572,606	\$ 2,335,264
Notes receivable	5,167	7,840
Accounts receivable (including long-term accounts receivable for more than one year)	2,656,621	3,052,013
Other receivables	11,289	26,231
Refundable deposits	399,116	320,652
Other financial assets	1,251,651	950,172
	<u>\$ 5,896,450</u>	<u>\$ 6,692,172</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized costs		
Short-term loans	\$ 8,751,890	\$ 8,852,000
Short-term notes and bills payable	299,800	2,230,921
Notes payable	1,032	2,403
Accounts payable	1,052,383	1,261,689
Other payables	453,087	425,986
Long-term borrowings (including due within one year or one operating cycle)	5,852,212	6,584,217
Guarantee deposits received	30,655	29,391
	<u>\$ 16,441,059</u>	<u>\$ 19,386,607</u>
Lease liabilities	<u>\$ 11,626</u>	<u>\$ 18,434</u>

2. Risk management policy

- (1) The Company's daily operations are affected by various financial risks, e.g., market risks (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk.
- (2) The risk management process is carried out by the finance department of the Company in accordance with the opinions of the board of directors. Through cooperation with each of the Company's operating units, the finance department is responsible for identifying, evaluating, and hedging financial risks.
- (3) The Company does not undertake derivatives for hedging financial risks.

3. Nature and degree of significant financial risks

(1) Market risk

Foreign currency risk

- A. The Company operates internationally. The main currency is NTD. Foreign currency risk arises from recognized assets and liabilities and net investments in foreign operations. The management of the Company has established policies to manage the foreign currency risk of functional currencies. The Company manages its overall foreign currency risk through the finance department. The Company had no foreign currency assets or liabilities as of December 31, 2022 and 2021.
- B. Due to the significant impact of exchange rate fluctuations on the monetary items of the Company, the aggregated (loss) gains (including realized and unrealized) of exchanges for the years ended December 31, 2022 and 2021 were \$728 and \$0, respectively.

Price risk

The Company has no equity instruments exposed to price risk, and has no commodity exposed to price risk.

Cash flow interest rate risk and fair value interest rate risk

- A. The Company's interest rate risks come from short-term and long-term loans. Loans with floating interest rates expose the group to cash flow interest rate risks, of which a portion is offset by the cash held with floating interest rates. For the years ended December 31, 2022 and 2021, the Company's borrowings at floating interest rate were denominated in NTD.

- B. The 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.
- C. When all other factors remain unchanged, the maximum impact of a 1% change in interest rate on the financial costs of 2022 and 2021 is to increase or decrease of \$149,041 and \$176,682, respectively. The two payments of \$25,932 and \$29,478 in 2022 and 2021, respectively, were due to the Company's contract of the loan secured by account receivable with the bank. As the interest income generated by the installment sales will be directly deposited by the purchaser into the bank loan account of the Company to repay the interest expenses arising from the above-mentioned factoring contract. Therefore, there was no need for the Company to undertake the risk of interest rate changes arising from this transaction. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(2) Credit risk

- A. Credit risk of the Company refers to the risk of financial loss of the Company caused by the client or counterparties of financial instruments fail to fulfill their contractual obligations. It mainly comes from the counterparty unable to pay off the accounts payable according to the collection conditions.
- B. The Company establishes credit risk management from the group perspective. Only banks and financial institutions with an independent credit rating of at least "A" can be accepted for trading by the Company.
- C. The Company mainly engages in the lease and sale of public housings, plants as well as the sale of premises. Revenue is recognized when the full contract payments are collected, and the transfer of ownership and the actual delivery of the house are completed. Therefore, the amount of accounts receivable arising from the sale of real estate should be of petty proportion and not much chance of non-recovery. The Company also implements individual management and regular tracking of receivables arising from special trading. In addition, the Company classifies customers' accounts receivable and installment accounts receivable based on customer characteristics, and use the simplified 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 as of December 31, 2022 and 2021 were not significant.

D. No written-off debts with recourse existed as of December 31, 2022 and 2021.

(3) Liquidity risk

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

B. The Company's non-derivative financial liabilities are analyzed based on the remaining period from the date of balance sheet to the contract expiration date; the derivative financial liabilities are analyzed based on the fair value at the date of balance sheet.

