

Stock Code: 2530

Delpha Construction Co., Ltd. and Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021

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For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Delpha Construction Co., Ltd. and Subsidiaries
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Independent Auditors' Review Report

To Delpha Construction Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Delpha Construction Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2022 and 2021; the consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2022 and 2021; the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, and the related notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). It is the management team's responsibility to prepare the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission (FSC) of Republic of China, to present the consolidated financial position of the Group fairly, while our responsibility is to express a conclusion on the consolidated financial statements based on our review results.

Scope

Except for that stated in the Basis for Qualified Conclusion paragraph, we conducted our review in accordance with Statements on Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". The procedures performed when we reviewed the consolidated financial statements included inquiries (mainly from personnel in charge of financial and accounting affairs), analytical procedures, and other review procedures. The scope of review work is obviously smaller than that of audit work, so we might not be able to detect all the material matters that could have been identified through audit work, hence we were unable to express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(3) of the consolidated financial statements, the non-significant subsidiaries' financial statements for the same period included in the above consolidated financial statements have not been reviewed by independent auditors. For the nine months ended September 30, 2022 and 2021, their total assets were \$1,987,838 thousand and \$1,492,341 thousand, respectively, accounting for 10% and 8.66% of the total consolidated assets, respectively; the total liabilities were \$1,063,386 thousand and \$801,543 thousand, respectively, accounting for 11% and 9.36% of the total consolidated liabilities, respectively. For the three months ended September 30, 2022 and 2021, and nine months ended September 30, 2022 and 2021, the total comprehensive income was an income of \$4,477 thousand, an income of \$317 thousand, an income of \$8,254 thousand, and a loss of \$5,495 thousand, respectively, accounting for 12%, 0.76%, 10%, and 5.76% of the total consolidated comprehensive income, respectively.

Qualified Conclusion

According to our review results, except that the financial statements of non-significant subsidiaries described in the Basis for Qualified conclusion paragraph may result in adjustment to the consolidated financial statements if reviewed by independent auditors, we have determined that the foregoing consolidated financial statements have been prepared in all material respects in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC, with a fair presentation of the Group’s consolidated financial position as of September 30, 2022 and 2021, consolidated financial performance for the three and the nine months ended September 30, 2022 and 2021, and consolidated cash flows for the nine months ended September 30, 2022 and 2021.

ShineWing CPAs
CPA: Chen, Kuang-Hui
Yao, Yu-Lin

Securities and Futures Bureau, Financial Supervisory Commission
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November 11, 2022

Delpha Construction Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
As of September 30, 2022, December 31, 2021, and September 30, 2021
(Reviewed Only, Not Audited in Accordance with Generally Accepted Auditing Standards)
(In Thousands of New Taiwan Dollars)

Code	Assets	Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			Amount	%	Amount	%	Amount	%
11XX	Current assets							
1100	Cash and cash equivalents	6(1)	\$ 1,976,788	10	\$ 3,161,810	18	\$ 3,980,212	23
1150	Notes receivable, net	6(3)	10,414	--	3,130	--	3,217	--
1170	Accounts receivable, net	6(3)	85,626	--	6	--	6	--
1200	Other receivables	6(4)	--	--	53	--	1	--
1220	Current tax assets		351	--	225	--	149	--
130X	Inventories	6(5), 7 and 8	16,761,940	85	13,776,208	78	12,671,925	73
1410	Prepayments		370,317	2	289,800	2	259,055	2
1476	Other financial assets - current	6(6) and 8	359,943	2	157,039	1	128,682	1
1479	Other current assets - current		1,309	--	950	--	975	--
	Total current assets		<u>19,566,688</u>	<u>99</u>	<u>17,389,221</u>	<u>99</u>	<u>17,044,222</u>	<u>99</u>
15XX	Non-current assets							
1517	Financial assets at fair value through other comprehensive income - non- current	6(2)	2,468	--	3,187	--	2,773	--
1600	Property, plant and equipment	6(7) and 8	119,108	1	118,562	1	119,223	1
1755	Right-of-use assets	6(8)	3,591	--	5,320	--	5,894	--
1780	Intangible assets	6(10)	11,410	--	11,410	--	11,410	--
1840	Deferred tax assets		--	--	21	--	--	--
1920	Guarantee deposits paid	7	27,881	--	38,936	--	38,838	--
1975	Net defined benefit assets - non- current		3,923	--	3,907	--	3,124	--
1990	Other non-current assets - others		5,552	--	5,552	--	5,552	--
	Total non-current assets		<u>173,933</u>	<u>1</u>	<u>186,895</u>	<u>1</u>	<u>186,814</u>	<u>1</u>
	Total assets		<u>\$ 19,740,621</u>	<u>100</u>	<u>\$ 17,576,116</u>	<u>100</u>	<u>\$ 17,231,036</u>	<u>100</u>

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Delpha Construction Co., Ltd. and Subsidiaries
Consolidated Balance Sheets (Continued)
As of September 30, 2022, December 31, 2021, and September 30, 2021
(Reviewed Only, Not Audited in Accordance with Generally Accepted Auditing Standards)
(In Thousands of New Taiwan Dollars)

(Continued from the previous page)

Code	Liabilities and equity	Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			Amount	%	Amount	%	Amount	%
21XX	Current liabilities							
2100	Short-term borrowings	6(12) and 8	\$ 3,568,478	18	\$ 3,990,721	23	\$ 4,083,066	24
2110	Short-term notes and bills payable	6(13)	99,788	--	49,998	--	--	--
2130	Contract liabilities - current	6(22)	998,763	5	532,459	3	449,082	3
2150	Notes payable	6(14)	142,861	1	108,861	1	35,248	--
2170	Accounts payable	6(14)	106,163	1	87,383	1	35,674	--
2200	Other payables		15,831	--	19,935	--	8,369	--
2230	Current tax liabilities		3,362	--	1,743	--	946	--
2250	Provisions - current	6(17)	--	--	1,107	--	--	--
2280	Lease liabilities - current		3,659	--	5,384	--	5,954	--
2310	Advance receipts		32,728	--	28,015	--	29,553	--
2320	Long-term borrowings due within one operating cycle	6(15) and 8	3,493,305	18	211,400	1	161,400	1
2399	Other current liabilities - others		2,740	--	2,105	--	670	--
	Total current liabilities		<u>8,467,678</u>	<u>43</u>	<u>5,039,111</u>	<u>29</u>	<u>4,809,962</u>	<u>28</u>
25XX	Non-current liabilities							
2540	Long-term borrowings	6(15) and 8	1,117,130	6	3,895,684	22	3,745,684	22
2645	Guarantee deposits received		3,592	--	1,167	--	10,308	--
	Total non-current liabilities		<u>1,120,722</u>	<u>6</u>	<u>3,896,851</u>	<u>22</u>	<u>3,755,992</u>	<u>22</u>
	Total liabilities		<u>9,588,400</u>	<u>49</u>	<u>8,935,962</u>	<u>51</u>	<u>8,565,954</u>	<u>50</u>
31XX	Equity attributable to owners of parent							
3110	Ordinary shares	6(18)	8,399,880	43	7,207,525	41	7,207,525	42
3200	Capital surplus	6(19)	1,257,084	6	1,018,613	6	1,018,613	6
3300	Retained earnings	6(20)						
3310	Legal reserve		237,247	1	237,247	1	237,247	1
3350	Unappropriated earnings		14,497	--	(71,020)	--	(47,821)	--
3400	Other equity interest		578	--	1,297	--	883	--
	Total equity attributable to owners of parent		<u>9,909,286</u>	<u>50</u>	<u>8,393,662</u>	<u>48</u>	<u>8,416,447</u>	<u>49</u>
36XX	Non-controlling interests	6(21)	242,935	1	246,492	1	248,635	1
	Total equity		<u>10,152,221</u>	<u>51</u>	<u>8,640,154</u>	<u>49</u>	<u>8,665,082</u>	<u>50</u>
	Total liabilities and equity		<u>\$ 19,740,621</u>	<u>100</u>	<u>\$ 17,576,116</u>	<u>100</u>	<u>\$ 17,231,036</u>	<u>100</u>

(Please refer to the accompanying notes to the consolidated financial statements)

Delpha Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended September 30, 2022 and 2021, and the Nine Months Ended September 30, 2022 and 2021
(Reviewed Only, Not Audited in Accordance with Generally Accepted Auditing Standards)
(In Thousands of New Taiwan Dollars)

Code	Item	Notes	For the three months ended September 30				For the nine months ended September 30			
			2022		2021		2022		2021	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue	6(22) and 7	\$ 211,363	100	\$ 2,122	100	\$ 655,169	100	\$ 6,422	100
5000	Operating costs	6(5)	(140,252)	(66)	--	--	(478,029)	(73)	--	--
5900	Gross profit from operating		71,111	34	2,122	100	177,140	27	6,422	100
6000	Operating expenses									
6100	Selling expenses	6(25)	(12,785)	(6)	(3)	--	(37,635)	(6)	(901)	(14)
6200	Administrative expenses	6(25) and 7	(21,935)	(11)	(19,159)	(903)	(58,683)	(9)	(55,093)	(858)
			(34,720)	(17)	(19,162)	(903)	(96,318)	(15)	(55,994)	(872)
6900	Operating income (loss)		36,391	17	(17,040)	(803)	80,822	12	(49,572)	(772)
7000	Non-operating income and expenses									
7010	Other income	6(23)	8,008	4	2,071	98	11,270	2	6,176	96
7020	Other gains and losses	6(24)	86	--	(30)	(1)	5,971	1	(1,574)	(24)
7050	Financial costs	6(27)	(3,803)	(2)	(25,994)	(1,225)	(11,072)	(2)	(48,514)	(755)
			4,291	2	(23,953)	(1,128)	6,169	1	(43,912)	(683)
7900	Net income (loss) before tax		40,682	19	40,993	(1,931)	86,991	13	93,484	(1,455)
7950	Income tax expense	6(28)	(2,172)	(1)	(946)	(45)	(5,031)	(1)	(946)	(15)
8200	Current net profit (loss)		38,510	18	(41,939)	(1,976)	81,960	12	(94,430)	(1,470)
8300	Other comprehensive income									
8310	Items that will not be reclassified subsequently to profit or loss:									
8316	Unrealized gain (loss) from investments in equity instruments measured at fair value through other comprehensive income		(364)	--	107	5	(719)	--	(1,046)	(17)
8349	Income tax related to items not subsequently reclassified		--	--	--	--	--	--	--	--
	Current other comprehensive income (net of tax)		(364)	--	107	5	(719)	--	(1,046)	(17)
8500	Current total comprehensive income		\$ 38,146	18	(\$ 41,832)	(1,971)	\$ 81,241	12	(\$ 95,476)	(1,487)

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Delpha Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended September 30, 2022 and 2021, and the Nine Months Ended September 30, 2022 and 2021
(Reviewed Only, Not Audited in Accordance with Generally Accepted Auditing Standards)
(In Thousands of New Taiwan Dollars)

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Code	Item	Notes	For the three months ended September 30				For the nine months ended September 30				
			2022		2021		2022		2021		
			Amount	%	Amount	%	Amount	%	Amount	%	
8600	Profit (loss) attributable to:										
8610	Owners of parent		\$ 39,875	19	(\$ 40,882)	(1,926)	\$ 85,517	13	(\$ 90,643)	(1,411)	
8620	Non-controlling interests		(1,365)	(1)	(1,057)	(50)	(3,557)	(1)	(3,787)	(59)	
			<u>\$ 38,510</u>	<u>18</u>	<u>(\$ 41,939)</u>	<u>(1,976)</u>	<u>\$ 81,960</u>	<u>12</u>	<u>(\$ 94,430)</u>	<u>(1,470)</u>	
8700	Comprehensive income attributable to:										
8710	Owners of parent		\$ 39,511	19	(\$ 40,775)	(1,921)	\$ 84,798	13	(\$ 91,689)	(1,428)	
8720	Non-controlling interests		(1,365)	(1)	(1,057)	(50)	(3,557)	(1)	(3,787)	(59)	
			<u>\$ 38,146</u>	<u>18</u>	<u>(\$ 41,832)</u>	<u>(1,971)</u>	<u>\$ 81,241</u>	<u>12</u>	<u>(\$ 95,476)</u>	<u>(1,487)</u>	
	Earnings per share	6(29)									
9750	Basic earnings per share		\$ 0.05		(\$ 0.07)		\$ 0.11		(\$ 0.17)		
9850	Diluted earnings per share		<u>\$ 0.05</u>				<u>\$ 0.11</u>				

(Please refer to the accompanying notes to the consolidated financial statements)

Delpha Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2022 and 2021
(Reviewed Only, Not Audited in Accordance with Generally Accepted Auditing Standards)
(In Thousands of New Taiwan Dollars)

Item	Equity attributable to owners of parent					Other equity interest items Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings				
Balance as of January 1, 2021	\$ 5,207,525	\$ 658,613	\$ 237,247	\$ 3,789	\$ 40,402	\$ 560	\$ 6,148,136	\$ 252,422	\$ 6,400,558
Earnings appropriation and allocation									
Reversal of special reserve	--	--	--	(3,789)	3,789	--	--	--	--
Disposal of instruments in equity instruments designated at fair value through other comprehensive income	--	--	--	--	(1,369)	1,369	--	--	--
Issue of shares	2,000,000	360,000	--	--	--	--	2,360,000	--	2,360,000
	<u>7,207,525</u>	<u>1,018,613</u>	<u>237,247</u>	<u>--</u>	<u>42,822</u>	<u>1,929</u>	<u>8,508,136</u>	<u>252,422</u>	<u>8,760,558</u>
Net loss for the nine months ended September 30, 2021	--	--	--	--	(90,643)	--	(90,643)	(3,787)	(94,430)
Other comprehensive income for the nine months ended September 30, 2021	--	--	--	--	--	(1,046)	(1,046)	--	(1,046)
Total comprehensive income for the nine months ended September 30, 2021	--	--	--	--	(90,643)	(1,046)	(91,689)	(3,787)	(95,476)
Balance as of September 30, 2021	<u>\$ 7,207,525</u>	<u>\$ 1,018,613</u>	<u>\$ 237,247</u>	<u>\$ --</u>	<u>(\$ 47,821)</u>	<u>\$ 883</u>	<u>\$ 8,416,447</u>	<u>\$ 248,635</u>	<u>\$ 8,665,082</u>

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Delpha Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2022 and 2021
(Reviewed Only, Not Audited in Accordance with Generally Accepted Auditing Standards)
(In Thousands of New Taiwan Dollars)

(Continued from the previous page)

Item	Equity attributable to owners of parent					Other equity	Total	Non-controlling	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	interest items			
Balance as of January 1, 2022	\$ 7,207,525	\$ 1,018,613	\$ 237,247	\$ --	(\$ 71,020)	\$ 1,297	\$ 8,393,662	\$ 246,492	\$ 8,640,154
Issue of shares	1,192,355	238,471	--	--	--	--	1,430,826	--	1,430,826
	8,399,880	1,257,084	237,247	--	(71,020)	1,297	9,824,488	246,492	10,070,980
Net income for the nine months ended September 30, 2022	--	--	--	--	85,517	--	85,517	(3,557)	81,960
Other comprehensive income for the nine months ended September 30, 2022	--	--	--	--	--	(719)	(719)	--	(719)
Total comprehensive income for the nine months ended September 30, 2022	--	--	--	--	85,517	(719)	84,798	(3,557)	81,241
Balance as of September 30, 2022	\$ 8,399,880	\$ 1,257,084	\$ 237,247	\$ --	\$ 14,497	\$ 578	\$ 9,909,286	\$ 242,935	\$ 10,152,221

(Please refer to the accompanying notes to the consolidated financial statements)

