

HUAKU DEVELOPMENT CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW
REPORT

Three Months Ended March 31, 2023 and 2022
(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. AND SUBSIDIARIES

Consolidated Financial Statements and Independent Auditors' Review Report for the Three Months

Ended March 31, 2023 and 2022

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Independent Auditors' Review Report

(112) Cai-Shen-Bao-Zi No. 23000175

To Huaku Development Co., Ltd.,

The auditors have audited the Consolidated Balance Sheets of Huaku Development Co., Ltd. and its subsidiaries (hereinafter referred to as "Huaku Development Group") as of March 31, 2023 and 2022, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes for Consolidated Financial Statements (including Statements on Significant Accounting Policies and Their Summary) for the period of January 1 to March 31, 2023 and 2022. Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standards (IAS) No. 34, "Interim Financial Reporting" as endorsed and issued into effect by the Financial Supervisory Commission (FSC). Our responsibility is to express a conclusion on these interim Consolidated Financial Statements based on our review.

Except as stated in the section of basis for qualified conclusion, we conducted our review in accordance with the Standards on Review Engagements of the Republic of China No. 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Consolidated Financial Statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As explained in Notes 4 (3) and 6 (6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under the equity method were not reviewed by the independent auditors. The amounts of total assets (including investment accounted for using equity method) in the aforementioned companies were NT\$644,035 thousand and NT\$839,490 thousand as of March 31, 2023 and 2022, which constituted 1.55% and 1.88% of consolidated total assets, respectively. The amounts of total liabilities were NT\$410,637 thousand and NT\$132,052 thousand, accounting for 1.95% and 0.52% of consolidated total liabilities. For the aforementioned companies, the recognized comprehensive income were NT\$(35,244) thousand and NT\$7,636 thousand for the three months ended March 31, 2023 and 2022, which constituted (2.98)% and 1.09% of consolidated total comprehensive income, respectively.

Based on our review, except for the possible effects of the matter described in the basis for qualified conclusion section of our report, nothing has come to our attention that caused us to believe that the aforementioned Consolidated Financial Statements do not present fairly, in all material respects, the consolidated financial position of Huaku Development Group as of March 31, 2023 and 2022, and its consolidated financial performance and consolidated cash flows for the periods from January 1 to March 31, 2023 and 2022 in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (IAS) No. 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission.

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

May 3, 2023

HUAKU DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheet

March 31, 2023, December 31, 2022 and March 31, 2022

(The consolidated balance sheets as of March 31, 2023 and 2022 were reviewed only, and not audited in accordance with auditing standards)
Unit: NT\$ thousands

			March 31, 2023		December 31, 2022		March 31, 2022	
Assets		Notes	Amount	%	Amount	%	Amount	%
Current assets								
1100	Cash and cash equivalents	6 (1)	\$ 2,357,800	6	\$ 1,699,161	4	\$ 2,797,084	6
1110	Financial asset measured at fair value through profit or loss—current	6 (2)	294,617	1	143,172	1	200,562	1
1150	Notes receivable, net	6 (3)	10,568	-	5,167	-	18,058	-
1170	Accounts receivable, net	6 (3) (11) and 8	133,518	-	139,016	-	204,297	1
1200	Other receivables	6 (11) and 8	60,195	-	12,037	-	95,796	-
130X	Inventories	6 (4) and 8	33,459,881	81	34,176,402	82	36,791,559	82
1410	Prepayments		100,668	-	92,266	-	70,476	-
1470	Other current assets	6 (5) and 8	1,880,732	4	1,846,617	5	766,603	2
11XX	Total current assets		38,297,979	92	38,113,838	92	40,944,435	92
Non-current assets								
1550	Investment accounted for using the equity method	6 (6)	47,746	-	44,611	-	44,241	-
1600	Property, plant, and equipment		205,292	1	207,114	1	200,971	1
1755	Right-of-use assets		36,055	-	19,056	-	26,382	-
1760	Investment properties, net	6 (7) and 8	361,302	1	478,637	1	511,687	1
1840	Deferred income tax assets		24,129	-	24,258	-	27,022	-
1900	Other non-current assets	6 (3) (11) and 8	2,541,321	6	2,671,707	6	2,876,692	6
15XX	Total non-current assets		3,215,845	8	3,445,383	8	3,686,995	8
1XXX	Total assets					10		
			\$ 41,513,824	100	\$ 41,559,221	0	\$ 44,631,430	100

(Continued on Next Page)

HUAKU DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheet

March 31, 2023, December 31, 2022 and March 31, 2022

(The consolidated balance sheets as of March 31, 2023 and 2022 were reviewed only, and not audited in accordance with auditing standards)

Unit: NT\$ thousands

Liability and equity		Notes	March 31, 2023		December 31, 2022		March 31, 2022	
			Amount	%	Amount	%	Amount	%
Current liabilities								
2100	Short-term loans	6 (8)	\$ 8,871,890	21	\$ 8,751,890	21	\$ 10,633,900	24
2110	Short-term notes and bills payable	6 (9)	299,486	1	299,800	1	1,531,270	3
2130	Contract liabilities—current	6 (17)	3,734,628	9	4,647,040	11	4,370,773	10
2150	Notes payable		20,914	-	12,371	-	1,724	-
2170	Accounts payable	7	1,153,209	3	1,301,254	3	1,190,878	3
2200	Other payables		418,385	1	487,041	1	373,468	1
2230	Current income tax liabilities		733,499	2	444,345	1	663,336	1
2280	Lease liabilities—current		14,225	-	11,486	-	15,942	-
2320	Long-term liabilities due within one year or one operating cycle	6 (11)	2,418,764	6	2,563,626	6	2,317,525	5
2399	Other current liabilities—others	6 (10)	229,804	-	295,266	1	535,888	1
21XX	Total current liabilities		17,894,804	43	18,814,119	45	21,634,704	48
Non-current liabilities								
2540	Long-term loans	6 (11)	3,035,380	8	3,288,586	8	3,709,928	9
2570	Deferred income tax liabilities	6 (23)	4,168	-	3,560	-	4,871	-
2580	Lease liabilities—non-current		22,048	-	7,801	-	10,670	-
2600	Other non-current liabilities	6 (4) (12)	62,880	-	73,653	-	90,098	-
25XX	Total non-current liabilities		3,124,476	8	3,373,600	8	3,815,567	9
2XXX	Total liabilities		21,019,280	51	22,187,719	53	25,450,271	57
Equity attributable to owners of the parent company								
	Share capital	6 (13)						
3110	Share capital from common stock		2,768,127	7	2,768,127	7	2,768,127	6
	Additional paid-in capital	6 (14)						
3200	Additional paid-in capital		78,986	-	78,986	-	77,678	-
	Retained earnings	6 (15)						
3310	Legal reserves		4,001,673	9	4,001,673	10	3,709,291	9
3350	Unappropriated retained earnings		13,595,262	33	12,410,036	30	12,502,833	28
	Other equity interest	6 (16)						
3400	Other equity interest		14,216	-	11,670	-	16,566	-
3500	Treasury stocks	6 (13)	(850)	-	(850)	-	(850)	-
31XX	Total equity attributable to owners of the parent company		20,457,414	49	19,269,642	47	19,073,645	43
36XX	Non-controlling interests		37,130	-	101,860	-	107,514	-
3XXX	Total equity		20,494,544	49	19,371,502	47	19,181,159	43
	Material commitments and contingencies	9						
3X2X	Total liabilities and equity		\$ 41,513,824	100	\$ 41,559,221	100	\$ 44,631,430	100

The Notes to the Consolidated Financial Statements are part of the Consolidated Financial Statements and should be read together.

