

5514

**SUNFON CONSTRUCTION CO., LTD.
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

Address : 7F., No. 173, Sec.2, Chang'an E Rd., Songshan Dist., Taipei City, Taiwan (R.O.C.)

Telephone : 886-2-2772-0267

The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of Auditors' Report Originally Issued in Chinese

Report of Independent Auditors

To SUNFON CONSTRUCTION CO., LTD.

Opinion

We have audited the accompanying parent only balance sheets of Sunfon Construction Co., Ltd. (the “company”) as of December 31, 2023, and 2022, and the related parent only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023, and 2022, and notes to the parent company only financial statements (including the summary of significant accounting policies).

In our opinion, based on our audits, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and financial performance and its cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of income from sales of real estate

The Company recognized operating income of NTD 478,597 thousand for the year ended December 31, 2023. Its main operating income was income from the sales of real estate. Due to the large number of counterparties in real estate transactions, we consider that the correct timing of income recognition is material to parent company only financial statements. Therefore, it was determined to be one of the key audit matters for the year ended December 31, 2023.

Our audit procedures include (but are not limited to) understanding, evaluating and testing the effectiveness of internal controls related to the income from the sales of real estate, including testing the control points where the sales staff review the contract and relevant purchase and sale requirements, and when performing substantive procedures at the end of the period, checking the contract of the sale and purchase of real estate and reviewing the ownership transfer registration documents of land and houses, hand over bills of the house and checking the payment collection records to confirm the time when the performance obligations are met; in addition, we will review whether there are any restrictive clauses in the contract of the sale and purchase of real estate to confirm the correctness of the timing of revenue recognition.

The operating income of the Company for the year ended December 31, 2023 has been disclosed and presented in Notes 4 and 6 to the parent company only financial statements.

Valuation of Inventories

The primary business of the Company is the construction of residential and commercial buildings. The inventories of Company consist principally of land held for construction site, construction in progress, and land and buildings held for sale. As of December 31, 2023, the net amount of the inventories was NTD 2,892,387 thousand, which accounted for 55% of the parent company only total assets and was considered material to the parent company only financial statements. In addition, the real estate development is subject to political influence, general economy, market prospect, and property tax system reforms, which added to the difficulties and risks in management's assessment over the value of the inventories. As the valuation of inventories had significant impact on the parent company only financial statements, we considered this a key audit matter.

For the valuation of inventories, we have conducted audit procedures including but not limited to obtaining the appraisal reports concerning net realizable value of inventories, projected profit-and-loss statement, and analysis of the land development, to evaluate and test the reasonableness of net realizable value estimated by management. In addition, we analyzed the report based on the industry development trends and the expected demands of the market, also inquired the most recent closing price and transaction price of similar construction projects in nearby areas (including public information from the Department of Land Administration, Ministry of Interior and real estate agents), in order to evaluate whether declines in inventory value did occur.

As of December 31, 2023, the inventory of the Company has been disclosed and presented in Notes 4, 5 and 6 to the parent company only financial statements.

Non-current financial assets at fair value through other comprehensive income

As of December 31, 2023, the net amount of the non-current financial assets at fair value through other comprehensive income of the Company amounted to NTD 759,574 thousand, which accounted for 14% of the parent company only total assets and were the investment of domestic listed stocks and funds mainly. In addition, the net amount of the unrealized income from financial assets measured at fair value through other comprehensive income amounted to NTD 131,376 thousand, and the net amount of the dividend revenue was NTD 11,928 thousand, which were the major source of income for the year ended December 31, 2023. In conclusion, the transaction of the non-current financial assets at fair value through other comprehensive income had significant impact on the parent company only financial statements, we considered this a key audit matter.

For the ownership and existence of non-current financial assets at fair value through other comprehensive income, we have conducted audit procedures including but not limited to check the passbook of Taiwan Depository & Clearing Corporation and send confirmation letters to securities companies. We checked the bank statements and securities companies' statements to verify the authenticity of trading and the accuracy of gains or losses from selling financial assets measured at fair value through other comprehensive income. We verified the accuracy of valuation gains or losses of financial assets measured at fair value through other comprehensive income in the end of period by checking investment's market price at end of period and calculating its valuation gain or loss. We also checked the relevant information of dividend statements to verify the authenticity and accuracy of recognition of dividends revenue.

As of December 31, 2023, the non-current financial assets measured at fair value through other comprehensive income of Sunfon Construction Co., Ltd. has been disclosed and presented in Note 6 and Attachment 2 in the Parent Company only Financial Statements.

Responsibilities of Management and Those Charged with Governance for the Parent Company only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 the parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yang Chih-Huei

Hsu Hsin-Min

Ernst & Young, Taiwan

March 5, 2024

Taipei, Taiwan

Republic of China

Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or the Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English translation of parent company only financial statements originally issued in Chinese
SUNFON CONSTRUCTION CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2023 and December 31, 2022
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
	Notes	Amount	%	Amount	%		Notes	Amount	%	Amount	%
Current assets						Current liabilities					
Cash and cash equivalents	4, 6	\$408,765	8	\$228,244	5	Short-term loans	4, 6, 8	\$893,521	17	\$766,591	16
Current tax assets	4	100	-	100	-	Short-term notes and bills payable, net	4, 8	40,000	1	-	-
Inventory	4, 5, 6, 8	2,892,387	55	2,462,947	53	Contract liabilities, current	6	1,257,139	24	1,047,073	23
Prepayments		7,462	-	3,510	-	Notes payable		7,706	-	4,112	-
Other current assets		643,133	12	581,815	13	Accounts payable		7,450	-	10,105	-
Current assets recognised as incremental costs to obtain contract with customers	6	171,306	3	164,701	4	Accounts payable - related parties	7	138,400	3	72,076	2
Total current assets		4,123,153	78	3,441,317	75	Other payables		11,839	-	7,342	-
						Current tax liabilities	4	21,420	-	-	-
						Other current liabilities - others		6,352	-	3,927	-
						Total current liabilities		2,383,827	45	1,911,226	41
Non-current assets						Non-current liabilities					
Financial assets at fair value through other comprehensive income, non-current	4, 6, 8	759,574	14	808,236	17	Net defined benefit liabilities, non-current	4, 6	-	-	917	-
Investments accounted for using equity method	4, 6	82,107	2	97,920	2	Other non-current liabilities - others		342	-	492	-
Property, plant and equipment	4, 6, 8	43,347	1	43,846	1	Total non-current liabilities		342	-	1,409	-
Investment property, net	4, 5, 6, 8	232,652	4	233,930	5						
Intangible assets	4, 6	235	1	355	-	Total liabilities		2,384,169	45	1,912,635	41
Other non-current assets		25,841	-	10,777	-						
Net defined benefit assets, non-current	4, 6	912	-	-	-	Equity					
Total non-current assets		1,144,668	22	1,195,064	25	Share capital					
						Ordinary shares	4, 6	2,162,255	41	2,162,255	47
						Additional paid in capital	6	1,346	-	1,346	-
						Retained earnings	6				
						Legal reserve		361,416	7	358,822	8
						Speccial reserve		9,733	-	9,733	-
						Unappropriated earnings		131,297	2	28,408	1
						Total retained earnings		502,446	9	396,963	9
						Other equity		241,000	5	186,575	4
						Treasury stock	4, 6	(23,395)	-	(23,393)	(1)
						Total equity		2,883,652	55	2,723,746	59
Total assests		\$5,267,821	100	\$4,636,381	100	Total liabilities and equity		\$5,267,821	100	\$4,636,381	100

The accompanying notes are an integral part of parent company only financial statements.