Delpha Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2022 and 2021
(Reviewed Only, Not Audited in Accordance with Generally Accepted Auditing Standards)
(In Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2022	2021
<u>Cash flows from operating activities</u>		
Net income (loss) before tax	\$ 86,991	(\$ 93,484)
Adjustments:		
Adjustments to reconcile profit (loss) not affecting cash flows		
Depreciation expense	4,315	3,643
Amortization expense	183	245
Interest income	(1,938)	(1,110)
Dividend income	(1,747)	(1,798)
Interest expense	11,072	48,514
Gain on disposal of investments	--	(289)
Loss (gain) on foreign exchange, net	(5,971)	1,863
Changes in operating assets and liabilities		
Increase in notes receivable	(7,284)	(1,570)
Increase in accounts receivable	(85,620)	--
Decrease in other receivables	53	38,449
Increase in inventories	(2,874,681)	(6,535,132)
Increase in prepayments	(80,700)	(43,387)
Decrease (increase) in other financial assets	(202,904)	82,339
Increase in other current assets	(359)	(25)
Increase in contract liabilities	466,304	106,596
Increase in notes payable	34,000	33,525
Increase (decrease) in accounts payable	18,780	(12,543)
Decrease in accounts payable - related parties	--	(94,571)
Decrease in other payables	(5,073)	(4,479)
Decrease in provisions	(1,107)	(761)
Increase in advance receipts	4,713	1,474
Increase in other current liabilities	635	483
Increase in net defined benefit assets	(16)	(5)
Cash outflow from operations	(2,640,354)	(6,472,023)
Interest received	1,938	1,123
Dividends received	1,747	1,798
Interest paid	(121,094)	(61,813)
Income tax returned (paid) (including land value increment tax)	(3,517)	264
Net cash used in operating activities	(2,761,280)	(6,530,651)
<u>Cash flows from investing activities</u>		
Financial assets at fair value through other comprehensive income - share payment returned	--	913
Acquisition of property, plant and equipment	(3,132)	(3,319)
Acquisition of subsidiaries	--	(11,410)
Decrease in refundable deposits	11,055	22,175
Net cash flows from investing activities	7,923	8,359

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Delpha Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2022 and 2021
(Reviewed Only, Not Audited in Accordance with Generally Accepted Auditing Standards)
(Continued from the previous page) (In Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2022	2021
<u>Cash flows from financing activities</u>		
Increase (decrease) in short-term borrowings	(422,243)	3,168,066
Increase in short-term notes and bills payable	49,790	--
Proceeds from long-term borrowings	563,351	3,847,084
Repayments of long-term borrowings	(60,000)	(711,900)
Increase in guarantee deposits received	2,425	3
Repayment of principal of lease liability	(1,785)	(1,728)
Proceeds from issuing shares	1,430,826	2,360,000
Net cash flows from financing activities	<u>1,562,364</u>	<u>8,661,525</u>
Effect of exchange rate changes on cash and cash equivalents	5,971	(1,863)
Increase (decrease) in the current cash and cash equivalents	(1,185,022)	2,137,370
Cash and cash equivalents at beginning of period	3,161,810	1,842,842
Cash and cash equivalents at end of period	<u>\$ 1,976,788</u>	<u>\$ 3,980,212</u>

(Please refer to the accompanying notes to the consolidated financial statements)

Delpha Construction Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
For the Nine Months Ended September 30, 2022 and 2021
(Reviewed Only, Not Audited in Accordance with Generally Accepted Auditing Standards)
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company History

Delpha Construction Co., Ltd. (the “Company”) was incorporated in December 1960 with the approval of the Ministry of Economic Affairs, and the address is registered at 16F, No. 460, Sec. 5, Chenggong Rd., Neihu Dist., Taipei City. The components of the Company’s consolidated financial statements include the Company and its subsidiaries (collectively, the “Group”), primarily engaged in the appointment of construction contractors to build commercial buildings, selling and leasing of public housing, development of specific professional areas, interior decoration, property rent/sale real estate agency, and the operation of and investment in related businesses.

2. Date and Procedure for Approval of Financial Statements

The consolidated financial statements were released after being submitted to and approved by the Board of Directors on November 11, 2022.

3. Application of New and Amended Standards and Interpretations

(1) Effect of the application of new and amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) as endorsed by the Financial Supervisory Commission (FSC).

A. New, amended, and revised standards and interpretations of IFRSs endorsed by the FSC effective for application in 2022 are as follows:

<u>New standards, interpretations, and amendments</u>	<u>Main content of amendments</u>	<u>Effective date announced by the IASB</u>
<ul style="list-style-type: none"> • Amendments to IFRS 3 “Reference to the Conceptual Framework” 	<p>The amendments update the definition of assets and liabilities under the “Conceptual Framework for Financial Reporting” issued in 2018 as a reference for acquirers to judge what constitutes assets and liabilities during a business merger. Due to the aforementioned amendment of the index, the amendments add exceptions for the recognition of provisions and contingent liabilities. For certain types of provisions and contingent liabilities, reference shall be made to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or IFRIC 21 “Levies” rather than the above-mentioned “Conceptual Framework of Financial Reporting” issued in 2018. The amendments also clarify that acquirers shall not recognize contingent assets under IAS 37 on the acquisition date.</p>	<p>January 1, 2022</p>

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• Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	The amendments prohibit enterprises from deducting any proceeds from sales of items produced from assets that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management, such as samples produced for testing whether the asset is operating normally, from the cost of property, plant and equipment. The price of sales of such items and the cost of production shall be recognized in profit or loss. The amendments also state that testing whether an asset is operating normally means assessing its technical and physical performance, and it has nothing to do with the financial performance of the asset.	January 1, 2022
• Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	The amendments clarify that the cost of fulfilling the contract includes the cost directly related to the contract. The cost directly related to the contract is composed of the allocation of the incremental cost of fulfilling the contract and other costs directly related to the fulfilling of the contract.	January 1, 2022
• “Annual Improvements to IFRS 2018–2020 Cycle”	(1) IFRS 1 “Subsidiary as a First-Time Adopter” The amendments allow the subsidiaries applying D16(a) of IFRS1 to adopt the carrying amount of cumulative conversion differences included in the parent company’s consolidated financial statements on the date of the parent company’s conversion to IFRS when measuring cumulative conversion differences. The amendments also apply to associates and joint ventures that are exempted from paragraph D16(a) of IFRS 1. (2) Amendments to IFRS 9 “Fees in the ‘10 percent’ Test for Derecognition of Financial Liabilities” The amendments stipulate that the expenses that shall be included in the 10% test of financial liabilities are excluded. Enterprises may pay the costs or fees to third parties or lenders. As per the amendments, the 10% test does not include costs or fees paid to third parties. (3) IAS 41 “Taxation in Fair Value Measurements” The amendments of IAS 41 “Agriculture” are to remove the requirement of using pre-tax cash flows when measuring the fair value.	January 1, 2022

B. The Group assessed that the above standards and interpretations caused no significant impact on the Group’s financial position and financial performance.

- (2) Effect of new and amended IFRSs endorsed by the FSC and not yet adopted:
- A. New, amended, and revised standards and interpretations of IFRSs endorsed by the FSC effective for application in 2023 are as follows:

<u>New standards, interpretations, and amendments</u>	<u>Main content of amendments</u>	<u>Effective date announced by the IASB</u>
<ul style="list-style-type: none"> • Amendments to IAS 1 “Disclosure of Accounting Policies” 	The amendments require that enterprises shall disclose their significant accounting policy information instead of the significant accounting policies. The amendments clarify for enterprises the way to identify the material accounting policy information and examples of what it is likely to consider the material accounting policy information.	January 1, 2023
<ul style="list-style-type: none"> • Amendment to IAS 8 “Definition of Accounting Estimates” 	This amendment clarifies how enterprises should distinguish between a change in an accounting policy and a change in an accounting estimate and also clarifies that a change in an accounting estimate as a result of new information or new developments are not error corrections. In addition, the changes are considered as changes in accounting estimates while the effects of changes in accounting estimates from changes in an input or a measurement technique are not attributable to the correction of prior period errors.	January 1, 2023
<ul style="list-style-type: none"> • Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction” 	The amendments require enterprises to recognize deferred income tax assets and liabilities related to specific transactions in which the same taxable amount and deductible temporary differences are generated at the time of initial recognition.	January 1, 2023

- B. The Group assessed that the above standards and interpretations caused no significant impact on the Group’s financial position and financial performance.

(3) Effect of IFRSs issued by the IASB and not yet endorsed by the FSC:

A. Below are new standards and amendments issued by the IASB but not yet included in the new, amended and revised standards and interpretations of IFRSs endorsed by the FSC:

New standards, interpretations, and amendments	Main content of amendments	Effective date announced by the IASB
<ul style="list-style-type: none"> • Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture” 	<p>The amendments addresses inconsistencies between the IFRS 10 and IAS 28. When an investor sells (invests in) assets, its associates, or joint ventures, all or part of the gains and losses on the disposal shall be recognized as per the nature of the assets sold (invested):</p> <ol style="list-style-type: none"> (1) When the assets sold (invested) qualify as “business”, all disposal gains and losses are recognized; (2) When the assets sold (invested) do not qualify as “business”, only the disposal gains or losses related to non-related investors’ interests in associates or joint ventures can be recognized. 	To be determined by the IASB
<ul style="list-style-type: none"> • Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback” 	<p>In the amendments, the principles for the initial measurement of right-of-use assets and lease liabilities and the calculation of disposal gains or losses are clarified when a leaseback payment includes variable payments that do not depend on an index or rate in sale and leaseback transactions, with examples added for reference.</p>	January 1, 2024
<ul style="list-style-type: none"> • IFRS 17 “Insurance Contracts” 	<p>This standard replaces IFRS 4 and sets out principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued by enterprise. This standard applies to all insurance contracts (including reinsurance contracts) issued by enterprises, reinsurance contracts it holds, and investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts. Embedded derivatives, distinguishable investment components, and distinguishable performance obligations shall be separated from insurance contracts. Enterprises shall divide a portfolio of insurance contracts issued into three groups at initial recognition: onerous contracts; contracts with no significant possibility of subsequently becoming onerous; and the remaining contracts in the portfolio. This standard requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the discounted and probability-weighted cash flow of the contract, risk adjustment, and elements representing the unearned profit of the contract (contract service margin). Enterprises may simplify the measurement of a group of insurance contracts using the premium allocation approach. Enterprises shall recognize the income generated by a group of insurance contracts during the period of insurance coverage it provides and upon the release of risk. Enterprises shall recognize losses immediately if a group of insurance contracts becomes onerous. Enterprises shall present insurance revenue, insurance service fees, and insurance finance income and expenses separately and they shall also disclose the amount, judgment and risk information of insurance contracts.</p>	January 1, 2023

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• Amendments to IFRS 17 “Insurance Contracts”	The amendments include the deferral of the effective date, the expected recovery of the cash flow obtained by insurance, the contractual service margin attributable to investment services, the reinsurance contracts held - the recovery of losses, and other amendments. These amendments have not changed the basic principles of the standard.	January 1, 2023
• Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”	The amendments allow entities to elect to apply the classification overlay approach for each comparative reporting period upon the initial application of IFRS 17. This allows an entity, on an instrument-by-instrument basis, to classify all financial assets, including those held in activities that are not linked to a contract within the scope of IFRS 17, during a comparative period on the basis of how these assets are expected to be classified upon initial application of IFRS 9. Entities that have applied IFRS 9 or will apply both IFRS 9 and IFRS 17 for the first time may elect to apply the classification overlay approach.	January 1, 2023
• Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	The amendments clarify that the classification of liabilities is based on the rights existing at the closing date of reporting the period. At the closing date of the reporting period, enterprises do not have the right to defer the settlement period of liabilities for at least 12 months after the reporting period, and the liabilities shall be classified as current. In addition, the amendments define “settlement” of a liability as the extinguishment of the liability with cash, other economic resources or the enterprise’s own equity instruments. For the terms of a liability may result in the settlement of the liability through transfer of an enterprise’s own equity instruments, these terms do not affect the classification of the liability as current or non-current only if the enterprise classifies the option as an equity instrument as an equity component of a compound financial instrument.	January 1, 2023

B. The Group assessed that the above standards and interpretations caused no significant impact on the Group’s financial position and financial performance.

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below:

(1) Declaration of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 “Interim Financial Reporting” as endorsed by the FSC.

(2) Basis of preparation

A. Except for the financial assets at fair value through other comprehensive income which are recognized as financial instruments at fair value, and for defined benefit liabilities which are recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the accompanying consolidated financial statements have been prepared on the historical cost basis.

B. The following significant accounting policies are applied consistently to all periods of coverage of the consolidated financial statements.

- C. The preparation of financial statements in compliance with the IFRSs endorsed by the FSC requires the use of certain critical accounting estimates. It also requires the management team to exercise its judgment in the process of applying the Group's accounting policies. Please refer to Note 5 for items involving a higher degree of judgment or complexity or items involving significant assumptions and estimates in the consolidated financial statements.
- (3) Basis of consolidation
- A. Basis for preparation of consolidated financial statements
 - (A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls the entities when the Group is exposed to variable returns from its involvement with the entities or has rights to the variable returns, and has the ability to affect those returns through its power over the entities. Subsidiaries are included in the consolidated financial statements from the date the Group obtains control, and ceases the consolidation upon the date of losing control.
 - (B) Inter-company transactions, balances, and unrealized gains or losses within the Group are eliminated. Accounting policies of subsidiaries have been necessarily adjusted to ensure consistency with the policies adopted by the Group.
 - (C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (D) Changes in shareholding in a subsidiary that do not result in losing control (transactions with non-controlling interests) are accounted for as equity transactions and also seen as transactions between owners. Any difference between the adjustment amount of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity.
 - (E) When the Group loses control of a subsidiary, it remeasures the fair value of the remaining investments in the former subsidiary as the fair value of initial recognition on a financial asset or the cost of initial recognition on associates or joint ventures. Any difference between the fair value and the carrying amount is recognized in profit or loss of the current period. The accounting treatments of all amounts previously recognized in other comprehensive income in relation to the subsidiary are the same as the basis as if the Group directly disposed of the relevant assets or liabilities. That is, if the gain or loss previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of the relevant assets or liabilities, such gain or loss will be reclassified to profit or loss from equity upon loss of control in a subsidiary. If such gain or loss will be directly transferred to retained earnings upon disposal of the related assets, it shall be directly transferred to retained earnings.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Percentage of equity holding (%)			Remarks
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	Huachien Development Co., Ltd. (“Huachien”)	Development, sales, and rental business	58	58	58	--
The Company	Huajian Construction Co., Ltd. (“Huajian”)	Construction business	100	100	100	--

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

D. Adjustments and processing method of subsidiaries for different accounting periods: None.

E. Significant restrictions: None.

F. Subsidiaries with non-controlling interests that are material to the Group:

As of September 30, 2022, and December 31 and September 30, 2021, the Group’s total non-controlling interests amounted to \$242,935 thousand, \$246,492 thousand, and \$248,635 thousand, respectively. The information on non-controlling interests that are material to the Group and the corresponding subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interests					
		September 30, 2022		December 31, 2021		September 30, 2021	
		Amount (in thousands)	%	Amount (in thousands)	%	Amount (in thousands)	%
Huachien	Taipei, Taiwan	\$ 242,935	42	\$ 246,492	42	\$ 248,635	42

Balance Sheets

	Huachien		
	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 1,254,968	\$ 1,247,833	\$ 1,250,450
Non-current assets	63,447	65,220	66,451
Current liabilities	(14,625)	(15,261)	(13,320)
Non-current liabilities	(730,558)	(716,018)	(716,658)
Total net assets	\$ 573,232	\$ 581,774	\$ 586,923

Statements of Comprehensive Income

	Huachien	
	Three months ended September 30, 2022	Three months ended September 30, 2021
Revenue	\$ 2,111	\$ 1,968
Net loss before tax	(3,280)	(2,537)
Income tax expense	--	--
Current net loss	(3,280)	(2,537)
Other comprehensive income loss (net of tax)	--	--
Current total comprehensive income	(\$ 3,280)	(\$ 2,537)
Total comprehensive income attributable to non-controlling interests	(\$ 1,365)	(\$ 1,057)
Dividends paid to non-controlling interests	\$ --	\$ --

	Huachien	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenue	\$ 6,315	\$ 5,917
Net loss before tax	(8,542)	(9,094)
Income tax expense	--	--
Current net loss	(8,542)	(9,094)
Other comprehensive income (net of tax)	--	--
Current total comprehensive income	(\$ 8,542)	(\$ 9,094)
Total comprehensive income attributable to non-controlling interests	(\$ 3,557)	(\$ 3,787)
Dividends paid to non-controlling interests	\$ --	\$ --

Statements of Cash Flows

	Huachien	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Net cash used in operating activities	(\$ 8,374)	(\$ 8,511)
Net cash flows from investing activities	--	10
Net cash flow from (used in) financing activities	10,010	5,552
Increase (decrease) in the current cash and cash equivalents	1,636	(2,949)
Cash and cash equivalents at beginning of period	4,599	8,023
Cash and cash equivalents at end of period	\$ 6,235	\$ 5,074

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the transaction dates or valuation dates; except for those deferred to other comprehensive income in order to comply with cash flow hedging and net investment hedging, differences resulting from translation of such transactions are recognized as current profits or losses.
- B. For the monetary assets and liabilities denominated in foreign currency, their balances are adjusted based on the evaluation of spot exchange rates on the balance sheet date, and the translation differences arising from the adjustments are recognized as current profits or losses.
- C. The non-monetary assets and liabilities denominated in foreign currency whose balances are adjusted based on the evaluation of spot exchange rates on the balance sheet date are attributable to be measured at fair value through profit or loss, and the exchange differences arising from the adjustments are recognized as current profit or loss. For those attributable to be measured at fair value through comprehensive income, the exchange differences arising from adjustments are recognized as other comprehensive income. Those not attributable to be measured at fair value are measured at the historical exchange rates on the initial transaction date.
- D. All exchange gains and losses are recognized in "Other gains and losses" of the

statements of income.