Chairman: Chung, Long-Chang

Manager: Jason Hung

Accounting Supervisor : Liu, Jo-Mei

HUAKU DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

Three Months Ended March 31, 2023 and 2022

(Reviewed only, and not audited in accordance with auditing standards)

Unit: NT\$ thousands

(except for earnings per share in New Taiwan Dollars)

Items	Notes	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
		Amount	%	Amount	%
4000 Operating revenue	6 (17)	\$ 4,713,599	100	\$ 2,834,721	100
5000 Operating costs	6 (18) (19) and 7	(2,938,390)	(62)	(1,801,045)	(63)
5900 Gross profit		<u>1,775,209</u>	<u>38</u>	<u>1,033,676</u>	<u>37</u>
Operating expenses	6 (18) (19) and 7				
6100 Selling expenses		(112,078)	(2)	(60,231)	(2)
6200 Administrative expenses		(175,273)	(4)	(131,842)	(5)
6000 Total operational expenses		(287,351)	(6)	(192,073)	(7)
6900 Operating profit		<u>1,487,858</u>	<u>32</u>	<u>841,603</u>	<u>30</u>
Non-operating income and expenses					
7100 Interest income	6 (20)	16,268	-	13,758	1
7010 Other income	6 (21)	9,560	-	5,478	-
7020 Other gains and losses		(28,800)	-	5,095	-
7050 Financial cost	6 (22)	(29,748)	(1)	(22,518)	(1)
7060 Share of profit (loss) of associates and joint ventures accounted for using the equity method	6 (6)	<u>3,135</u>	<u>-</u>	<u>3,184</u>	<u>-</u>
7000 Total non-operating income and expenses		(29,585)	(1)	4,997	-
7900 Pre-tax profit		<u>1,458,273</u>	<u>31</u>	<u>846,600</u>	<u>30</u>
7950 Income tax expense	6 (23)	(280,723)	(6)	(160,560)	(6)
8200 Net income		<u>\$ 1,177,550</u>	<u>25</u>	<u>\$ 686,040</u>	<u>24</u>
Other comprehensive income (net)					
Other comprehensive income					
Items that may be reclassified to profit or loss					
8361 Exchange differences on translation of foreign financial statements		\$ 3,979	-	\$ 16,374	1
8399 Income tax associated with items that may be reclassified	6 (16) 23	(637)	-	(2,620)	-
8360 Total amount of items that may be reclassified to profit or loss		<u>3,342</u>	<u>-</u>	<u>13,754</u>	<u>1</u>
8300 Other comprehensive income (net)		<u>\$ 3,342</u>	<u>-</u>	<u>\$ 13,754</u>	<u>1</u>
8500 Total comprehensive income		<u>\$ 1,180,892</u>	<u>25</u>	<u>\$ 699,794</u>	<u>25</u>
Profit attributable to:					
8610 Owners of parent company		\$ 1,185,226	25	\$ 685,149	24
8620 Non-controlling interests		(7,676)	-	891	-
		<u>\$ 1,177,550</u>	<u>25</u>	<u>\$ 686,040</u>	<u>24</u>
Total comprehensive income attributable to:					
8710 Owners of parent company		\$ 1,187,772	25	\$ 695,628	25
8720 Non-controlling interests		(6,880)	-	4,166	-
		<u>\$ 1,180,892</u>	<u>25</u>	<u>\$ 699,794</u>	<u>25</u>
Basic earnings per share	6 (24)				
9750 Total basic earnings per share		<u>\$ 4.28</u>		<u>\$ 2.48</u>	
Diluted earnings per share	6 (24)				
9850 Total diluted earnings per share		<u>\$ 4.27</u>		<u>\$ 2.47</u>	

The Notes to the Consolidated Financial Statements are part of the Consolidated Financial Statements and should be read together.

Chairman : Chung, Long-Chang

Manager : Jason Hung

Accounting Supervisor : Liu, Jo-Mei

HUAKU DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
Three Months Ended March 31, 2023 and 2022
(Reviewed only, and not audited in accordance with auditing standards)

Unit: NT\$ thousands

Equity attributable to owners of the parent company											
Additional paid-in capital											
Retained earnings											
Exchange differences on translation of foreign financial statements											
Treasury stocks											
Total											
Non-controlling interests											
Total equity											
Notes	Share capital from common stock	Premium of convertible corporate bonds	Treasury stock transaction	Others	Legal reserves	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Treasury stocks	Total	Non-controlling interests	Total equity
	\$ 2,768,127	\$ 46,100	\$ 29,944	\$ 1,634	\$ 3,709,291	\$ 11,817,684	\$ 6,087	(\$ 850)	\$ 18,378,017	\$ 134,834	\$ 18,512,851
6 (16)	-	-	-	-	-	685,149	-	-	685,149	891	686,040
	-	-	-	-	-	-	10,479	-	10,479	3,275	13,754
	-	-	-	-	-	685,149	10,479	-	695,628	4,166	699,794
	-	-	-	-	-	-	-	-	-	(31,486)	(31,486)
	\$ 2,768,127	\$ 46,100	\$ 29,944	\$ 1,634	\$ 3,709,291	\$ 12,502,833	\$ 16,566	(\$ 850)	\$ 19,073,645	\$ 107,514	\$ 19,181,159
	\$ 2,768,127	\$ 46,100	\$ 31,252	\$ 1,634	\$ 4,001,673	\$ 12,410,036	\$ 11,670	(\$ 850)	\$ 19,269,642	\$ 101,860	\$ 19,371,502
6 (16)	-	-	-	-	-	1,185,226	-	-	1,185,226	(7,676)	1,177,550
	-	-	-	-	-	-	2,546	-	2,546	796	3,342
	-	-	-	-	-	1,185,226	2,546	-	1,187,772	(6,880)	1,180,892
	-	-	-	-	-	-	-	-	-	(57,850)	(57,850)
	\$ 2,768,127	\$ 46,100	\$ 31,252	\$ 1,634	\$ 4,001,673	\$ 13,595,262	\$ 14,216	(\$ 850)	\$ 20,457,414	\$ 37,130	\$ 20,494,544

The Notes to the Consolidated Financial Statements are part of the Consolidated Financial Statements and should be read together.

Chairman : Chung, Long-Chang

Manager : Jason Hung

Accounting Supervisor : Liu, Jo-Mei

HUAKU DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Three Months Ended March 31, 2023 and 2022

(Reviewed only, and not audited in accordance with auditing standards)

Unit: NT\$ thousands

	Notes	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flow from operating activities			
Current net profit before tax		\$ 1,458,273	\$ 846,600
Adjusted items			
Income and expense items			
Share of profits (losses) of associates accounted for using the equity method	6 (6)	(3,135)	(3,184)
Amortization	6 (18)	519	473
Depreciation expenses	6 (18)	7,534	6,899
Interest expense	6 (22)	29,748	22,518
Interest income	6 (20)	(16,268)	(13,758)
Loss on disposal of property, plant and equipment		-	7
Loss on disposal of investment property		28,930	-
Changes in assets and liabilities relating to operating activities			
Net change in assets relating to operating activities			
Financial assets measured at fair value through profit or loss		(151,445)	(32,189)
Notes and accounts receivable, net		(8,715)	(48,419)
Other receivables		(48,158)	(68,919)
Inventories		763,577	2,215,648
Prepayments		(8,402)	(42,125)
Restricted deposits		(138,984)	759,166
Other current assets		110,350	(5,473)
Changes in deferred income tax assets		128	(25)
Long-term installment accounts receivable		103,983	104,128
Net change in liabilities relating to operating activities			
Notes payable		8,543	(15,529)
Accounts payable		(148,045)	(126,764)
Other payables		(68,656)	(93,879)
Contract liabilities		(912,411)	644,733
Advance receipts		914	-
Other current liabilities		(66,376)	250,508
Other non-current liabilities		(982)	172
Deferred income tax liabilities—current		609	2,592
Realized amount of unrealized revenue within this period		(2,746)	(6,583)
Cash inflow (outflow) generated from operations		938,785	(34,699)
Interest received	6 (20)	16,268	13,758
Interest paid	6 (22)	(76,804)	(55,497)
Income tax refunded (paid)		8,530	(14,213)
Cash inflow (outflow) from operating activities, net		886,779	90,651
Cash flow from investment activities			
Proceeds from acquisition of property, plant, and equipment		(422)	(848)
Proceeds from disposal of investment property		87,019	-
Decrease (increase) in other non-current assets		(377)	6,555
Increase in construction performance deposits		(6,000)	(5,500)
Decrease (increase) in refundable deposits		35,593	(96)
Cash inflow from investment activities, net		115,813	111
Cash flow from financing activities			
Increase in short-term loans	6 (25)	120,000	1,781,900
Decrease in short-term bills payable	6 (25)	(314)	(699,651)
Long-term loans repaid	6 (25)	(398,068)	(564,724)
Long-term loans borrowed		-	7,960
Redemption of lease principal	6 (25)	(2,416)	(2,439)
Decrease in guarantee deposits received	6 (25)	(7,045)	(1,463)
Changes in non-controlling interests		(57,850)	(31,486)
Cash inflow (outflow) from financing activities, net		(345,693)	490,097
Impacts on cash and cash equivalents from changes in exchange rates		1,740	4,547
Increase in cash and cash equivalents for the period		658,639	404,104
Cash and cash equivalents at the beginning of the period		1,699,161	2,392,980
Cash and cash equivalents at the end of the period		\$ 2,357,800	\$ 2,797,084