Except for notes payable with undiscounted contract cash flow amount that is approximately equal to its book value and matures within one year, the amount of undiscounted contractual cash flow of other financial liabilities is as follows:

Non-derivative financial liabilities:

December 31, 2022	Within 1 Year	1-3 years	Over 3 years
Short-term loans	\$ 702,863	\$ 6,754,170	\$ 1,647,399
Short-term notes and bills payable	300,000	-	-
Accounts payable	890,735	109,513	52,135
Other payables	372,968	22,239	57,880
Lease liabilities	3,916	7,833	-
Long-term borrowings (including due within one year or one operating cycle)	2,490,383	805,047	-
Loans secured by accounts receivable	150,593	348,829	3,035,331
			-

Non-derivative financial liabilities:

December 31, 2021	Within 1 Year	1-3 years	Over 3 years
Short-term loans	\$ 2,018,627	\$ 5,281,867	\$ 1,771,179
Short-term notes and bills payable	1,300,000	932,000	-
Accounts payable	955,497	91,326	214,866
Other payables	260,712	102,767	62,507
Lease liabilities	6,936	7,833	3,916
Long-term borrowings (including due within one year or one operating cycle)	2,399,930	1,263,869	-
Loans secured by accounts receivable	178,645	343,027	3,262,825

C. The Company did not expect a maturity analysis of which the cash flows timing would be significantly earlier, or the actual amount would be significantly different.

(III) Fair value information

1. The following states the definition of different levels of valuation techniques used to measure the fair value of financial and non-financial instruments:

Level 1: Level 1 inputs are (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs for the asset or liability, either directly or indirectly, other than quoted market prices included within Level 1.

Level 3: Unobservable inputs for the asset or liability. The financial products invested by the Company belong to this level.

2. For fair value information of investment property measured at cost, please refer to Note 6 (6).
3. For the years ended December 31, 2022 and 2021, the Company did not hold financial and non-financial instruments measured at fair value.

4. Financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables refundable deposits, restricted bank deposits, short-term loans, short term notes and bills payable, bills payable, accounts payable, other payables, long-term borrowings, guarantee deposit received, are reasonable approximations of fair values.
- (IV) Due to the coronavirus disease (COVID-19) pandemic in 2022, the Company cooperated with various pandemic prevention measures promoted by the government, subject to the restriction on the number of persons, that the sale and handover of the completed buildings and land held for sale, the schedule of the construction in progress, and the pre-sale of individual projects are all ongoing. As the Company's working capital is still sufficient and the collection of construction sales is normal, the operating segments of the Group are also operating normally. It has been assessed that the coronavirus disease (COVID-19) pandemic has no material impact on the financial position and financial performance of the Company in 2022.

XIII. Matters Disclosed in Notes

(I) Related Information on Significant Transactions

1. Financing provided to others: None.
2. Endorsements/guarantees provided to others: None.
3. Marketable securities held at the end of the period (excluding subsidiaries, associates and joint ventures): Please refer to Table 1.
4. Accumulated to buy or sell the same marketable securities amount to NT\$300 million or more than 20% of the paid-in capital: None.
5. Acquisition of real estate properties at prices of at least NT\$300 million or 20% of paid-in capital: Please refer to Table 2.
6. Disposal of real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: Please refer to Table 3.
7. Purchases from and sales to related parties amounted to at least NT\$100 million or exceeding 20% of paid-in capital: Please refer to Table 4.
8. Receivables from related parties amounted to at least NT\$100 million or exceeding 20% of paid-in capital: Please refer to Table 5.
9. Information on the derivative financial instrument transactions: None.
10. Parent-subsidiary and subsidiary-subsidiary business relations and significant

transactions and amounts thereof: Please refer to Table 6.

(II) Related information on investees

Name, location, and information on investee companies (not including investee companies in mainland China): Please refer to Table 7.

(III) Information on investments in Mainland China

1. Investee information: Please refer to Table 8.
2. Significant transactions with investee companies in mainland China, either directly or indirectly via a third region: None.

(IV) Information on Major Shareholders

Name, number of shares and percentage of ownership of shareholders with a shareholder percentage of at least 5%: Please refer to Table 9.

XIV. Information on Operating Segments

Not applicable.

