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

December 31, 2022 and 2021

(Stock Code: 2548)

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

Company Address: 7F, No. 456, Sec. 4, Xinyi Rd., Xinyi Dist.,
Taipei City, Taiwan (R.O.C.)

HUAKU DEVELOPMENT CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements and Independent Auditors' Report December 31, 2022 and 2021

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Huaku Development Co., Ltd.

Consolidated Financial Statements of Affiliated Enterprises

For the year 2022 (from January 1 to December 31, 2022), the Company's entities that are required to be included in the consolidated financial statements of affiliated enterprises under the "Criteria Governing Preparation of Consolidated Business Report of Affiliated Enterprises, Consolidated Financial Statements of Affiliated Enterprises, and Affiliation Reports" are the same as those required to be included in the parent-subsidiary consolidated financial statements under the International Financial Reporting Standards 10. Moreover, the related information required to be disclosed for the consolidated financial statements of affiliated enterprises has been fully disclosed in the aforementioned parent-subsidiary consolidated financial statements. Consequently, a separate set of consolidated financial statements of affiliated enterprises is not prepared.

As hereby declared

Company Name: Huaku Development Co., Ltd.

Person in Charge: Chung, Long-Chang

February 22, 2023

Independent Auditors' Report

(112) Cai-Shen-Bao-Zi No. 22002975

To Huaku Development Co., Ltd.,

Audit Opinions

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 December 31, 2022 and 2021, 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 December 31, 2022 and 2021.

In our opinion, based on our audits and other independent auditors' reports (please refer to Other Matter sections), the aforementioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Huaku Development Group as of December 31, 2022 and 2021, and its consolidated financial performance and consolidated cash flows for the periods from January 1 to December 31, 2022 and 2021 in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) Interpretations, and Standing Interpretations Committee (SIC) Interpretations to the extent endorsed and effected by the Financial Supervisory Commission.

Basis of Audit Opinions

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

Key Audit Matters

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

Key audit matters of the consolidated financial statements of Huaku Development Group for 2022 are as follows:

The Appropriateness of Recognition Timing of Building and Land Sales Revenue

Description of the Matter

Please refer to Note 4 (24) of the Notes for Consolidated Financial Statements for the accounting policies of the construction industry on operating revenue, and Note 6 (17) for descriptions of accounting items.

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

Corresponding Audit Procedures

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

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

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

The invested companies, some of which accounted for under the equity method, are included in the Huaku Development Group consolidated financial statements; their financial statements are not audited by us but by other CPAs. Therefore, the opinions on the consolidated financial statements listed above concerning the amount listed in the financial statements of such companies and the relevant information disclosed in Note 13 are based on the audit reports of the other CPAs. The amounts of investment accounted for using equity method in the aforementioned companies were NT$44,611 thousand and NT$41,057 thousand as of December 31, 2022 and 2021, which constituted 0.107% and 0.096% of consolidated total assets, respectively. For the aforementioned companies, the recognized comprehensive income were NT$7,747 thousand and NT$4,853 thousand for the years ended December 31, 2022 and 2021, which constituted 0.261% and 0.166% of consolidated total comprehensive income, respectively.

Other Matters—Parent Company Only Financial Reports

Huaku Development Co., Ltd. has compiled parent company only financial reports for 2022 and 2021, and we have issued an unqualified report with other matter paragraphs for reference.

Responsibility of the Management and the Governance Units for the Consolidated Financial Statements

The responsibility of the management was to act in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) Interpretations, and Standing Interpretations Committee (SIC) Interpretations to the extent endorsed and effected by the Financial Supervisory Commission to fairly represent the Company's financial status and also to maintain necessary internal control with regard to the compilation of the consolidated financial statements, so as to ensure such financial statements did not contain any material misstatement due to fraud or errors.

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

The governance units of Huaku Development Group (including the Audit Committee) bear the responsibility of overseeing the financial reporting process.

Responsibility of Certified Public Accountants for Auditing Consolidated Financial Statements

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

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

1. Identified and evaluated the risk of material misstatements due to fraud or errors in the consolidated financial statements; designed and carried out appropriate countermeasures for the evaluated risk,

and obtained sufficient and appropriate evidence as the basis for the audit opinions. As fraud can involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, the risk of failing to detect material misstatements resulting from fraud is higher than the risk of failing to identify those coming from errors.

2. Achieved the necessary understanding of the internal control relevant to auditing verifications in order to design the auditing procedures appropriate for the given context. Nevertheless, the purpose of this is not to express an opinion on the effectiveness of Huaku Development Group's internal control.

3. Evaluated the appropriateness of the accounting policies adopted by the management and the reasonableness of its accounting estimates and relevant disclosures.

4. Formed a conclusion pertaining to the appropriateness of the accounting basis of going concern adopted by the management of Huaku Development Group; determined whether material uncertainty exists or not on events or conditions which may significantly impact the going concern of Huaku Development Group. If we thought such material uncertainty existed for such events or conditions, we must point it out in the auditors' report to remind users of the consolidated financial statements to look out for related disclosures in the consolidated financial statements, or to revise our audit opinions if such disclosures were inappropriate. Our conclusion was established according to the audit evidence obtained by the date of the auditors' report. However, future events or conditions may cause Huaku Development Group to lose the capacity of going concern.

5. Evaluated the overall expression, structure and contents of the consolidated financial statements (including relevant Notes), and whether the consolidated financial statements fairly represent relevant transactions and events.

6. Obtained sufficient and appropriate audit proof of the financial information of the Group's constituents so as to express opinions on the consolidated financial statements. We were responsible for guiding, supervising, and executing the audit work for the Group's financial statements and also establishing the auditors' opinion.

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

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

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

PwC Taiwan
Hsiao, Chun-Yuan
CPA
Lin, Se-Kai
Former Securities and Futures Bureau, FSC
Approved Document, Reference No.:
FSC Zheng-Sixth-Zi No. 0960042326
FSC Zheng-Sixth-Zi No. 0960072936

February 22, 2023

HUAKU DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Balance Sheet
December 31, 2022 and 2021

Unit: NT$ thousands

	Assets	Notes	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 1,699,161	4	$ 2,392,980	6
1110	Financial asset measured at fair value through profit and loss—current	6 (2)	143,172	1	168,373	-
1150	Notes receivable, net	6 (3)	5,167	-	30,385	-
1170	Accounts receivable, net	6 (3) (11) and 8	139,016	-	167,158	-
1200	Other receivables	6 (11) and 8	12,037	-	26,877	-
130X	Inventories	6 (4) and 8	34,176,402	82	34,542,932	81
1410	Prepayments		92,266	-	28,351	-
1470	Other current assets	6 (5) and 8	1,846,617	5	1,515,270	4
11XX	**Total current assets**		38,113,838	92	38,872,326	91
	Non-current assets					
1550	Investment accounted for using the equity method	6 (6)	44,611	-	41,057	-
1600	Property, plant, and equipment		207,114	1	201,529	1
1755	Right-of-use assets		19,056	-	18,207	-
1760	Investment properties, net	6 (7) and 8	478,637	1	505,485	1
1840	Deferred income tax assets	6 (23)	24,258	-	26,997	-
1900	Other non-current assets	6 (3) (11) and 8	2,671,707	6	2,963,671	7
15XX	**Total non-current assets**		3,445,383	8	3,756,946	9
1XXX	**Total assets**		$ 41,559,221	100	$ 42,629,272	100

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HUAKU DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Balance Sheet
December 31, 2022 and 2021