- (5) Standards for classification of current and non-current assets and liabilities
- A. Assets that meet one of the following criteria are classified as current assets:
- (A) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
 - (B) Assets held mainly for trading purposes.
 - (C) Assets that are expected to be realized within 12 months from the balance sheet date.
 - (D) Cash and cash equivalents, excluding those restricted to be exchanged or used to pay off liabilities at least 12 months after the balance sheet date.
- The Group classifies the assets that do not meet the above criteria as non-current assets.
- B. Liabilities that meet one of the following criteria are classified as current liabilities:
- (A) Liabilities that are expected to be paid off within the normal operating cycle.
 - (B) Liabilities held mainly for trading purposes.
 - (C) Liabilities that are to be paid off within 12 months from the balance sheet date.
 - (D) Liabilities for which the repayment date cannot be extended unconditionally to at least 12 months after the balance sheet date. 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 Group classifies the liabilities that do not meet above criteria as non-current liabilities.
- C. The operating cycle of property construction for sale is normally more than one year; therefore, the relevant assets and liabilities of construction are classified as current and non-current based on the operating cycle (normally three years).
- (6) Cash and cash equivalents
- A. In the statements of cash flows of the Group, cash and cash equivalents include cash on hand, cash in bank, other short-term and highly liquid investments with maturity within three months since the acquisition, and bank overdraft considered as part of the whole cash management that can be repaid at any time. Bank overdraft is listed under short-term borrowings of current liabilities on the balance sheet.
- B. Cash equivalents refer to short-term, highly-liquid investments that also meet the following conditions:
- (A) Convertible at any time to a fixed amount of cash.
 - (B) Subject to an insignificant risk on its value due to changes in interest rates
- (7) Financial assets at fair value through other comprehensive income
- A. An irrevocable selection at initial recognition, the changes in fair value of investments in equity instruments that are not held for trading are presented in other comprehensive income; or investments in debt instruments that fully meet the following conditions:
- (A) Financial assets held under a business model with the purpose of collecting contractual cash flows and selling.
 - (B) The contractual terms of the financial assets generate cash flows on a specific date, which are solely for the payment of principal and interest on the outstanding principal amount.
- B. The Group's financial assets at fair value through other comprehensive income

in accordance with customary transactions are applied for trading day accounting.

- C. The Group measures the financial assets at their fair value plus transaction cost at the initial recognition, and measures subsequently at fair value:
 - (A) Changes in the fair value of equity instruments are recognized in other comprehensive income. Upon derecognition, the cumulative gains or losses previously recognized in other comprehensive income are not subsequently reclassified to profit or loss but transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.
 - (B) Changes in fair value of the debt instruments are recognized in other comprehensive income, and the impairment loss, interest income, and foreign exchange gains and losses are recognized in profit or loss before derecognition. Upon derecognition, the cumulative gains or losses previously recognized in other comprehensive income will be reclassified from equity to profit or loss.
- (8) Accounts receivable and notes receivable
 - A. In accordance with terms and conditions of the contracts, accounts and notes are entitled to a right to collect consideration unconditionally due to transfer of goods or services.
 - B. Non-interest-bearing short-term accounts and notes receivable are measured at initial invoice amount by the Group because the discounting effect is insignificant.
- (9) Impairment of financial assets

On each balance sheet date, the Group's investment in debt instruments at fair value through other comprehensive income and financial assets at amortized cost, and accounts receivable or contractual assets, lease receivables, loan commitments and financial guarantee contracts with significant financial components are used to consider all reasonable and corroborative information (including forward-looking), and then the loss allowance is measured on the 12-month expected credit losses for those with credit risk not significantly increased since initial recognition. For those with credit risk significantly increased since initial recognition, the loss allowance is measured by the lifetime expected credit losses; for the accounts receivable or contract assets that do not contain significant financial components or contractual assets, the loss allowance is measured by the lifetime expected credit losses.
- (10) Derecognition of financial assets

The Group derecognizes a financial asset in the case of any of the following circumstances:

 - A. The contractual rights to receive the cash flows from the financial asset have expired.
 - B. The contractual rights to receive cash flows from the financial asset have been transferred, and all risks and rewards of ownership of the financial asset have been substantially transferred.
 - C. The contractual rights to receive cash flows from the financial asset have been transferred; however, the control of the financial asset is not retained.
- (11) Leasing transactions of lessor – lease receivables/lease
 - A. Based on the term of a lease contract, a lease is classified as finance lease if the lessee assumes nearly all the risks and rewards incidental to ownership of the

lease.

(A) At the beginning of a lease, it is recognized as a “lease receivable” based on the net investment in leases (including initial direct costs). The difference between the total amount and the present value of a lease receivable is recognized as “unearned finance income from finance leases”.

(B) Subsequently, financing income is amortized over the lease term on a systematic and reasonable basis to reflect the fixed rate of return on the net investment of the lease held by the lessor.

(C) Lease payments (excluding service costs) related to the period offset the total amount of investment in leases to reduce principal and unearned financing income.

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

(12) Inventories

Inventory is recognized using the acquisition costs method. During the construction process, interest expenses incurred related to acquisition and construction are capitalized. The cumulative costs are attributed to the different construction projects. The costs are carried over at the balance sheet date by using the floor space method and the income approach. Inventory, on the balance sheet date and when transferred to assets, is measured at cost and evaluated at the lower of cost or net realizable value. When comparing the cost of inventory and its net realizable value, the specific identification approach is used to attribute the cost to each construction project or each category. The interest payable associated with construction (including lands and construction in progress) toward or before reaching the available state or completion is capitalized and recognized as cost of inventory.

(13) Property, plant and equipment

A. Property, plant and equipment is initially accounted for at cost. Interest accrued during the construction period is capitalized.

B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts is derecognized. All other repair and maintenance expenses are recognized in profit or loss during the financial period in which they are incurred.

C. Except for land which is not depreciated, subsequent measurement of property, plant and equipment is based on the cost model, and it is depreciated using the straight-line method over its estimated useful lives. Each component of property, plant and equipment with a cost that is significant must be depreciated separately. The Group reviews each asset’s residual value, useful life, and depreciation method at the end date of each fiscal year. If expected values of residual values and useful lives differ from the previous estimates, or the patterns of expected consumption of the future economic benefits contained in the assets have changed significantly, it is handled as per the regulations on changes in accounting estimates under IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” from the date of the change. The useful life of each asset is 3 to 8 years, except for properties and buildings, of which the useful lives are 5 to 50 years.

(14) Leasing transactions of lessee - right-of-use assets/lease liabilities

A. Lease assets are recognized as right-of-use assets and lease liabilities at the date

at which the leased assets are available for use by the Group. For short-term leases or leases of low-value underlying assets, lease payments are recognized as expense on a straight-line basis over the lease term.

- B. Lease liabilities are recognized at the present value of the outstanding lease payments discounted at the Group's incremental borrowing rate on the start date of the lease. Lease payments include fixed payments less any lease incentives that may be collected.

Subsequently, lease payments are measured at amortized cost using the interest approach, and recognized as interest expenses during the lease term. Lease liabilities are remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract amendments.

- C. At the commencement date of a lease, the right-of-use asset is recognized at cost, including:

- (A) The initial measured amount of lease liabilities;

- (B) Any lease payments made at or before the commencement date.

The right-of-use assets are subsequently measured at cost and depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liabilities are reassessed, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(15) Intangible assets

Goodwill

Goodwill arises from the business combination in the acquisition method.

(16) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. The amount by which the asset's carrying amount exceeds its recoverable amount is recognized as impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use. Except for goodwill, when the circumstances for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. However, the increased carrying amount of the asset due to reversal of the impairment loss shall not exceed the carrying amount of the asset less the depreciation or amortization cost if the impairment loss is not recognized.

- B. Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are estimated for their recoverable amount regularly. When the recoverable amount is lower than its carrying amount, it is recognized as an impairment loss. The impairment loss of impaired goodwill shall not be reversed in subsequent years.

- C. Goodwill is allocated to cash-generating units for the purpose of impairment testing. This allocation is based on the judgment of the operating units and the goodwill is allocated among cash-generating units or groups that are expected to benefit from goodwill generated in business combination.

(17) Borrowings

- A. Borrowings refer to the long-term and short-term borrowings from banks and other long-term and short-term borrowings. The Group initially recognizes borrowings at fair value less transaction cost. For any subsequent difference between the price and the redemption value less the transaction cost, the interest expense is recognized in profit or loss using the effective interest method during the outstanding period.

- B. Fees paid on the establishment of borrowing facilities are recognized as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be drawn, and will be deferred and recognized as an adjustment to the effective interest rate when the drawdown is incurred. When drawdown of part or all of the facilities is unlikely, the fee is recognized as a prepayment and amortized over the period to which the facilities relate.
- (18) Accounts payable and notes payable
- A. Notes payable refer to debts arising from the purchase of raw materials, goods, or services and notes due to operation and non-operation.
 - B. Non-interest-bearing short-term accounts and notes payables are measured at initial invoice amount by the Group because the discounting effect is insignificant.
- (19) Provisions
- Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The discounted amortization is recognized as interest expense. No provisions for liabilities shall be recognized for future operating losses.
- (20) Employee benefits
- A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect to service rendered by employees and are recognized as expenses when the employees render the relevant service.
 - B. Pensions
 - (A) Defined contribution plans

For defined contribution plans, the contributions are recognized as current pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.
 - (B) Defined benefit plans
 - (a) The net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Company in the current period or prior periods. The amount recognized is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate is the market yield rate of government bonds (at the balance sheet date) with the currency and the period consistent with those of the defined benefit plan at the balance sheet date.
 - (b) Remeasurement arising from defined benefit plans is recognized in other comprehensive income in the period in which it arises and is recognized in retained earnings.
 - (c) Past service costs are recognized immediately in profit or loss.

- (d) The interim pension cost is calculated based on the actuarial pension cost rate of the ending date of the previous fiscal year from the start to the end of the year. If, after the closing date, material market changes, settlement, or other material one-time events occur, the defined benefit plans are to be adjusted, and relevant information is to be disclosed in accordance with the aforementioned policies.

C. Termination benefits

Termination benefit is offered when the Group terminates an employee's contract before the normal retirement date or when the employee decides to accept the Group's offer of benefits in exchange for the benefits of the termination of employment. The Group recognizes the cost at the earlier of when the offer of benefits cannot be canceled or when relevant significant cost components are recognized. Benefits that are not expected to be paid off 12 months after the balance sheet date shall be discounted.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and the amounts can be reliably estimated. If the estimated amounts differ from the actual distributed amounts as subsequently resolved by the shareholders, the differences shall be accounted for as changes in accounting estimates.

(21) Income tax

- A. Income tax expenses include current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The Group calculates the current income tax expense in compliance with the tax rate of the tax laws enacted or substantively enacted at the balance sheet date in the countries of operation and generating taxable income. The management periodically evaluates the filings of tax returns in accordance with applicable tax regulations. It estimates income tax liability, where applicable, based on the estimated tax payment to the taxation authority. The surtax on retained earnings in accordance with the Income Tax Act shall be recognized as income tax expenses of undistributed retained earnings, based on the actual distribution of earnings, after the earnings distribution plan has been approved in the shareholders' meeting in the year following the year in which the earnings are generated.
- C. The land value increment tax arising from the sale of land of construction projects is attributable to the tax generated from income from land sales, and it shall be recognized under income tax expenses in the period in which it is incurred.
- D. Deferred income tax is recognized using the balance sheet method based on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax liabilities for goodwill arising from initial recognition are not recognized. If the deferred tax is derived from the initial recognition of the asset or liability in the transaction (excluding business combinations), and if at the time of the transaction the accounting profit or taxable income (taxable loss) is not affected, then the liabilities will not be recognized. Deferred income tax is recognized based on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled

by the Group and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.

- E. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
 - F. Current income tax assets are offset against current tax liabilities when there is a legally enforceable right to offset the recognized amounts of current income tax assets against current tax liabilities and there is an intention to settle on a net basis or realize the assets and liabilities simultaneously. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the assets and settle the liabilities simultaneously.
 - G. The Income Basic Tax Act came into force on January 1, 2006. The amount of basic income shall be the sum of the taxable income as calculated in accordance with the Income Tax Act, plus any relevant tax credits included in the Income Tax Act and other laws at the rate prescribed by the Executive Yuan. Current income tax shall be paid according to the higher of the basic income and the taxable income as per the Income Tax Act. The Group assesses the impact of the basic income tax on the consolidated financial statements for the current income tax.
 - H. Income tax expense in the interim is computed by applying the estimated average effective tax rate in an annual term to the pre-tax profit or loss in the interim.
- (22) Revenue recognition
- A. The Group operates land development and the sale of residential properties and recognizes revenue upon the transfer of control of properties to customers. For the contracts of sales of properties that have been signed, the Group is restricted by the terms of the contract on making use of the property by any means until the legal ownership of the properties is transferred to the customers; then the Group has an enforceable right to collect the contractual amounts; therefore, the revenues are recognized when the legal ownership is transferred to the customers.
 - B. Revenue is measured by the agreed amount in the contract, and the customer pays the contract price when the legal ownership of the property is transferred. In rare cases, the Group and the customers agree to defer payment, but the period of deferred payment will be no more than 12 months. The Group determines that these deferred payment contracts do not contain significant financial components and therefore no adjustment is made to the consideration amount.
- (23) Business combination
- A. The Group applies the acquisition method to account for business combinations. The combination consideration is calculated on the basis of the fair value of the transferred assets, liabilities generated or assumed, and the issued equity instruments. The transferred consideration includes the fair value of any assets

and liabilities arising from contingent consideration agreements. The costs associated with the acquisition are recognized as expenses when incurred. The identifiable assets and liabilities acquired through business combinations shall be measured at fair value at the acquisition date. The Group conducts each acquisition transaction separately. If the components of non-controlling interests in the acquiree are present ownership interests and their holders are entitled to a proportional share of the acquiree's net assets when the liquidation occurs, the Group elects to measure the components at fair value at the acquisition date or by the proportion of non-controlling interests in the identifiable net assets of the acquiree; all other components of non-controlling interests are measured at fair value at the acquisition date.