The Notes to the Consolidated Financial Statements are part of the Consolidated Financial Statements and should be read together.

Chairman: Chung, Long-Chang

Manager: Jason Hung

Accounting Supervisor : Liu, Jo-Mei

HUAKU DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Notes for Consolidated Financial Statements

Three Months Ended March 31, 2023 and 2022

(Reviewed only, and not audited in accordance with auditing standards)

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 consolidated financial statements were approved and issued on May 3, 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, revised, and amended 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 Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group'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

None.

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

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

New standards, interpretations and amendments	Effective date by International Accounting Standards Board
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

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

IV. Statements on Significant Accounting Policies and Their Summary

The significant accounting policies adopted are consistent with Note 4 in the Consolidated Financial Statements for the year ended December 31, 2022, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Statement of Compliance

- The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standards (IAS) No. 34, "Interim Financial Reporting" endorsed and issued into effect by the FSC.
- These Consolidated Financial Statements should be read along with the Consolidated Financial Statements for the year ended December 31, 2022.

(II) Preparation Basis

- Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
 - Financial assets measured at fair value through profit or loss.
 - Defined benefit liability derived from retirement plan assets less the present value of net defined benefit obligation.

2. Critical accounting estimates are required when preparing financial statements in compliance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (collectively referred herein as the “IFRSs”) endorsed and issued into effect by the FSC. It also requires management to exercise their judgment in the process of applying the Group's accounting policies. For the items involving a high degree of judgment or complexity, or the items involving significant assumptions and estimates in the Consolidated Financial Statements, please refer to Note 5 for details.

(III) Basis of Consolidation

1. Basis for preparation of Consolidated Financial Statements:

The basis for preparation of Consolidated Financial Statements applied in these Consolidated Financial Statements are consistent with those applied in the Consolidated Financial Statements for the year ended December 31, 2022.

2. Subsidiaries included in the consolidated financial statements:

Name of Company	Name of subsidiaries	Business activities	Percentage owned by the Company		
			March 31, 2023	December 31, 2022	March 31, 2022
The Company	Pin Shing Construction Co., Ltd.	Civil engineering and hydraulic engineering contractors	100	100	100
The Company	Chengdu Wancheng Duobao Real Estate Co., Ltd.	Property development	80	80	80
The Company	Chengdu Huaku Real Estate Co., Ltd.	Property development	80	80	80

Except for Pin Shing Construction Co., Ltd., whose financial statements have been reviewed by the independent auditors, the remaining subsidiaries did not meet the definition of significant subsidiaries and hence their financial statements for the three months ended March 31, 2023 and 2022 were not reviewed by the independent auditors.

3. Subsidiaries that are not included into the consolidated financial statements: None.
4. Adjustments and treatment methods for different accounting periods of subsidiaries: None.
5. Significant limitation on the ability to acquire or use assets and to settle liabilities: None.
6. Information about subsidiaries of non-controlling interest that are material to the Group: None.

(IV) Pensions

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year. It is adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. The related information is disclosed in accordance with the aforementioned policies.

(V) Income tax

The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed in accordance with the aforementioned policies.

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

When preparing the consolidated financial statements, management of the Group 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 Group 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

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand and revolving fund	\$ 208	\$ 208	\$ 248
Checking deposits and demand deposits	1,484,299	1,628,953	2,716,905
Cash equivalents			
- Time deposits	813,293	-	-
- Bonds with repurchase agreement	60,000	70,000	79,931
	<u>\$ 2,357,800</u>	<u>\$ 1,699,161</u>	<u>\$ 2,797,084</u>

1. The Group deals with financial institutions having high credit quality. The Group also deals with various financial institutions in order that credit risks can be diversified. Therefore, the expected risk of default is rather low.
2. The Group's restricted use of the pre-sale construction project trust fund and others has been listed under "Other current assets." Please refer to Notes 6 (5) and 8 for details.

(II) Financial asset measured at fair value through profit or loss—current

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Financial assets mandatorily measured at FVTPL			
- Financial products	<u>\$ 294,617</u>	<u>\$ 143,172</u>	<u>\$ 200,562</u>

The amounts of the Group's financial assets measured at fair value through profit or loss recognized in profit or loss for the three months ended March 31, 2023 and 2022 were \$1,316 and \$1,394, respectively.

(III) Notes and accounts receivable

	<u>March 31, 2023</u>	<u>Amount of receivables guaranteed</u>	<u>Guaranteed loan amount</u>
Notes receivable			
Within 1 year	\$ 10,568	\$ -	\$ -
Accounts receivable			
Within 1 year	133,518	92,907	92,907
Over 1 year (Note)	<u>2,397,858</u>	<u>2,385,380</u>	<u>2,385,380</u>
	<u>\$ 2,541,944</u>	<u>\$ 2,478,287</u>	<u>\$ 2,478,287</u>
	<u>December 31, 2022</u>	<u>Amount of receivables guaranteed</u>	<u>Guaranteed loan amount</u>
Notes receivable			
Within 1 year	\$ 5,167	\$ -	\$ -
Accounts receivable			
Within 1 year	139,016	96,977	96,977
Over 1 year (Note)	<u>2,493,028</u>	<u>2,488,586</u>	<u>2,488,586</u>
	<u>\$ 2,637,211</u>	<u>\$ 2,585,563</u>	<u>\$ 2,585,563</u>

	March 31, 2022	Amount of receivables guaranteed	Guaranteed loan amount
Notes receivable			
Within 1 year	\$ 18,058	\$ -	\$ -
Accounts receivable			
Within 1 year	204,297	104,828	104,828
Over 1 year	<u>2,769,049</u>	<u>2,741,428</u>	<u>2,741,428</u>
(Note)			
	<u>\$ 2,991,404</u>	<u>\$ 2,846,256</u>	<u>\$ 2,846,256</u>

Note: The Group's long-term installment accounts receivables over one year are listed under the item "Other non-current assets".

1. The Group 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 Notes 6 (11) and 8 for details. The Group's information on secured borrowings with accounts receivable as collateral is as above.
2. The balances of receivables (including notes receivables) arising from the contracts with the clients as of March 31, 2023, March 31, 2022 and January 1, 2022 were \$2,539,921, \$2,988,519, and \$3,043,303, respectively.
3. Interest income recognized by the Group in profit or loss for the three months ended March 31, 2023 and 2022 was \$16,065 and \$13,726, respectively.
4. The above notes and accounts receivable are non-overdue 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 Group's notes and accounts receivable as of March 31, 2023, December 31, 2022, and March 31, 2022 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).