Unit: NT$ thousands

Code	Liability and equity	Notes	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities					
2100	Short-term loans	6 (8)	$ 8,751,890	21	$ 8,852,000	21
2110	Short-term notes and bills payable	6 (9)	299,800	1	2,230,921	5
2130	Contract liabilities—current	6 (17)	4,647,040	11	3,726,040	9
2150	Notes payable		12,371	-	17,253	-
2170	Accounts payable	7	1,301,254	3	1,317,642	3
2200	Other payables		487,041	1	467,367	1
2230	Current income tax liabilities		444,345	1	516,935	1
2280	Lease liabilities—current		11,486	-	6,808	-
2320	Long-term liabilities due within one year or one operating cycle	6 (11)	2,563,626	6	2,511,848	6
2399	Other current liabilities—others	6 (10)	295,266	1	285,360	1
21XX	**Total current liabilities**		18,814,119	45	19,932,174	47
	Non-current liabilities					
2540	Long-term loans	6 (11)	3,288,586	8	4,072,369	10
2570	Deferred income tax liabilities	6 (23)	3,560	-	2,280	-
2580	Lease liabilities—non-current		7,801	-	11,626	-
2600	Other non-current liabilities	6 (4) (12)	73,653	-	97,972	-
25XX	**Total non-current liabilities**		3,373,600	8	4,184,247	10
2XXX	**Total liabilities**		22,187,719	53	24,116,421	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	6
	Additional paid-in capital	6 (14)				
3200	Additional paid-in capital		78,986	-	77,678	-
	Retained earnings	6 (15)				
3310	Legal reserves		4,001,673	10	3,709,291	9
3350	Unappropriated retained earnings		12,410,036	30	11,817,684	28
	Other equity interest	6 (16)				
3400	Other equity interest		11,670	-	6,087	-
3500	Treasury stocks	6 (13)	(850)	-	(850)	-
31XX	**Total equity attributable to owners of the parent company**		19,269,642	47	18,378,017	43
36XX	**Non-controlling interests**		101,860	-	134,834	-
3XXX	**Total equity**		19,371,502	47	18,512,851	43
	Material commitments and contingencies	9				
3X2X	**Total liabilities and equity**		$ 41,559,221	100	$ 42,629,272	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

<u>HUAKU DEVELOPMENT CO., LTD. AND SUBSIDIARIES</u>
<u>Consolidated Statement of Comprehensive Income</u>
<u>For the years ended December 31, 2022 and 2021</u>

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

	Items	Notes	2022 Amount	2022 %	2021 Amount	2021 %
4000	Operating revenue	6 (17)	$ 14,853,179	100	$ 13,547,257	100
5000	Operating costs	6 (18) (19) and 7	(10,113,509)	(68)	(9,185,855)	(68)
5900	Gross profit		4,739,670	32	4,361,402	32
	Operating expenses	6 (18) (19) and 7				
6100	Selling expenses		(429,904)	(3)	(249,918)	(2)
6200	Administrative expenses		(589,000)	(4)	(577,987)	(4)
6000	Total operational expenses		(1,018,904)	(7)	(827,905)	(6)
6900	Operating profit		3,720,766	25	3,533,497	26
	Non-operating income and expenses					
7100	Interest income	6 (20)	67,268	1	60,063	1
7010	Other income	6 (21)	36,281	-	73,717	1
7020	Other gains and losses		(15,193)	-	5,157	-
7050	Financial cost	6 (22)	(109,259)	(1)	(97,731)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using the equity method	6 (6)	7,747	-	4,853	-
7000	Total non-operating income and expenses		(13,156)	-	46,059	1
7900	**Pre-tax profit**		3,707,610	25	3,579,556	27
7950	Income tax expense	6 (23)	(753,597)	(5)	(657,751)	(5)
8200	**Net income**		$ 2,954,013	20	$ 2,921,805	22

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HUAKU DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2022 and 2021

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

Code	Items	Notes	2022 Amount	2022 %	2021 Amount	2021 %
	Other comprehensive income (net)					
	Other comprehensive income					
8311	Remeasurements of defined benefit plans	6 (12)	$ 4,478	-	$ 4,552	-
8349	Income tax related to items not reclassified	6 (23)	(895)	-	(910)	-
	Items that may be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements		8,723	-	(5,056)	-
8399	Income tax associated with items that may be reclassified	6 (16) 23	(1,396)	-	809	-
8360	Total amount of items that may be reclassified to profit of loss		7,327	-	(4,247)	-
8300	**Other comprehensive income (net)**		$ 10,910	-	($ 605)	-
8500	**Total comprehensive income**		$ 2,964,923	20	$ 2,921,200	22
	Profit attributable to:					
8610	Owners of parent company		$ 2,957,246	20	$ 2,920,173	22
8620	Non-controlling interests		(3,233)	-	1,632	-
			$ 2,954,013	20	$ 2,921,805	22
	Total comprehensive income attributable to:					
8710	Owners of parent company		$ 2,966,412	20	$ 2,920,580	22
8720	Non-controlling interests		(1,489)	-	620	-
			$ 2,964,923	20	$ 2,921,200	22
	Basic earnings per share	6 (24)				
9750	Total basic earnings per share		$ 10.69		$ 10.56	
	Diluted earnings per share	6 (24)				
9850	Total diluted earnings per share		$ 10.63		$ 10.50	

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
For the years ended December 31, 2022 and 2021

Unit: NT$ thousands

		Equity attributable to owners of the parent company										
			Additional paid-in capital			Retained earnings						
	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
2021												
Balance as of January 1, 2021		$ 2,768,127	$ 46,100	$ 28,724	$ 1,051	$ 3,431,492	$ 11,109,357	$ 9,322	($ 850)	$ 17,393,323	$ 134,214	$ 17,527,537
Consolidated net income		-	-	-	-	-	2,920,173	-	-	2,920,173	1,632	2,921,805
Other comprehensive income	6 (16)	-	-	-	-	-	3,642	(3,235)	-	407	(1,012)	(605)
Total comprehensive income		-	-	-	-	-	2,923,815	(3,235)	-	2,920,580	620	2,921,200
Appropriation and distribution of retained earnings	6 (15)											
Legal reserves		-	-	-	-	277,799	(277,799)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,937,689)	-	-	(1,937,689)	-	(1,937,689)
Cash dividends received by subsidiaries from the parent company		-	-	1,220	-	-	-	-	-	1,220	-	1,220
Dividends not claimed by shareholders overtime		-	-	-	583	-	-	-	-	583	-	583
Balance as of December 31, 2021		$ 2,768,127	$ 46,100	$ 29,944	$ 1,634	$ 3,709,291	$ 11,817,684	$ 6,087	($ 850)	$ 18,378,017	$ 134,834	$ 18,512,851
2022												
Balance as of January 1, 2022		$ 2,768,127	$ 46,100	$ 29,944	$ 1,634	$ 3,709,291	$ 11,817,684	$ 6,087	($ 850)	$ 18,378,017	$ 134,834	$ 18,512,851
Consolidated net income		-	-	-	-	-	2,957,246	-	-	2,957,246	(3,233)	2,954,013
Other comprehensive income	6 (16)	-	-	-	-	-	3,583	5,583	-	9,166	1,744	10,910
Total comprehensive income		-	-	-	-	-	2,960,829	5,583	-	2,966,412	(1,489)	2,964,923
Appropriation and distribution of retained earnings	6 (15)											
Legal reserves		-	-	-	-	292,382	(292,382)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(2,076,095)	-	-	(2,076,095)	-	(2,076,095)
Cash dividends received by subsidiaries from the parent company		-	-	1,308	-	-	-	-	-	1,308	-	1,308
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(31,485)	(31,485)
Balance as of December 31, 2022		$ 2,768,127	$ 46,100	$ 31,252	$ 1,634	$ 4,001,673	$ 12,410,036	$ 11,670	($ 850)	$ 19,269,642	$ 101,860	$ 19,371,502