- B. If the aggregate of the value of consideration transferred, the amount of non-controlling interests of the acquiree, and the fair value of the acquirer's previously-held equity interest in the acquiree exceeds the fair value of identifiable assets acquired and liabilities assumed, the difference is recognized as goodwill at the acquisition date. If the fair value of identifiable assets acquired and liabilities assumed exceeds the aggregate of the value of consideration transferred, the amount of non-controlling interests of the acquiree, and the fair value of the acquirer's previously-held equity interest in the acquiree, the difference is recognized as current profit or loss at the acquisition date.

(24) Operating segments

Operating segments of the Group are reported in a manner consistent with the internal management reports provided to the chief operating decision makers. The chief operating decision makers are responsible for allocating the resources of the operating segments and assessing their performance, and the chief operating decision makers of the Group have been identified as the Board of Directors.

(25) Earnings per share

The Group lists basic and diluted EPS attributable to the Company's equity holders of common stocks. Basic EPS of the Group is calculated by dividing the profit or loss attributable to the Company's equity holders of common stocks by the weighted average number of shares of outstanding common stock in the current period. Diluted EPS is calculated by adjusting the profit or loss attributable to the Company's equity holders of common stocks and the weighted average number of shares of outstanding common stock separately for the effects of all dilutive potential common stocks.

(26) Dividends distribution

Dividends distributed to the Company's shareholders are recorded in the financial statements when the dividends distribution is approved in the Company's shareholders' meetings. Distribution of cash dividends is recognized as liabilities; distribution of stock dividends is recognized as stock dividends to be distributed and it will be reclassified to common stocks on the record date upon the issuance of new shares.

- 5. **Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty**
The preparation of these consolidated financial statements requires the management team to make critical judgments in applying the Group's accounting policies and to make critical assumptions and estimates concerning future events. Critical accounting assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Please refer to

the below description of critical accounting judgments, assumptions, and estimation uncertainty:

(1) Critical judgments applied to accounting policies
None.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The actual results may be different from the accounting estimates. The estimates and assumptions with significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next fiscal year are addressed below:

Inventory valuation

As inventory is stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventory on the balance sheet date using judgments and estimates. Due to rapid technological changes, the Company evaluates the amounts of normal inventory consumption, obsolete inventory or inventory without market selling value on the balance sheet date, and writes down the cost of inventory to the net realizable value. This valuation of inventory is mainly determined based on assumptions of product demand within a specific period in the future, which may cause a significant variation.

As of September 30, 2022, the Group's carrying amount of inventory is \$16,761,940 thousand.

6. Description of Significant Account Titles

(1) Cash and cash equivalents

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand and working capital	\$ 510	\$ 360	\$ 350
Checking deposits and demand deposits	<u>1,976,278</u>	<u>3,161,450</u>	<u>3,979,862</u>
Total	<u>\$ 1,976,788</u>	<u>\$ 3,161,810</u>	<u>\$ 3,980,212</u>

A. The Group transacts with financial institutions of high credit quality, and the Group transacts with a variety of financial institutions to diversify credit risk; therefore, the probability of a counterparty's default is extremely low. The Group's maximum amount exposed to credit risk at the balance sheet date is the carrying amount of cash and cash equivalents.

B. The Group has pledged no cash and cash equivalents.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Investments in equity instruments at fair value through other comprehensive income			
Unlisted stocks	\$ 2,468	\$ 3,187	\$ 2,773
Current	\$ --	\$ --	\$ --
Non-current	2,468	3,187	2,773
Total	<u>\$ 2,468</u>	<u>\$ 3,187</u>	<u>\$ 2,773</u>

- A. The above equity instruments held by the Group are long-term strategic investments and are not held for trading purpose; therefore, they have been designated to be measured at fair value through other comprehensive income.
- B. Hwa Chi Venture Capital Co., Ltd. adopted July 1, 2021, as the record date for capital reduction to conduct capital reduction and to refund share capital. After the capital reduction, the Group recovered share capital of \$860 thousand.
- C. Emphasis Materials, Inc. was dissolved by resolution on April 2, 2008, and the record date of completing liquidation was May 5, 2020, by the resolution of the extraordinary shareholders' meeting on June 4, 2020. Part of the liquidated share capital was recovered in 2020, which was \$1,200 thousand, and the remaining share capital was recovered in January 2021, which was \$43 thousand.
- D. The Group applied for a share capital refund of \$10 thousand from the Second Credit Cooperative of Keelung in July 2020 and received the said refund in April 2021.
- E. For the three months ended September 30, 2022 and 2021, and the nine months ended September 30, 2022 and 2021, the Group recognized a loss of \$364 thousand, an income of \$107 thousand, a loss of \$719 thousand, and a loss of \$1,046 thousand in other comprehensive income, respectively.
- F. Please refer to Note 12(2) for information related to credit risk.

(3) Notes receivable and accounts receivable

Item	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable	\$ 10,414	\$ 3,130	\$ 3,217
Less: Allowance for losses	--	--	--
Subtotal	<u>10,414</u>	<u>3,130</u>	<u>3,217</u>
Accounts receivable	85,626	6	6
Less: Allowance for losses	--	--	--
Subtotal	<u>85,626</u>	<u>6</u>	<u>6</u>
Total	<u>\$ 96,040</u>	<u>\$ 3,136</u>	<u>\$ 3,223</u>

- A. The Group grants an average credit term of 60 days to its accounts receivable which are non-interest bearing.
- B. The Group's maximum credit risk exposure of accounts and notes receivable as of September 30, 2022, and December 31 and September 30, 2021, was the carrying amount of accounts and notes receivable in each category.

C. The Group's aging analysis of accounts receivable and notes receivable is as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Not overdue	\$ 96,040	\$ 3,136	\$ 3,223
Past due by 1 month	--	--	--
Past due by 1–3 months	--	--	--
Past due by 3–6 months	--	--	--
Past due by more than 6 months	--	--	--
Total	<u>\$ 96,040</u>	<u>\$ 3,136</u>	<u>\$ 3,223</u>

D. The Group's allowance for losses from notes and accounts receivables measured based on the provision matrix is as follows:

September 30, 2022	Expected credit loss ratio	Total carrying amount	Allowance for losses (lifetime expected credit loss)	Amortized cost
Not overdue	--	\$ 96,040	\$ --	\$ 96,040
Past due by 1 month	--	--	--	--
Past due by 1–3 months	--	--	--	--
Past due by 3–6 months	--	--	--	--
Past due by more than 6 months	--	--	--	--
Total		<u>\$ 96,040</u>	<u>\$ --</u>	<u>\$ 96,040</u>

December 31, 2021	Expected credit loss ratio	Total carrying amount	Allowance for losses (lifetime expected credit loss)	Amortized cost
Not overdue	--	\$ 3,136	\$ --	\$ 3,136
Past due by 1 month	--	--	--	--
Past due by 1–3 months	--	--	--	--
Past due by 3–6 months	--	--	--	--
Past due by more than 6 months	--	--	--	--
Total		<u>\$ 3,136</u>	<u>\$ --</u>	<u>\$ 3,136</u>

September 30, 2021	Expected credit loss ratio	Total carrying amount	Allowance for losses (lifetime expected credit loss)	Amortized cost
Not overdue	--	\$ 3,223	\$ --	\$ 3,223
Past due by 1 month	--	--	--	--
Past due by 1–3 months	--	--	--	--
Past due by 3–6 months	--	--	--	--
Past due by more than 6 months	--	--	--	--
Total		<u>\$ 3,223</u>	<u>\$ --</u>	<u>\$ 3,223</u>

E. Please refer to Note 12(2) for information related to credit risk.

(4) Other receivables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other receivables	\$ 16,245	\$ 16,298	\$ 16,246
Less: Allowance for losses	(16,245)	(16,245)	(16,245)
Total	<u>\$ --</u>	<u>\$ 53</u>	<u>\$ 1</u>

(5) Inventories

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Land for sale	\$ 585,178	\$ 52,177	\$ 52,141
Buildings for sale	381,393	28,986	28,986
Land held for construction sites	12,855,421	12,461,928	11,845,834
Land held for floor-area-ratio transfer	30,254	261	--
Construction in progress	3,299,090	1,608,712	1,134,360
Prepayment for land purchases	--	13,540	--
Less: Allowance for inventory valuation loss	(389,396)	(389,396)	(389,396)
Total	<u>\$ 16,761,940</u>	<u>\$ 13,776,208</u>	<u>\$ 12,671,925</u>

A. Details of land and buildings for sale:

Project name	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>	
	Land for sale	Buildings for sale	Land for sale	Buildings for sale	Land for sale	Buildings for sale
Li Hsiang Jia A	\$ 511	\$ 1,251	\$ 511	\$ 1,251	\$ 511	\$ 1,251
Sheng Huo Jia A	2,864	2,482	2,864	2,482	2,864	2,482
Ya Dian Wang Chao A	--	456	--	456	--	456
Ya Dian Wang Chao B	--	1,722	--	1,722	--	1,722
Hang Sha	--	--	5,541	2,809	5,505	2,809
Shi Tan Duan A	43,261	20,266	43,261	20,266	43,261	20,266
Yun He Jie A	538,542	355,216	--	--	--	--
Total	<u>\$ 585,178</u>	<u>\$ 381,393</u>	<u>\$ 52,177</u>	<u>\$ 28,986</u>	<u>\$ 52,141</u>	<u>\$ 28,986</u>

B. Details of land held for construction and construction in progress:

Project name	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>	
	Land held for construction sites	Construction in progress	Land held for construction sites	Construction in progress	Land held for construction sites	Construction in progress
Shu Lin An	\$ 112,371	\$ 85,821	\$ 112,371	\$ 85,821	\$ 112,371	\$ 85,821
Sheng Huo Jia B	7,803	1,350	7,803	1,350	7,803	1,350
Hsin Dian He Feng	483,764	148,391	483,764	148,391	483,764	148,391
Tai Yuan Lu	1,211,267	35,315	1,211,267	34,652	1,211,267	34,652
Fu De Duan B	423	--	423	--	423	--
Hsin Guang Lu B	2,217	--	2,217	--	2,217	--
Rong Hsing Duan	--	--	73,440	200,053	73,440	141,962
Huai Sheng Duan	1,418,917	29,497	1,418,917	17,114	1,418,917	17,114
Yun He Jie A	--	--	621,454	269,040	621,454	234,988
Yun He Jie B	1,712	--	1,712	--	1,712	--
Wen Lin Bei Lu	293,211	976	285,172	976	285,172	976
Xin Bi Duan A	801,292	552,735	801,292	266,247	801,292	161,673
Xin Bi Duan B	652,192	--	--	--	--	--
Le Jie Duan A	476,602	336,524	476,602	186,169	476,602	99,469
Le Jie Duan B	507,401	100,410	507,401	91,302	507,401	916
Qing Xi Duan A	303,381	187,432	303,381	107,190	303,381	78,498
Qing Xi Duan B	1,133,407	319,528	1,133,407	131,679	1,133,407	117,671
Shalu New Station Duan	175,962	126,139	175,962	27,898	176,223	9,676
Shanjie Duan	333,179	108,999	333,179	1	333,179	--
Wuri New High-Speed Rail Duan	3,895,809	1,236,874	3,895,809	40,829	3,895,809	1,203
Qing An Duan	656,423	4,754	616,355	--	--	--
San Zu Wu Duan	388,088	24,345	--	--	--	--
Total	<u>\$ 12,855,421</u>	<u>\$ 3,299,090</u>	<u>\$ 12,461,928</u>	<u>\$ 1,608,712</u>	<u>\$ 11,845,834</u>	<u>\$ 1,134,360</u>

C. Details of land held for floor-area-ratio transfer are as follows:

Project name	September 30, 2022	December 31, 2021	September 30, 2021
Zheng Ying Duan, Taichung City	\$ 261	\$ 261	\$ --
Qing An Duan, Tainan City	29,993	--	--
Total	\$ 30,254	\$ 261	\$ --

D. Details of prepayment for land purchases are as follows:

Project name	September 30, 2022	December 31, 2021	September 30, 2021
Qing An Duan	\$ --	\$ 13,540	\$ --
Zi Li Duan, Taoyuan City	--	--	--
Total	\$ --	\$ 13,540	\$ --

E. The capitalization amounts of interest for land held for construction and construction in progress for the three and the nine months ended September 30, 2022 and 2021, were \$40,889 thousand, \$7,775 thousand, \$111,051 thousand, and \$15,754 thousand, respectively, and the capitalized interest rates for said periods were 2.1192%, 1.7016%, 1.9356%, and 1.6617%, respectively.

F. For details of inventory pledged as collateral, please refer to Note 8.

G. Description on major construction projects

(A) As of September 30, 2022, the total price of the Group's materials purchased and contracted construction projects of Rong Hsing Duan, Huai Sheng Duan, Yun He Jie A, Xin Bi Duan A, Le Jie Duan A, Qing Xi Duan A, Qing Xi Duan B, Shalu New Station Duan, Shanjie Duan, and Wuri New High-Speed Railway Duan, and Qing An Duan was \$2,995,909 thousand, and the price already paid was \$1,499,038 thousand.

(B) As of September 30, 2022, except for the above-mentioned projects, the remaining projects have not yet been subcontracted.

H. The relevant expenses or losses of inventory recognized in the current period are as follows:

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Cost of inventory sold	\$ 140,252	\$ --
Inventory valuation losses	--	--
Total	<u>\$ 140,252</u>	<u>\$ --</u>
	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
Cost of inventory sold	\$ 478,029	\$ --
Inventory valuation losses	--	--
Total	<u>\$ 478,029</u>	<u>\$ --</u>

(6) Other financial assets

<u>Item</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Bank deposits	<u>\$ 359,943</u>	<u>\$ 157,039</u>	<u>\$ 128,682</u>
Current	\$ 359,943	\$ 157,039	\$ 128,682
Non-current	--	--	--
Total	<u>\$ 359,943</u>	<u>\$ 157,039</u>	<u>\$ 128,682</u>

For details of other financial assets pledged, please refer to Note 8.

(7) Property, plant and equipment

	<u>Land</u>	<u>Property and buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>							
Balance as of January 1, 2022	\$ 94,331	\$ 38,958	\$ 639	\$ 8,847	\$ 1,851	\$ 257	\$ 144,883
Additions	--	216	1,618	1,298	--	--	3,132
Disposal and scrap	--	--	--	(93)	--	--	(93)
Balance as of September 30, 2022	<u>\$ 94,331</u>	<u>\$ 39,174</u>	<u>\$ 2,257</u>	<u>\$ 10,052</u>	<u>\$ 1,851</u>	<u>\$ 257</u>	<u>\$ 147,922</u>
Balance as of January 1, 2021	\$ 94,331	\$ 38,958	\$ 639	\$ 7,246	\$ --	\$ 257	\$ 141,431
Additions	--	--	--	1,468	1,851	--	3,319
Balance as of September 30, 2021	<u>\$ 94,331</u>	<u>\$ 38,958</u>	<u>\$ 639</u>	<u>\$ 8,714</u>	<u>\$ 1,851</u>	<u>\$ 257</u>	<u>\$ 144,750</u>
<u>Depreciation and impairment loss</u>							
Balance as of January 1, 2022	\$ --	\$ 19,003	\$ 439	\$ 6,290	\$ 360	\$ 229	\$ 26,321
Depreciation for the period	--	1,171	236	717	462	--	2,586
Disposal and scrap	--	--	--	(93)	--	--	(93)
Balance as of September 30, 2022	<u>\$ --</u>	<u>\$ 20,174</u>	<u>\$ 675</u>	<u>\$ 6,914</u>	<u>\$ 822</u>	<u>\$ 229</u>	<u>\$ 28,814</u>
Balance as of January 1, 2021	\$ --	\$ 17,368	\$ 359	\$ 5,601	\$ --	\$ 229	\$ 23,557
Depreciation for the period	--	1,226	60	478	206	--	1,970
Balance as of September 30, 2021	<u>\$ --</u>	<u>\$ 18,594</u>	<u>\$ 419</u>	<u>\$ 6,079</u>	<u>\$ 206</u>	<u>\$ 229</u>	<u>\$ 25,527</u>
<u>Carrying amount</u>							
September 30, 2022	<u>\$ 94,331</u>	<u>\$ 19,000</u>	<u>\$ 1,582</u>	<u>\$ 3,138</u>	<u>\$ 1,029</u>	<u>\$ 28</u>	<u>\$ 119,108</u>
December 31, 2021	<u>\$ 94,331</u>	<u>\$ 19,955</u>	<u>\$ 200</u>	<u>\$ 2,557</u>	<u>\$ 1,491</u>	<u>\$ 28</u>	<u>\$ 118,562</u>
September 30, 2021	<u>\$ 94,331</u>	<u>\$ 20,364</u>	<u>\$ 220</u>	<u>\$ 2,635</u>	<u>\$ 1,645</u>	<u>\$ 28</u>	<u>\$ 119,223</u>

For details of property, plant and equipment provided as collateral, please refer to Note 8.