Huaku Development Co., Ltd.
Schedule of Inventories
December 31, 2022

Unit: NT\$ thousands

Items	Amount		Note
	Cost	Market price (Note)	
Buildings and land held for sale	\$ 689,529	\$ 979,366	
Construction in progress			
Huaku National Landmark (formerly Xinzhuang Factory & Office Building Project)	\$ 4,066,904	\$ 4,066,904	
Huaku Casa Blanca (formerly Wenlin North Road Project II)	2,568,348	2,568,348	
Huaku Moon River	2,325,551	2,325,551	
Huaku Happy Fortune Center (formerly Innovation Fortune II)	2,249,468	2,249,468	
Huaku Zhongyuan Landmark (formerly Zhonghe Factory & Office Building)	1,807,637	1,807,637	
Huaku Deyue (formerly Zhonghe Residential Project)	1,614,792	1,614,792	
Huaku Wenling (formerly Wenlin North Road Project)	1,356,522	1,356,522	
Huaku Sky Tower (formerly Zhuangtian Road, Taishan Project)	1,288,880	1,288,880	
Huaku Daan Educational Institution	737,393	737,393	
	<u>18,015,495</u>	<u>18,015,495</u>	
Land held for construction			
Nangang Yucheng Project	4,863,686	4,863,686	
Taichung Jingmao Road Project	2,945,125	2,945,125	
Tiding Avenue Project	2,385,050	2,385,050	
Guangpu Hsinchu Project, Second Phase	1,875,266	1,875,266	
Xinyi Guangfu Project	723,940	723,940	
Zhengda Xindian Project	594,999	594,999	
Fuxing S. Road Urban Renewal Project	241,061	241,061	
Dunnan Project	198,834	198,834	
Others	105,117	105,117	
	<u>13,933,078</u>	<u>13,933,078</u>	
Advance for land			
Zhengda Beitou Project	763,543	763,543	
Floor area and road land	35,771	35,771	
	<u>\$ 33,437,416</u>	<u>\$ 33,727,253</u>	

Note: Due to the industry characteristics of a construction company, the market prices of the construction in progress and the land held for construction are listed at the lower of the cost and net realization value.

Huaku Development Co., Ltd.
Statement of Changes in Construction in Progress
January 1 to December 31, 2022

Unit: NT\$ thousands

Project name	Opening balance	Additions in the period		Transfers in the period			Closing balance
		Investment cost	Interest capitalized	Transferred from land held for construction	Sold in the period	Project completed and transferred	
Huaku Garden Mansion	\$ 3,937,509	\$ 411,774	\$ 2,930	\$ -	\$ -	(\$ 4,352,213)	\$ -
Huaku Bella Vita	2,872,556	530,678	3,497	-	-	(3,406,731)	-
Huaku National Landmark (formerly Xinzhuang Factory & Office Building)	2,723,038	1,331,711	12,155	-	-	-	4,066,904
Huaku Moon River	1,862,225	456,858	6,468	-	-	-	2,325,551
Huaku Happy Fortune Center (Innovation Fortune II)	1,854,024	386,207	9,237	-	-	-	2,249,468
Huaku Zhongyuan Landmark (formerly Zhonghe Factory & Office Building)	1,480,778	319,419	7,440	-	-	-	1,807,637
Huaku Wenling (formerly Wenlin North Road)	1,194,871	156,541	5,110	-	-	-	1,356,522
Huaku Daan Educational Institution	598,905	136,900	1,588	-	-	-	737,393
Huaku Deyue (formerly Zhonghe Residential Project)	-	121,835	6,599	1,486,358	-	-	1,614,792
Huaku Sky Tower (formerly Zhuangtian Road, Taishan Project)	-	31,473	5,858	1,251,549	-	-	1,288,880
Huaku Casa Blanca (formerly Wenlin North Road Project II)	-	33,151	11,552	2,523,645	-	-	2,568,348
	<u>\$ 16,523,906</u>	<u>\$ 3,916,547</u>	<u>\$ 72,434</u>	<u>\$ 5,261,552</u>	<u>\$ -</u>	<u>(\$ 7,758,944)</u>	<u>\$ 18,015,495</u>

Huaku Development Co., Ltd.
Statement of Changes in Investments Using the Equity Method
January 1 to December 31, 2022

Unit: NT\$ thousands

Name	Opening balance		Increase		Decrease		Other adjustments	Closing balance			Share net assets		Collateral or Pledge	Note
	Shares	Amount	Shares	Amount	Shares	Amount	(Note 2)	Shares	Shareholding percentage	Amount	Unit price (NT\$)	Total	Collateral or Pledge	
Chengdu Wancheng Duobao Real Estate Co., Ltd.	-	\$ 129,536	-	\$ -	-	(\$ 8,161)	(\$54,488)	-	80	\$66,887	\$ -	\$66,887	None	
Chengdu Huaku Real Estate Co., Ltd.	-	409,802	-	-	-	(4,771)	(64,476)	-	80	340,555	-	340,555	"	
Pin Shing Construction Co., Ltd.	35,000,000	375,706	-	10,639	-	-	12,387	35,000,000	100	398,732	16.52	578,104	"	Note 1
Taiwan Digit Automated Control Co., Ltd.	800,000	22,294	-	6,509	-	-	(4,000)	800,000	40	24,803	31.00	24,803	"	
Huapu Construction Co., Ltd.	500,000		-	-		(43)	(192)	500,000	50	5,065	10.13	5,065	"	
		<u>\$ 942,638</u>		<u>\$ 17,148</u>		<u>(\$ 12,975)</u>	<u>(\$ 110,769)</u>			<u>\$ 836,042</u>		<u>\$1,015,414</u>		