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
For the years ended December 31, 2022 and 2021

Unit: NT$ thousands

	Notes	2022	2021
Cash flow from operating activities			
Current net profit before tax		$ 3,707,610	$ 3,579,556
Adjusted items			
Income and expense items			
Share of profits (losses) of associates accounted for using the equity method	6 (6)	(7,747)	(4,853)
Amortization	6 (18)	1,796	2,166
Depreciation expenses	6 (18)	28,141	26,959
Interest expense	6 (22)	109,259	97,731
Interest income	6 (20)	(67,268)	(60,063)
Loss (gain) on disposal of property, plant and equipment		11	(748)
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		25,202	(45,904)
Notes and accounts receivable, net		20,509	43,726
Other receivables		14,840	40,124
Inventories		494,759	(5,481,814)
Prepayments		(63,915)	81,331
Restricted deposits		(301,479)	428,597
Other current assets		(25,176)	16,830
Deferred income tax assets		2,739	816
Long-term installment accounts receivable		389,392	437,509
Net change in liabilities relating to operating activities			
Notes payable		(4,882)	(31,830)
Accounts payable		(16,388)	106,366
Other payables		19,674	9,999
Contract liabilities		921,000	257,677
Advance receipts		(3,740)	(27,703)
Other current liabilities		13,646	81,763
Other non-current liabilities		(8,797)	(8,286)
Deferred income tax liabilities—current		1,281	(901)
Realized amount of unrealized revenue within this period		(21,793)	(32,563)
Cash inflow (outflow) generated from operations		5,228,674	(483,515)
Dividends received		4,193	4,853
Interest received	6 (20)	67,268	60,063
Interest paid	6 (22)	(237,488)	(201,088)
Income tax paid		(824,458)	(331,223)
Cash inflow (outflow) from operating activities, net		4,238,189	(950,910)
Cash flow from investment activities			
Proceeds from acquisition of property, plant, and equipment		(11,738)	(11,486)
Proceeds from disposal of property, plant, and equipment		-	762
Decrease (increase) in other non-current assets		7,399	(5,360)
Decrease (increase) in construction performance deposit		(6,488)	57,633
Increase in refundable deposits		(71,977)	(22,697)
Cash (outflow) inflow from investment activities, net		(82,804)	18,852
Cash flow from financing activities			
Increase (decrease) in short-term loans	6 (25)	(100,110)	6,185,000

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
For the years ended December 31, 2022 and 2021

Unit: NT$ thousands

	Notes	2022	2021
Decrease in short-term bills payable	6 (25)	(1,931,121)	(1,000,879)
Long-term loans borrowed	6 (25)	2,047,902	1,989,982
Long-term loans repaid	6 (25)	(2,779,907)	(2,430,346)
Redemption of lease principal	6 (25)	(9,764)	(9,826)
Increase in guarantee deposits received	6 (25)	1,264	14,328
Changes in non-controlling interests		(31,485)	-
Cash dividends paid—parent company	6(15)(25)	(2,076,095)	(1,937,689)
Cash inflow (outflow) from financing activities, net		(4,879,316)	2,810,570
Impacts on cash and cash equivalents from changes in exchange rates		30,112	3,137
Increase (decrease) in cash and cash equivalents for the year		(693,819)	1,881,649
Cash and cash equivalents at the beginning of the year		2,392,980	511,331
Cash and cash equivalents at the end of the year		$ 1,699,161	$ 2,392,980

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

December 31, 2022 and 2021

Unit: NT$ thousands

(Unless specified otherwise)

I. Company History

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

II. Approval Date and Procedure of Financial Statements

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

III. Application of New and Amended Standards and Interpretations

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

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

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

2. The 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

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

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

(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

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.

IV. Statements on Significant Accounting Policies and Their Summary

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

(I) Statement of Compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations (collectively referred to as “IFRSs” hereinafter) endorsed and issued into effect by the FSC.

(II) Preparation Basis

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:

   (1) Financial assets measured at fair value through profit or loss.

   (2) Defined benefit liability derived from retirement plan assets less the present value of net defined benefit obligation.

2. Critical accounting estimates are required when preparing financial statements in compliance with IFRSs. 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

   (1) The Group includes all subsidiaries as entities in the consolidated financial statements. Subsidiaries refer to entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control, and are excluded from the consolidated financial statements from the date when such control ceases.

   (2) Transactions, balances and unrealized gains or losses between companies within the Group are eliminated. Accounting policies of subsidiaries are adjusted, when necessary, to remain consistent with those of the Group.

   (3) The profit or loss and each component of other comprehensive income is attributed to the owners of the parent company and to the non-controlling interest. Total comprehensive income is also attributed to the owners of the parent company and non-controlling interest even if this results in the non-controlling interests having a deficit balance.

   (4) A change in the ownership interest of a subsidiary without a loss of control (transactions with non-controlling interests) is accounted for as an equity transaction, i.e. transactions with owners in their capacity as owners. Any

difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(5) When the Group loses control of a subsidiary, any investment retained in the former subsidiary should be remeasured at fair value and be regarded as the fair value on initial recognition of a financial asset or, when appropriate, as the cost on initial recognition of an investment in an associate or a joint venture. Difference between fair value and carrying amount should be recognized in profit or loss. All amounts recognized in other comprehensive income in relation to that subsidiary should be accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when it loses control on that subsidiary.

2. Subsidiaries included in the consolidated financial statements:

Name of Company	Name of subsidiaries	Business activities	Percentage owned by the Company December 31, 2022	Percentage owned by the Company December 31, 2021	Details
The Company	Pin Shing Construction Co., Ltd.	Civil engineering and hydraulic engineering contractors	100	100	
The Company	Chengdu Wancheng Duobao Real Estate Co., Ltd.	Property development	80	80	
The Company	Chengdu Huaku Real Estate Co., Ltd.	Property development	80	80	

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) Foreign Currency Translation

All items on the financial statements of each entity of the Group are measured at the currency of the principal economic environment in which the entity operates (i.e. functional currency). The consolidated financial statements are presented in NTD, which is the Company’s functional and the Group’s presentation currency.

1. Foreign currency transaction and balance

   (1) Foreign currency transaction is translated to the functional currency by using the spot exchange rate on the trade date or measurement date. Any translation differences occurred is to be recognized in the current profit or loss.

   (2) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss.

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

   (4) All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

2. Translation from foreign operations

   (1) The operating results and financial position of all entities and associates within the Group that have a functional currency different from the presentation currency are translated into the presentation currency by applying the following approaches:

      A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the end of the financial reporting period;

      B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

      C. All resulting exchange differences are recognized in other comprehensive income.

   (2) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. However, if the Group still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

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

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

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

The Group classifies assets not meeting the aforesaid criteria into non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:
   (1) Liabilities that are expected to be settled within the normal operating cycle;
   (2) Liabilities held primarily for trading purposes;
   (3) Liabilities that are expected to be settled within 12 months after the balance sheet date;
   (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Settlement by the issue of equity instruments based on transaction party's choice does not impact classification.