(8) Leasing transactions – lessee

- A. The underlying assets leased by the Group are buildings with lease terms usually between one and four years. Lease contracts are negotiated individually and contain a variety of terms and conditions. Except for the part of leased assets not to be subleased, leased, sold, or used by others in other disguised methods, no restrictions are imposed.
- B. The lease terms of the Group's leased transportation equipment and parking spaces do not exceed 12 months, and the leases of low-value underlying assets are office equipment and other equipment. Additionally, as of September 30, 2022 and 2021, the Group's lease payments for short-term lease commitments were \$76 thousand and \$93 thousand, respectively.
- C. The carrying amounts of the right-of-use assets and the depreciation expenses recognized are as follows:

	September 30, 2022	Nine months ended September 30, 2022	September 30, 2021	Nine months ended September 30, 2021
	<u>Carrying amount</u>	<u>Depreciation expense</u>	<u>Carrying amount</u>	<u>Depreciation expense</u>
Property and buildings	\$ 3,591	\$ 1,729	\$ 5,894	\$ 1,673

- D. Movements in the Group's right-of-use assets for the nine months ended September 30, 2022 and 2021, are as follows:

	<u>Property and buildings</u>
January 1, 2022	\$ 5,320
Depreciation expense	(1,729)
September 30, 2022	<u>\$ 3,591</u>

	<u>Property and buildings</u>
January 1, 2021	\$ 6,571
Additions	996
Depreciation expense	(1,673)
September 30, 2021	<u>\$ 5,894</u>

- E. Additions to the Group's right-of-use assets for the nine months ended September 30, 2022 and 2021, were \$0 and \$996 thousand, respectively.

- F. The profit and expenses related to the lease contracts are follows:

<u>Items affecting the current profit or loss</u>	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Interest expenses of lease liabilities	(\$ 17)	(\$ 27)
Expenses attributable to short-term leases	(\$ 122)	(\$ 209)
Expenses attributable to lease of low-value assets	(\$ 190)	(\$ 35)

Items affecting the current profit or loss	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest expenses of lease liabilities	(\$ <u>60</u>)	(\$ <u>87</u>)
Expenses attributable to short-term leases	(\$ <u>445</u>)	(\$ <u>514</u>)
Expenses attributable to lease of low-value assets	(\$ <u>415</u>)	(\$ <u>70</u>)

G. The Group's total cash outflows from leases for the nine months ended September 30, 2022 and 2021, were \$2,645 thousand and \$2,312 thousand, respectively.

(9) Leasing transactions – lessor

- A. The assets leased out by the Group include land and buildings. The duration of lease contracts usually ranges from one to five years. The lease contracts are negotiated individually and contain various terms and conditions.
- B. The Group recognized rental income of \$3,043 thousand, \$2,122 thousand, \$7,566 thousand, and \$6,422 thousand in the operating lease agreements for the three months ended September 30, 2022 and 2021, and the nine months ended September 30, 2022 and 2021, respectively, of which no rental income was recognized as a variable lease payment.
- C. The due date of lease payments received by the Group under the operating leases are analyzed as follows:

	September 30, 2022	September 30, 2021
September 30, 2022	\$ --	\$ 7,463
September 30, 2023	9,425	2,176
September 30, 2024	5,287	1,104
September 30, 2025	4,506	486
September 30, 2026	20	20
Total	<u>\$ 19,238</u>	<u>\$ 11,249</u>

(10) Intangible assets

	September 30, 2022	December 31, 2021	September 30, 2021
Goodwill			
Cost	<u>\$ 11,410</u>	<u>\$ 11,410</u>	<u>\$ 11,410</u>

	Goodwill
January 1, 2021	\$ --
Additions – business combination	<u>11,410</u>
September 30, 2021	<u>\$ 11,410</u>

(11) Impairment of non-financial assets

The Group's property, plant and equipment for the nine months ended September 30, 2022 and 2021, was not recognized for impairment loss or gain on reversal.

(12) Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Secured borrowings	\$ 2,764,478	\$ 2,647,721	\$ 2,592,066
Unsecured borrowings	804,000	1,343,000	1,491,000
Total	<u>\$ 3,568,478</u>	<u>\$ 3,990,721</u>	<u>\$ 4,083,066</u>
Interest rate ranges of short-term borrowings recognized at the end of period (%)	<u>1.975~2.43</u>	<u>1.50~2.0345</u>	<u>1.30~2.027</u>

A. The above borrowings are used for constructions and working capital with a term between one and three years.

B. For details of collateral for short-term borrowings, please refer to Note 8.

(13) Short-term notes and bills payable

	September 30, 2022	December 31, 2021	September 30, 2021
Short-term notes and bills payable	\$ 100,000	\$ 50,000	\$ --
Less: Unamortized discount	(212)	(2)	--
Net balance	<u>\$ 99,788</u>	<u>\$ 49,998</u>	<u>\$ --</u>

The interest rates payable for short-term notes and bills on September 30, 2022 and December 31, 2021, were 1.61% and 0.65%, respectively. The amount of short-term notes and bills issued was \$100,000 thousand on both dates.

(14) Notes payable and accounts payable

	September 30, 2022	December 31, 2021	September 30, 2021
Notes payable	\$ 142,861	\$ 108,861	\$ 35,248
Accounts payable	57,333	79,485	24,448
Provisional accounts payable	48,830	7,898	11,226
Subtotal	<u>106,163</u>	<u>87,383</u>	<u>35,674</u>
Total	<u>\$ 249,024</u>	<u>\$ 196,244</u>	<u>\$ 70,922</u>

(15) Long-term borrowings

Nature	September 30, 2022	December 31, 2021	September 30, 2021
Secured long-term borrowings – To be settled in a lump sum when due in August 2023; paid off early in March 2022 at a floating interest rate. The interest rate was 1.945% as of December 31 and September 30, 2021.	\$ --	\$ 60,000	\$ 60,000
Secured long-term borrowings – Starting from May 2021, to be repaid at at least 70% of the estimated selling price or the actual selling price of the real property, whichever is higher, in the case that the real property is sold, and the balance due in March 2025 shall be paid off in a lump sum at a floating interest rate, which was 2.055%, 1.68%, and 1.68% as of September 30, 2022, and December 31 and September 30, 2021, respectively.	724,000	612,549	612,549

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Secured long-term borrowings – Starting from May 2021, to be repaid at least 70% of the estimated selling price or the actual selling price of the real property, whichever is higher, in the case that the real property is sold, and the balance due in March 2025 shall be paid off in a lump sum at a floating rate, which was 2.3%, 1.8%, and 1.8% as of September 30, 2022, December 31, and September 30, 2021, respectively.	275,755	275,755	275,755
Secured long-term borrowings – Starting from June 2021, to be repaid at the selling price of the real property in the case that the real property is sold, and the balance due in May 2025 shall be paid off in a lump sum at a floating interest rate, which was 2.3%, 1.8%, and 1.8% as of September 30, 2022, and December 31 and September 30, 2021, respectively.	2,142,400	2,142,400	2,142,400
Secured long-term borrowings – Starting from June 2021, to be repaid at at least 70% of the estimated selling price or the actual selling price of the real property, whichever is higher, in the case that the real property is sold, and the balance due in August 2024 shall be paid off in a lump sum at a floating interest rate, which was 2.055%, 1.68%, and 1.68% as of September 30, 2022, December 31, and September 30, 2021, respectively.	96,400	96,400	96,400
Secured long-term borrowings – Starting from June 2021, to be repaid at at least 70% of the estimated selling price or the actual selling price of the real property, whichever is higher, in the case that the real property is sold, and the balance due in August 2024 shall be paid off in a lump sum at a floating interest rate, which was 2.055%, 1.68%, and 1.68% as of September 30, 2022, December 31, and September 30, 2021, respectively.	5,000	5,000	5,000

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Long-term unsecured borrowings – Starting from December 27, 2022, to be repaid in quarterly installments of \$6,250 thousand, and the balance due in December 2026 shall be paid off in a lump sum at a floating rate, which was 2.35% and 2.15% as of September 30, 2022, and December 31, 2021, respectively.	200,000	200,000	--
Secured long-term borrowings – Starting from January 2022, to be repaid at the selling price of the real property in the case that the real property is sold, and the balance due in September 2025 shall be paid off in a lump sum at a floating interest rate, which was 2.428541% as of September 30, 2022.	181,000	--	--
Secured long-term borrowings – Starting from May 2022, to be repaid at at least 70% of the actual selling price of the real property in the case that the real property is sold, and the balance due in May 2026 shall be paid off in a lump sum at a floating interest rate, which was 2.3% as of September 30, 2022.	257,000	--	--
Secured long-term borrowings – Starting from May 2021, to be repaid at at least 70% of the estimated selling price or the actual selling price of the real property, whichever is higher, in the case that the real property is sold, and the repayment will be made in proportion to the balance of the credit line, and the balance due in December 2027 shall be paid off in a lump sum at a floating interest rate, which was 2.055%, 1.68%, and 1.68% as of September 30, 2022, and December 31 and September 30, 2021, respectively.	<u>728,880</u>	<u>714,980</u>	<u>714,980</u>
Total	4,610,435	4,107,084	3,907,084
Less: Long-term borrowings – current portion	(<u>3,493,305</u>)	(<u>211,400</u>)	(<u>161,400</u>)
Net balance	<u>\$ 1,117,130</u>	<u>\$ 3,895,684</u>	<u>\$ 3,745,684</u>

A. Deadlines for repayment of above long-term borrowings are as follows:

Maturity	Amount
September 30, 2023	\$ 18,750
September 30, 2024	126,400
September 30, 2025	3,348,155
September 30, 2026	282,000
September 30, 2027	106,250
After September 30, 2027	<u>728,880</u>
Total	<u>\$ 4,610,435</u>

B. For details of collateral for long-term borrowings, please refer to Note 8.

(16) Pensions

A. Defined benefit plans

(A) The Company has established an employee retirement policy for employees who are officially hired, and, according to the regulations of the policy, the payment of employees' pension under the defined benefit plan is based on years of service and the average salary for the six months prior to retirement. The Company contributes an amount equal to 2% of the total employees' salaries and wages to the pension fund every month, which is managed by the Employee Pension Fund Management Committee and deposited into the account with the Bank of Taiwan in the name of the committee.

(B) The Company reversed the pension costs of \$5 thousand, \$2 thousand, \$16 thousand, and \$6 thousand for the three months and the nine months ended September 30, 2022 and 2021, respectively, in accordance with the above pension plan.

(C) The Company's estimated contributions to the defined benefit pension plan for the year ended December 31, 2022, is \$0 thousand.

B. Defined contribution plan

Since July 1, 2005, the Group has contributed the pension to the individual labor pension accounts as set up by the Bureau of Labor Insurance for employees in accordance with the Labor Pension Act, and has contributed \$676 thousand, \$510 thousand, \$1,709 thousand, and \$1,103 thousand for the three and the nine months ended September 30, 2022 and 2021, respectively.

(17) Provisions

	<u>Provisions for employee benefits</u>
Balance as of January 1, 2021	\$ 761
Provisions used during the period	(761)
Balance as of September 30, 2021	<u>\$ --</u>
Balance as of January 1, 2022	\$ 1,107
Provisions used during the period	(1,107)
Balance as of September 30, 2022	<u>\$ --</u>

Analysis of provisions is as follow:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current	\$ --	\$ 1,107	\$ --
Non-current	\$ --	\$ --	\$ --

(18) Share capital

A. The Company's authorized share capital is \$12,000,000 thousand with a par value of \$10 per share, which is all in common stock. As of September 30, 2022, and December 31 and September 30, 2021, the paid-in capital was \$8,399,880 thousand, \$7,207,525 thousand, and \$7,207,525 thousand, respectively.

- B. Details of the Company's previous issuance of shares at a discount (private placement) are as follows:

<u>Date of issuance</u>	<u>Number of shares issued (in thousand shares)</u>	<u>Issue price (\$/share)</u>
September 27, 2004 (public offering completed)	41,137	2.99
August 21, 2007 (public offering completed)	18,750	8.00
August 25, 2021	83,000	11.80
September 17, 2021	117,000	11.80
February 24, 2022	53,571	12.00
May 9, 2022	65,664	12.00

- C. Movements in the number of the Company's ordinary shares outstanding at the beginning and end of the period are as follows:

	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
	720,753	520,753
Balance as of January 1	thousand shares	thousand shares
Capital increase in cash - private placement	119,235	200,000
	<u>thousand shares</u>	<u>thousand shares</u>
	839,988	720,753
Balance as of September 30	<u>thousand shares</u>	<u>thousand shares</u>

- D. On August 5, 2021, the Board of Directors of the Company resolved to issue 200,000 thousand ordinary shares through private placement for capital increase in cash with a face value of \$10 per share at an issue price of \$11.8 per share. The purpose of this fund was to increase the working capital and repay the bank borrowings or to meet the needs of long-term development in the future. The record dates of the capital increases were August 25 and September 17, 2021, respectively. A fund of \$2,360,000 thousand has been raised, and the registration of this change has been completed with the Ministry of Economic Affairs. The rights and obligations of this private placement of ordinary shares are the same as other ordinary shares issued, except that there are restrictions on circulation and transfer under the Securities and Exchange Act and that the application for listing and trading may not be filed until three years after the delivery date and public offering is completed.
- E. On November 30, 2021, the extraordinary shareholders' meeting passed a resolution to issue no more than 140,000 thousand ordinary shares through private placement, which shall be fully issued once to three times within one year from the date of the resolution adopted by the extraordinary shareholders' meeting. On February 10 and April 25, 2022, the Board of Directors passed a resolution for the private placement of 53,571 thousand ordinary shares and 65,664 thousand ordinary shares, both with a par value of \$10 per share at an issue price of \$12 per share. The record dates of capital increase were February 24 and May 9, 2022, and the registration of this change has been completed with the Ministry of Economic Affairs. The rights and obligations of this private placement of ordinary shares are the same as other ordinary shares issued, except that there are restrictions on circulation and transfer under the Securities and Exchange Act and the application for listing and trading shall not be filed until three years after the delivery date and public offering is completed.

(19) Capital surplus

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Common stock premium	\$ 1,247,904	\$ 1,009,433	\$ 1,009,433
Cash dividend unclaimed for over five years	592	592	592
Difference in net value of equity adjusted by equity method	1,100	1,100	1,100
Gains after tax on disposal of fixed assets held by investees under equity method	7,487	7,487	7,487
Exercise of disgorgement	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u>\$ 1,257,084</u>	<u>\$ 1,018,613</u>	<u>\$ 1,018,613</u>

Pursuant to the Company Act, capital surplus arising from paid-in capital in excess of the face value of ordinary shares issued and income from donations can be used to compensate cumulative deficit or to issue new shares or cash to shareholders in proportion to their share ownership if the Company has no cumulative deficit. In addition, according to relevant provisions of the Securities Exchange Act, when appropriating funds from the aforementioned capital surplus, its total amount is limited to 10% of the paid-in capital each year. Capital surplus may not be used to compensate cumulative deficit unless the surplus reserve is insufficient to cover the capital deficit.

(20) Retained earnings

A. Legal reserve

The legal reserve shall be exclusively used to compensate cumulative deficit, to issue new shares, or distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of shares or cash to shareholders is limited to the portion in excess of 25% of the paid-in capital.