Note 1: The difference between the net equity value and the long-term equity investment balance is mainly due to the unrealized internal interests arising from the written off upstream transactions and the adjustment of the associate company's holding of the Company's stock transactions.

Note 2: Other adjustments are the financial statements translation differences from the foreign operations, the subsidiaries collect cash dividends from the Company and account for capital reserve, distribution of cash dividends from the subsidiaries, and the recognition of the pension actuarial calculations profit and loss on pensions from the subsidiaries.

Huaku Development Co., Ltd.
Short-term Notes and Bills Payable
December 31, 2022

Unit: NT\$ thousands

Items	Institution of guarantee or acceptance	Contract duration	Coupon rate	Amount		Carrying amounts	Collateral
				Amount issued	Unamortized trade payables for discount on short-term notes and bills		
Commercial paper payable	The Shanghai Commercial & Savings Bank, Ltd.	2022.12.22~2023.1.18	1.35%	<u>\$ 300,000</u>	<u>\$ 200</u>	<u>\$ 299,800</u>	None

Huaku Development Co., Ltd.
Statements of Operating Revenue
January 1 to December 31, 2022

Unit: NT\$ thousands

Items	Summary	Amount
Revenue from sales of buildings and land		
Revenue from sales of land		\$ 10,726,635
Revenue from sales of buildings		3,992,958
Sale returns and allowances		(327)
		14,719,266
Rental income		17,298
		<u>\$ 14,736,564</u>

Huaku Development Co., Ltd.
Statement of Operating Cost
January 1 to December 31, 2022

Unit: NT\$ thousands

Items	Amount	
	Sub-total	Total
Beginning inventory		
Buildings and land held for sale	\$ 3,109,812	
Construction in progress	16,523,906	
Land held for construction	13,831,686	
Advance for land and building capacity	<u>369,670</u>	\$ 33,835,074
Add: Purchases		9,393,190
Invested construction expense		215,792
Rental costs		4,100
Capitalization of interest		128,229
Less: Inventory, ending		
Buildings and land held for sale	(710,821)	
Construction in progress	(18,015,495)	
Land held for construction	(13,933,078)	
Advance for land and building capacity	<u>(812,621)</u>	(33,472,015)
Add: Allowance for valuation loss		<u>11,831</u>
Operating costs		<u>\$ 10,116,201</u>

Huaku Development Co., Ltd.
Statement of Operating Expenses
January 1 to December 31, 2022

Unit: NT\$ thousands

Items	Amount	Note
Selling expenses		
Wages and salaries	\$ 2,966	
Advertising expenses	170,513	
Commission expense	193,114	
Other expenses	63,311	
	429,904	
Administrative expenses		
Wages and salaries	278,153	
Depreciation expenses	13,089	
Donation expense	3,552	
Taxation	64,335	
Warranty repair cost	6,795	
Insurance expenses	13,692	
Other expenses	88,849	
	468,465	
Total	<u>\$ 898,369</u>	

Huaku Development Co., Ltd.
Statement of Non-operating Income and Expenses
January 1 to December 31, 2022

Unit: NT\$ thousands

Items	Amount	Note
Shares of profit (loss) of subsidiaries, associates, and joint ventures accounted for using the equity method	\$ 4,173	
Interest income	67,006	
Financial cost	(109,109)	
Other income - others	30,983	
	<u>(\$6,947)</u>	

Huaku Development Co., Ltd.