The Group classifies liabilities not meeting the aforesaid criteria into non-current liabilities.

(VI) Cash equivalents

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

(VII) Financial assets measured at fair value through profit or loss

1. Financial assets measured at FVTPL are financial assets that are neither carried at cost nor measured at FVTOCI.

2. The Group uses trade date accounting for financial assets at FVTPL conformed to customary transactions.

3. Financial assets at FVTPL are initially recognized at fair value with related transaction costs recognized in profit or loss, and subsequently measured at fair value with related gains or losses recognized in profit or loss.

4. The Group recognizes dividends income in profit or loss when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Group and the amount of such benefits can be reliably measured.

(VIII) Accounts Receivables and Notes Receivables

1. It refers to receivables and notes of which the contractual right to consideration for goods sold or services rendered is unconditional.

2. At initial recognition, the Group measures the financial assets at fair value. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss.

(IX) Impairment of Financial Assets

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

(X) Derecognition of Financial Assets

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

(XI) Lease Transactions for the Lessors—Operating Leases

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

(XII) Inventories

1. Inventories including buildings and land held for construction, construction in progress, and buildings and land held for sale are initially recorded at cost. The

construction profit or loss is recognized with the completed contract method. The buildings and land held for construction is transferred to the premise under construction when it is actively developed, and the related interest is capitalized during the period from the active development or construction to the completion of the work.

2. The specific land rights acquired by the Group and its right to construct residential buildings on that land are leased for the profession of the construction. It complies with the definition of IAS 2.6 and IAS 2.8 and recognizes the land use rights acquired as inventory costs.
3. At the end of the period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(XIII) Investment accounted for using the equity method

Associates

1. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
2. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
3. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the change in ownership interests in the associate in "additional paid-in capital" in proportion to its ownership.
4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are adjusted, when necessary, to remain consistent with those of the Group.
5. When the Group disposes its investment in an associate and loses significant influence over this associate, the accounting treatment for amounts previously recognized in

other comprehensive income in relation to the associate are the same as the one required if the relevant assets or liabilities were directly disposed of. That is, if gain/loss previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of relevant assets or liabilities, such gain/loss will be reclassified from equity to profit or loss when the Group loses significant influence over the associate. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

Joint ventures

The Group accounts for its investment interest in joint ventures using the equity method. If there is evidence indicating that the net realizable value of the asset has decreased or that an impairment loss has occurred on the asset, the full loss is recognized immediately. When the Company’s share of losses in a joint venture equals or exceeds its interest in the joint venture (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred obligations or constructive obligations or made payments on behalf of the joint venture.

(XIV) Property, plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other amount of repairs and maintenance fee are recognized as current profit or loss when they are incurred.
3. Land is not depreciated. The cost model is applied to other property, plant and equipment, and these are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the property, plant, and equipment comprise any significant components, they are depreciated individually.
4. The Group reviews each assets' residual values, useful lives and depreciation methods at the end of each financial year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. Except that the useful life of the real estate property is 30 years, the useful life of all other assets is

3 to 5 years.

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

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

   The lease liability is measured at amortized cost using the effective interest method subsequently, and the interest expense is appropriated during the lease period. When the non-contractual modification causes a change in the lease period or lease payment, the subsequent lease liability will be reassessed, and re-measurements will be used to adjust the right-of-use assets.
3. The right-of-use asset is recognized at cost at the lease commencement date. The cost comprises:
   (1) The amount equal to the lease liability at its initial recognition;
   (2) Lease payments made at or before the commencement of the lease;
   (3) Any initial direct costs incurred by the lessee; and
   (4) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

(XVI) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its economic durable service life; the useful life is 34 to 66 years.

(XVII) Impairment of Non-financial Assets

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

(XVIII) Accounts Payables and Notes Payables

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

(XIX) Derecognition of Financial Liabilities

The Group derecognizes a financial liability when the obligation under the contract is performed, canceled, or expires.

(XX) Provisions

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

(XXI) Employee Benefits

1. Short-term employee benefits

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

2. Pensions

   (1) Defined contribution plans

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

(2) Defined benefit plans

A. The net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Company in the current period or prior periods. The amount recognized is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is computed by independent actuaries every year using the projected unit credit method. The discount rate employed is the market yields on government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the defined benefit plan.

B. The re-measured amount of defined benefit plans is recognized in other comprehensive income as it arises and presented in retained earnings.

C. Expenses associated with past service costs are recognized immediately in profit or loss.

3. Compensation to employees and remuneration to directors and supervisors

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

(XXII) <u>Income tax</u>

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

2. The income tax expenses are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. For the income tax levied on the unappropriated retained earnings in accordance with the Income Tax Act, it will be recognized as income tax for unappropriated retained earnings based on the actual distribution of surplus after the surplus distribution proposal is adopted at the shareholders' meeting in the year following the year of which the said surplus is generated.

3. Deferred income tax adopts the balance sheet approach. It is recognized as the

temporary difference between the tax bases of assets and non-consolidated liabilities and their carrying amounts in the balance sheet at the reporting date. The deferred income tax is not recognized if it arises from initial recognition of an asset or liability in a transaction (other than a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit (or loss). Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

5. Current income tax assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXIII) Distribution of dividends

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

(XXIV) Revenue Recognition

Property sales

1. The Group is principally engaged in the subcontract construction, leasing, and sales of property, and the recognition of revenue is based on the transferring of property ownership. For the contracted sales of residential contracts, subject to the terms of the contract, the real property has no other use for the Group, but until the legal ownership of the real property is transferred to the customer, the Group has an freely enforceable right to the contractual amount and therefore revenue is recognized when ownership or

use rights are transferred to the customer.

2. Part of the Group's sales contracts includes variable consideration of price concessions. The Group takes the expected value or the most probable amount as an appropriate estimate of the variable consideration.
3. 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, if the Group judges that there are significant financing components in an individual pre-sale home contract, it shall adjust the amount of the commitment consideration and recognize the interest cost. In addition, IFRS 15 states that companies should determine the significance of the financing component only at the contract level, rather than the financial level at the portfolio level.

(XXV) Operating Segments

Information on the operating segments is reported in a manner that is consistent with other information reported in the internal management reports for the chief operating decision makers. The chief operating decision makers are responsible for allocating resources to the operating segments and assessing their performance.

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

	December 31, 2022	December 31, 2021
Cash on hand and revolving fund	$ 208	$ 208
Checking deposits and demand deposits	1,628,953	2,392,772
Cash equivalents		
- Bonds with repurchase agreement	70,000	-
	$ 1,699,161	$ 2,392,980

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 and loss—current

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at FVTPL		
- Financial products	$ 143,172	$ 168,373

The Group's financial assets measured at fair value through profit and loss were recognized as gains and losses in the amount of $4,492 and $4,408 in 2022 and 2021, respectively.

(III) Notes and accounts receivable

	December 31, 2022	Amount of receivables guaranteed	Guaranteed loan amount
Notes receivable			
Within 1 year	$ 5,16	$ -	$ -
Accounts receivable			
Within 1 year	139,01	96,977	96,977
Over 1 year (Note)	2,493,02	2,488,586	2,488,586
	$ 2,637,21	$ 2,585,563	$ 2,585,563

	December 31, 2022	Amount of receivables guaranteed	Guaranteed loan amount
Notes receivable			
Within 1 year	$ 30,38	$ -	$ -
Accounts receivable			
Within 1 year	167,15	128,569	128,569
Over 1 year (Note)	2,849,57	2,813,320	2,813,320
	$ 3,047,11	$ 2,941,889	$ 2,941,889

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) contracted by the Group and clients as of December 31, 2022, December 31, 2021 and January 1, 2021 were $2,634,486, $3,043,303, and $3,522,453, respectively.