English translation of parent company only financial statements originally issued in Chinese

SUNFON CONSTRUCTION CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	Notes	For the years ended			
		December 31,2023	%	December 31,2022	%
Operating revenues	4, 5, 6	\$478,597	100	\$7,056	100
Operating costs	6	(327,783)	(68)	(1,725)	(24)
Gross profit		150,814	32	5,331	76
Operating expenses	6				
Selling and marketing expenses		(13,767)	(3)	(7,437)	(105)
Administrative expenses		(37,199)	(8)	(35,459)	(503)
Total operating expenses		(50,966)	(11)	(42,896)	(608)
Operating income (losses)		99,848	21	(37,565)	(532)
Non-operating income and expenses	6				
Interest income		4,754	1	2,719	39
Other income		12,374	3	32,157	456
Other gains and losses, net		(209)	-	(755)	(11)
Finance costs, net		(7)	-	(130)	(2)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method, net		(65,898)	(14)	(14,025)	(199)
Total non-operating income and expenses		(48,986)	(10)	19,966	283
Profit (loss) from continuing operations before income tax		50,862	11	(17,599)	(249)
Income tax (expense) benefit	4, 5, 6	(21,927)	(5)	3,691	52
Net income (loss)		28,935	6	(13,908)	(197)
Other comprehensive income	6				
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans		(490)	-	3,882	55
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		131,376	27	(119,985)	(1,700)
Share of other comprehensive income of subsidiaries, associate and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		92	-	286	4
Total other comprehensive income (loss)		130,978	27	(115,817)	(1,641)
Total comprehensive income (loss)		\$159,913	33	\$(129,725)	(1,838)
Earnings per share (in dollars)	6				
Basic earnings per share					
Net income (loss)		\$0.14		\$(0.07)	
Diluted earnings per share	6				
Net income (loss)		\$0.14		\$(0.07)	

The accompanying notes are an integral part of parent company only financial statements.

English translation of parent company only financial statements originally issued in Chinese
SUNFON CONSTRUCTION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Share capital	Capital surplus	Retained earnings			Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury stock	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings			
Balance as of January 1, 2022	\$2,079,091	\$30,454	\$353,297	\$9,733	\$62,049	\$342,260	\$(23,385)	\$2,853,499
Appropriation and distribution of 2021 retained earnings :								
Legal reserve appropriated	-	-	5,525	-	(5,525)	-	-	-
Stock dividends of ordinary share	54,056	-	-	-	(54,056)	-	-	-
Change in other additional paid-in capital								
Stock dividend from capital surplus	29,108	(29,108)	-	-	-	-	-	-
Net loss for 2022	-	-	-	-	(13,908)	-	-	(13,908)
Other comprehensive income (loss) for 2022	-	-	-	-	4,168	(119,985)	-	(115,817)
Total comprehensive income (loss) for 2022	-	-	-	-	(9,740)	(119,985)	-	(129,725)
Changes in ownership interests in subsidiaries	-	-	-	-	(20)	-	(8)	(28)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	35,700	(35,700)	-	-
Balance as of December 31, 2022	2,162,255	1,346	358,822	9,733	28,408	186,575	(23,393)	\$2,723,746
Appropriation and distribution of 2022 retained earnings :								
Legal reserve appropriated	-	-	2,594	-	(2,594)	-	-	-
Net income for 2023	-	-	-	-	28,935	-	-	28,935
Other comprehensive income for 2023	-	-	-	-	(398)	131,376	-	130,978
Total comprehensive income for 2023	-	-	-	-	28,537	131,376	-	159,913
Changes in ownership interests in subsidiaries	-	-	-	-	(5)	-	(2)	(7)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	76,951	(76,951)	-	-
Balance as of December 31, 2023	\$2,162,255	\$1,346	\$361,416	\$9,733	\$131,297	\$241,000	\$(23,395)	\$2,883,652

The accompanying notes are an integral part of parent company only financial statements.

English translation of parent company only financial statements originally issued in Chinese
SUNFON CONSTRUCTION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended	
	December 31, 2023	December 31, 2022
Cash flows from (used in) operating activities :		
Net profit (loss) before tax	\$50,862	\$(17,599)
Adjustments:		
Income and expense		
Depreciation expense	1,777	1,797
Amortization expense	120	120
Interest expense	7	130
Interest revenue	(4,754)	(2,719)
Dividend revenue	(11,928)	(31,634)
Share of profit or loss of associates and joint ventures	65,898	14,025
Loss on disposal of property, plant and equipment	-	52
Changes in operating assets and liabilities :		
Increase in inventories	(409,835)	(599,803)
Increase in prepayments	(3,952)	(3,192)
Increase in other current assets	(61,348)	(151,415)
Increase in other current assets recognised as incremental costs to obtain contract with customers	(6,605)	(19,742)
Increase in net defined benefit assets	(1,402)	-
Increase in contract liabilities	210,066	289,961
Increase (decrease) in notes payables	3,594	(8,254)
(Decrease) increase in accounts payables	(2,655)	1,455
Increase in accounts payables - related parties	66,324	56,838
Increase (decrease) in other payables	4,162	(1,913)
Decrease in net defined benefit liabilities, non-current	(917)	(434)
Increase (decrease) in other current liabilities, others	2,425	(392)
Cash outflow generated from operations	<u>(98,161)</u>	<u>(472,719)</u>
Interest received	4,784	2,748
Income tax paid	(507)	(106)
Net cash flows used in operating activities	<u>(93,884)</u>	<u>(470,077)</u>
Cash flows from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	(1,579)	(10,624)
Disposal of financial assets at fair value through other comprehensive income	181,617	85,140
Acquisition of investments accounted for using equity method	(50,000)	(100,000)
Increase in other non-current assets	(15,064)	(1,439)
Dividend Received	11,928	31,634
Net cash flows from investing activities	<u>126,902</u>	<u>4,711</u>
Cash flows from financing activities :		
Increase in short-term loans	351,230	415,600
Decrease in short-term loans	(224,300)	(114,000)
Increase in short-term notes and bills payable	85,000	-
Decrease in short-term notes and bills payable	(45,000)	(200,000)
Decrease (increase) in other non-current liabilities, others	(150)	153
Interest paid (Including capitalized interests)	(19,277)	(12,320)
Net cash flows from financing activities	<u>147,503</u>	<u>89,433</u>
Net increase (decrease) in cash and cash equivalents	180,521	(375,933)
Cash and cash equivalents at beginning of period	228,244	604,177
Cash and cash equivalents at end of period	<u>\$408,765</u>	<u>\$228,244</u>

The accompanying notes are an integral part of parent company only financial statements.

English translation of parent company only financial statements originally issued in Chinese

SUNFON CONSTRUCTION CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. History and organization

Sunfon Construction Co., Ltd. (the “Company”) was established and commenced business in January 1988. The Company primarily engaged in the development of public housing, and lease/sale of commercial buildings. The Company’s common shares were listed on the Taipei Exchange (TPEX) in December 1998. The Company’s registered address and main operating site are located at 7F., No. 173, Section 2, Chang’an East Road, Taipei, Taiwan.

2. Date and procedures of authorization of financial statements for issue

The parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 were recommended and authorized for issue by the Company’s board of directors on March 5, 2024.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standards and amendments had no material impact on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. The standards and interpretations have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

- (a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The financial statements are expressed in thousands of New Taiwan Dollars ("NTD") unless otherwise stated.

(3) Current and non-current classification standard for assets and liabilities

An asset is classified as current when:

- A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- B. The Company holds the asset primarily for the purpose of trading.
- C. The Company expects to realize the asset within twelve months after the reporting period.
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Company expects to settle the liability in its normal operating cycle.
- B. The Company holds the liability primarily for the purpose of trading.
- C. The liability is due to be settled within twelve months after the reporting period.
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company engages in the development of public housings and commercial buildings, while the subsidiary is primarily engaged in the construction of civil engineering projects. The period from construction to completion is generally 3 to 4 years. Therefore, the classification of current and non-current assets and liabilities related to construction business is based on business cycle.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(5) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments“ are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) The Company’s business model for managing the financial assets and
- (b) The contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, accounts receivable, financial assets at amortized cost and other receivables etc., on balance sheet as of the reporting date:

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as follows:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Moreover, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial assets at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit loss on debt instrument investments measured at fair value through other comprehensive income and financial assets measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit loss of a financial instrument in a way that reflects:

- (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (b) The time value of money
- (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit loss: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit loss in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit loss: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit loss.
- (d) For lease receivables arising from transactions within the scope of IFRS 16 the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification of liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of *IFRS 9 Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(6) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants handle in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(7) Inventories

Inventories are stated at acquisition or construction costs. The allocation of construction cost to land and buildings sold and unsold is based on relative price. The interests paid prior to the completion of construction projects are capitalized as cost of inventories in accordance with IFRS 23, *Borrowing Cost*.