Summary Table of Personnel, Depreciation, Depletion and Amortization Expenses for the Current Period
January 1 to December 31, 2022

Unit: NT\$ thousands

	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Wages and salaries	\$ -	\$ 227,216	\$ 227,216	\$ -	\$ 214,118	\$ 214,118
Labor and health insurance expenses	-	11,334	11,334	-	11,079	11,079
Pension expenses	-	3,851	3,851	-	3,552	3,552
Directors' remuneration	-	50,052	50,052	-	47,722	47,722
Other employee benefit expenses	-	13,304	13,304	-	12,296	12,296
	\$ -	\$ 305,757	\$ 305,757	\$ -	\$ 288,767	\$ 288,767
Depreciation expenses	\$ 4,100	\$ 13,089	\$ 17,189	\$ 4,094	\$ 12,116	\$ 16,210
Depletion expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization expenses	\$ -	\$ 1,796	\$ 1,796	\$ -	\$ 2,166	\$ 2,166

1. The numbers of employees of the Company for the years ended December 31, 2022 and 2021 were 88 and 80, respectively. Among which the numbers of directors who were not part-time employees were 7 and 7, respectively.
2. The Company has disclosed the following information according to the above table:
 - (1) The Company's average employee benefit expenses for the years ended December 31, 2022 and 2021 were \$3,157 and \$3,302, respectively.
 - (2) The Company's average employee salary expenses for the years ended December 31, 2022 and 2021 were \$2,8053 and \$2,933, respectively.
 - (3) The average adjustment of employee salaries was -4%.

Huaku Development Co., Ltd.

Summary Table of Personnel, Depreciation, Depletion and Amortization Expenses for the Current Period
January 1 to December 31, 2022

Unit: NT\$ thousands

- (4) The Company's remunerations to supervisors for the years ended December 31, 2022 and 2021 were both \$0. (Note)
- (5) The Company's remuneration policies are as follows:
- a. Pursuant to Article 29-1 of the Articles of Incorporation, the Company shall allocate 3% - 5% of the annual profit, if any, as employee compensation, and a maximum of 2% shall be allocated as the directors' remuneration. However, in case the Company still has accumulated deficits, the amount of accumulated deficits should be deducted from such earnings before the balance is calculated for distribution.
 - b. The directors' remuneration is allocated by the Company's directors in accordance with the Articles of Incorporation and with reference to the price index, industry practice, results of operations, and financial position, and is approved by the shareholders' meeting on the allocation of directors' remuneration from annual earnings.
 - c. The amount of remuneration paid to the managers of the Company was reviewed by the Compensation Committee and then submitted to the board of directors for approval based on the directors' duties, contributions, annual operating performance of the Company, and consideration of future risks of the Company.
 - d. The remuneration package of the Company's employees includes monthly salary, bonuses, and employee compensation. The standards for employees' salary are approved based on their current positions, educational and professional experience, professional knowledge, and market value. Employees' bonuses and remuneration are determined in accordance with the total amount allocated by the Articles of Incorporation, the Company's annual operating performance, professional contribution, and performance appraisal results.

Note: The Company has established the Audit Committee; therefore, there is no remuneration for supervisors.

Huaku Development Co., Ltd.
Marketable Securities Held at the End of the Period (Excluding Subsidiaries, Associates and Joint ventures)
December 31, 2022

Unit: NT\$ thousands
(Unless specified otherwise)

Table 1

Holder Company	Type and Name of Marketable Securities	Relationship with the Security Issuer (Note 1)	Financial Statement Account	End of the Period				Note
				Shares	Carrying Amount (Note 2)	Shareholding percentage	Fair Value	
Pin Shing Construction Co., Ltd.	Huaku Development Co., Ltd.	Parent company	Financial asset measured at fair value through profit and loss—current Adjustment of valuation	174,354	\$	0.06	\$	Note 3
					\$			
Chengdu Wancheng Duobao Real Estate Co., Ltd.	Financial products	None	Financial asset measured at fair value through profit and loss—current	-	\$	-	\$	
Chengdu Huaku Real Estate Co., Ltd.	Financial products	None	Financial asset measured at fair value through profit and loss—current	-		-		
					\$		\$	

Note 1: If the securities issuer is not a related party, the field may be left blank.

Note 2: For securities measured at fair value, the carrying amount is the balance after the adjustment of fair value valuation and the deduction of accumulative impairment. For securities not measured at fair value, the carrying amount is the balance of original acquisition cost or amortized cost less accumulated impairment.

Note 3: Listed as treasury stock.