(IV) Inventories

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Buildings and land held for sale</u>			
Huaku National Landmark (formerly Xinzhuang Factory & Office Building Project)	\$ 1,867,676	\$ -	\$ -
Huaku Royal Highness	510,200	487,371	620,826
Sand River Bay	137,045	136,334	153,305
Hwaku Fine Art	113,243	191,921	246,635
Hwaku Sky Garden	78,927	213,495	871,238
Huaku Garden Mansion	-	-	4,072,145
	2,707,091	1,029,121	5,964,149
Less: Allowance for valuation loss	(113,003)	(126,013)	(65,503)
	<u>2,594,088</u>	<u>903,108</u>	<u>5,898,646</u>
	March 31, 2023	December 31, 2022	March 31, 2022
<u>Construction in progress</u>			
Huaku Casa Blanca (formerly Wenlin North Road Project II)	2,575,875	2,569,336	-
Huaku Moon River	2,514,995	2,448,049	2,027,155
Huaku Happy Fortune Center (formerly Innovation Fortune II)	2,456,989	2,294,126	1,914,011
Huaku Zhongyuan Landmark (formerly Zhonghe Factory & Office Building Project)	1,936,181	1,852,065	1,490,925
Huaku Deyue (formerly Zhonghe Residential Project)	1,697,841	1,642,270	-
Huaku Wenling (formerly Wenlin North Road Project)	1,418,377	1,381,205	1,199,622
Huaku Sky Tower (formerly Zhuangtian Road, Taishan Project)	1,298,295	1,289,676	-
Huaku Daan Educational Institution	776,934	768,923	613,321
Huaku National Landmark (formerly Xinzhuang Factory & Office Building Project)	-	4,271,057	3,069,844
Huaku Bella Vita	-	-	3,163,810
	<u>14,675,487</u>	<u>18,516,707</u>	<u>13,478,688</u>

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	March 31, 2023	December 31, 2022	March 31, 2022
<u>Land held for construction</u>			
Nangang Yucheng Project	4,898,059	4,863,686	4,547,757
Taichung Jingmao Road Project	3,730,277	2,945,125	2,910,503
Tiding Avenue Project	2,860,160	2,385,050	1,885,030
Guangpu Hsinchu Project, Second Phase	1,951,095	1,875,266	1,299,167
Xinyi Guangfu Project	740,073	723,940	565,778
Zhengda Xindian Project	618,848	594,999	586,679
Fuxing S. Road Urban Renewal Project	241,061	241,061	-
Dunnan Project	198,834	198,834	198,834
Huaku Casa Blanca (formerly Wenlin North Road Project II)	-	-	2,271,412
Huaku Deyue (formerly Zhonghe Residential Project)	-	-	1,509,418
Huaku Sky Tower (formerly Zhuangtian Road, Taishan Project)	-	-	1,273,488
Others	129,312	129,312	129,285
	<u>15,367,719</u>	<u>13,957,273</u>	<u>17,177,351</u>
<u>Land prepayment and others</u>			
Zhengda Beitou Project	\$ 786,790	\$ 763,543	\$ -
Fuxing S. Road Urban Renewal Project	-	-	216,615
Bulk and land for roads	49,104	49,078	33,566
	<u>835,894</u>	<u>812,621</u>	<u>250,181</u>
Less: Allowance for valuation loss	(13,307)	(13,307)	(13,307)
	<u>822,587</u>	<u>799,314</u>	<u>236,874</u>
	<u>\$ 33,459,881</u>	<u>\$ 34,176,402</u>	<u>\$ 36,791,559</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 recognized revenue when transferring land and house use rights 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(11) 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 the part of the land held in Sanyu Section of Taipei City (Hwaku 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 transferred unrealized profit to income based on the proportion of sales. As of March 31, 2023, December 31, 2022 and March 31, 2022, the unrealized amounts were \$1,850, \$4,596 and \$19,806, respectively, which were listed under "other non-current liabilities".
3. The cost of inventories recognized as expenses and losses by the Group for the three months ended March 31, 2023 and 2022 were \$2,937,365 and \$1,801,045, respectively, including the cost of goods sold recognized from adjusting cost to net realizable value in the amount of \$(13,010) and \$(7,106), respectively. The net realizable value of inventories recovered due to the sale of some inventories whose net realizable value was lower than their cost in the three-month period ended March 31, 2023.
4. The amount of interest capitalized in the Group's inventories for the three months ended March 31, 2023 and 2022 is \$47,056 and \$32,979, respectively, and the net interest rate margin range within the capitalized interest is 1.81%~1.97% and 0.88%~1.22%, respectively.
5. Please refer to Note 8 for details of the pledge of inventories by the Group.

(V) Other current assets

	March 31, 2023	December 31, 2022	March 31, 2022
Restricted bank deposits	\$ 1,390,635	\$ 1,251,651	\$ 191,006
Construction refundable deposits	233,738	227,738	226,749
Incremental costs for obtaining contracts	245,688	312,973	327,797
Other current assets	10,671	54,255	21,051
	<u>\$ 1,880,732</u>	<u>\$ 1,846,617</u>	<u>\$ 766,603</u>

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

Investment accounted for using the equity method

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>Shareholding percentage</u>
Associates:				
Taiwan Digit Automated Control Co., Ltd.	\$ 26,938	\$ 24,803	\$ 25,342	40.00
Full Come Foundation Eng. Ltd.	15,516	14,743	13,606	33.03
Joint ventures:				
Huapu Construction Co., Ltd.	<u>5,292</u>	<u>5,065</u>	<u>5,293</u>	50.00
	<u>\$ 47,746</u>	<u>\$ 44,611</u>	<u>\$ 44,241</u>	

1. For the basic information of the Group's associates and joint ventures, please refer to Note 13 (2) for details.
2. For the carrying amounts of the Group's non-significant associates and joint ventures as of March 31, 2023, December 31, 2022 and March 31, 2022, please refer to the table above; the operating results are as follows:

	<u>Three Months Ended March 31, 2023</u>	<u>Three Months Ended March 31, 2022</u>
Net Income from continuing operations	\$ 3,135	\$ 3,184
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 3,135</u>	<u>\$ 3,184</u>

3. There are no public quotations for the investment targets of the Group. The share of profits of associates recognized using equity method for the three months ended March 31, 2023 and 2022 are based on the valuation and disclosure of financial statements of each investee company, which have not been reviewed by their certified public accountants during the same period.

(VI) Investment property

	2023		
	Land	House and land use rights	Total
January 1	\$ 4,360	\$ 474,277	\$ 478,637
Disposal	-	(115,950)	(115,950)
Depreciation expenses	-	(2,832)	(2,832)
Net exchange differences	-	1,447	1,447
March 31	<u>\$ 4,360</u>	<u>\$ 356,942</u>	<u>\$ 361,302</u>

	2022		
	Land	House and land use rights	Total
January 1	\$ 4,360	\$ 501,125	\$ 505,485
Depreciation expenses	-	(3,050)	(3,050)
Net exchange differences	-	9,252	9,252
March 31	<u>\$ 4,360</u>	<u>\$ 507,327</u>	<u>\$ 511,687</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:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Rental revenue from investment property	<u>\$ 4,856</u>	<u>\$ 3,952</u>
Direct operating expenses incurred by investment property generating rental revenue in the current period	<u>\$ 3,973</u>	<u>\$ 3,050</u>

- The fair value of the investment property held by the Group as of March 31, 2023, December 31, 2022 and March 31, 2022 was \$864,320, \$891,216 and \$895,283, respectively. The valuation is based on the recent transaction prices of each investment property construction project or 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.