Inventories are valued at lower of cost and net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Abnormal spoilage of inventories, losses on inventory valuation and obsolescence, and gains from price recovery should be recognized in the period incurred. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(8) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. The Company made such adjustments by debiting or crediting accounts such as investments accounted for using equity method, share of profit (loss) of associates and joint ventures accounted for using equity method, or share of other comprehensive income of associates and joint ventures accounted for using equity method, unrealized gains (losses), considering the accounting method used for the investments in subsidiaries in the consolidated financial statements in accordance with IFRS 10 Consolidated Financial Statements and the differences of application of IFRS between different consolidated entities.

(9) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5-55 years
Transportation equipment	5 years
Other equipment	5-8 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(10) Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	50-55 years
-----------	-------------

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers properties to or from investment properties according to the actual use of the properties.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(11) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset;
and
- B. the right to direct the use of an identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- C. amounts expected to be payable by the lessee under residual value guarantees
- D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option
- E. exercise that option
- F. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. The amount of the initial measurement of the lease liability
- B. any lease payments made at or before the commencement date, less any lease incentives received
- C. any initial direct costs incurred by the lessee
- D. 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

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Company has applied the practical expedient to all rent concessions that meet the conditions for it.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index, or a rate are recognized as rental income when incurred.

(12) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (5 years).

A summary of the policies applied to the Company's intangible assets is as follows:

	<u>Computer software</u>
Useful lives	Finite
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Externally acquired

(13) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of *IAS 36 Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(14) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(15) Post-employment benefit

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment; and
- B. the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(16) Treasury stock

The Company's own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(17) Revenue recognition

Recognition of gain or loss on sale of land and buildings

The Company constructs and sells residential and commercial buildings by presales. Sales are recognized when control of the assets is transferred to the customers. The assets, subject to the restrictions prescribed in the presale contracts, are not under control of the Company. However, the Company has the legally enforceable right to payment only after the transfer of the ownerships to the customers. Therefore, the Company recognizes revenue when the transfer of the ownerships is completed and receive payments from customers based on the contract terms specified in the abovementioned presales contracts. Consideration received from customers prior to the Company having satisfied its performance obligations are accounted for as contract liabilities which are transferred to revenue after the performance obligations are satisfied.

Where the contract explicitly or implicitly contains a financing component which provided a significant financial benefit to the Company, the Company adjusts the transaction price to reflect the time value of money. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component.

Commissioned construction income

The Company is engaged in the contracting business of residential real estate and commercial buildings. As the assets are controlled by the customers at the time of construction, revenue is recognized gradually over a period of time based on the percentage of contracted project costs incurred to date to the estimated total contract costs. The contracts include both fixed and variable consideration. The customer pays a fixed amount according to the agreed schedule. Certain variable consideration (e.g., penalties based on the number of days past due, price adjustment subsidy) is estimated using expected values based on past experience. Other changes in consideration (e.g., early completion incentive payments) are estimated at the most likely amount. The Company's rights to the consideration received for goods or services transferred to customers are recognized as contract assets. When an unconditional right is represented to the consideration, the contract assets are transferred to accounts receivable.

When the degree of the completion to performance obligation of construction contract cannot be reasonably estimated, the contract revenue is recognized only to the extent of expected recoverable contract costs incurred.

If circumstances change, revenues, costs and completion will be revised and the changes will be reflected in gains and losses in the period of the change in which the management is informed of.

The Company expects that the time interval between the transfer of a good or service from all customer contracts to customers and when customers pay for the goods or services will not exceed one year. Therefore, the transaction price is not adjusted for the effects of a significant financing component.

(18) Income tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for on undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, affects neither the accounting profit nor taxable profit or loss at the time of the transaction, and does not result in equivalent taxable and deductible temporary differences at the time of the transaction.
- B. In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination, affects neither the accounting profit nor taxable profit or loss at the time of the transaction, and does not result in equivalent taxable and deductible temporary differences at the time of the transaction.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the “International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)”, deferred tax assets and liabilities related to Pillar Two income tax will not be recognized nor disclosed.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company’s parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgment

In the process of applying the Company’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

A. Investment properties

Certain properties of the Company comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Company accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

B. Operating lease commitments – Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Post-employment benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

B. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

C. Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2023	2022
Cash on hand	\$30	\$30
Demand and check deposits	60,735	49,914
Time deposits	18,000	158,300
Cash equivalents –Reverse repurchase agreements	330,000	20,000
Total	408,765	\$228,244

Reverse repurchase agreements are short-term investments whose maturities are within twelve months and are highly liquid.

Cash and cash equivalents were not pledged.

(2) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2023	2022
Equity instrument investments measured at fair value through other comprehensive income–non-current:		
Listed stocks	\$744,560	\$794,013
Unlisted stocks	15,014	14,223
Total	\$759,574	\$808,236

The Company classifies part of its financial assets as financial assets at fair value through other comprehensive income. For provisions of guarantees, please refer to Note 8 for more details.

The Company’s dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31,	
	2023	2022
Related to investments held at the end of the reporting period		
Dividends recognized during the period	\$11,928	\$31,634

In consideration of the Company’s investment strategy, the Company disposed of and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the year ended December 31, 2023 is as follows:

	For the years ended December 31,	
	2023	2022
The fair value of the investments at the date of derecognition	\$181,617	\$85,140
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	\$76,951	\$35,700

(3) Inventories

	As of December 31,	
	2023	2022
Land and Buildings held for sale	\$32,575	\$32,575
Land held for construction site	347,284	359,845
Construction in progress	2,508,826	2,056,626
Prepayment for land purchases	3,702	13,901
Total	<u>\$2,892,387</u>	<u>\$2,462,947</u>

A. Details of land buildings held for sale were as follows:

Item	As of December 31,					
	2023			2022		
	Land held for sale	Buildings held for sale	Total	Land held for sale	Buildings held for sale	Total
He Ti	\$15,359	\$10,440	\$25,799	\$15,359	\$10,440	\$25,799
Sunfon Jin Cheng	4,066	2,010	6,076	4,066	2,010	6,076
Zhong Zheng Xue Fu	73	627	700	73	627	700
Total	<u>\$19,498</u>	<u>\$13,077</u>	<u>\$32,575</u>	<u>\$19,498</u>	<u>\$13,077</u>	<u>\$32,575</u>

B. Details of land held for construction site were as follows:

Construction project	Land location	As of December 31,	
		2023	2022
Luzhu Township	Kengzi Section, Luzhu Township, Taoyuan County	\$7,385	\$7,385
Bao'an Project	Yanping Section, Datong District, Taipei City	6,144	6,144
Changji Project	Qiaobei Section, Datong District, Taipei City	116,801	116,800
Yanping Chang'an Project	Yuquan Section, Datong District, Taipei City	18,746	18,746
Yuanhuan Section, Taiyuan Road	Yuanhuan Section, Datong District, Taipei City	22,061	22,061
Heping West Road Project	Nanhai Section, Zhongzheng District, Taipei City	809	809
Tianmu Tianyu Street Project	Tianmu Section, Tianmu District, Taipei City	33	33
No. 128, Sec. 3, Chengde Road	Datong Section, Datong District, Taipei City	-	7,722
No.101, Chang'an West Road	Shifu Section, Datong District, Taipei City	175,305	175,305
Sec. 2, Huanshan Road	Bihu Section, Neihu District, Taipei City	-	4,840
Total		<u>\$347,284</u>	<u>\$359,845</u>