3. Interest income recognized by the Group in profit or loss in 2022 and 2021 was $59,567 and $59,582, 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 December 31, 2022 and 2021 is the carrying amount of notes and accounts receivable and long-term installment accounts receivable in each period.

6. For credit risk of accounts receivables and notes receivables, please refer to Note 12 (2).

(IV) Inventories

	December 31, 2022	December 31, 2021
Buildings and land held for sale		
Huaku Royal Highness	$ 487,371	$ 1,306,272
Hwaku Sky Garden	213,495	1,135,689
Hwaku Fine Art	191,921	243,561
Sand River Bay	136,334	147,794
Huaku Innovation Fortune Center	-	608,954
Huaku New World	-	16,318
	1,029,121	3,458,588
Less: Allowance for valuation loss	(126,013)	(72,609)
	903,108	3,385,979
Construction in progress		
Huaku National Landmark (formerly Xinzhuang Factory & Office Building Project)	4,271,057	2,921,014
Huaku Casa Blanca (formerly Wenlin North Road Project II)	2,569,336	-
Huaku Moon River	2,448,049	1,938,086
Huaku Happy Fortune Center (formerly Innovation Fortune II)	2,294,126	1,875,716
Huaku Zhongyuan Landmark (formerly Zhonghe Factory & Office Building Project)	1,852,065	1,482,149

Huaku Deyue (formerly Zhonghe Residential Project)	1,642,270	-
Huaku Wenling (formerly Wenlin North Road Project)	1,381,205	1,195,231
Huaku Sky Tower (formerly Zhuangtian Road, Taishan Project)	1,289,676	-
Huaku Daan Educational Institution	768,923	604,134
Huaku Garden Mansion	-	3,841,971
Huaku Bella Vita	-	3,085,606
	18,516,707	16,943,907
Land held for construction		
Nangang Yucheng Project	4,863,686	4,535,225
Taichung Jingmao Road Project	2,945,125	-
Tiding Avenue Project	2,385,050	1,882,842
Guangpu Hsinchu Project, Second Phase	1,875,266	1,217,040
Xinyi Guangfu Project	723,940	559,544
Zhengda Xindian Project	594,999	562,421
Fuxing S. Road Urban Renewal Project	241,061	-
Dunnan Project	198,834	198,834
Huaku Casa Blanca (formerly Wenlin North Road Project II)	-	2,223,340
Huaku Deyue (formerly Zhonghe Residential Project)	-	1,507,504
Huaku Sky Tower (formerly Zhuangtian Road, Taishan Project)	-	1,040,653
Others	129,312	129,280
	13,957,273	13,856,683

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 December 31, 2022 and 2021, the unrealized amounts were $4,596 and $26,389, respectively, which were listed under "other non-current liabilities".

3. The cost of inventories recognized as expenses and losses by the Group in 2022 and 2021 were $10,195,687 and $9,214,637, respectively, including the cost of goods sold recognized from cost adjusted to net realizable value $53,404 and ($25,164), respectively, in which, the net realizable value of inventories recovered due to the sale and transfer of some inventories whose net realizable value was lower than their cost in 2021.

4. The amount of interest capitalized in the Group's inventories for the years ended December 31, 2022 and 2021 is $128,229 and $103,357, respectively, and the net interest rate margin range within the capitalized interest is 0.88%～1.56% and 0.66%～0.83%, respectively.

5. Please refer to Note 8 for details of the pledge of inventories by the Group.

(V) Other current assets

	December 31, 2022		December 31, 2021	
Restricted bank deposits	$	1,251,651	$	950,172
Construction refundable deposits		227,738		221,249
Incremental costs for obtaining contracts		312,973		326,749
Other current assets		54,255		17,100
	$	1,846,617	$	1,515,270

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

(VI) Investment accounted for using the equity method

	December 31, 2022		December 31, 2021		Shareholding percentage
Associates:					
Taiwan Digit Automated Control Co., Ltd.	$	24,803	$	22,294	40.00
Full Come Foundation Eng. Ltd.		14,743		13,463	33.03
Joint ventures:					
Huapu Construction Co., Ltd.		5,065		5,300	50.00
	$	44,611	$	41,057	

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 December 31, 2022 and 2021, please refer to the table above; the operating results are as follows:

	2022		2021	
Net Income from continuing operations	$	7,747	$	4,853
Other comprehensive income		-		-
Total comprehensive income	$	7,747	$	4,853

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 years ended December 31, 2022 and 2021 are based on the valuation and disclosure of financial statements of each investee company, which have been audited by their certified public accountants during the same period.

(VII) Investment property

	2022		
	Land	House and land use rights	Total
January1	$ 4,360	$ 501,125	$ 505,485
Depreciation expenses	-	(12,228)	(12,228)
Impairment loss	-	(18,377)	(18,377)
Net exchange differences	-	3,757	3,757
December31	$ 4,360	$ 474,277	$ 478,637

	2021		
	Land	House and land use rights	Total
January 1	$ 4,360	$ 513,525	$ 517,885
Reclassification	-	1,633	1,633
Depreciation expenses	-	(12,073)	(12,073)
Net exchange differences	-	(1,960)	(1,960)
December 31	$ 4,360	$ 501,125	$ 505,485

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

	2022	2021
Rental revenue from investment property	$ 17,995	$ 17,384
Direct operating expenses incurred by investment property generating rental revenue in the current period	$ 32,601	$ 14,167

2. The fair value of the investment property held by the Group as of December 31, 2022 and 2021 was $891,216 and $881,366, 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:

	December 31, 2022	December 31, 2021
Within 1 year	$ 22,619	$ 15,217
2 to 5 years	94,595	57,295
Over 5 years	32,779	32,819
	$ 149,993	$ 105,331

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

(VIII) Short-term loans

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

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

(IX) Short-term notes and bills payable

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

(X) Other current liabilities—others

	December 31, 2022	December 31, 2021
Warranty provisions	$ 92,437	$ 132,000
Payment collection	108,929	76,230
Others	93,900	77,130
	$ 295,266	$ 285,360

(XI) Long-term loans

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

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

Accounts receivable / Loans secured by other receivables

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

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

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligation	($ 94,612)	($ 93,973)
Fair value of plan assets	56,238	51,810
Net defined benefit liabilities	($ 38,374)	($ 42,163)

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

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
2022			
Balance as of January 1	($ 93,973)	$ 51,810	($ 42,163)
Current service cost	(446)	-	(446)
Interest (expense) revenue	(589)	313	(276)
	(95,008)	52,123	(42,885)
Remeasurement:			
Return on plan assets (excluding amounts included in interest revenue or expenses)	-	4,082	4,082
Effect of changes in financial assumptions	3,063	-	3,063
Experience adjustment	(2,667)	-	(2,667)
	396	4,082	4,478
Provision of pension funds	-	33	33
Payment of pension	-	-	-
Balance as of December 31	($ 94,612)	$ 56,238	($ 38,374)

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
2021			
Balance as of January 1	($ 98,491)	$ 49,467	($ 49,024)
Current service cost	(460)	-	(460)
Interest (expense) revenue	(251)	123	(128)
	(99,202)	49,590	(49,612)
Remeasurement:			
Return on plan assets (excluding amounts included in interest revenue or expenses)	-	764	764
Effect of changes in demographic assumptions	(107)	-	(107)
Effect of changes in financial assumptions	2,491	-	2,491
Experience adjustment	1,404	-	1,404
	3,788	764	4,552
Provision of pension funds	-	2,854	2,854
Payment of pension	1,441	(1,398)	43
Balance as of December 31	($ 93,973)	$ 51,810	($ 42,163)

(3) The fund asset of the Group's defined benefit pension plan ("the Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e., deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund’s annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Group has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19.142. For the composition of the fair value of the Fund in total as of December 31, 2022 and 2021, please refer to the various labor pension utilization reports issued by the government.