3. The maturity analysis of the lease payments for the investment properties leased out by the Group under operating leases is as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Within 1 year	\$ 16,054	\$ 22,619	\$ 17,700
2 to 5 years	61,345	94,595	68,472
Over 5 years	25,376	32,779	38,177
	<u>\$ 102,775</u>	<u>\$ 149,993</u>	<u>\$ 124,349</u>

4. For information on guarantees provided by the Group for investment property, please refer to Note 8 for details.

(VII) Short-term loans

Loan type	March 31, 2023	Interest rate range	Collateral
<u>Bank loans</u>			
Secured bank borrowings	\$ 8,771,890	1.75%~2.5%	Inventories - buildings and land
Credit loans	<u>100,000</u>	1.78%	None
	<u>\$ 8,871,890</u>		

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	<u>550,000</u>	1.15%~1.86%	None
	<u>\$ 8,751,890</u>		

Loan type	March 31, 2022	Interest rate range	Collateral
<u>Bank loans</u>			
Secured bank borrowings	\$ 8,283,900	1.08%~1.80%	Inventories - buildings and land
Credit loans	<u>2,350,000</u>	1.04%~1.36%	None
	<u>\$ 10,633,900</u>		

(VIII) Short-term notes and bills payable

Loan type	March 31, 2023	December 31, 2022	March 31, 2022
Short-term notes and bills payable	\$ 300,000	\$ 300,000	\$ 1,532,000
Less: Discount on short-term bills payable	(514)	(200)	(730)
Net	<u>\$ 299,486</u>	<u>\$ 299,800</u>	<u>\$ 1,531,270</u>
Interest rate range	2.07%	1.29%~2.09%	0.94%~1.32%

(IX) Other current liabilities—others

	March 31, 2023	December 31, 2022	March 31, 2022
Warranty provisions	\$ 92,268	\$ 92,437	\$ 131,070
Payment collection	48,263	108,929	354,727
Others	<u>89,273</u>	<u>93,900</u>	<u>50,091</u>
	<u>\$ 229,804</u>	<u>\$ 295,266</u>	<u>\$ 535,888</u>

(X) Long-term loans

Loan type	Loan period and repayment method	Interest rate range	Collateral	March 31, 2023
<u>Long-term bank loans</u>				
Credit loans	From June 2021 to June 2023; the interest is paid on a monthly basis	1.55%~1.78%	None	\$ 968,500
"	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; 2.69% the loan and the accrued interest is repaid on a monthly basis		Read Note for details	<u>2,485,644</u>
				5,454,144
Less: Long-term loans due within one year or one operating cycle				(2,418,764)
				<u>\$ 3,035,380</u>

Loan type	Loan period and repayment method	Interest rate range	Collateral	December 31, 2022
<u>Long-term bank loans</u>				
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 loan and the accrued interest is repaid 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	March 31, 2022
<u>Long-term bank loans</u>				
Credit loans	From June 2020 to June 2022; the interest is paid on a monthly basis	0.88%~1.20%	None	\$ 1,038,000
"	From June 2020 to July 2022; the interest is paid on a monthly basis	"	"	200,000
"	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 loan and the accrued interest is repaid on a monthly basis	1.89%	Read Note for details	<u>2,852,453</u>
				6,027,453
Less: Long-term loans due within one year or one operating cycle				(<u>2,317,525</u>)
				<u>\$ 3,709,928</u>

The Group's unused balance of loan limit as of March 31, 2023, December 31, 2022 and March 31, 2022 were \$10,624,140, \$10,310,140 and \$8,820,021, 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 (3) 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 Group 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 and its domestic subsidiaries have 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 of 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) For the three months ended March 31, 2023 and 2022, the net pension costs recognized under the defined contribution plan aforementioned were \$191 and \$181, respectively.
 - (2) The Group expects to make a contribution of \$390 to the pension plans for the year ended December 31, 2023.

2. Starting from July 1, 2005, the Company and subsidiaries have set up a defined contribution plan for all employees with ROC citizenship in accordance with the Labor Pension Act. For part of employees of the Company and its domestic subsidiaries 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.
 - (1) According to the elderly insurance system stipulated by the Government of the People's Republic of China, the Group contributes pensions monthly at a fixed rate of the total salaries of the employees of the Group's subsidiaries in mainland China. For the three months ended March 31, 2023 and 2022, the contribution ratio was both 20%. The pension for each employee is managed by the government, hence the Group does not have further obligation except for making a monthly contribution.
 - (2) For the three months ended March 31, 2023 and 2022, the net pension costs recognized under the defined contribution plan aforementioned were \$1,504 and \$1,424, respectively.

(XII) Share capital

1. As of March 31, 2023, 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 three months ended March 31, 2023 and 2022.
 - (2) As of March 31, 2023, December 31, 2022 and March 31, 2022, 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:

	March 31, 2023	December 31, 2022	March 31, 2022
Number of shares (thousand shares)	174	174	174
Carrying amounts	\$ 850	\$ 850	\$ 850

(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 2022 and 2021, which was proposed and approved by the Board of Directors on March 22, 2023, and approved in the annual shareholders' meetings on May 31, 2022, respectively, are as follows:

	2022		2021	
	Amount	Dividends per share (NT\$)	Amount	Dividends per share (NT\$)
Legal reserves	\$ 296,083		\$ 292,382	
Cash dividends	2,076,095	\$ 7.5	2,076,095	\$ 7.5

5. The proposal of distribution of earnings for 2022 has not been submitted to the shareholders' meeting as of the reporting date of the review report. For more information regarding the distribution of earnings resolved by the Board of Directors and the shareholders' meeting, please refer to the Market Observation Post System (MOPS) website.

(XV) Other equity

	2023	2022
January 1	\$ 11,670	\$ 6,087
Currency translation differences:		
- The Group	3,183	13,099
- Tax amount of the Group	(637)	(2,620)
March 31	<u>\$ 14,216</u>	<u>\$ 16,566</u>

(XVI) Operating revenue

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Revenue from contract with customers	\$ 4,705,437	\$ 2,828,133
Others	8,162	6,588
	<u>\$ 4,713,599</u>	<u>\$ 2,834,721</u>

1. Segments of revenue from contract with customers

The Group's income is derived from the transfer at a certain point in time. The income can be subdivided into the following major product lines and generate relevant income in each reportable department:

Three Months Ended March 31, 2023	Sales of construction			
	Taiwan	China	Others	Total
Timing of revenue recognition				
- Revenue recognized at a specific timing	\$ 4,649,980	\$ 55,457	\$ -	\$ 4,705,437
- Gradually transferred revenue over time	-	-	8,162	8,162
	<u>\$ 4,649,980</u>	<u>\$ 55,457</u>	<u>\$ 8,162</u>	<u>\$ 4,713,599</u>

Three Months Ended March 31, 2022	Sales of construction			
	Taiwan	China	Others	Total
Timing of revenue recognition				
- Revenue recognized at a specific timing	\$ 2,816,860	\$ 11,273	\$ -	\$ 2,828,133
- Gradually transferred revenue over time	-	-	6,588	6,588
	<u>\$ 2,816,860</u>	<u>\$ 11,273</u>	<u>\$ 6,588</u>	<u>\$ 2,834,721</u>

2. The aggregate amount of the transaction price and the estimated recognized revenue year of the sales contract signed by the Group as of March 31, 2023, which had not yet satisfied its performance obligations, are as follows:

Estimated recognized revenue year	Amount of contracts signed
2023 ~ 2026	<u>\$ 23,971,741</u>

3. Contract liabilities

- (1) The Group recognized contract revenues related to contract liabilities as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Contract liability - current:			
- Advance land receipts	\$ 2,520,920	\$ 2,932,836	\$ 2,890,740
- Advance building receipts	<u>1,213,708</u>	<u>1,714,204</u>	<u>1,480,033</u>
	<u>\$ 3,734,628</u>	<u>\$ 4,647,040</u>	<u>\$ 4,370,773</u>

The Group's sales contract of pre-sale homes contains provisions for advance payment from customers, and the time between advance receipt and commodity ownership transfer is longer than one year. According to IFRS 15, contract liabilities related to sales of pre-sale homes were recognized as current liabilities.