B. Special reserve

When distributing earnings, in accordance with the regulations, the Company shall set aside a special reserve from the debit balance of other equity interest items at the balance sheet date in the current year. When the debit balance on other equity interest items is subsequently reversed, the reversed amount may be included in the distributable earnings.

At initial adoption of IFRSs, the Company reverses the special surplus reserve provisioned in its proportion when the Company subsequently uses, disposes of, or reclassifies the relevant assets in accordance with FSC Order Jin-Guan-Zheng-Fa-Zi No. 1090150022 dated March 31, 2021.

C. Surplus earnings distribution

As per the Articles of Incorporation, the Company's surplus earnings distribution or loss make-up proposal shall be carried out after the end of each semi-annual fiscal period. The Company should submit a proposal on surplus earnings distribution or loss make-up proposal in the first half of the fiscal year, if any, to the Board of Directors before the end of the second half of the fiscal year. When distributing the earnings, the Company should estimate and reserve tax payable, compensate a deficit, set aside a legal reserve, and set aside or reverse a special reserve as per law, unless the legal reserve has reached the amount of the paid-in capital. When the surplus earnings are paid out in cash, it should be approved by the resolution of the Board of Directors, and when in new shares, it should be approved by the resolution of the shareholders' meeting. The Company shall use earnings at the annual closing, if any, to pay all taxes

and offset prior years' cumulative deficit, while no legal reserve shall be set aside if it has reached the amount of the Company's paid-in capital. Thereafter, 10% shall be set aside as legal reserve according to law, and the special reserve shall be appropriated or reversed according to the laws or regulations of competent authorities. With any remaining earnings plus the cumulative undistributed earnings in the first half of the fiscal year as distributable earnings, the Board of Directors shall make a proposal for appropriation of 0%–100% of the distributable earnings for distribution of shareholders' dividends and submit it to the shareholders' meeting for approval before distribution; however, if the distributable surplus earnings are lower than 5% of the Company's paid-in capital, they may not be distributed.

The distribution of shareholders' dividends shall be either in cash or stock, in which cash dividends shall not be less than 10% of the total dividends to shareholders.

- D. On August 11, 2022, the Company's shareholders' meeting adopted a resolution not to distribute the earnings for the first half of 2022 due to deficits. Also, on June 30, 2022, and August 5, 2021, the Company's shareholders' meeting adopted a resolution not to distribute the 2021 and 2020 earnings due to deficits.
- E. For information on employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(26).

(21) Non-controlling interests

	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
Balance as of January 1	\$ 246,492	\$ 252,422
Portion attributable to non-controlling interests:		
Current net loss	(3,557)	(3,787)
Balance as of September 30	<u>\$ 242,935</u>	<u>\$ 248,635</u>

(22) Operating revenue

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Revenue from customer contracts		
Revenue from sale of buildings	\$ 53,510	\$ --
Revenue from sale of land	<u>154,810</u>	<u>--</u>
	208,320	--
Rental income	<u>3,043</u>	<u>2,122</u>
Total	<u>\$ 211,363</u>	<u>\$ 2,122</u>

	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
Revenue from customer contracts		
Revenue from sale of buildings	\$ 150,404	\$ --
Revenue from sale of land	<u>497,199</u>	<u>--</u>
	647,603	--
Rental income	<u>7,566</u>	<u>6,422</u>
Total	<u>\$ 655,169</u>	<u>\$ 6,422</u>

- A. The Group's revenue for the three and the nine months ended September 30, 2022 and 2021, was recognized at the following time points:

	Three months ended September 30, 2022	Three months ended September 30, 2021	
Revenue recognized at a certain time point	\$ 208,320	\$ --	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021	
Revenue recognized at a certain time point	\$ 647,603	\$ --	
B. Contract liability	September 30, 2022	December 31, 2021	September 30, 2021
Contract liability:			
Sale of real property	\$ 998,763	\$ 532,459	\$ 449,082

The Group's current contract liabilities increased as compared to the previous two periods mainly due to the performance obligations that had not been fulfilled, and, therefore, the partial consideration received from customers in advance had not been recognized as revenue.

The opening balances of contract liabilities for 2022 and 2021 recognized as revenue for the nine months ended September 30, 2022 and 2021, amounted to \$159,317 thousand and \$0 thousand, respectively.

(23) Other income

	Three months ended September 30, 2022	Three months ended September 30, 2021
Interest income:		
Interest on bank deposits	\$ 688	\$ 444
Dividend income	--	469
Other income – others	7,320	1,158
Total	\$ 8,008	\$ 2,071
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest income:		
Interest on bank deposits	\$ 1,935	\$ 1,106
Other interest income	3	4
	1,938	1,110
Dividend income	1,747	1,798
Other income – others	7,585	3,268
Total	\$ 11,270	\$ 6,176

(24) Other gains and losses

	<u>Three months ended</u> <u>September 30, 2022</u>	<u>Three months ended</u> <u>September 30, 2021</u>
Gain (loss) on foreign exchange, net	\$ 86	(\$ 31)
Gain on disposal of investments	--	1
Total	<u>\$ 86</u>	<u>(\$ 30)</u>

	<u>Nine months ended</u> <u>September 30, 2022</u>	<u>Nine months ended</u> <u>September 30, 2021</u>
Gain (loss) on foreign exchange, net	\$ 5,971	(\$ 1,863)
Gain on disposal of investments	--	289
Total	<u>\$ 5,971</u>	<u>(\$ 1,574)</u>

(25) Additional information on the nature of cost and expenses

	<u>Three months ended September 30, 2022</u>			<u>Three months ended September 30, 2021</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expenses	\$ 5,148	\$ 14,996	\$ 20,144	\$ 2,286	\$ 11,277	\$ 13,563
Depreciation expense	41	1,437	1,478	--	1,354	1,354
Amortization expense	4	58	62	51	23	74

	<u>Nine months ended September 30, 2022</u>			<u>Nine months ended September 30, 2021</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expenses	\$ 13,368	\$ 39,222	\$ 52,590	\$ 3,578	\$ 33,133	\$ 36,711
Depreciation expense	72	4,243	4,315	--	3,643	3,643
Amortization expense	13	170	183	51	194	245

(26) Employee benefit expenses

	<u>Three months ended</u> <u>September 30, 2022</u>	<u>Three months ended</u> <u>September 30, 2021</u>
Wages and salaries	\$ 15,238	\$ 10,324
Directors' remuneration	1,115	1,017
Labor and health insurance	1,267	936
Pension	932	508
Other personnel expenses	1,592	778
Total	<u>\$ 20,144</u>	<u>\$ 13,563</u>

	<u>Nine months ended</u> <u>September 30, 2022</u>	<u>Nine months ended</u> <u>September 30, 2021</u>
Wages and salaries	\$ 38,764	\$ 28,764
Directors' remuneration	3,200	2,977
Labor and health insurance	3,427	2,093
Pension	2,121	1,097
Other personnel expenses	5,078	1,780
Total	<u>\$ 52,590</u>	<u>\$ 36,711</u>

A. In accordance with the Articles of Incorporation, the Company shall set aside profits, if any, for no less than 0.5% as employees' compensation and no more than 2% as directors' remuneration, while the Company shall reserve an amount in advance to offset cumulative deficit, if any. The percentages of employees'

compensation and directors' remuneration to be distributed as mentioned in the preceding paragraph and employees' compensation to be distributed by way of stock or cash shall be resolved in the meeting of the Board of Directors attended by more than two-thirds of the directors and approved half of the directors present and reported to the shareholders' meeting.

The profits for the current year mentioned in the preceding paragraph refer to the current-year profits before tax less the employees' compensation and directors' remuneration distributed.

- B. The estimated amounts of the Company's employees' compensation and directors' remuneration for the nine months ended September 30, 2022 and 2021, were \$78 thousand, \$155 thousand, \$0 thousand, and \$0 thousand, respectively, which was estimated based on the profit as of the end of the current period.

The number of shares of stock dividend distributed is calculated based on the closing price of the day prior to the date of resolution made by the Board of Directors with the effect of ex-rights considered. If the actual amounts of distribution subsequently resolved by the shareholders differ from the estimated amounts, the differences shall be recorded in profit or loss for the next year.

- C. Please refer to Market Observation Post System (MOPS) for more information on the resolutions related to the appropriation of distributable surplus earnings as employees' compensation and directors' remuneration approved by the Company's Board of Directors and shareholders' meeting.

(27) Financial costs

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Interest expense	\$ 44,692	\$ 33,769
Less: Amount of capitalized qualifying assets	(40,889)	(7,775)
Total	<u>\$ 3,803</u>	<u>\$ 25,994</u>
	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
Interest expense	\$ 122,123	\$ 64,268
Less: Amount of capitalized qualifying assets	(111,051)	(15,754)
Total	<u>\$ 11,072</u>	<u>\$ 48,514</u>

(28) Income tax

A. Income tax expense

Major components of income tax expense:

	Three months ended September 30, 2022	Three months ended September 30, 2021
Current income tax:		
Income tax incurred from income in the current period	\$ 1,999	\$ 946
Land value increment tax is included in the current income tax	173	--
Total current income tax	2,172	946
Deferred tax	--	--
Income tax expense	<u>\$ 2,172</u>	<u>\$ 946</u>
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Current income tax:		
Income tax incurred from income in the current period	\$ 4,237	\$ 946
Land value increment tax is included in the current income tax	773	--
Total current income tax	5,010	946
Deferred tax:		
Deferred tax expenses related to the initial temporary differences and reversal of temporary differences	21	--
Income tax expense	<u>\$ 5,031</u>	<u>\$ 946</u>

B. The Company's profit-seeking enterprise income tax returns filed were approved by the taxation authority up to 2020.

(29) Earnings per share

The earnings and weighted average number of ordinary shares used for the calculation of EPS are as follows:

	<u>Three months ended September 30, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of outstanding shares (in thousand shares)</u>	<u>Earnings per share (NTD)</u>
<u>Basic earnings per share</u>			
Current net income attributable to parent	<u>\$ 39,875</u>	<u>798,604</u>	<u>\$ 0.05</u>

<u>Diluted earnings per share</u>			
Current net income attributable to parent	<u>\$ 39,875</u>	<u>798,608</u>	<u>\$ 0.05</u>

	<u>Three months ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of outstanding shares (in thousand shares)</u>	<u>Earnings per share (NTD)</u>
<u>Basic earnings per share</u>			
Current net loss attributable to parent	<u>(\$ 40,882)</u>	<u>571,937</u>	<u>(\$ 0.07)</u>

<u>Diluted earnings per share</u>			
N/A.			

	<u>Nine months ended September 30, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of outstanding shares (in thousand shares)</u>	<u>Earnings per share (NTD)</u>
<u>Basic earnings per share</u>			
Current net income attributable to parent	<u>\$ 85,517</u>	<u>798,604</u>	<u>\$ 0.11</u>

<u>Diluted earnings per share</u>			
Current net income attributable to parent	<u>\$ 85,517</u>	<u>798,608</u>	<u>\$ 0.11</u>

	<u>Nine months ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of outstanding shares (in thousand shares)</u>	<u>Earnings per share (NTD)</u>
<u>Basic earnings per share</u>			
Current net loss attributable to parent	<u>(\$ 90,643)</u>	<u>538,002</u>	<u>(\$ 0.17)</u>

<u>Diluted earnings per share</u>			
N/A.			

(30) Business combination

- A. On February 17, 2021, the Group acquired 100% equity interest in Huajian in the amount of \$11,500 thousand and acquired control over Huajian, which is a Grade A general construction plant, which helps the Group control the construction progress, quality, and cost after purchase.
- B. The consideration paid for the acquisition of Huajian, the fair value of the acquired assets and liabilities assumed at the acquisition date, and the information on the fair value of non-controlling interests at the acquisition date is as follows:

	<u>February 17, 2021</u>
Consideration of the acquisition	
Cash	\$ 11,500
	<u>11,500</u>
Fair value of identifiable assets acquired and liabilities assumed	
Prepayments	90
Total net identifiable assets	<u>90</u>
Goodwill	<u>\$ 11,410</u>

- C. Since the Group's merger of Huajian on February 17, 2021, Huajian has contributed the operating revenue and net loss before tax in the amounts of \$0 thousand and \$1,350 thousand, respectively. Supposing that Huajian has been merged since January 1, 2021, the Group's operating revenue and loss before tax would have been \$0 thousand and \$1,536 thousand, respectively.

(31) Changes in liabilities from financing activities

The reconciliation of the Group's liabilities from financing activities is as follows:

	<u>January 1, 2022</u>	<u>Cash flow</u>	<u>Other non-cash</u>	<u>September 30, 2022</u>
Short-term borrowings	\$ 3,990,721	(\$ 422,243)	\$ --	\$ 3,568,478
Short-term notes and bills payable	49,998	49,790	--	99,788
Lease liabilities	5,384	(1,785)	60	3,659
Long-term borrowings	4,107,084	503,351	--	4,610,435
Guarantee deposits received	<u>1,167</u>	<u>2,425</u>	<u>--</u>	<u>3,592</u>
Liabilities from financing activities	<u>\$ 8,154,354</u>	<u>\$ 131,538</u>	<u>\$ 60</u>	<u>\$ 8,285,952</u>

	<u>January 1, 2021</u>	<u>Cash flow</u>	<u>Other non-cash</u>	<u>September 30, 2021</u>
Short-term borrowings	\$ 915,000	\$ 3,168,066	\$ --	\$ 4,083,066
Lease liabilities	6,599	(1,728)	1,083	5,954
Long-term borrowings	771,900	3,135,184	--	3,907,084
Guarantee deposits received	<u>10,305</u>	<u>3</u>	<u>--</u>	<u>10,308</u>
Liabilities from financing activities	<u>\$ 1,703,804</u>	<u>\$ 6,301,525</u>	<u>\$ 1,083</u>	<u>\$ 8,006,412</u>

7. Related-Party Transactions

Balances and amounts of transactions between the Company and subsidiaries had been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as follows:

(1) Name of related parties and relationship

<u>Name</u>	<u>Relationship with the Company</u>
Lin, Yuan-Yi	Relative in second degree of kinship of the person in charge of the Company's institutional director
Lin, Heng-Yi	Relative in second degree of kinship of the person in charge of the Company's institutional director
He Feng Investment Co., Ltd.	Substantive related party
Pauguo Real Estate Management Co., Ltd.	Substantive related party

(2) Significant transactions with related parties

A. Sales

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Income from sales of real property		
Other related parties	<u>\$ --</u>	<u>\$ --</u>

	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
Income from sales of real property		
Other related parties	<u>\$ 29,816</u>	<u>\$ --</u>

B. Purchase

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Payments for land		
Other related parties	<u>\$ --</u>	<u>\$ --</u>

	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
Payments for land		
Other related parties	<u>\$ --</u>	<u>\$ 511,888</u>

C. Cost of construction in progress

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Miscellaneous expenses		
He Feng Investment Co., Ltd.	<u>\$ --</u>	<u>(\$ 734)</u>

Financial expenses		
Pauguo Real Estate Management Co., Ltd.	<u>\$ --</u>	<u>\$ --</u>

	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>	
Miscellaneous expenses			
He Feng Investment Co., Ltd.	\$ --	\$ 21,875	
Financial expenses			
Pauguo Real Estate Management Co., Ltd.	\$ 2,438	\$ --	
D. Administrative expenses			
	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>	
Miscellaneous expenses			
Other related parties	\$ 5	\$ 7	
	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>	
Miscellaneous expenses			
Other related parties	\$ 41	\$ 51	
E. The balance of debts and creditor's rights with related parties is as follows:			
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Guarantee deposits paid			
Other related parties	\$ --	\$ 2,442	\$ 2,442

(3) Information on key management's compensation

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Salaries and other short term employee benefits	\$ 2,732	\$ 1,711
Termination benefits	--	--
Post-employment benefits	--	--
Other long-term employee benefits	--	--
Share-based payment	--	--
Total	<u>\$ 2,732</u>	<u>\$ 1,711</u>
	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
Salaries and other short term employee benefits	\$ 6,385	\$ 5,705
Termination benefits	--	--
Post-employment benefits	--	--
Other long-term employee benefits	--	--
Share-based payment	--	--
Total	<u>\$ 6,385</u>	<u>\$ 5,705</u>

8. Assets Pledged

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

Assets	Purpose of collateral	Carrying value		
		September 30, 2022	December 31, 2021	September 30, 2021
Inventories				
Land for sale	Contract performance guarantee and short-term borrowings	\$ 538,542	\$ --	\$ 5,505
Buildings for sale	Contract performance guarantee and short-term borrowings	355,215	--	2,809
Land held for construction sites	Long- and short-term borrowings	11,393,897	10,448,708	10,448,969
Construction in progress	Long- and short-term borrowings	1,691,124	502,409	410,266
Property, plant and equipment				
Land	Short-term borrowings	94,331	94,331	94,331
Property and buildings	Short-term borrowings	19,000	19,955	20,364
Other equipment	Short-term borrowings	28	28	28
Other financial assets – current	Trust account	359,943	157,039	128,682
Total		<u>\$ 14,452,080</u>	<u>\$ 11,222,470</u>	<u>\$ 11,110,954</u>

9. Material Contingent Liabilities and Unrecognized Contractual Commitments

- (1) As of September 30, 2022, the Company's guarantee notes received from the contractors and customers amounted to \$1,186,053 thousand.
- (2) As of September 30, 2022, the amount of guarantee notes issued by the Company to landlords amounted to \$146,215 thousand.
- (3) As of September 30, 2022, the contracts the Company signed for the pre-sale of properties with customers amounted to \$3,280,840 thousand, and \$438,150 thousand has been received according to the contract term and conditions.
- (4) As of September 30, 2022, the total price of the contracts on the sales of the remaining housing units that the Company has signed with the ownership of the units not yet transferred was in the amount of \$1,357,720 thousand, of which \$562,629 thousand was unpaid.
- (5) As of September 30, 2022, the Company signed material and construction contracts with contractors in the amount of \$2,995,909 thousand, of which \$1,496,871 thousand was unpaid.