C. Details of Construction in progress were as follows:

Item	Detail	As of December 31,		Construction Method
		2023	2022	
City Meeting Point	Cost of Land	\$-	\$23,136	Joint construction and allocation of housing units
	Cost of Construction	-	165,951	
Yundu Project	Cost of Land	664,105	651,758	Joint construction and allocation of housing units
	Cost of Construction	230,867	69,813	
Yunji Project	Cost of Land	318,713	303,460	Joint construction and allocation of housing units
	Cost of Construction	244,996	167,174	
Baosheng Emperor Memorial Hall	Cost of Land	264,863	264,864	Joint construction and allocation of housing units
	Cost of Construction	102,419	55,517	
Yundi Project	Cost of Land	68,398	57,540	Joint construction and allocation of housing units
	Cost of Construction	271,163	79,045	
Sunfon AIT	Cost of Land	142,085	137,441	Joint construction and allocation of housing units
	Cost of Construction	59,287	11,199	
Sec. 1, Nanchang Road	Cost of Land	55,495	37,995	Joint construction and allocation of housing units
	Cost of Construction	21,086	8,304	
Yuncheng Project	Cost of Land	19,231	-	Joint construction and allocation of housing units
	Cost of Construction	8,449	1,770	
Sec. 2, Huanshan Road	Cost of Land	8,080	-	Joint construction and allocation of housing units
	Cost of Construction	3,752	177	
Others	Cost of Construction	25,837	21,482	-
Total		<u>\$2,508,826</u>	<u>\$2,056,626</u>	

D. Capitalized interests of Construction in progress were as follows:

	For the years ended December 31,	
	2023	2022
Capitalized interests	\$19,605	\$12,530
Capitalized interest rate	1.55%~2.85%	1.06%~2.69%

E. Additional disclosures of important construction projects were as follows:

Item	Total price for construction contract (budgeted cost, excluding land payment)	Percentage of completion	Scheduled completion year
Baosheng Emperor Memorial Hall	170,000	53%	2024
Yundi Project	890,000	27%	2025
Yunji Project	1,900,000	10%	2026
Sunfon AIT	219,000	22%	2025
Yundu Project	2,120,000	7%	2028

F. Details of Prepayment for land purchases were as follows:

Item	As of December 31,	
	2023	2022
City Meeting Point	\$-	\$10,255
Chang'an West I Project	3,702	3,646
Total	\$3,702	\$13,901

G. Cost incurred on inventories for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Cost of Construction	\$326,505	\$447
Cost of Rent	1,278	1,278
Total	\$327,783	\$1,725

H. Please refer to Note 8 for more details on inventories pledged as loan guarantee.

(4) Investment accounted for using equity method

Investee companies	As of December 31,			
	2023		2022	
	Carrying amount	Percentage of (%)	Carrying amount	Percentage of (%)
Subsidiaries:				
Gin Yuang Construction CO., Ltd.	\$82,107	99.9716%	\$97,920	99.9645%

Investments in subsidiaries is represented as “Investments accounted for using equity method” and adjusted for the valuation if necessary.

Gin Yuan Construction Co., Ltd. issued common stocks in a total of 50 thousand shares with a par value of \$1,000 each in cash in 2023. The Company's non-proportional investment resulted in increased shareholdings in Gin Yuan Construction Co., Ltd. to 99.9716%. The Company subscribed to additional shares in the investee at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differed from the amount of the Company’s proportionate interest in the net assets of the investee. The 5 thousand differences between the fair value of the acquiring subsidiaries and the carrying amounts of the subsidiaries were charged to retained earnings under IAS 27.

Gin Yuan Construction Co., Ltd. issued common stocks in a total of 100 thousand shares with a par value of \$1,000 each in cash in 2022. The Company's non-proportional investment resulted in increased shareholdings in Gin Yuan Construction Co., Ltd. to 99.9645%. The Company subscribed to additional shares in the investee at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differed from the amount of the Company’s proportionate interest in the net assets of the investee. The 20 thousand differences between the fair value of the acquiring subsidiaries and the carrying amounts of the subsidiaries were charged to retained earnings under IAS 27.

(5) Property, plant and equipment

Changes in property, plant and equipment were as follows:

	Land	Buildings	Transportation equipment	Miscellaneous equipment	Total
<u>Cost:</u>					
As of January 1,2022	\$35,855	\$16,214	\$1,610	\$852	\$54,531
Additions	-	-	-	-	-
Disposals	-	-	-	(128)	(128)
As of December 31,2022	35,855	16,214	1,610	724	54,403
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As of December 31,2023	<u>\$35,855</u>	<u>\$16,214</u>	<u>\$1,610</u>	<u>\$724</u>	<u>\$54,403</u>
<u>Depreciation and impairment:</u>					
As of January 1,2022	\$-	\$(8,224)	\$(1,341)	\$(549)	\$(10,114)
Depreciation	-	(456)	-	(63)	(519)
Disposals	-	-	-	76	76
As of December 31,2022	-	(8,680)	(1,341)	(536)	(10,557)
Depreciation	-	(456)	-	(43)	(499)
Disposals	-	-	-	-	-
As of December 31,2023	<u>\$-</u>	<u>\$(9,136)</u>	<u>\$(1,341)</u>	<u>\$(579)</u>	<u>\$(11,056)</u>
Net carrying amount as of:					
December 31,2023	<u>\$35,855</u>	<u>\$7,078</u>	<u>\$269</u>	<u>\$145</u>	<u>\$43,347</u>
December 31,2022	<u>\$35,855</u>	<u>\$7,534</u>	<u>\$269</u>	<u>\$188</u>	<u>\$43,846</u>

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(6) Investment property

A. Changes in investment properties were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost:</u>			
As of January 1, 2022	\$199,126	\$71,356	\$270,482
Transferred from inventory	268	183	451
Transferred to inventory	(313)	(213)	(526)
As of December 31, 2022	199,081	71,326	270,407
Transferred from inventory	-	-	-
Transferred to inventory	-	-	-
As of December 31, 2023	<u>\$199,081</u>	<u>\$71,326</u>	<u>\$270,407</u>
<u>Depreciation and impairment:</u>			
As of January 1, 2022	\$-	\$(35,278)	\$(35,278)
Depreciation	-	(1,278)	(1,278)
Transferred to inventory	-	79	79
As of December 31, 2022	-	(36,477)	(36,477)
Depreciation	-	(1,278)	(1,278)
Transferred to inventory	-	-	-
As of December 31, 2023	<u>\$-</u>	<u>\$(37,755)</u>	<u>\$(37,755)</u>
Net carrying amount as of:			
December 31, 2023	<u>\$199,081</u>	<u>\$33,571</u>	<u>\$232,652</u>
December 31, 2022	<u>\$199,081</u>	<u>\$34,849</u>	<u>\$233,930</u>

B. For the years ended 2023 and 2022, the rental income generated from investment properties held by the Company amounted to \$6,501 thousand and \$6,485 thousand, respectively. No significant direct operating expenses were incurred for investment properties which generated rental income during the period.

C. The investment property held by the Company was not measured at fair value, but only disclosed information on its fair value, and the fair value measurement is categorized within Level 3 of the fair value hierarchy. The fair value of the investment property held by the Company both amounted to \$250,404 thousand on December 31, 2023 and December 31, 2022. The Company evaluates the market price of similar real estate in the vicinity of the relevant assets (including the Real Estate Actual Transaction Price Inquiry Website and websites of real estate agents). The recent real estate market was also used as the fair value of the investment property at each reporting date.