(2) Provision for opening contract liabilities:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Balance of initial contract liability recognized as revenue in the current period		
— Construction pre-sale contract	\$ 1,541,975	\$ 483,470

(XVII) Additional information regarding the nature of expense

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Construction costs	\$ 2,937,365	\$ 1,800,020
Advertising expenses	112,165	60,047
Employee benefit expenses	144,703	98,729
Taxation	14,349	18,932
Depreciation and amortization	8,053	7,372
Other costs and expenses	9,106	8,018
Operating cost and operating expenses	\$ 3,225,741	\$ 1,993,118

(XVIII) Employee benefit expenses

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Salary and bonuses	\$ 111,614	\$ 75,094
Directors' remuneration	19,368	11,423
Labor and health insurance expenses	7,363	6,938
Pension expenses	1,695	1,605
Other personnel cost	4,663	3,669
	\$ 144,703	\$ 98,729

1. As stated in the Articles of Incorporation, if there are any remaining profits after deducting the accumulated deficits from the profits of the year, the Company shall allocate 3% ~ 5% of the remaining profits as compensation to employees, and remuneration to directors can not exceed 2% of the remaining profits.

2. For the three months ended March 31, 2023 and 2022, the Company recognized compensation to employees amounted to \$46,260 and \$26,398, respectively, and remuneration to directors amounted to \$18,504 and \$10,559, respectively, all presented under payroll expense.

Based on the profitability of the three months ended March 31, 2023, it is estimated to allocate 3% and 1.2%, respectively.

The Company's 2022 employee compensation and directors' remuneration are consistent with the amounts recognized in the financial statements for the year ended December 31, 2022.

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Interests on bank deposits	\$ 203	\$ 32
Interest income from financial assets at amortized cost	16,065	13,726
	<u>\$ 16,268</u>	<u>\$ 13,758</u>

(XX) Other income

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Advertising service income	\$ 4,191	\$ 4,049
Other income	5,369	1,429
	<u>\$ 9,560</u>	<u>\$ 5,478</u>

(XXI) Financial cost

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Interest expense		
- Bank loans	\$ 59,554	\$ 37,846
- Loans secured by accounts receivable	16,101	13,771
- Lease liabilities	70	58
Financial expenses	<u>1,079</u>	<u>3,822</u>
	76,804	55,497
Less: Amount capitalized of qualified assets	(<u>47,056</u>)	(<u>32,979</u>)
	<u>\$ 29,748</u>	<u>\$ 22,518</u>

(XXII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Current income tax:		
Income tax incurred in the current period	\$ 275,954	\$ 148,478
Land value increment tax recognized in income tax in the current period	4,435	12,136
Under-estimated provision from the prior years	<u>137</u>	<u>-</u>
Total current income tax	280,526	160,614
Deferred income tax:		
Recognition and reversal of temporary differences	<u>197</u>	(<u>54</u>)
Income tax expense	<u>\$ 280,723</u>	<u>\$ 160,560</u>

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Currency translation differences	<u>(\$ 637)</u>	<u>(\$ 2,620)</u>

2. The difference between the Company's finance income and taxable income is mainly caused by the tax exemption from land transaction tax.
3. The tax authorities have examined income tax returns of the Company through the year ended December 31, 2021.

(XXIII) Earnings per share

Three Months Ended March 31, 2023			
	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 of the parent company	\$ 1,185,226	276,638	<u>\$ 4.28</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee remuneration	-	1,234	
Profit attributable to common stock shareholders plus assumed conversion of all dilutive potential common stocks	<u>\$ 1,185,226</u>	<u>277,872</u>	<u>\$ 4.27</u>

Three Months Ended March 31, 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 of the parent company	\$ 685,149	276,638	<u>\$ 2.48</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee remuneration	-	1,229	
Profit attributable to common stock shareholders plus assumed conversion of all dilutive potential common stocks	<u>\$ 685,149</u>	<u>277,867</u>	<u>\$ 2.47</u>

(Below is blank)

(XXIV) Changes in liabilities from financing activities

2023						
	Short-term loans	Short-term notes and bills payable	Long-term loans (Note 2)	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
January 1	\$ 8,751,890	\$ 299,800	\$ 5,852,212	\$ 30,685	\$ 19,287	\$ 14,953,874
Changes in cash flows from financing activities	120,000	(314)	(398,068)	(7,045)	(2,416)	(287,843)
Payment of interest expense (Note 1)	-	-	-	-	(123)	(123)
Other non-cash changes	-	-	-	-	19,525	19,525
March 31	<u>\$ 8,871,890</u>	<u>\$ 299,486</u>	<u>\$ 5,454,144</u>	<u>\$ 23,640</u>	<u>\$ 36,273</u>	<u>\$ 14,685,433</u>

2022						
	Short-term loans	Short-term notes and bills payable	Long-term loans (Note 3)	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
January 1	\$ 8,852,000	\$ 2,230,921	\$ 6,584,217	\$ 29,421	\$ 18,434	\$ 17,714,993
Changes in cash flows from financing activities	1,781,900	(699,651)	(556,764)	(1,463)	(2,439)	521,583
Payment of interest expense (Note 1)	-	-	-	-	(58)	(58)
Other non-cash changes	-	-	-	-	10,675	10,675
March 31	<u>\$ 10,633,900</u>	<u>\$ 1,531,270</u>	<u>\$ 6,027,453</u>	<u>\$ 27,958</u>	<u>\$ 26,612</u>	<u>\$ 18,247,193</u>

Note 1. Statement of cash flows from operating activities

Note 2. It includes \$2,418,764 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 \$2,317,525 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 Group</u>
Taiwan Digit Automated Control Co., Ltd.	Associates
Full Come Foundation Eng. Ltd.	Associates
Huapu Construction Co., Ltd.	Associates

(II) Significant transactions between related parties

1. Purchase

	<u>Three Months Ended March 31, 2023</u>	<u>Three Months Ended March 31, 2022</u>
Associates	<u>\$ 12,134</u>	<u>\$ 14,987</u>

(1) The above transactions with associates are entrusted with contracting monitoring projects. The price is based on the contract. The payment period is the same as that of non-related persons, and both are within one month or 45 days.

(2) As of March 31, 2023, the total price of the uncompleted project contracts signed between the Group and associates was \$17,143, and the amount of unrecognized construction payments was \$11,143.

2. Prepayments

	<u>Three Months Ended March 31, 2023</u>	<u>Three Months Ended March 31, 2022</u>
Associates	<u>\$ 9,514</u>	<u>\$ -</u>

3. Accounts payable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Associates	<u>\$ 13,546</u>	<u>\$ 15,843</u>	<u>\$ 17,607</u>

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

(III) Information on the remunerations of the key management

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Short-term employee benefits	<u>\$ 43,180</u>	<u>\$ 27,195</u>

VIII. Pledged Assets

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

<u>Pledged assets</u>	Carrying amounts			<u>Purpose of the pledge</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	
Installment accounts receivable				Loans secured by accounts receivable
- Accounts receivable	\$ 92,907	\$ 96,977	\$ 104,828	
- Long-term notes and accounts receivable	2,260,349	2,358,652	2,630,792	
Other installments receivable				Loans secured by accounts receivable
- Other receivables	7,357	7,599	6,197	
- Long-term notes and accounts receivable	125,031	129,934	110,636	
Other current assets				
- Restricted bank deposits	1,390,635	1,251,651	191,006	Pre-sale construction project trust fund
Inventories	26,904,056	29,434,508	27,428,281	Short-term loans and commercial papers payable
Investment property	246,692	247,717	250,792	Loans secured by accounts receivable
	<u>\$ 31,027,027</u>	<u>\$ 33,527,038</u>	<u>\$ 30,722,532</u>	

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

- (I) As of March 31, 2023, the total value of the engineering contract signed between the Group and non-related parties amounted to \$5,863,451 and the unrecognized amount is \$3,410,029.
- (II) As of March 31, 2023, the unrecognized amount for the contracts of land purchase signed by the Group is \$2,115,000.
- (III) As of March 31, 2023, the Group 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 Daan Educational Institution	Hua Nan Commercial Bank, Ltd.
Huaku Moon River	E.SUN Commercial Bank, Ltd.
Huaku Deyue	E.SUN Commercial Bank, Ltd.
Huaku Wenling	E.SUN Commercial Bank, Ltd.
Huaku Zhongyuan Landmark	Taishin International Bank Co., Ltd.
Hwaku Sky Tower	Taipei Fubon Commercial Bank Co., Ltd.
Hwaku Casa Blanca	Cathay United 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 Group's capital management is to ensure that the Group 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 Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group regulates the borrowing amount of the company based on the progress of the project and the funds required for the operation.