10. Major Disaster Losses: None.

11. Material Events After the Balance Sheet Date: None.

12. Others

(1) Capital management

The Group's capital management aims to ensure the ability as a going concern, so as to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, reduce capital to refund shareholders, or issue new shares or sell assets to pay off liabilities.

In line with the approaches adopted by its competitors, the Group manages capital on the basis of its debt-to-capital ratio, which is calculated by dividing net liabilities by total capital. Net liabilities are the total liabilities presented in the balance sheet less cash and cash equivalents. Total capital is the total component of equity (i.e., share capital, capital surplus, retained earnings, other equity interest, and non-controlling interests) plus net liabilities.

The administrative authority uses appropriate net liabilities/(total equity plus net liabilities) or other financial ratios to determine the Group's optimal capital to ensure that financing is available at a reasonable cost.

The debt-to-capital ratio is as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Total liabilities	\$ 9,588,400	\$ 8,935,962	\$ 8,565,954
Less: Cash and cash equivalents	(1,976,788)	(3,161,810)	(3,980,212)
Net liabilities	7,611,612	5,774,152	4,585,742
Total equity	10,152,221	8,640,154	8,665,082
Capital after adjustment	<u>\$ 17,763,833</u>	<u>\$ 14,414,306</u>	<u>\$ 13,250,824</u>
Debt-to-capital ratio	42.85%	40.06%	34.61%

(2) Financial instruments

A. Category of financial instruments

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
Investments in designated equity instruments	<u>\$ 2,468</u>	<u>\$ 3,187</u>	<u>\$ 2,773</u>
Financial assets at amortized cost			
Cash and cash equivalents	\$ 1,976,788	\$ 3,161,810	\$ 3,980,212
Notes receivable	10,414	3,130	3,217
Accounts receivable	85,626	6	6
Other receivables	--	53	1
Other financial assets	359,943	157,039	128,682
Guarantee deposits paid	<u>27,881</u>	<u>38,936</u>	<u>38,838</u>
Total	<u>\$ 2,460,652</u>	<u>\$ 3,360,974</u>	<u>\$ 4,150,956</u>

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 3,568,478	\$ 3,990,721	\$ 4,083,066
Short-term notes and bills payable	99,788	49,998	--
Notes payable	142,861	108,861	35,248
Accounts payable	106,163	87,383	35,674
Other payables	15,831	19,935	8,369
Long-term borrowings (including due within one operating cycle)	4,610,435	4,107,084	3,907,084
Guarantee deposits received	<u>3,592</u>	<u>1,167</u>	<u>10,308</u>
Total	<u>\$ 8,547,148</u>	<u>\$ 8,365,149</u>	<u>\$ 8,079,749</u>
Lease liabilities	<u>\$ 3,659</u>	<u>\$ 5,384</u>	<u>\$ 5,954</u>

B. Financial risk management objectives and policies

The Group's major financial instruments include equity investment, notes receivable, accounts receivable, other receivables, other financial assets, guarantee deposits paid, bank borrowings, notes payable, accounts payable, and other payables. The Group's financial management department coordinates the operations in the domestic and international financial markets. It analyzes the risk assessment, supervision, and management of financial risks related to the Group's operation based on the degree and breadth of risks. Such risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk, and liquidity risk.

To reduce and to further manage the relevant financial risks, the Group seeks to analyze, identify, and evaluate factors of the relevant financial risks that potentially pose adverse effects on the Group, and the Group also applies relevant response plans to hedge the adverse factors of the financial risks.

(A) Market risk

Market risk arises from movements in market prices, such as foreign exchange risk and interest rate risk that affects the Group's revenue or values of financial instruments held. The objective of market risk management is to control the degree of market risk exposure within an acceptable range and to optimize the return on investment.

The major markets risks assumed by the Group due to the Group's operation are risks of changes in foreign exchange rates, changes in interest rates, and equity price. In practice, one movement by a single change in risk variables is rare, and changes in risk variables are always interrelated; however, the sensitivity analysis of the following risks did not consider the interaction between relevant risks and variables.

(a) Foreign exchange risk

The Group holds financial assets at fair value through other comprehensive income denominated in foreign currencies, thus exposing the Group to foreign exchange risk. The Group's foreign exchange risk mainly arises from the foreign exchange gains and losses on translation of the cash and cash equivalents and financial assets at fair value through other comprehensive income, which are dominated in foreign currencies.

Details of the unrealized exchange gains and losses on the Group's monetary items with value significantly affected by exchange rate fluctuation are as follows:

Nine months ended September 30, 2022			
	Foreign currency (in thousands)	Exchange rate	Unrealized exchange gain (loss) (NTD)
<u>Financial assets</u>			
USD : TWD	\$ 42	31.750	\$ 2,907
CNY : TWD	--	4.473	33
HKD : TWD	--	4.044	6

Nine months ended September 30, 2021			
	Foreign currency (in thousands)	Exchange rate	Unrealized exchange gain (loss) (NTD)
<u>Financial assets</u>			
USD : TWD	\$ 2,988	27.850	(\$ 1,844)
CNY : TWD	202	4.305	(14)
HKD : TWD	53	3.576	(5)

The sensitivity analysis of the Group's foreign exchange risk mainly focuses on the major foreign monetary items at the closing date of the financial reporting period, and the impact of the appreciation/depreciation of the relevant foreign exchange on the Group's profit and loss and equity.

The sensitivity analysis is based on the Group's assets and liabilities in non-functional currencies with significant exchange rate exposure at the balance date, and the relevant information is as follows:

September 30, 2022							
	Foreign currency	Exchange rate	Carrying amount (NTD)	Variation	Effect on profit or loss	Effect on equity	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	42	31.750	\$ 1,344	5%	\$ 67	\$ --
<u>Non-monetary items</u>							
USD		51	31.750	1,610	5%	--	81

December 31, 2021							
	Foreign currency	Exchange rate	Carrying amount (NTD)	Variation	Effect on profit or loss	Effect on equity	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	2,984	27.680	\$ 82,597	5%	\$ 4,130	\$ --
CNY		202	4.344	877	5%	44	--
HKD		53	3.549	187	5%	9	--
<u>Non-monetary items</u>							
USD		78	27.680	2,152	5%	--	108

September 30, 2021							
	Foreign currency	Exchange rate	Carrying amount (NTD)	Variation	Effect on profit or loss	Effect on equity	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	2,988	27.850	\$ 83,204	5%	\$ 4,160	\$ --
CNY		202	4.305	868	5%	43	--
HKD		53	3.576	189	5%	9	--
<u>Non-monetary items</u>							
USD		66	27.850	1,845	5%	--	92

(b) Interest rate risk

The entities within the Group borrow funds at floating interest rates, leading to risks of changes in fair value and cash flow risks. The Group manages the interest rate risk by maintaining an appropriate mix of floating rates. The Group assesses its hedging activities on a regular basis to align them with views of interest rate and existing risk preferences to ensure that the most cost-effective hedging strategies are adopted.

The Group's risk exposure from financial liability rates is described under the liquidity risk management in this note.

Sensitivity analysis

The sensitivity analysis below is based on the risk exposure of interest rates of the non-derivative instruments at the closing date of reporting period. Regarding the liabilities at floating interest rates, the analysis assumes that they are outstanding throughout the reporting period if they are outstanding at the closing date of reporting period. The rate of change used in the Group's internal reports to key management is a positive and negative 1%, which also represents the management team's assessment of the reasonably possible range of interest rate change.

If the interest rate increased/decreased by 1% and all other variables remained the same, the Group's net profit would have increased/decreased by \$82,787 thousand, \$81,478 thousand, and \$79,902 thousand as of September 30, 2022, and December 31 and September 30, 2021, respectively, mainly due to the Group's borrowings at floating interest rates.

(c) Other price risk

The Group's exposure to equity price risk for the nine months ended September 30, 2022 and 2021, arose from investments in unlisted equity securities. Such investments in equity securities are financial assets at fair value through other comprehensive income. The Group's management manages risks by holding investment portfolios with different risks.

Sensitivity analysis

The sensitivity analysis below is based on the risk exposure of equity securities at the closing date of the reporting period.

If the price of the equity securities increased/decreased by 10%, the Group's other equity interests would have increased/decreased by \$247 thousand, \$319 thousand, and \$277 thousand as of September 30, 2022, and December 31 and September 30, 2021, respectively, due to changes in the fair value of financial assets at fair value through other comprehensive income.

(B) Credit risk

Credit risk refers to the risk of financial loss arising from the default by counterparties on contract obligations. The Group's credit risk is derived from its operating activities (mainly from notes and accounts receivables) and financial activities (mainly from bank deposits and various financial instruments).

Each unit of the Group follows credit risk policies, procedures, and controls to manage the credit risk. The credit risk assessment of all counterparties is based on factors such as the counterparties' financial position, ratings by credit rating agencies, historical trading experience from the past, current economic environment, and the Group's internal rating criteria. The Group also uses certain credit enhancement tools (such as advance receipts from sales of properties) at appropriate times to reduce the counterparties' credit risk.

The Group's receivables are mainly receipts from customers for sales of properties. Based on the past experiences in the collection of payments from customers, the Group's management assessed that it has no significant credit risk.

The Group's finance department manages the credit risk of bank deposits, fixed-income securities, and other financial instruments in accordance with the Group's policies. The Group's counterparties are determined by internal control procedures, such as banks with good credit, financial institutions with investment-grade ratings, corporate organizations, and government agencies, hence there is no significant credit risk.

(C) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to settle its financial liabilities in cash or with other financial assets and fails to fulfill its relevant obligations.

The Group supports its operations and mitigates the effects of cash flow fluctuations by managing and maintaining sufficient cash and cash equivalents. The Group's management oversees the usage status of banks' financing facilities and ensures the compliance with the terms of the loan contracts.

Bank borrowings are one of the important sources of liquidity for the Group. As of September 30, 2022, and December 31 and September 30, 2021, the total banks' financing facilities that have not yet been drawn by the Group were \$6,482,987 thousand, \$1,693,095 thousand, and \$1,551,750 thousand, respectively.

Table of liquidity and interest rate risk

The following table details the Group's analysis of remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods, prepared based on the earliest date on which the Group can be

required to repay and the undiscounted cash flows of financial liabilities.

	September 30, 2022				Total of undiscounted cash flows
	Less than 1 year	1–3 years	3–5 years	Over 5 years	
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 1,642,963	\$ 1,987,105	\$ --	\$ --	\$ 3,630,068
Short-term notes and bills payable	100,212	--	--	--	100,212
Notes payable	142,861	--	--	--	142,861
Accounts payable	106,163	--	--	--	106,163
Other payables	15,831	--	--	--	15,831
Lease liabilities	2,335	1,324	--	--	3,659
Long-term borrowings (including due within one operating cycle)	102,450	3,665,473	425,290	732,625	4,925,838
Guarantee deposits received	2,458	1,006	128	--	3,592
Total	\$ 2,115,273	\$ 5,654,908	\$ 425,418	\$ 732,625	\$ 8,928,224
	December 31, 2021				
	Less than 1 year	1–3 years	3–5 years	Over 5 years	Total of undiscounted cash flows
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 2,016,493	\$ 2,041,025	\$ --	\$ --	\$ 4,057,518
Short-term notes and bills payable	50,000	--	--	--	50,000
Notes payable	108,861	--	--	--	108,861
Accounts payable	87,383	--	--	--	87,383
Other payables	19,935	--	--	--	19,935
Lease liabilities	2,305	3,079	--	--	5,384
Long-term borrowings (including due within one operating cycle)	132,125	293,554	3,228,734	726,992	4,381,405
Guarantee deposits received	686	353	128	--	1,167
Total	\$ 2,417,788	\$ 2,338,011	\$ 3,228,862	\$ 726,992	\$ 8,711,653

September 30, 2021

	Less than 1 year	1–3 years	3–5 years	Over 5 years	Total of undiscounted cash flows
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 2,134,914	\$ 2,027,331	\$ --	\$ --	\$ 4,162,245
Notes payable	35,248	--	--	--	35,248
Accounts payable	35,674	--	--	--	35,674
Other payables	8,369	--	--	--	8,369
Lease liabilities	2,295	3,659	--	--	5,954
Long-term borrowings (including due within one operating cycle)	68,700	297,337	3,086,715	729,995	4,182,747
Guarantee deposits received	677	4,953	4,678	--	10,308
Total	<u>\$ 2,285,877</u>	<u>\$ 2,333,280</u>	<u>\$ 3,091,393</u>	<u>\$ 729,995</u>	<u>\$ 8,440,545</u>

The Group does not have any callable bank borrowings for which the banks can demand full repayment at any time.

The amount of the above-mentioned instruments at floating interest rates of non-derivative financial liabilities are subject to change as the floating interest rates differ from the estimated interest rates at the closing date of reporting period.

(3) Fair value information

A. Different levels of fair value of financial and non-financial instruments measured using valuation techniques are defined as follows:

Level 1: The input value of this level is the public quotation (unadjusted) of identical assets or liabilities in an active market. An active market is a market that meets all the criteria set below: the goods traded on the market are of the same nature; willing buyers and sellers can normally be found at any time and the price information is readily available to the public.

Level 2: Inputs of this level include observable prices other than the publicly quoted prices of Level 1, including observable inputs obtained from active markets either directly (i.e. price) or indirectly (i.e. derived from the price).

Level 3: Inputs of this level are the inputs of the assets or liabilities not based on the data of observable markets.

B. Financial instruments not at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, guarantee deposits paid, bank borrowings, notes payable, accounts payable, and other payables are reasonable approximations of their fair values.