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

	2022	2021
Discount rate	1.20%	0.65%～0.70%
Future salary increases	2.00%	2.00%

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

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

	Discount rate		Future salary increases	
	Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	($ 1,370)	$ 1,405	$ 1,391	($ 1,364)
December 31, 2021				
Effect on present value of	($ 1,518)	$ 1,559	$ 1,535	($ 1,503)

defined benefit obligation

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

(5) The Group expects to make a contribution of $390 to the pension plans for the year ended December 31, 2023.

(6) As of December 31, 2022, the pension plan's weighted average duration was 5 to 7 years. The maturity analysis of the pension payments is as follows:

Within 1 year	$	10,696
1-2 years		3,789
2-5 years		39,698
Over 5 years		46,775
	$	100,958

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 years ended December 31, 2022 and 2021, 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 years ended December 31, 2022 and 2021, the net pension costs recognized under the defined contribution plan aforementioned were $5,855 and $5,680, respectively.

(XIII) Share capital

1. As of December 31, 2022, the Company’s authorized capital was $5,000,000, and the paid-in capital was $2,768,127 with a par value of NT$10 per share. Share payments for the Company’s issued stocks have been collected in full. The number of outstanding shares of the Company at the beginning and the end of the period is 276,812,726 shares.

2. Treasury stock

   (1) The Company had no treasury stock transactions for the years ended December 31, 2022 and 2021.

   (2) As of December 31, 2022 and 2021, the Company's subsidiary Pin Shing Construction Co., Ltd., held the Company's shares for the purpose of investment profit; the details are as follows:

	December 31, 2022	December 31, 2021
Number of shares (thousand shares)	174	174
Carrying amounts	$ 850	$ 850

(XIV) 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.

(XV) Retained earnings

1. According to the Company's Articles of Incorporation, after offsetting any loss of prior years and paying all taxes and dues, 10% of the annual net income shall be set aside as legal reserves. The remaining net income and the unappropriated retained earnings from prior years can be allocable earnings. The aforementioned distributable earnings shall be distributed as a dividend by the board of directors and then submitted to the shareholders' meeting for report.

2. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders’ original holdings. However, when

new shares are issued or cash is distributed, the amount shall be limited to 25% of the reserves in excess of the paid-in capital.

3. The Company may allocate earnings only after providing special reserve for debt balance in other equity on the date of balance sheet, and the reversal of debit balance in other equity, if any, may be stated into allocable earnings.

4. The distribution of earnings for 2021 and 2020, which were proposed and approved in the annual shareholders' meetings on May 31, 2022 and August 3, 2021, respectively, are as follows:

	2021		2020	
	Amount	Dividends per share (NT$)	Amount	Dividends per share (NT$)
Legal reserves	$ 292,382		$ 277,799	
Cash dividends	2,076,095	$	1,937,690	$

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

(XVI) Other equity

	2022	2021
January 1	$ 6,087	$ 9,322
Currency translation differences		
- The Group	6,979	(4,044)
- Tax amount of the Group	(1,396)	809
December 31	$ 11,670	$ 6,087

(XVII) Operating revenue

	2022	2021
Revenue from contract with customers	$ 14,823,722	$ 13,516,136
Others	29,457	31,121
	$ 14,853,179	$ 13,547,257

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:

2022	Sales of construction Taiwan	China	Others	Total
Timing of revenue recognition				
- Revenue recognized at a specific timing	$ 14,719,266	$ 104,456	$ -	$14,823,722
- Gradually transferred revenue over time	-	-	29,457	29,457
	$ 14,719,266	$ 104,456	$ 29,457	$ 14,853,179

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

Estimated recognized revenue year	Amount of contracts signed
2023 ~ 2026	$ 26,460,365

3. Contract liabilities

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

	December 31, 2022	December 31, 2021
Contract liability - current:		
- Advance land receipts	$ 2,932,836	$ 2,463,020
- Advance building receipts	1,714,204	1,263,020
	$ 4,647,040	$ 3,726,040

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:

	2022	2021
Balance of initial contract liability recognized as revenue in the current period		
— Construction pre-sale contract	$ 2,802,828	$ 1,245,633

(XVIII) Additional information regarding the nature of expense

	2022	2021
Construction costs	$ 10,109,409	$ 9,181,761
Advertising expenses	428,203	250,583
Employee benefit expenses	432,372	412,959
Taxation	64,335	80,860
Depreciation and amortization	29,937	29,125
Rental expenses	1,468	830
Other costs and expenses	66,689	57,642
Operating cost and operating expenses	$ 11,132,413	$ 10,013,760

(XIX) Employee benefit expenses

	2022	2021
Salary and bonuses	$ 341,103	$ 325,954
Directors' remuneration	50,052	47,722
Labor and health insurance expenses	17,056	16,470
Pension expenses	6,577	6,225
Other personnel cost	17,584	16,588
	$ 432,372	$ 412,959

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 cannot exceed 2% of the remaining profits.
2. For the years ended December 31, 2022 and 2021, the Company recognized compensation to employees amounted to $116,340 and $111,750, respectively, and remuneration to directors amounted to $46,540 and $44,700, respectively, all presented under payroll expense.

   Based on the profitability of the year ended in 2022, it is estimated to allocate 3% and 1.2%, respectively.

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

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

(XX) Interest income

	2022	2021
Interests on bank deposits	$ 7,701	$ 481
Interest income from financial assets at amortized cost	59,567	59,582
	$ 67,268	$ 60,063

(XXI) Other income

	2022	2021
Advertising service income	$ 26,551	$ 9,161
Transferred income from accounts payable	3,148	40,427
Contract default income	286	18,068
Other income	6,296	6,061
	$ 36,281	$ 73,717

(XXII) Financial cost

	2022	2021
Interest expense		
- Bank loans	$ 167,974	$ 101,126
- Loans secured by accounts receivable	59,606	59,645
- Lease liabilities	221	159
Financial expenses	9,687	40,158
	237,488	201,088
Less: Amount capitalized of qualified assets	(128,229)	(103,357)
	$ 109,259	$ 97,731

(XXIII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2022	2021
Current income tax:		
Income tax incurred in the current period	$ 669,630	$ 578,691
Land value increment tax recognized in income tax in the current period	62,040	51,197
Tax on undistributed surplus earnings	27,767	28,125
Over-estimated provision from the prior years	(7,568)	(76)
Total current income tax	751,869	657,937
Deferred income tax:		
Recognition and reversal of temporary differences	1,728	(186)
Income tax expense	$ 753,597	$ 657,751

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

	2022	2021
Currency translation differences	($ 1,396)	$809
Remeasurement of defined benefit obligations	(895)	(910)
	($2,291)	($101)