D. Please refer to Note 8 for more details on investment property under pledge.

(7) Intangible assets

	Computer software	Total
Cost:		
As of January 1, 2022	\$599	\$599
Additions	-	-
As of December 31, 2022	599	599
Additions	-	-
As of December 31, 2023	\$599	\$599
Amortization and impairment:		
As of January 1, 2022	\$(124)	\$(124)
Amortization	(120)	(120)
As of December 31, 2022	(244)	(244)
Amortization	(120)	(120)
As of December 31, 2023	\$(364)	\$(364)
Net carrying amount as of:		
December 31, 2023	\$235	\$235
December 31, 2022	\$355	\$355

Amortization expense of intangible assets under the statement of comprehensive income:

	For the periods ended December 31,	
	2023	2022
Operating expenses	\$120	\$120

(8) Short-term loans

	Interest Rates (%)	As of December 31,	
		2023	2022
Unsecured bank loans	1.058%~2.85%	\$322,330	\$133,300
Secured bank loans	1.058%~2.63%	571,191	633,291
Total		\$893,521	\$766,591

The Company's unused short-term lines of credits amount were \$5,240,815 thousand and \$4,605,745 thousand, as of December 31, 2023 and 2022, respectively.

Please refer to Note 8 for more details on land and buildings pledged as security for short-term loans.

(9) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

For the years ended December 31, 2023 and 2022, the expenses related to defined contribution plan amounted to \$659 thousand and \$617 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 15% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under a mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension 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. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute \$340 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

The defined benefits plan obligation is expected to mature both in 5 years as of December 31, 2023 and 2022.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Current period service cost	\$208	\$213
Net interest on the net defined benefit liabilities (assets)	11	27
Total	<u>\$219</u>	<u>\$240</u>

Changes in the defined benefit obligation and fair value of plan assets were as follows:

	As of		
	December 31, 2023	December 31, 2022	January 1, 2022
Defined benefit obligation	\$21,364	\$22,429	\$25,601
Plan assets at fair value	(22,276)	(21,512)	(20,368)
Net defined benefit liabilities, non-current	<u>(\$912)</u>	<u>\$917</u>	<u>\$5,233</u>

Reconciliations of liabilities (assets) of the defined benefit plan were as follows:

	Defined benefit obligation	Plan assets at fair value	Benefit Liabilities (assets)
As of January 1, 2022	\$25,601	\$(20,368)	\$5,233
Current period service cost	213	-	213
Interest expense (income)	133	(106)	27
Subtotal	25,947	(20,474)	5,473
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	(2,224)	-	(2,224)
Experience adjustments	(113)	(1,546)	(1,659)
Subtotal	23,610	(22,020)	1,590
Payments from the plan	(1,181)	1,181	-
Contributions by employer	-	(673)	(673)
As of December 31, 2022	22,429	(21,512)	917
Current period service cost	208	-	208
Interest expense (income)	258	(247)	11
Subtotal	22,895	(21,759)	1,136
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	1,018	-	1,018
Experience adjustments	(407)	(121)	(528)
Subtotal	23,506	(21,880)	1,626
Payments from the plan	(2,142)	2,142	-
Contribution by employer	-	(2,538)	(2,538)
As of December 31, 2023	<u>\$21,364</u>	<u>\$(22,276)</u>	<u>\$(912)</u>

The following significant actuarial assumptions were used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2023	2022
Discount rate	1.18%	1.15%
Expected rate of salary increases	3.00%	2.00%

A sensitivity analysis for significant assumption was shown below:

	For the years ended December 31,			
	2023		2022	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increased by 0.5%	\$-	\$(545)	\$-	\$(572)
Discount rate decreased by 0.5%	581	-	644	-
Future salary increased by 0.5%	567	-	635	-
Future salary decreased by 0.5%	-	(538)	-	(570)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(10) Equity

A. Ordinary share

As of December 31, 2023 and 2022, the Company's authorized capital were both \$3,000,000 thousand. The Company's paid-in capital were both \$2,162,255 thousand as of December 31, 2023 and 2022, each at par value of \$10, and both issued 216,226 thousand shares. Each share has one voting right and right to receive dividends.

On May 26, 2022, the Company's general meeting of shareholders passed a resolution to distribute shareholders' dividend bonus from retained earnings of 2021 and capital surplus to issue new shares for capital increase of 5,406 thousand shares and 2,911 thousand shares, respectively, both with a par value of \$10 per share. As of the date of this report, the case was approved and deemed effective by the Securities and Futures Bureau, Financial Supervisory Commission, on July 8, 2022, and September 2, 2022 was set as the ex-dividend date. The relevant statutory procedures for changes have been completed.

B. Capital surplus

	As of December 31,	
	2023	2022
Treasury share transactions – other	1,332	1,332
Gains on disposal of assets	14	14
Total	<u>\$1,346</u>	<u>\$1,346</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserve related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

On May 26, 2022, the Company's general meeting of shareholders passed a resolution to distribute stock dividend from capital surplus in the amount of \$29,108 thousand, at \$0.14 per share.

C. Treasury stock

As of December 31, 2023, and 2022, the Company's shares held by the subsidiary, Gin Yuang Construction CO., Ltd., were \$23,395 thousand and \$23,393 thousand, respectively. These shares held by Gin Yuang Construction CO., Ltd. were acquired for the purpose of financing. And as of December 31, 2023 and 2022, the number of the Company's shares held by Gin Yuang Construction CO., Ltd. was both 8,679 thousand shares.

Under the Securities and Exchange Act, the Company shall neither pledge treasury nor exercise shareholders' rights on these shares, such as the rights to dividends and vote. However, the subsidiary's holdings of treasury shares are still entitled to shareholders' equity. In addition, according to the Company Act amended in June 2005, the Company's treasury shares held by the subsidiary is not entitled to voting rights.

D. Retained earnings and dividend policies

According to the Company Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues
- b. Offset prior years' operation losses
- c. Set aside 10% of the remaining amount after deducting items A and B as legal reserve
- d. Set aside or reverse special reserve in accordance with law and regulations
- e. The distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the shareholders' meeting

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Company's board of directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide the percentage of the dividends range from 0% to 90% to shareholders, if any, could be paid in the form of share dividends. Accordingly, the percentage of the dividends range from 10% to 100% must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

The FSC on March 31, 2021 issued Order No. Jin-Guan-Cheng-Fa-Zi-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on March 5, 2024 and May 25, 2023, respectively, are as follows:

	<u>Appropriation of earnings</u>		<u>Dividends per share (NTD\$)</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Legal reserve	\$10,548	\$2,594	\$-	\$-
Common stock–cash dividend	-	-	-	-
Common stock–stock dividend	108,113	-	0.5	-

As of the date of report, the Company's 2023 earnings distribution and dividends were not proposed to be disclosed by shareholders' meeting. Information on the board of directors' and shareholders' resolution regarding the earnings distribution can be obtained from the "Market Observation Post System".

Please refer to Note 6(13) for details on employees' compensation and remuneration to directors and supervisors.

(11) Operating revenue

	<u>For the years ended</u>	
	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Sale of land and buildings	\$472,096	\$571
Rental revenue	6,501	6,485
Total	<u>\$478,597</u>	<u>\$7,056</u>

Analysis of revenue from contracts with customers for the years ended December 31, 2023 were 2022 are as follows:

A. Disaggregation of revenue

	<u>For the years ended</u>	
	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Construction</u>	<u>Construction</u>
	<u>Sector</u>	<u>Sector</u>
Sale of land and buildings	<u>\$472,096</u>	<u>\$571</u>
Timing of revenue recognition:		
At a point in time	<u>472,096</u>	<u>\$571</u>

B. Contract balances

	As of December 31,	
	2023	2022
Contract liabilities—Current		
Sales contracts of land and buildings	\$1,257,139	\$1,047,073

C. Contract cost

	As of December 31,	
	2023	2022
Assts recognized as incremental costs to obtain contract with customers	\$199,180	\$164,701
Less: Accumulated amortization	(27,874)	-
Accumulated impairment	-	-
Total	\$171,306	\$164,701

(12) Leases

Company as a lessor

Please refer to Note 6(6) for details on the Company's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2023	2022
Lease income for material operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$6,501	\$6,485

Please refer to Note 6(6) for relevant disclosure of property, plant and equipment for operating leases. For operating leases entered into by the Company, the undiscounted lease payments to be received and a total of the amounts (tax included) for the remaining years as of December 31, 2023 and 2022 are as follows:

	As of December 31,	
	2023	2022
Not later than one year	\$6,124	\$6,712
Later than one year but not later than five years	13,119	18,146
Total	\$19,243	\$24,858

(13) Summary statement of employee benefits, depreciation and amortization expenses by function was as follows:

By feature	By function					
	For the years ended December 31,					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Wages and salaries	\$-	\$23,009	\$23,009	\$-	\$18,209	\$18,209
Labor and health insurance	-	1,495	1,495	-	1,500	1,500
Pension	-	878	878	-	857	857
Remuneration to directors	-	1,030	1,030	-	360	360
Other employee benefits expense	-	463	463	-	464	464
Depreciation	1,278	499	1,777	1,278	519	1,797
Amortization	-	120	120	-	120	120

A. Both of the current year and the prior year, there were 25 and 24 employees working for the Company, of which 9 and 8 were non-employee directors.