(II) Financial instruments

1. Categories of financial instruments

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at FVTPL	<u>\$ 294,617</u>	<u>\$ 143,172</u>	<u>\$ 200,562</u>
Financial assets/loans and receivables measured at amortized cost			
Cash and cash equivalents	2,357,800	1,699,161	2,797,084
Notes receivable	10,568	5,167	18,058
Accounts receivable (including long-term accounts receivable for more than one year)	2,531,376	2,632,044	2,973,346
Other receivables	60,195	12,037	95,796
Refundable deposits	370,317	399,909	327,039
Other financial assets	<u>1,390,635</u>	<u>1,251,651</u>	<u>191,006</u>
	<u>\$ 6,720,891</u>	<u>\$ 5,999,969</u>	<u>\$ 6,402,329</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized costs			
Short-term loans	\$ 8,871,890	\$ 8,751,890	\$ 10,633,900
Short-term notes and bills payable	299,486	299,800	1,531,270
Notes payable	20,914	12,371	1,724
Accounts payable	1,153,209	1,301,254	1,190,878
Other payables	418,385	487,041	373,468
Long-term borrowings (including due within one year or one operating cycle)	5,454,144	5,852,212	6,027,453
Guarantee deposits received	<u>23,640</u>	<u>30,685</u>	<u>27,958</u>
	<u>\$ 16,241,668</u>	<u>\$ 16,735,253</u>	<u>\$ 19,786,651</u>
Lease liabilities	<u>\$ 36,273</u>	<u>\$ 19,287</u>	<u>\$ 26,612</u>

2. Risk management policy

- (1) The Group'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 Group in accordance with the opinions of the board of directors. Through cooperation with the Group's each operating units, the finance department is responsible for identifying, evaluating and hedging financial risks.
- (3) The Group does not undertake derivatives for hedging financial risks.

3. Nature and degree of significant financial risks

(1) Market risk

Foreign currency risk

The Group operates internationally. The main currencies are NTD and RMB. Foreign currency risk arises from recognized assets and liabilities and net investments in foreign operations. The management of the Group has established policies to manage the foreign currency risk of functional currencies. The Group manages its overall foreign currency risk through the Finance Department. The Group had no foreign currency assets or liabilities as of March 31, 2023, December 31, 2022 and March 31, 2022.

Due to the significant impact of exchange rate fluctuations on the monetary items of the Group, the aggregated (loss) gains (including realized and unrealized) of exchanges for the three months ended March 31, 2023 and 2022 were (\$1,187) and \$0, respectively.

Price risk

The price of wealth management commodities held by the Group is subject to the uncertainty of the price risk of the investment target's future value, so there exists a price risk exposure.

Cash flow interest rate risk and fair value interest rate risk

- A. The Group's interest rate risks come from short- 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 three months ended March 31, 2023 and 2022, the Group's borrowings at floating interest rate were denominated in NTD.

- B. The Group 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 for the three months ended March 31, 2023 and 2022 is to increase or decrease by \$146,260 and \$181,934, respectively. The two payments of \$24,856 and \$28,525 in the three months ended March 31, 2023 and 2022, respectively, were due to the Group'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 Group to repay the interest expenses arising from the above-mentioned factoring contract. Therefore, there was no need for the Group 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 Group refers to the risk of financial loss of the Group caused by the client or counterparties of financial instruments fail to fulfill their contractual obligations. The risk is mainly from the counterparty unable to pay off the accounts payable according to the collection conditions.
- B. The Group 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 Group.
- C. The Group 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 petty proportion, and no much chance of non-recovery. The Company also implements individual management and regular tracking of receivables arising from special trading. In addition, the Group 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 Group's assessed credit impairment losses as of March 31, 2023, December 31, 2022 and March 31, 2022 were not significant.

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

(3) Liquidity risk

- A. The cash flow forecast is performed by each operating entity of the Group and compiled by the Group's finance department. The Group's finance division monitors rolling forecasts of the Group'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 Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- B. The Group'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:

March 31, 2023	Within 1 Year	1-3 years	Over 3 years
Short-term loans	\$ 275,762	\$ 8,693,384	\$ 273,506
Short-term notes and bills payable	300,000	-	-
Accounts payable	458,679	339,333	355,197
Other payables	314,010	56,016	48,359
Lease liabilities	10,159	18,572	8,720
Long-term borrowings (including due within one year or one operating cycle)	2,342,393	652,694	-
Loans secured by accounts receivable	148,912	347,388	2,990,437

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	778,753	171,547	350,954
Other payables	406,180	22,611	58,250
Lease liabilities	6,508	13,017	-
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:

March 31, 2022	Within 1 Year	1-3 years	Over 3 years
Short-term loans	\$ 2,467,456	\$ 5,336,586	\$ 3,157,804
Short-term notes and bills payable	600,000	932,000	-
Accounts payable	785,346	177,829	227,703
Other payables	309,582	6,703	57,183
Lease liabilities	9,115	13,017	4,881
Long-term borrowings (including due within one year or one operating cycle)	2,224,471	970,602	-
Loans secured by accounts receivable	153,736	344,885	3,163,443

C. The Group 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: 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 Group belong to this level.

2. For fair value information of investment property measured at cost, please refer to Note 6 (7) for details.
3. 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.
4. The Group categorizes financial and non-financial instruments measured at fair value on the basis of the nature, characteristics, and risks of the assets and liabilities. The related information is as follows:

(1) Classified by nature of assets:

	Level 1	Level 2	Level 3	Total
<u>March 31, 2023</u>				
Assets				
<u>Recurring fair value</u>				
Financial assets measured at fair value through profit or loss	\$ -	\$ -	\$ 294,617	\$ 294,617
	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Assets				
<u>Recurring fair value</u>				
Financial assets measured at fair value through profit or loss	\$ -	\$ -	\$ 143,172	\$ 143,172
	Level 1	Level 2	Level 3	Total
<u>March 31, 2022</u>				
Assets				
<u>Recurring fair value</u>				
Financial assets measured at fair value through profit or loss	\$ -	\$ -	\$ 200,562	\$ 200,562

- (2) Methods and assumptions adopted by the Group for measurement of fair value are stated as follows:

The Group has not held any financial assets with quoted market prices and the fair value of the remaining financial instruments is obtained from valuation techniques or reference to quotes from counterparties.

5. For the three months ended March 31, 2023 and 2022, there were no transfer between Level 1 and Level 2 for the Group.
6. The changes in Level 3 for the three months ended March 31, 2023 and 2022 were as follows:

	2023	2022
January 1	\$ 143,172	\$ 168,373
Current acquisition	319,519	252,832
Disposal in the current period	(168,821)	(226,922)
Currency translation differences	747	6,279
March 31	<u>\$ 294,617</u>	<u>\$ 200,562</u>

7. The finance department of the Group is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to confirm the resource of information is independent, reliable and represented as the exercisable price.