2. Relation between income tax expense and accounting profit:

	2022	2021
Income tax expense at the statutory rate	$ 737,148	$ 722,931
Effect of non-recognition by law	7,900	(16,249)
Effect from tax-exempt income	(75,418)	(127,991)
Recognition and reversal of temporary differences	1,728	(186)
Tax on undistributed surplus earnings	27,767	28,125
Over-estimated provision of the prior years' income tax	(7,568)	(76)
Land value increment tax recognized in income tax for the current period	62,040	51,197
Income tax expense	$ 753,597	$ 657,751

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

	2022			
	January 1	Recognized in profit and loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Construction warranty reserve	$ 8,120	($ 1,875)	$ -	$ 6,245
Unrealized expenses	8,200	8	-	8,208
Book-tax difference in retirement pensions	1,427	23	-	1,450
Remeasurements from defined benefit plans	9,250	-	(895)	8,355
	26,997	(1,844)	(895)	24,258
Deferred income tax liabilities				
Exchange differences on translation of foreign operations	(1,522)	-	(1,396)	(2,918)
Book-tax difference in retirement pensions	(758)	116	-	(642)
	(2,280)	116	(1,396)	(3,560)
	$ 24,717	($ 1,728)	($ 2,291)	$ 20,698

	2021			
	January 1	Recognized in profit and loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Construction warranty reserve	$ 7,504	$ 616	$ -	$ 8,120
Unrealized expenses	8,176	24	-	8,200
Book-tax difference in retirement pensions	1,972	(545)	-	1,427
Remeasurements from defined benefit plans	10,160	-	(910)	9,250
	27,812	95	(910)	26,997
Deferred income tax liabilities				
Exchange differences on translation of foreign operations	(2,331)	-	809	(1,522)
Book-tax difference in retirement pensions	(849)	91	-	(758)
	(3,180)	91	809	(2,280)
	$ 24,632	$ 186	($ 101)	$ 24,717

4. The difference between the Company's finance income and taxable income is mainly caused by the tax exemption from land transaction tax.

5. The tax authorities have examined income tax returns of the Company through the year ended December 31, 2020.

(XXIV) Earnings per share

	2022		
	Amount after tax	Weighted average number of common shares outstanding (shares in thousands)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent company	$ 2,957,246	76,638	$ 10.69
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employee remuneration	-	1,541	
Profit attributable to common stock shareholders plus assumed conversion of all dilutive potential common stocks	$ 2,957,246	278,179	$ 10.63

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

(XXV) Changes in liabilities from financing activities

	2022						
	Short-term loans	Short-term notes and bills payable	Long-term loans (Note 2)	Guarantee deposits received	Lease liabilities	Dividends payable	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	(100,110)	(1,931,121)	(732,005)	1,264	(9,764)	(2,076,095)	(4,847,831)
Payment of interest expense (Note 1)	-	-	-	-	(221)	-	(221)
Other non-cash changes	-	-	-	-	10,838	2,076,095	2,086,933
December 31	$ 8,751,890	$ 299,800	$ 5,852,212	$ 30,685	$ 19,287	$ -	$ 14,953,874

	2021						
	Short-term loans	Short-term notes and bills payable	Long-term loans (Note 3)	Guarantee deposits received	Lease liabilities	Dividends payable	Total liabilities from financing activities
January 1	$ 2,667,000	$ 3,231,800	$ 7,024,581	$ 15,093	$ 12,966	$ -	$ 12,951,440
Changes in cash flows from financing activities	6,185,000	(1,000,879)	(440,364)	14,328	(9,826)	(1,937,689)	2,810,570
Payment of interest expense (Note 1)	-	-	-	-	(159)	-	(159)
Other non-cash changes	-	-	-	-	15,453	1,937,689	1,953,142
December 31	$ 8,852,000	$ 2,230,921	$ 6,584,217	$ 29,421	$ 18,434	$ -	$ 17,714,993

Note 1: Statement of cash flows from operating activities

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

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

VII. Related-Party Transactions

(I) Name and relationship of related parties

Name of related party	Relationship with the Group
Taiwan Digit Automated Control Co., Ltd.	Associates
Full Come Foundation Eng. Ltd.	Associates
Huapu Construction Co., Ltd.	Associates
Huaku Education Foundation	Other related parties
Chang-Hsueh Investment Co., Ltd. and other six people	Other related parties
Jason Hung	The main management of the Company

(II) Significant transactions between related parties

1. Sales

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

2. Purchase

	2022	2021
Associates	$ 51,023	$ 55,541

(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 December 31, 2022, the total price of the uncompleted project contracts signed between the Group and associates was $47,619, and the amount of unrecognized construction payments was $20,286.

3. Accounts payable

	December 31, 2022	December 31, 2021
Associates	$ 15,843	$ 11,072

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

4. Donation expenses

	2022	2021
Huaku Education Foundation	$ -	$ 1,000

5. Property transaction (2022: none)

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

	2021	
	Proceeds from disposal	(Loss) gain from disposal
Major management personnel	$	$

(III) Information on the remunerations of the key management

	2022	2021
Short-term employee benefits	$ 118,151	$ 112,983

VIII. Pledged Assets

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

	Carrying amounts		
Pledged assets	December 31, 2022	December 31, 2021	Purpose of the pledge
Installment accounts receivable			Loans secured by accounts receivable
- Accounts receivable	$ 96,977	$ 128,569	
- Long-term notes and accounts receivable	2,358,652	2,704,716	
Other installments receivable			Loans secured by accounts receivable
- Other receivables	7,599	5,928	
- Long-term notes and accounts receivable	129,934	108,604	
Other current assets			
- Restricted bank deposits	1,251,651	950,172	Pre-sale construction project trust fund
Inventories	29,434,508	25,738,839	Short-term loans and commercial papers payable
Investment property	247,717	251,817	Loans secured by accounts receivable

	$ 33,527,038	$ 29,888,645

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(I) As of December 31, 2022, the total value of the engineering contract signed between the Group and non-related parties amounted to $6,858,880 and the amount not yet estimated is $3,440,981.

(II) As of December 31, 2022, the amount not yet estimated for the contracts of land purchase signed by the Group is $2,555,800.

(III) As of December 31, 2022, 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.

Project name	Trust bank
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

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at FVTPL	$ 143,172	$ 168,373
Financial assets/loans and receivables measured at amortized cost		
Cash and cash equivalents	1,699,161	2,392,980
Notes receivable	5,167	30,385
Accounts receivable (including long-term accounts receivable for more than one year)	2,632,044	3,016,728
Other receivables	12,037	26,877
Refundable deposits	399,909	321,443
Other financial assets	1,251,651	950,172
	$ 5,999,969	$ 6,738,585

	December 31, 2022	December 31, 2021
Financial liabilities		
Financial liabilities measured at amortized costs		
Short-term loans	$ 8,751,890	$ 8,852,000
Short-term notes and bills payable	299,800	2,230,921
Notes payable	12,371	17,253
Accounts payable	1,301,254	1,317,642
Other payables	487,041	467,367
Long-term borrowings (including due within one year or one operating cycle)	5,852,212	6,584,217
Guarantee deposits received	30,685	29,421
	$ 16,735,253	$ 19,498,821
Lease liabilities	$ 19,287	$ 18,434

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 December 31, 2022 and 2021.

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 years ended December 31, 2022 and 2021 were $728 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 years ended December 31, 2022 and 2021, 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 of 2022 and 2021 is to increase or decrease of $149,041 and $176,682, respectively. The two payments of $25,932 and $29,478 in 2022 and 2021, respectively, were due to the 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 December 31, 2022 and 2021 were not significant.