B. For the current year and prior year, the average employee benefits expenses were \$1,615 thousand and \$1,314 thousand, respectively, and the average employee salaries expenses were \$1,438 thousand and \$1,138 thousand, respectively. The adjustment and movement of average employee salaries expenses was 26.36 %.

C. The Company's remuneration policy for directors, supervisors and managerial officers is handled in accordance with "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" and is subject to review by the Salary and Remuneration Committee. The remuneration policy for managerial officers is determined by taking into account the employee's personal experience, performance, contributions to the Company, the future potential, as well as the Company's operating performance. The remuneration policy for employees, directors and supervisors is handled in accordance with the Company's Articles of Incorporation during the Company's profit-earning year. The employee's salary includes basic salary, various subsidies, duty allowance, overtime and bonuses. The basic salary is determined based on the employee's academic background, work experience, professional skills, and the value of the position served, while taking the salary standard of the industry into consideration; bonuses are given depending on the Company's annual operating surplus, as well as the achievement of the goals set by the department and the employee.

According to the Articles of Incorporation, 1% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a board meeting attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the Company's profit for the year ended December 31, 2023, employees' compensation and remuneration to directors and supervisors were both estimated at 1% of profit to be distributed and both amounted to \$519 thousand recognized in wages and salaries. A resolution was passed in the board meeting held on March 5, 2024 to pay employees' compensation and remuneration to directors and supervisors in cash both in the amount of \$519 thousand, which were recognized in wages and salaries.

There were no estimated amounts of the employees' compensation and director and supervisor remuneration for the year ended December 31, 2022, because of net losses before tax.

(14) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2023	2022
Interest income		
Financial assets measured at amortized cost	\$3,857	\$2,716
Other interest income	897	3
Total	<u>\$4,754</u>	<u>\$2,719</u>

B. Other income

	For the years ended December 31,	
	2023	2022
Dividend income	\$11,928	\$31,634
Other income – others	446	523
Total	<u>\$12,374</u>	<u>\$32,157</u>

C. Other gains and losses

	For the years ended December 31,	
	2023	2022
Miscellaneous Disbursements	\$(209)	\$(703)
Loss on disposal of property, plant and equipment	-	(52)
Total	<u>\$(209)</u>	<u>\$(755)</u>

D. Finance costs

	For the years ended December 31,	
	2023	2022
Interest on borrowings from bank (balance after deducting capitalization of interest)	\$7	\$130

(15) Components of other comprehensive income

	For the year ended December 31, 2023				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(490)	\$-	\$(490)	\$-	\$(490)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	131,376	-	131,376	-	131,376
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	92	-	92	-	92
Total	\$130,978	\$-	\$130,978	\$-	\$130,978

	For the year ended December 31, 2022				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$3,882	\$-	\$3,882	\$-	\$3,882
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(119,985)	-	(119,985)	-	(119,985)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	286	-	286	-	286
Total	\$(115,817)	\$-	\$(115,817)	\$-	\$(115,817)

(16) Income tax

A. The major components of income tax expense (income) were as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended	
	December 31,	
	2023	2022
Current income tax expense (income):		
Current income tax payable	\$21,813	\$-
Adjustments in respect of current income tax of prior periods	(9)	(3,697)
Land value increment tax	123	6
Total income tax expense (income)	<u>\$21,927</u>	<u>\$(3,691)</u>

B. A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the years ended	
	December 31,	
	2023	2022
Accounting profit (loss) before tax from continuing operations	<u>\$50,862</u>	<u>\$(17,599)</u>
Tax at the domestic rates applicable to profits in the country concerned	\$10,172	\$(3,520)
Adjustments in respect of effects on income tax of construction benefits	-	2
Tax effect of expenses not deductible for tax purposes	13,144	2,858
Tax effect of revenues exempt from taxation	(2,547)	(5,999)
Income tax on undistributed earnings	1,167	-
Adjustments in respect of current income tax of prior periods	(9)	(3,697)
Land value increment tax	123	6
Others	(123)	6,659
Total income tax expense (income) recognized in profit or loss	<u>\$21,927</u>	<u>\$(3,691)</u>

C. Some of the Company's primary operating activities are tax-exempt (e.g., land transactions and investments in domestic listed companies' stocks), so regarding the tax related to non-deductible temporary difference, no deferred income tax asset (liability) benefit incurred.

D. The assessment of income tax returns

As of December 31, 2023, the assessment of the income tax returns of the Company is as follows:

	<u>The assessment of income tax returns</u>	<u>Remark</u>
The Company	Assessed and approved up to 2021	-

(17) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended</u> <u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
A. Basic earnings per share		
Profit (losses) attributable to ordinary equity owners of the Company (in thousand NT\$)	<u>\$28,935</u>	<u>\$(13,908)</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>207,547</u>	<u>207,547</u>
Basic earnings per share (NT\$)	<u>\$0.14</u>	<u>\$(0.07)</u>
B. Diluted earnings per share		
Profit (losses) attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$28,905</u>	<u>\$(13,908)</u>
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	<u>\$28,905</u>	<u>\$(13,908)</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	207,547	207,547
Effect of dilution:		
Employee compensation — stock (in thousands)	<u>26</u>	<u>-</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>207,573</u>	<u>207,547</u>
Diluted earnings per share (NT\$)	<u>\$0.14</u>	<u>\$(0.07)</u>

Pro forma information on earnings per share assuming that the Company's shares invested by Gin Yuang Construction Co., Ltd. are not treated as treasury stock:

	For the years ended December 31,	
	2023	2022
Basic earnings per share		
Profit (losses) attributable to ordinary equity holders of the Company (in thousand NT\$)	\$28,935	\$(13,908)
Weighted average number of ordinary shares outstanding for pro forma earnings per share (in thousands)	216,226	216,226
Pro forma earnings per share (NT\$)	\$0.13	\$(0.06)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

Information of the related party – Gin Yuang Construction Co., Ltd. that had transactions with the Company during the financial reporting period is as follows:

(1) Rental income

Related party	Leasing premises	For the years ended December 31,			
		2023		2022	
		Terms of the lease	Amount	Terms of the lease	Amount
Subsidiary	7F., No. 173, Section 2, Chang'an East Road	2023.1.1- 2023.12.31	\$120	2022.1.1- 2022.12.31	\$120

(2) Construction contract projects and payables to related parties

A. As of December 31, 2023 and 2022, regarding the construction contract already signed by the Company and Gin Yuang Construction Co., Ltd. were as follows:

Item	As of December 31, 2023			
	Total contract price	Accumulated amount paid for construction	Construction project status	Estimated completion year
Baosheng Emperor Memorial Hall	170,000	\$89,250	Unfinished	2024
Yundi Project	890,000	195,800	Unfinished	2025
Yunji Project	1,900,000	171,000	Unfinished	2026
Sunfon AIT	219,000	8,760	Unfinished	2025
Yundu Project	2,120,000	106,000	Unfinished	2028

As of December 31, 2022				
Item	Total contract price	Accumulated		Estimated completion year
		amount paid for construction	Construction project status	
City Meeting Point	\$200,000	\$140,000	Unfinished	2023
Baosheng Emperor Memorial Hall	170,000	38,250	Unfinished	2024
Yundi Project	890,000	-	Unfinished	2025
Yunji Project	1,900,000	114,000	Unfinished	2025
Sunfon AIT	219,000	-	Unfinished	2024

B. For the construction contracts mentioned above, the subsidiary requested payments from the Company for the years ended December 31, 2023 and 2022 as follows:

Related party	Nature	Account	For the years ended December 31,	
			2023	2022
Subsidiary	Construction project	Construction in progress – contracted work in progress	<u>\$535,735</u>	<u>\$247,552</u>

C. As of December 31, 2023 and 2022, regarding the construction contracts mentioned above, the payables due to related parties were as follows:

Related party	Nature	Account	As of December 31,	
			2023	2022
Subsidiary	Outsourcing project	Notes and Accounts Payable	<u>\$138,400</u>	<u>\$72,076</u>

D. There is no significant difference between the transaction price and collection terms of the construction contracts mentioned above and the general manufacturers.