Huaku Development Co., Ltd.
Acquisition of Real Estate Reaching NT\$300 Million or 20% of Paid-in Capital or More
January 1 to December 31, 2022

Table 2

Unit: NT\$ thousands
(Unless specified otherwise)

Real Estate Acquired by	Name of Property	Date of Occurrence	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Prior Transaction If the Counterparty Is Related				Reference for Price Determination	Purpose and Situation	Other Agreement Terms
							Owner	Relationship with the Issuer	Transfer Date	Amount			
Huaku Development Co., Ltd.	Inventories - land (Taichung Jingmao Road Project)	2021.12.20	\$ 2,880,180 (Note 1)	\$ 2,880,180	2 persons including Person A	None	N/A	N/A	N/A	N/A	Zhan-Mao Real Estate Appraisers Firm's appraisal amount for the project is \$2,902,879. Cushman & Wakefield and DTZ Real Estate Appraisers Firm's appraisal amount for the project is \$2,919,096.	Construction land	N/A
Huaku Development Co., Ltd.	Inventories - land (Tiding Avenue Project)	2022.06.24	881,600	440,800 (Note 3)	6 persons including Person B	None	N/A	N/A	N/A	N/A	Cushman & Wakefield and DTZ Real Estate Appraisers Firm's appraisal amount for the project is \$902,207.	Construction land	N/A
Huaku Development Co., Ltd.	Inventories - land (Guangpu Hsinchu II Project)	2021.11.19~2022.11.22 (Note 2)	714,370	714,370	8 persons including Person C	None	N/A	N/A	N/A	N/A	Yu Fong Real Estate Appraisers Firm's appraisal amount for the project is \$746,116.	Construction land	N/A
Huaku Development Co., Ltd.	Inventories - land (Zhengda Beitou Project)	2022.12.26	2,820,000	705,000 (Note 3)	Person D	None	N/A	N/A	N/A	N/A	Cushman & Wakefield and DTZ Real Estate Appraisers Firm's appraisal amount for the project is \$2,830,579. Lian-Bang Real Estate Appraisers Firm's appraisal amount for the project is \$2,845,734.	Construction land	N/A

Note 1: The Company has paid \$288,020 in accordance with the contract in 2021, and paid \$2,592,160 in the current period, which has been fully paid.

Note 2: This project refers to accumulatively obtained amounts, reaching NT\$300 million, from counterparties of different transactions during the above-mentioned period.

Note 3: As of December 31, 2022, the amount not yet estimated for the contracts of land purchase signed by the Company is \$2,555,800.

Huaku Development Co., Ltd.
Disposal of Real Estate Reaching NT\$300 Million or 20% of Paid-in Capital or More
January 1 to December 31, 2022

Table 3

Unit: NT\$ thousands
(Unless specified otherwise)

Company that Disposed Real Estate	Name of Property	Transaction Date / Date of Occurrence of the Event	Original Acquisition Date	Carrying Amount	Transaction Amount	Price Collection Status (collected per contracts)	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Reference for Price Determination	Other Agreement Terms
Huaku Development Co., Ltd.	Inventory - premises for sale	N/A	Not applicable to pre-sale premises	N/A	\$ 371,275 (Note 1)	\$ 371,275	N/A	Person A	None	For gaining profits	Zhan-Mao Real Estate Appraisers Firm's appraisal amount for the project is \$4,523,987.	N/A
Huaku Development Co., Ltd.	Inventory - premises for sale	N/A	Not applicable to pre-sale premises	N/A	492,760	492,760	N/A	Person B (Note 2)	None	For gaining profits	Yu Fong Real Estate Appraisers Firm's appraisal amount for the project is \$4,297,491. Lian-Bang Real Estate Appraisers Firm's appraisal amount for the project is \$4,294,965.	N/A
Huaku Development Co., Ltd.	Inventory - premises under construction	N/A	Not applicable to pre-sale premises	N/A	502,640	502,640	N/A	Person C	None	For gaining profits	Lian-Bang Real Estate Appraisers Firm's appraisal amount for the project is \$464,317.	N/A
Huaku Development Co., Ltd.	Inventory - premises under construction	N/A	Not applicable to pre-sale premises	N/A	792,210	174,260	N/A	Person D 2 in total	None	For gaining profits	Yu Fong Real Estate Appraisers Firm's appraisal amount for Building B exclude parking spaces is \$3,387,600.	N/A
Huaku Development Co., Ltd.	Inventory - premises under construction	N/A	Not applicable to pre-sale premises	N/A	680,000	680,000	N/A	Person E	None	For gaining profits	(Note 3) Zhan-Mao Real Estate Appraisers Firm's appraisal amount for the project is \$709,763.	N/A
Huaku Development Co., Ltd.	Inventory - premises under construction	N/A	Not applicable to pre-sale premises	N/A	771,120	187,150	N/A	Person F 2 in total	None	For gaining profits	Zhan-Mao Real Estate Appraisers Firm's appraisal amount for Building A excluding parking spaces is \$3,584,224.	N/A
Huaku Development Co., Ltd.	Inventory - premises under construction	N/A	Not applicable to pre-sale premises	N/A	656,000	164,040	N/A	Person G	None	For gaining profits	(Note 3) Yu Fong Real Estate Appraisers Firm's appraisal amount for the project is \$661,563.	N/A
Huaku Development Co., Ltd.	Inventory - premises under construction	N/A	Not applicable to pre-sale premises	N/A	4,590,000	460,000	N/A	Person H	None	For gaining profits	Savills Real Estate Appraisers Firm's appraisal amount for the real estate is \$4,547,562. Zhan-Mao Real Estate Appraisers Firm's appraisal amount for the real estate is \$4,520,906.	N/A