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

(3) Liquidity risk

A. The cash flow forecast is performed 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:			
December 31, 2022	Within1Year	1-3years	Over3years
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:			
December 31, 2021	Within1Year	1-3years	Over3years
Short-term loans	$ 2,018,627	$ 5,281,867	$ 1,771,179
Short-term notes and bills payable	1,300,000	932,000	-
Accounts payable	963,378	125,952	228,312
Other payables	301,075	103,695	62,597
Lease liabilities	6,936	7,833	3,916
Long-term borrowings (including due within one year or one operating cycle)	2,399,930	1,263,869	-
Loans secured by accounts receivable	178,645	343,027	3,262,825

C. The 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.

(I) Fair value information

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

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

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

   Level 3: Unobservable inputs for the asset or liability. The financial products invested by the 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
December 31, 2022				
Assets				
Recurring fair value				
Financial assets measured at fair value through profit or loss	$ -	$ -	$ 143,172	$ 143,172

	Level 1	Level 2	Level 3	Total
December 31, 2021				
Assets				
Recurring fair value				
Financial assets measured at fair value through profit or loss	$ -	$ -	$ 168,373	$ 168,373

(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 years ended December 31, 2022 and 2021, there were no transfer between Level 1 and Level 2 for the Group.

6. The changes in Level 3 for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
January 1	$ 168,373	$ 122,469
Currentacquisition	877,941	594,433
Disposalinthecurrentperiod	(905,624)	(547,605)
Currencytranslationdifferences	2,482	(924)
December 31	$ 143,172	$ 168,373

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.

(II) Other matters

Due to the coronavirus disease (COVID-19) pandemic in 2022, the Group cooperated with various pandemic prevention measures promoted by the government, subject to the restriction on the number of persons, that the sale and handover of the completed buildings and land held for sale, the schedule of the construction in progress, and the pre-sale of individual projects are all ongoing. As the Group's working capital is still sufficient and the collection of construction sales is normal, the operating segments of the Group are also operating normally. It has been assessed that the coronavirus disease (COVID-19) pandemic has no material impact on the financial position and financial performance of the Group in 2022.

XIII. Matters Disclosed in Notes

(I) Related Information on Significant Transactions

1. Financing provided to others: None.

2. Endorsements/guarantees provided to others: None.

3. Marketable securities held at the end of the period (excluding subsidiaries, associates and joint ventures): Please refer to Table 1.
4. Accumulated to buy or sell the same marketable securities amount to NT$300 million or more than 20% of the paid-in capital: None.
5. Acquisition of real estate 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.

(II) Measurement of segment information

The Group's operating decision makers evaluate the performance of the operating segments based on net profit after taxes and serve as a basis for measuring performance.

(III) Segment information on profit or loss and assets

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

	2022			
	Taiwan	China	Adjustment and elimination	Total
Net external revenue	$ 14,736,752	$ 116,427	$ -	$ 14,853,179
Internal segment revenue	2,964,603	-	(2,964,6	-
Segment revenue	$ 17,701,355	$ 116,427	($ 2,964,603)	$ 14,853,179
Segment income or loss	$ 2,972,331	($ 16,166)	($ 2,152)	$ 2,954,013
Depreciation and amortization	($ 21,809)	($ 8,128)	$ -	($ 29,937)
Income tax expense	($ 761,030)	$ 7,433	$ -	($ 753,597)
Investment profit and loss accounted for using the equity method	$ 7,747	$ -	$ -	$ 7,747
Segment assets	$ 40,930,242	$ 628,979	$ -	$ 41,559,221
Segment liabilities	$ 22,068,042	$ 119,677	$ -	$ 22,187,719

	2021			
	Taiwan	China	Adjustment and elimination	Total
Net external revenue	$ 13,517,715	$ 29,542	$ -	$ 13,547,257
Internal segment revenue	3,052,566	-	(3,052,566)	-
Segment revenue	$ 16,570,281	$ 29,542	($ 3,052,566)	$ 13,547,257
Segment income or loss	$ 2,954,613	$ 8,157	($ 40,965)	$ 2,921,805
Depreciation and amortization	($ 21,146)	($ 7,979)	$ -	($ 29,125)
Income tax expense	($ 656,405)	($ 1,346)	$ -	($ 657,751)
Investment profit and loss accounted for using the equity	$ 4,853	$ -	$ -	$ 4,853

method				
Segment assets	$ 41,882,220	$ 747,052	$ -	$ 42,629,272
Segment liabilities	$ 24,043,541	$ 72,880	$ -	$ 24,116,421

(IV) 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.

(V) Information on products and services

The Group's major revenue for the years ended December 31, 2022 and 2021 were derived from external customers for the sale of real estate.

(VI) Regional information

Regional information of the Group for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 14,736,752	$ 3,149,736	$ 13,517,715	$ 3,439,370
Mainland China region	116,427	226,778	29,542	249,523
Total	$ 14,853,179	$ 3,376,514	$ 13,547,257	$ 3,688,893

(VII) Major client information

Information on the Group's major clients for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Revenue	Segment	Revenue	Segment
Company A	$ -	-	$ 3,400,000	Taiwan

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

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 and loss—current	174,354	$	0.06	$	Note 3
			Adjustment of valuation					
					$			
Chengdu Wancheng Duobao Real Estate Co., Ltd.	Financial products	None	Financial asset measured at fair value through profit and loss—current	-	$	-	$	
Chengdu Huaku Real Estate Co., Ltd.	Financial products	None	Financial asset measured at fair value through profit and loss—current	-		-		
					$		$	

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

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

Note 3: Listed as treasury stock.

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

Table 2

Unit: NT$ thousands
(Unless specified otherwise)

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

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

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

Note 3: In 2022, the amount not yet estimated for the contracts of land purchase signed by the Group is $2,555,800.

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

Table 3

Unit: NT$ thousands
(Unless specified otherwise)

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

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

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

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

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

Table 4

Unit: NT$ thousands
(Unless specified otherwise)

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

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

Table 5

Unit: NT$ thousands
(Unless specified otherwise)

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

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

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

Table 6

Unit: NT$ thousands
(Unless specified otherwise)

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

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

Table 7

Unit: NT$ thousands
(Unless specified otherwise)

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

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

Table 8

Unit: NT$ thousands
(Unless specified otherwise)

Investee in Mainland China	Main Businesses	Paid-up Capital	Investment Method	Accumulated Investment Amount of Remittance from Taiwan—Beginning of the Current Period	Exported or Recovered Investment Amount of the Current Period: Remitted	Exported or Recovered Investment Amount of the Current Period: Recovered	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
Chengdu Huaku Real Estate Co., Ltd.	Property development	$ 330,600	Note 1	$ 366,398	$ -	$72,096	$ 294,302	($ 5,964)	80	($ 4,771)	$ 340,555	$ 48,158	Note 3
Chengdu Wancheng Duobao Real Estate Co., Ltd.	Property development	2,204	Note 1	-	-	16,222	-	(10,201)	80	(8,161)	66,887	324,493	Note 4

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	$ 1,446,190	$ 11,622,901

Note 1: Direct investment in a company in mainland China

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

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

Note 4: On August 29, 2014, the company was approved by the Chengdu Investment Promotion Committee to reduce the capital by RMB 115 million. In October 2017, all the 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
December 31, 2022

Table 9

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

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