(3) The Company entered into a lease contract with the Taipei Branch of Chunghwa Post Co., Ltd. of which the terms of the lease commence on August 1, 2022 and ends on July 31, 2027, with Gin Yuang Construction Co., Ltd. as the Company's joint guarantor.

(4) Key management personnel compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$6,684	\$6,570
Post-employment benefits	3,248	233
Total	<u>\$9,932</u>	<u>\$6,803</u>

(5) Endorsement/Guarantee

As of December 31, 2023				
Related party	Bank	Maximum balance for period	Ending Balance	Purpose
Subsidiary				
Gin Yuang Construction Co., Ltd	China Bills Finance Corporation, Taipei Fubon Commercial Bank Co., Ltd. Mega Bills Finance Co., Ltd.	\$210,000	\$210,000	Obtain loan amount
Total			<u>\$210,000</u>	

As of December 31, 2022				
Related party	Bank	Maximum balance for period	Ending Balance	Purpose
Subsidiary				
Gin Yuang Construction Co., Ltd	China Bills Finance Corporation, Jih Sun International Commercial Bank Co., Ltd.	\$180,000	\$180,000	Obtain loan amount
Total			<u>\$180,000</u>	

Please refer to Attachment 1 for details of amount actually drawn.

8. Assets pledged as security

The following table lists assets of the Company pledged as security:

Assets pledged for security	Carrying amount as of December 31,		Secured liabilities
	2023	2022	
Property, plant and equipment—Land	\$17,482	\$17,482	Short-term loans
Property, plant and equipment—Buildings	5,681	5,933	Short-term loans
Investment property	214,701	215,845	Short-term loans
Inventories	1,031,849	916,936	Short-term loans
Non-current financial assets at fair value through other comprehensive income	540,045	658,615	Short-term loans, Short-term notes payable
Total	<u>\$1,809,758</u>	<u>\$1,814,811</u>	

9. Commitments and contingencies

(1) As of December 31, 2023, the Company's commitments and contingencies are as follows:

Name	Margin payable by the Company	Paid amount (Note)	Unpaid amount	Proportion of distributable property by landowners
Chang'an West I Project	\$36,745	\$6,954	\$29,791	60%
Yundu Project	27,943	27,943	-	60%
Yongji-Songxin Project	14,653	4,625	10,028	65%
Yunji Project	7,987	7,987	-	60%
Section 1, Nanchang Road	13,492	11,749	1,743	65%
Nanshan Road, Zhonghe	1,800	1,800	-	46%
Bao'an Project	4,232	640	3,592	60%
No. 154, Taiyuan Road	200	200	-	65%
Ganzhou Street Project	800	800	-	62%
Yuncheng Project	2,000	2,000	-	62%
No. 101, Chang'an West	17,500	14,500	3,000	62%
Total	<u>\$127,352</u>	<u>\$79,198</u>	<u>\$48,154</u>	

Note: Guarantee deposits paid were disclosed as other current assets.

(2) A summary of the outstanding balance related to the construction in progress signed by the Company was as follows:

Name	Contract price	Paid amount	Unpaid amount
Yundu Project	\$2,120,000	\$106,000	\$2,014,000
Baosheng Emperor Memorial Hall	170,000	89,250	80,750
Yundi Project	890,000	195,800	694,200
Yunji Project	1,900,000	171,000	1,729,000
Sunfon AIT	219,000	8,760	210,240
Total	<u>\$5,299,000</u>	<u>\$570,810</u>	<u>\$4,728,190</u>

(3) The Company had signed the joint construction contracts with landowners for Yundu Project, Yunji Project, Yundi Project, Section 1, Nanchang Road, Sunfon AIT, Yuncheng Project, and Sec. 2, Huanshan Road. From the approval of the construction licenses to the date of completion and handover, the Company expects to pay \$410,373 thousand to landowners for rent subsidies. As of December 31, 2023, the Company paid landowners \$226,165 thousand as rent subsidies, which were necessary direct costs for acquiring the land; therefore, these subsidies are recorded as "Land held for construction site" and "Construction in progress".

- (4) The Company's cash equivalents in the amount of \$330,000 thousand was reverse repurchase agreement, with a term of agreeing to sell back with \$330,567 thousand before February 26, 2024.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Financial instruments

Financial assets

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets at fair value through other comprehensive income	\$759,574	\$808,236
Financial assets measured at amortized cost		
Cash and cash equivalents (excluding cash on hand)	408,735	228,214
Total	<u>\$1,168,309</u>	<u>\$1,036,450</u>

Financial liabilities

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial liabilities at amortized cost:		
Short-term borrowings	\$893,521	\$766,591
Short-term notes and bills payable	40,000	-
Accounts payable (including other payables)	165,395	93,635
Total	<u>\$1,098,916</u>	<u>\$860,226</u>

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company always complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2023 and 2022 to decrease/increase by \$894 thousand and \$767 thousand, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's board of directors reviews and approves all equity investment decisions.

For the year ended December 31, 2023 and 2022, a rise/fall of 1% in the price of listed equity securities, classified as equity instruments investment measured at fair value through other comprehensive income have an impact of \$7,446 thousand and \$7,940 thousand on the equity attributable to the Company, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for trade and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counterparties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

The Company's main business is the sale of real estate. There is a large customer base and no significant concentration of transactions with a single customer. Therefore, the credit risk of accounts receivable is not significantly concentrated and there is no concern that the accounts receivable cannot be recovered.

Credit risk from balances with banks is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks with good credit rating. Consequently, there is no significant credit risk for these counterparties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings.

The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2023					
Short-term loans					
(including interest to be paid)	\$175,442	\$589,092	\$188,313	\$-	\$952,847
Short-term notes and bills payable	40,000	-	-	-	40,000
Accounts payables					
(including other payables)	165,395	-	-	-	165,395
As of December 31, 2022					
Short-term loans					
(including interest to be paid)	\$425,038	\$16,342	\$369,187	\$-	\$810,567
Accounts payables					
(including other payables)	93,635	-	-	-	93,635

(6) Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2023:

	Short-term loans	Short-term notes and bills payable	Total liabilities from financing activities
As of January 1, 2023	\$766,591	\$-	\$766,591
Cash flows	126,930	40,000	166,930
As of December 31, 2023	<u>\$893,521</u>	<u>\$40,000</u>	<u>933,521</u>

For the year ended December 31, 2022:

	Short-term loans	Short-term notes and bills payable	Total liabilities from financing activities
As of January 1, 2022	\$464,991	\$200,000	\$664,991
Cash flows	301,600	(200,000)	101,600
As of December 31, 2022	<u>\$766,591</u>	<u>\$-</u>	<u>\$766,591</u>

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, accounts receivable (including due from related parties), accounts payable (including payables to related parties), and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates and bonds etc.).
- (c) Fair value of bank loans is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

(8) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company assets and liabilities measured at fair value on a recurring basis was as follows:

As of December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value:				
Equity instrument measured at fair value through other comprehensive income				
Stocks	\$744,560	\$15,014	\$-	\$759,574

As of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value:				
Equity instrument measured at fair value through other comprehensive income				
Stocks	\$794,013	\$14,223	-	\$808,236

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value was disclosed.