Note 1: The Company had received \$129,942 in accordance with the contract in 2020 and 2021 and has received \$241,333 in the current period.

Note 2: In this project, four houses have been handed over in 2021 with a total amount of \$1,295,720, which were not disclosed in the current period.

Note 3: In this project, Buildings A and B share the underground parking lot, and the appraised value of the parking lot is \$823,600.

Huaku Development Co., Ltd.
Purchases or Sales of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More
January 1 to December 31, 2022

Table 4

Unit: NT\$ thousands
(Unless specified otherwise)

Supplier (Buyer)	Counterparty	Relationship	Transaction Details				Reasons for and Status of Differences in Transaction Terms Compared to Arms-Length Transaction		Notes and Accounts Receivable (Payable)		
			Purchase (Sale)	Amount	Ratio to the Total Purchase (Sale) Amount	Payment Term	Unit Price	Payment Term	Balance	Ratio to the Total Notes/Accounts Receivable (Payable)	Note
Huaku Development Co., Ltd.	Pin Shing Construction Co., Ltd.	Subsidiary	Purchase	2,886,390	30	Within 120 days	Contract-based pricing	General suppliers are within one month or 45 days.	(\$ 795,309)	75	
Pin Shing Construction Co., Ltd.	Huaku Development Co., Ltd.	Parent company	Sales	(2,886,390)	100	Within 120 days	Contract-based pricing	General customers settle monthly within 30 days.	795,309	100	

Huaku Development Co., Ltd.
Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More
January 1 to December 31, 2022

Table 5

Unit: NT\$ thousands
(Unless specified otherwise)

Company Name	Counterparty	Relationship	Balance of Accounts Receivable from the Related Party	Turnover Rate	Overdue		Amount Collected Subsequent to the Balance Sheet Date	Allowance for Doubtful Accounts
					Amount	Action Taken		
Pin Shing Construction Co., Ltd.	Huaku Development Co., Ltd.	Parent company	\$ 795,309	Note	\$ -	-	\$ 766,406	\$ -

Note: This column is not applicable to the construction engineering industry.

Huaku Development Co., Ltd.
Significant Inter-company Transactions
January 1 to December 31, 2022

Table 6

Unit: NT\$ thousands
(Unless specified otherwise)

Company Name	Counterparty	Relationship with the Counterparty	Transaction Details			Ratio to the Consolidated Revenue or Total Assets
			Account	Amount	Terms	
Huaku Development Co., Ltd.	Pin Shing Construction Co., Ltd.	Parent company to subsidiary	Purchase	\$ 2,886,390	Contract-based pricing within 120 days	19
Huaku Development Co., Ltd.	Pin Shing Construction Co., Ltd.	Parent company to subsidiary	Accounts payable	795,309	Contract-based pricing within 120 days	2
Pin Shing Construction Co., Ltd.	Huaku Development Co., Ltd.	Subsidiary to parent company	Sales	2,886,390	Contract-based pricing within 120 days	19
Pin Shing Construction Co., Ltd.	Huaku Development Co., Ltd.	Subsidiary to parent company	Accounts receivable	795,309	Contract-based pricing within 120 days	2

Huaku Development Co., Ltd.
Name, location, and information on investee companies (not including investee companies in mainland China)
January 1 to December 31, 2022

Table 7

Unit: NT\$ thousands
(Unless specified otherwise)