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 reaching NT\$300 million or 20% of paid-in capital or more: 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

(I) General information

The Group operates business only in a single industry. The Group's operating decision-makers, who allocate resources and assesses the performance of the Group as a whole, has identified that the Group is a single reportable operating segment.

The Group's company organization, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

(I) Segment information on profit or loss and assets

The financial information of reportable segments provided to chief operating decision makers is as follows:

Three Months Ended March 31, 2023				
	Taiwan	China	Adjustment and elimination	Total
Net external revenue	\$ 4,655,135	\$ 58,464	\$ -	\$ 4,713,599
Internal segment revenue	423,329	-	(423,329)	-
Segment revenue	<u>\$ 5,078,464</u>	<u>\$ 58,464</u>	<u>(\$ 423,329)</u>	<u>\$ 4,713,599</u>
Segment income or loss	<u>\$ 1,192,978</u>	<u>(\$ 38,379)</u>	<u>\$ 22,951</u>	<u>\$ 1,177,550</u>
Segment assets	<u>\$ 40,917,535</u>	<u>\$ 596,289</u>	<u>\$ -</u>	<u>\$ 41,513,824</u>
Three Months Ended March 31, 2022				
	Taiwan	China	Adjustment and elimination	Total
Net external revenue	\$ 2,821,058	\$ 13,663	\$ -	\$ 2,834,721
Internal segment revenue	507,024	-	(507,024)	-
Segment revenue	<u>\$ 3,328,082</u>	<u>\$ 13,663</u>	<u>(\$ 507,024)</u>	<u>\$ 2,834,721</u>
Segment income or loss	<u>\$ 690,134</u>	<u>\$ 4,452</u>	<u>(\$ 8,546)</u>	<u>\$ 686,040</u>
Segment assets	<u>\$ 43,836,181</u>	<u>\$ 795,249</u>	<u>\$ -</u>	<u>\$ 44,631,430</u>

(II) Reconciliation for segment profit or loss and assets

The revenue from external parties, segment income and segment assets reported to the Chief Operating Decision Maker are measured in a manner consistent with the revenue, net profit after taxes, and total assets in the financial statements; therefore, there is no need to adjust.

Huaku Development Co., Ltd.

Marketable Securities Held at the End of the Period (Excluding Subsidiaries, Associates and Joint ventures)

March 31, 2023

Table 1

Unit: NT\$ thousands
(Unless specified otherwise)

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 or loss—current Adjustment of valuation	174,354	\$ 1,388	0.06	<u>\$ 16,215</u>	Note 3
					<u>14,827</u>			
					<u>\$ 16,215</u>			
Chengdu Wancheng Duobao Real Estate Co., Ltd.	Financial products	None	Financial asset measured at fair value through profit or loss—current	-	\$ 29,953	-	\$ 29,953	
Chengdu Huaku Real Estate Co., Ltd.	Financial products	None	Financial asset measured at fair value through profit or loss—current	-	<u>264,664</u>	-	<u>264,664</u>	
					<u>\$ 294,617</u>		<u>\$ 294,617</u>	

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 March 31, 2023

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)	2023.02.06	\$ 779,231	\$ 779,231	Taichung City Government	None	N/A	N/A	N/A	N/A	N/A	Construction land	N/A
Huaku Development Co., Ltd.	Inventories - land (Tiding Avenue Project)	2022.06.24	881,600	881,600 Note 1	Person A 6 in total	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 (Zhengda Beitou Project)	2022.12.26	2,820,000	705,000 Note 2	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 \$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 Group has paid \$440,800 in accordance with the contract in 2022, and paid \$440,800 in the current period, which has been fully paid.

Note 2. In 2022, the amount not yet estimated for the contracts of land purchase signed by the Group is \$2,115,000.

Huaku Development Co., Ltd.

Disposal of Real Estate Reaching NT\$300 Million or 20% of Paid-in Capital or More

January 1 to March 31, 2023

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	Counter party	Relationship	Purpose of Disposal	Reference for Price Determination	Other Agreement Terms
Huaku Development Co., Ltd.	Inventory - premises under construction	N/A	Not applicable to pre-sale premises	N/A	\$ 792,210 (Note 1)	\$ 789,090	N/A	Person A 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. (Note 2)	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 B	None	For gaining profits	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	771,120	N/A	Person C 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. (Note 2)	N/A
Huaku Development Co., Ltd.	Inventory - premises under construction	N/A	Not applicable to pre-sale premises	N/A	656,000	656,000	N/A	Person D	None	For gaining profits	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	655,500	65,550	N/A	Person E	None	For gaining profits	Zhan-Mao Real Estate Appraisers Firm's appraisal amount for the real estate is \$674,466	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 F	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 Group had received \$174,260 in accordance with the contract in 2022 and has received \$614,830 in the current period.

Note 2. 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 March 31, 2023

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)		Note
			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)	
Huaku Development Co., Ltd.	Pin Shing Construction Co., Ltd.	Subsidiary	Purchase	\$ 802,433	31	Within 120 days		General suppliers are Contract-based within one month or 45 days.	(\$ 842,717)	67	
Pin Shing Construction Co., Ltd.	Huaku Development Co., Ltd.	Parent company	Sales	(802,433)	100	Within 120 days		General customers settle Contract-based monthly within 30 days. pricing	842,717	100	

Huaku Development Co., Ltd.

Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More

January 1 to March 31, 2023

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	\$ 842,717	Note	\$ -	-	\$ 178,373	\$ -

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

Huaku Development Co., Ltd.
Significant Inter-company Transactions
January 1 to March 31, 2023

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	\$ 802,433	Contract-based pricing within 120 days		17
Huaku Development Co., Ltd.	Pin Shing Construction Co., Ltd.	Parent company to subsidiary	Accounts payable	842,717	Contract-based pricing within 120 days		2
Pin Shing Construction Co., Ltd.	Huaku Development Co., Ltd.	Subsidiary to parent company	Sales	802,433	Contract-based pricing within 120 days		17
Pin Shing Construction Co., Ltd.	Huaku Development Co., Ltd.	Subsidiary to parent company	Accounts receivable	842,717	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 March 31, 2023

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	#####	100	\$ 417,356	\$ 7,752	\$ 33,324	Subsidiary
Huaku Development Co., Ltd.	Taiwan Digit Automated Control Co., Ltd.	Taiwan	Engineering monitoring	8,000	8,000	800,000	40	26,938	5,332	2,134	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	5,292	455	227	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	15,516	2,342	774	An investee company of subsidiary accounted for using equity method

Huaku Development Co., Ltd.
Information on Investments in Mainland China
January 1 to March 31, 2023

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	Remitted 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	\$ 66,465	Note 1	\$ 294,302	\$ -	\$ -	\$ 294,302	(\$ 38,640)	80	(\$ 30,912)	\$ 98,705	\$ 48,158	Note 3
Chengdu Wancheng Duobao Real Estate Co., Ltd.	Property development	2,216	Note 1	-	-	-	-	261	80	209	49,712	324,493	Note 4

Company Name	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
Huaku Development Co., Ltd.	\$ 294,302	\$ 1,433,946	\$ 12,296,726

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 Group'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 Group'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 Group's holdings of RMB 16 million had been entirely remitted back.

On March 23, 2023, it was resolved in the shareholders' meeting to reduce its capital by RMB 60 million. The Group's holdings are RMB 48 million, and as of the reporting date of the review report, the capital reduction has not been approved by the Chengdu Investment Promotion Committee.

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 Group'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 Group'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 Group's holdings of RMB 3.6 million had been fully remitted back.

Huaku Development Co., Ltd.
Information on Major Shareholders
March 31, 2023

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).