As of December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property				
(Please refer to Note 6(6))	\$-	\$-	\$250,404	\$250,404

As of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property				
(Please refer to Note 6(6))	\$-	\$-	\$250,404	\$250,404

13. Other disclosure

(1) Information at significant transactions

- A. Financing provided to others for the years ended December 31, 2023: None.
- B. Endorsement/Guarantee provided to others for the years ended December 31, 2023: Please refer to Attachment 1.
- C. Securities held as of December 31, 2023 (excluding subsidiaries, associates and joint ventures): Please refer to Attachment 2.
- D. Individual securities acquired or disposed of with accumulated amount exceeding \$300 million or 20 percent of the capital stock for the years ended December 31, 2023: None.
- E. Acquisition of real estate with amount exceeding the lower of \$300 million or 20 percent of the capital stock for the years ended December 31, 2023: None.
- F. Disposal of real estate with amount exceeding the lower of \$300 million or 20 percent of the capital stock for the years ended December 31, 2023: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of \$100 million or 20 percent of the capital stock for the years ended December 31, 2023: Please refer to Attachment 3.

- H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20 percent of capital stock for the years ended December 31, 2023: None.
- I. Financial instruments and derivative transactions: None.

(2) Information on investees: Please refer to Attachment 4.

(3) Information on investments in Mainland China: None.

(4) Information on major shareholders: Please refer to Attachment 5.

Sunfon Construction Co., Ltd. - Notes to the Parent Company Only Financial Statements (continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

ATTACHMENT 1: Endorsements/guarantees provided to others

(Unit: thousands of NTD)

No. <Note 1>	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/Guaran tee Amount Provided to Each Guaranteed Party <Note 3>	Maximum Balance for the period	Ending Balance	Amount Actually Drawn	Amounts of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable <Note 4>	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of relationship <Note 2>										
0	Sunfon Construction Co., Ltd.	Gin Yuan Construction Co., Ltd.	4	\$576,730	\$210,000	\$210,000	\$118,000	\$210,000	7.28%	\$1,441,826	Y	N	N

<Note 1> The numbers filled in for the endorsements/guarantees provided by the group or subsidiaries are as follows:

1. The Company is "0".
2. The subsidiaries are numbered in order starting from "1".

<Note 2> The following code represents the relationship with the company:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

<Note 3> According to the Company's Rules for Management of Endorsement and Guarantees, the amount of endorsements/guarantees provided by the Company for any single entity which holds 100% shares in the Company shall not exceed 20% of the net worth attributed to the parent company in the financial reports for the period.

<Note 4> According to the Company's Rules for Management of Endorsement and Guarantees, the accumulated total amount of endorsements/guarantees provided by the Company shall not exceed 50% of the net worth attributed to the parent company in the financial reports for the period.

Sunfon Construction Co., Ltd. - Notes to the Parent Company Only Financial Statements (continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

ATTACHMENT 2 : Marketable securities held (not including subsidiaries, associates and joint ventures)

(Unit: thousands of NTD)

Held Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	As of December 31, 2023				Note
					Share/Units	Carrying Value	Percentage of ownership(%)	Fair Value	
Sunfon Construction Co., Ltd.	Stock	Hong Pu Real Estate Development Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	8,100,000	\$243,000	2.43	\$243,000	
	"	Yuanta Financial Holding Co., Ltd.	"	"	3,552,601	98,052	0.03	98,052	
	"	Taishin Financial Holding Co., Ltd	"	"	6,921,604	125,281	0.05	125,281	
	"	Shin Kong Financial Holding Co., Ltd.	"	"	13,580,000	120,183	0.09	120,183	
	"	IBF Financial Holdings Co., Ltd.	"	"	9,694,513	118,758	0.28	118,758	
	"	Taiwan Business Bank, Ltd.	"	"	2,867,589	39,286	0.03	39,286	
	"	Bestdisc Technology Corp.	"	"	1,840,000	15,014	3.06	15,014	
						<u>\$759,574</u>		<u>\$759,574</u>	

Sunfon Construction Co., Ltd. - Notes to the Parent Company Only Financial Statements (continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

ATTACHMENT 3: Related party transactions for purchases and sales amounts exceeding \$100 million or 20 percent of the capital stock as of December 31, 2023

(Unit : thousands of NTD)

Company Name	Related Party	Relationship	Transactions Details				Details Different from Non-arm's Length Transactions (Note 1)		Notes and Accounts Receivable (Payable)		Remark (Note 2)
			Purchases /Sales	Amount	Percentage of Total Sales or Purchases(%)	Payment Terms	Unit Price	Payment Terms	Balance	Percentage of Total Receivable (Payable)	
Sunfon Construction Co., Ltd.	Gin Yuan Construction Co., Ltd.	Parent- subsidiary	Purchases	\$535,735	73.00%	T/T 90 days	No significant difference	No significant difference	\$(138,400)	(90.00)%	

Note 1: If the related party transaction conditions are different from the general transaction conditions, the difference and reason should be stated in the columns of unit price and credit period.

Note 2: If there is an advance receipts (prepayments), the reason, the terms of the contract, the amount, and the difference from the general transaction type should be explained in the remarks column.

Sunfon Construction Co., Ltd. - Notes to the Parent Company Only Financial Statements (continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Attachment 4 : Names, locations and related information of investees over which the company exercises significant influence (not including information on investments in Mainland China) :

(Unit: thousands of NTD)

Investor Company	Investee Company	Region	Major Business	Original Investment Amount		Balance at the End of Period			Net Income (Losses) of The Investee	Share of Profits (Losses) of Investee	Remark
				Ending Balance	Beginning Balance	Shares (in unit)	Percentage of Ownership	Carrying Value			
Sunfon Construction Co., Ltd	Gin Yuan Construction Co., Ltd.	Taipei City	Undertaking Construction and Civil Engineering Projects	<u>\$249,858</u>	<u>\$199,858</u>	<u>249,929</u>	99.9716%	<u>\$82,107</u>	<u>\$(65,917)</u>	<u>\$(65,898)</u>	

Sunfon Construction Co., Ltd. - Notes to the Parent Company Only Financial Statements (continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Attachment 5 : Major shareholders information :

Unit: Shares

Name of major shareholders	Shares	Number of shares held	Shareholding ratio
Da Hong Investment Co., Ltd.		20,100,216	9.29%
Yi Sheng Investment Co., Ltd.		19,709,688	9.11%
Yi Fu Investment Co., Ltd.		15,549,816	7.19%
Yo-Li Investment Co., Ltd.		14,560,104	6.73%
Xin Wang Development Co., Ltd.		14,359,800	6.64%
Xin Wei Investment Co., Ltd.		14,295,208	6.61%
Don Tai Development Co., Ltd.		14,000,480	6.47%
Jin Zan Business Development Co., Ltd.		12,500,416	5.78%

<Note 1> The attachment disclosing the information on major shareholders is provided by the Taiwan Depository & Clearing Corp. based on the calculation of shareholders with over 5% ownership of the Company's total common stock delivered without physical registration on the last business day at the end of each quarter. The number of shares recorded in the Company's financial statements and the actual number of shares delivered without physical registration may be different due to the basis of preparation.

<Note 2> The information above is disclosed by the individual trustee's trust account opened by the trustee if the shareholder is delivered to the trust by the shareholder. For shareholders holding more than 10% of their shares in accordance with the Securities and Exchange Act, their shareholdings include their own shares plus their shares delivered to the trust and have the right to exercise the use of the trust property. Please refer to the MOPS for information on the reporting of insider shares.