- C. For financial and non-financial instruments at fair value, the Group classifies them based on the nature, characteristics, risks, and levels of the fair value of the assets and liabilities; the relevant information is as follows:

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	\$ --	\$ --	\$ 2,468	\$ 2,468

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	\$ --	\$ --	\$ 3,187	\$ 3,187

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	\$ --	\$ --	\$ 2,773	\$ 2,773

- D. The methods and assumptions the Group used to measure fair value are as follows:

- (A) The Group applied the closing prices of the market prices and net value as the inputs of the fair value of listed stocks and beneficiary certificates, respectively (i.e., Level 1).
- (B) In addition to the above-mentioned financial instruments with active markets, the fair values of the rest of the financial instruments are obtained by means of valuation techniques or by referring to counterparties' quotes. Reference may be made to the current fair value of other financial instruments with similar terms and characteristics in substance, the discounted cash flow method, or other valuation techniques, including calculations based on the market information application model available on the consolidated balance sheet date, for the fair value obtained through the valuation techniques.
- (C) The output of the valuation model is an estimated value, and the valuation technique may not reflect all relevant factors of the financial and non-financial instruments held by the Group. Therefore, the estimated value through the valuation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's management policy of the fair value valuation model and relevant control procedures, the management believes that the valuation adjustments are

appropriate and necessary for the fair presentation of the fair value of financial and non-financial instruments in the consolidated balance sheets. The pricing information and parameters used in the valuation process are carefully evaluated and appropriately adjusted based on the current market conditions.

E. There were no transfers between Level 1 and Level 2 fair values during the nine months ended September 30, 2022 and 2021.

F. Movements in Level 3 fair value

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
January 1	\$ 3,187	\$ 2,898
Increase in the current period	--	1,781
Share capital returned from capital reduction in the current period	--	(860)
Gain (losses) recognized in other comprehensive income	(719)	(1,046)
September 30	<u>\$ 2,468</u>	<u>\$ 2,773</u>

G. The Group's finance department is in charge of the valuation procedures for categorizing fair value at Level 3 to verify the fair value of financial instruments. It applies information from independent sources to make the results close to the current market status, confirms that the sources of information are independent, reliable, and consistent with other resources and represent the exercisable price, and frequently calibrates the valuation model, performs back-testing, updates inputs used in the valuation model, and makes any other necessary adjustments to the fair value to ensure that the valuation results are reasonable.

H. Quantitative information on significant unobservable inputs for the Level 3 fair value measurement.

	<u>Fair value as of September 30, 2022</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Relationship between input and fair value</u>
Non-derivative equity instruments:				
Venture capital stock	\$ 2,468	Net asset value method	Lack of market liquidity and minority share discount	The higher the discount for lack of market liquidity, the lower the fair value
	<u>Fair value as of December 31, 2021</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Relationship between input and fair value</u>
Non-derivative equity instruments:				
Venture capital stock	\$ 3,187	Net asset value method	Lack of market liquidity and minority share discount	The higher the discount for lack of market liquidity, the lower the fair value
	<u>Fair value as of September 30, 2021</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Relationship between input and fair value</u>
Non-derivative equity instruments:				
Venture capital stock	\$ 2,773	Net asset value method	Lack of market liquidity and minority share discount	The higher the discount for lack of market liquidity, the lower the fair value

I. Sensitivity analysis of movements in significant unobservable inputs

		September 30, 2022					
				Recognized in profit or loss		Recognized in other comprehensive income	
		Input	Changes	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets							
Equity instruments	Market liquidity and minority share discount		10%	\$ --	\$ --	\$ 411	\$ 411

		December 31, 2021					
				Recognized in profit or loss		Recognized in other comprehensive income	
		Input	Changes	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets							
Equity instruments	Market liquidity and minority share discount		10%	\$ --	\$ --	\$ 531	\$ 531

		September 30, 2021					
				Recognized in profit or loss		Recognized in other comprehensive income	
		Input	Changes	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets							
Equity instruments	Market liquidity and minority share discount		10%	\$ --	\$ --	\$ 462	\$ 462

13. Additional Disclosures

(1) Information about material transactions:

No.	Item	Remarks
1	Loans to others	None
2	Provision of endorsements and guarantees to others.	Table 1
3	Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures).	Table 2
4	Cumulative purchases or sales of the same securities amounting to \$300 million or 20% of the paid-in capital or more.	None
5	Acquisition of real estate amounting to \$300 million or 20% of the paid-in capital or more.	Table 3
6	Disposal of real estate amounting to \$300 million or 20% of the paid-in capital or more.	None
7	Purchases from or sales to related parties amounting to \$100 million or 20% of the paid-in capital or more.	Table 4
8	Receivables from related parties amounting to \$100 million or 20% of the paid-in capital or more.	None
9	Derivatives trading.	None
10	Business relationships and significant transactions and amounts between the parent and subsidiaries and between subsidiaries.	Table 5

(2) Information on investees: Table 6.

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

(4) Major shareholder information: Table 7.

Table 1

Provision of endorsements and guarantees to others by the Company as of September 30, 2022:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/Guarantor	Endorsee		Endorsement limit for a single entity (Note 3)	Highest balance during the year (Note 4)	Outstanding balance at September 30, 2022 (Note 5)	Actual amount drawn down (Note 6)	Balance secured by collateral	Ratio of accumulated amount to net worth of the Company	Maximum amount of endorsement (Note 3)	Provision of endorsements by parent company to subsidiary (Note 7)	Provision of endorsements by subsidiary to parent company (Note 7)	Provision of endorsement to the party in Mainland China (Note 7)
		Company Name	Relationship (Note 2)										
0	The Company	Huajian	2	\$ 1,981,857	\$ 100,000	\$ 100,000	\$ --	\$ --	1.01%	\$ 4,954,644	Y	N	N

Note 1: The intercompany transactions between the companies are identified and numbered as follow for indication:

- (1) Parent company: 0
- (2) Invested company start was numbered starting from 1 and forward.

Note 2: There are seven types of relationship between the endorser and the endorsee, and are indicated as follows:

- (1) Having business dealings.
- (2) Majority owned subsidiaries.
- (3) The Company direct or indirect owns over 50% of voting rights of the investee company.
- (4) A subsidiary jointly owned over 90% by the Company.
- (5) Guarantee by the Company according to the construction contract.
- (6) The guarantees were provided based on the Company's proportionate share in the investee company.
- (7) Joint and several guarantee by the Company according to the pre-construction contract under Customer Protection Act.

Note 3: Provision of the total amount on endorsements and guarantees provided by the Company shall keep the amount no more than 50% of net assets recorded in the latest financial statements of the Company. Provision of endorsement and guarantee provided for a single entity shall keep the amount no more than 20% of net assets recorded in the latest financial statements of the Company. Provision of endorsement and guarantee provided for a single entity which is having business dealings shall keep the amount no more than 20% of net assets recorded in the latest financial statements of the Company.

Note 4: The highest balance during the year for the provision of endorsement and guarantee to others.

Note 5: The amount approved by the board of directors, however, if the board of directors authorizes the chairman of the board of directors to make a decision in accordance with Article 12, paragraph 8, of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, it refers to the amount decided by the chairman of the board.

Note 6: The actual amount drawn down within the range of the endorsement and guarantee to others by the Company.

Note 7: "Y" for the endorsement and guarantee of the listed parent company to its subsidiaries, the endorsement and guarantee of the subsidiaries to the listed parent company, and the endorsement and guarantee of the mainland China.

Table 2

Securities held by the Company as of September 30, 2022 (excluding investment in subsidiaries, associates, and joint ventures):

(In Thousands of New Taiwan Dollars)

Holding company	Type of marketable securities	Name of marketable securities	Relationship between the securities issuer and the Company	General ledger account	End of period				Remarks	
					Number of shares/unit (in thousand shares)	Carrying amount	Shareholding ratio (%)	Fair value	Number of shares provided as collateral (in thousand shares)	Amount pledged
The Company	Stock	Vincera Growth Capital II Limited	None	Financial assets at fair value through other comprehensive income – non-current	60	\$ 1,610	5	\$ 1,610	--	\$ --
The Company	Stock	Hwa Chi Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income – non-current	8	858	2	858	--	--

Table 3

Acquisition of real estate by the Company amounting to \$300 million or 20% of the paid-in capital or more as of September 30, 2022:

(In Thousands of New Taiwan Dollars)

Acquiring company	Name of property	Date of event	Amount of transaction	Payment status	Transaction counterparty	Relationship	Information of the previous transfer if the counterparty is a related party				Reference and basis for price determination	Purpose of acquisition and situation of usage	Other agreed matters
							Owner	Relationship with the issuer	Date of transfer	Amount			
The Company	Land lot 258, Xinbi Section, Luzhu District, Taoyuan City	January 24, 2022 (Signing date)	\$ 353,362	Pay as per the contract	Zhong-Jin Construction Co., Ltd.	Non-related party	--	--	--	--	Appraisal report	Construction of residential buildings	None

Table 4

Purchases from or sales to related parties by the Company amounting to \$100 million or 20% of the paid-in capital or more as of September 30, 2022:

(In Thousands of New Taiwan Dollars)

Seller/Buyer	Name of transaction counterparty	Relationship	Transaction				Circumstances and reasons for the differences of the trading terms from the general ones		Notes and accounts receivable (payable)		Remarks
			Purchases (sales)	Amount	As a percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	As a percentage of total notes and accounts receivable (payable)	
The Company	Huajian	The Company's subsidiary	Purchase	\$ 734,235	34.81%	Installment payment as per the contract	\$ --	--	(\$ 139,973)	82.33%	Note 1
Huajian	The Company	The Company's parent company	Sales	(767,524)	100%	Payment collected as per the schedule in contracts	--	--	208,529	100%	Note 2

Note 1: The amounts of purchases are calculated based on the estimate for each period.

Note 2: It is the construction revenue recognized in sales using the percentage of completion method.

Table 5

Business relationships and significant transactions and amounts between the Company's parent and subsidiaries and between subsidiaries as of September 30, 2022:
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of trader	Counterparty	Relationship with trader (Note 2)	Transaction			
				Subject	Amount	Transaction terms	As a percentage of total consolidated revenue or total assets (Note 3)
1	Huajian	The Company	2	Contract assets	\$ 125,542	Note 4	0.64%
1	Huajian	The Company	2	Notes receivable	208,529	Note 4	1.06%
1	Huajian	The Company	2	Operating revenue	767,524	Note 4	117.15%

Note 1: The information on business transactions between the parent and subsidiaries shall be indicated in the number column. The number shall be filled in as follows:

- (1) Enter 0 for parent company
- (2) Subsidiaries are numbered by company starting with the Arabic numeral 1 in order

Note 2: There are three types of relationship between traders. Simply indicate the type (if the transaction between the parent and a subsidiary is the same as that between subsidiaries, it is not necessary to disclose it again. For example, if the parent has disclosed the transaction between it and a subsidiary, the subsidiary does not need to disclose it again. For transactions between two subsidiaries, if it has been disclosed by one subsidiary, the other subsidiary does not need to disclose it again):

- (1) Between the parent and a subsidiary
- (2) Between a subsidiary and the parent
- (3) Between two subsidiaries

Note 3: The transaction amount as a percentage of the total consolidated revenue or total assets shall be calculated as the ratio of the ending balance to the total consolidated assets if it is an asset or liability item, or as the ratio of the interim cumulative amount to the total consolidated revenue if it is a profit or loss item.

Note 4: The price of the construction works entrusted by the Company to the related parties is agreed upon by both parties, and the amount is paid in installments as per the contract.

Table 6. Information on investees

Information on investees over which the Company has control or significant influence:

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main business activities	Initial investment amount		Held at end of period			Net profit (loss) of the investee for the period	Investment income (loss) recognized for the period	Remarks
				End of current period	End of last year	Number of shares (in thousand shares)	Percentage (%)	Carrying amount			
The Company	Huachien	16F, No. 460, Sec. 5, Chenggong Rd., Neihu Dist., Taipei City	Residential and building development, sale, and rental business	\$ 704,993	\$ 704,993	18,208	58.36	\$ 334,538	(\$ 8,542)	(\$ 4,985)	--
The Company	Huajian	16F, No. 460, Sec. 5, Chenggong Rd., Neihu Dist., Taipei City	General construction industry, development, sales, and rental industry of residential property and buildings, and building materials wholesale industry	339,000	339,000	35,000	100.00	325,181	16,796	(8,723)	--

Table 7. Major shareholder information

Shareholdings of major shareholders of the Company as of September 30, 2022:

Unit: Thousand shares

Name of major shareholder	Number of shares held	Shareholding ratio (%)
Chia Chun Investment Co., Ltd.	264,733	31.51
Da Shuo Investment Co., Ltd.	50,632	6.02

Remarks: (1) The major shareholders in this table are shareholders holding more than 5% of the ordinary shares and preference shares with dematerialized registration and delivery completed (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. As for the share capital recorded in the Company's financial report, it may vary from the Company's actual number of shares with dematerialized registration and delivery completed due to different calculation bases or discrepancies incurred.

- (2) In the above table, if the shareholder entrusts their shares to a trust, disclosure is made by the individual account of the trustee who opened the trust account of the grantor. As for the shareholders' declarations for insider equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their shareholdings include their own shares plus their trust and shares delivered with the right to make decisions on trust property. For the information on the declaration for insider equity, please refer to the MOPS.

14. Segment Information

(1) General information

The Group operates in a single industry, and the Board of Directors identified that the Company and subsidiaries are individual segments to be reported based on overall assessment of the performance and the allocation of resources with the Group as a whole.

The Group's enterprise composition, basis of department segmentation, and measurement basis of segment information for the period have not significantly changed.

(2) Segment Information

The segment information provided to the chief operating decision maker for the segments reported is as follows:

The Group's segments reported are the strategic business units providing different types of products and services. The accounting policies of the operating segments are the same as in the summary of the significant accounting policies described in Note 4.

The amounts of the revenue, profit and loss, assets, and liabilities of the Group's segments reported are adjusted to the corresponding amounts of the Group and summarized as follows:

	Nine months ended September 30, 2022				
	<u>The Company</u>	<u>Huachien</u>	<u>Huajian</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue					
Net revenue from external customers	\$ 648,854	\$ 6,315	\$ --	\$ --	\$ 655,169
Net inter-segment revenue	<u>235</u>	<u>--</u>	<u>767,524</u>	<u>(767,759)</u>	<u>--</u>
Total revenue	<u>\$ 649,089</u>	<u>\$ 6,315</u>	<u>\$ 767,524</u>	<u>(\$ 767,759)</u>	<u>\$ 655,169</u>
Segment income (loss)	<u>\$ 86,290</u>	<u>(\$ 8,542)</u>	<u>\$ 21,054</u>	<u>(\$ 11,811)</u>	<u>\$ 86,991</u>
Segment assets	<u>\$ 18,639,215</u>	<u>\$ 1,318,415</u>	<u>\$ 669,423</u>	<u>(\$ 886,432)</u>	<u>\$ 19,740,621</u>
Segment liabilities	<u>\$ 8,729,929</u>	<u>\$ 745,183</u>	<u>\$ 318,203</u>	<u>(\$ 204,915)</u>	<u>\$ 9,588,400</u>

Reconciliation and elimination are to eliminate the inter-segment revenue, profit or loss, assets, and liabilities.

Nine months ended September 30, 2021

	<u>The Company</u>	<u>Huachien</u>	<u>Huajian</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue					
Net revenue from external customers	\$ 505	\$ 5,917	\$ --	\$ --	\$ 6,422
Net inter-segment revenue	<u>188</u>	<u>--</u>	<u>151,549</u>	<u>(151,737)</u>	<u>--</u>
Total revenue	<u>\$ 693</u>	<u>\$ 5,917</u>	<u>\$ 151,549</u>	<u>(\$ 151,737)</u>	<u>\$ 6,422</u>
Segment income (loss)	<u>(\$ 90,643)</u>	<u>(\$ 9,094)</u>	<u>\$ 4,545</u>	<u>\$ 1,708</u>	<u>(\$ 93,484)</u>
Segment assets	<u>\$ 16,232,743</u>	<u>\$ 1,316,901</u>	<u>\$ 175,440</u>	<u>(\$ 494,048)</u>	<u>\$ 17,231,036</u>
Segment liabilities	<u>\$ 7,816,296</u>	<u>\$ 729,978</u>	<u>\$ 71,565</u>	<u>(\$ 51,885)</u>	<u>\$ 8,565,954</u>

Reconciliation and elimination are to eliminate the inter-segment revenue, profit or loss, assets, and liabilities.