Investor Company	Name of Investee	Place of Registration	Main Businesses	Initial Investment Amount		Shares Held as at the End of the Period			Current Profit or Loss of the Investee Company	Investment Gain (Loss) Recognized in the Current Period	Note
				End of the Current Period	End of the Previous Period	Shares	Ratio	Carrying Amount			
Huaku Development Co., Ltd.	Pin Shing Construction Co., Ltd.	Taiwan	Contracting civil engineering and hydraulic engineering projects	\$ 264,184	\$ 264,184	35,000,000	100	\$ 398,732	\$ 15,085	\$ 10,639	Subsidiary
Huaku Development Co., Ltd.	Taiwan Digit Automated Control Co., Ltd.	Taiwan	Engineering monitoring	8,000	8,000	800,000	40	24,803	16,273	6,509	An investee accounted for using the equity method
Huaku Development Co., Ltd.	Huapu Construction Co., Ltd.	Taiwan	Leasing, sales and development of residential and commercial buildings	5,000	5,000	500,000	50	5,065	(85)	(43)	An investee accounted for using the equity method
Pin Shing Construction Co., Ltd.	Full Come Foundation Eng. Ltd.	Taiwan	Professional construction industry of foundation engineering	16,000	16,000	1,043,804	33.03	14,743	3,877	1,281	An investee company of subsidiary accounted for using equity method

Huaku Development Co., Ltd.
Information on Investments in Mainland China
January 1 to December 31, 2022

Table 8

Unit: NT\$ thousands
(Unless specified otherwise)

Investee in Mainland China	Main Businesses	Paid-up Capital	Investment Method	Accumulated Investment Amount of Remittance from Taiwan—Beginning of the Current Period	Exported or Recovered Investment Amount of the Current Period		Accumulated Investment Amount of Remittance from Taiwan—End of the Current Period	Current Profit or Loss of the Investee Company	Shareholding Percentage from Direct or Indirect Investment	Investment Profit or Loss Recognized in the Current Period (Note 2)	Book Value of Investment at the End of the Current Period	Accumulated Repatriation of Investment Income as of the End of the Period	Note
					Remitted	Recovered							
Chengdu Huaku Real Estate Co., Ltd.	Property development	\$ 330,600	Note 1	\$ 366,398	\$ -	\$72,096	\$ 294,302	(\$ 5,964)	80	(\$ 4,771)	\$ 340,555	\$ 48,158	Note 3
Chengdu Wancheng Duobao Real Estate Co., Ltd.	Property development	2,204	Note 1	-	-	16,222	-	(10,201)	80	(8,161)	66,887	324,493	Note 4
	Accumulated Remitted Investment Amount from Taiwan to Mainland China—End of the Current Period	Investment Amounts Authorized by Investment Commission, MOEA	Ceiling on Investment in Mainland China Imposed by the Investment Commission, MOEA										
Company Name													
Huaku Development Co., Ltd.	\$ 294,302	\$ 1,446,190	\$ 11,622,901										

Note 1: Direct investment in a company in mainland China

Note 2: Based on the valuation and disclosure of the company's financial statements audited by a CPA in the same period

Note 3: On April 20, 2018, with the approval of the Chengdu Investment Promotion Commission, the company reduced its capital by RMB 35 million. In March 2019, all the Company's holdings of RMB 28 million had been fully remitted back.

In addition, on April 23, 2019, with the approval of the Chengdu Investment Promotion Commission, the company reduced its capital by RMB 20 million. In August 2019, all the Company's holdings of RMB 16 million had been fully remitted back.

In addition, on April 26, 2022, with the approval of the Administration for Market Regulation of Chengdu, the company reduced its capital by RMB 20 million. In June 2022, all the Company's holdings of RMB 16 million had been fully remitted back.

Note 4: On August 29, 2014, the company was approved by the Chengdu Investment Promotion Committee to reduce the capital by RMB 115 million. In October 2017, all the Company's holdings of RMB 92 million had been fully remitted back.

In addition, on April 20, 2018, with the approval of the Chengdu Investment Promotion Commission, the company reduced its capital by RMB 110 million. In February 2019, all the Company's holdings of RMB 88 million had been fully remitted back.

In addition, on April 29, 2022, with the approval of the Administration for Market Regulation of Chengdu, the company reduced its capital by RMB 4.5 million. In May 2022, all the Company's holdings of RMB 3.6 million had been fully remitted back.

Huaku Development Co., Ltd.
Information on Major Shareholders
December 31, 2022

Table 9

Shareholder's Name	Shares (Note)	
	Number of Shares	Shareholding percentage
Zhongshan Investment Co., Ltd.	19,700,000	7.11%
Newland Investment Co., Ltd.	14,690,982	5.30%

Note: The above information is provided by Taiwan Depository & Clearing Corporation (TDCC).