

Stock code:2536

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company Only Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

Address: 21F., No.71, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City, Taiwan
Telephone: (02)27552662

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to Parent Company Only Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	10~22
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	22~23
(6) Explanation of significant accounts	23~41
(7) Related-party transactions	41~42
(8) Pledged assets	42
(9) Commitments and contingencies	43
(10) Losses Due to Major Disasters	43
(11) Subsequent Events	43
(12) Other	44
(13) Other disclosures	
(a) Information on significant transactions	45~46
(b) Information on investees	46
(c) Information on investment in mainland China	46
(d) Major shareholders	46
(14) Segment information	46
(15) List of major account titles	47~55



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel	+ 886 2 8101 6666
傳真 Fax	+ 886 2 8101 6667
網址 Web	home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of Hong Pu Real Estate Development Co., Ltd.:

Opinion

We have audited the financial statements of Hong Pu Real Estate Development Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2021 and 2020, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Refer to note 4 (m) for the relevant accounting policy regarding recognition of revenue, and refer to note 6 (n) for relevant disclosures.

Description of key audit matter:

The main operation income of the Company is derived from the sales of premises. Sales customers are numerous and scattered, and the income-related control mostly relies on manual execution. Therefore, the recognition of revenue has been identified as one of the key audit matters in conducting the examination of the financial statement.

How the matter was addressed in our audit:

Our principal audit procedures included:

- Compare the policy concerning the revenue recognition with the accounting standards, in order to assess the appropriateness of the policy adopted by the Company.
- Inspect the main compositions of the revenue through review the sales contract to verify the authenticity of transaction and confirm whether the timing of recognition matches with accounting policies and standards.

2. Inventory valuation

Refer to note 4 (g) for accounting policy regarding the inventories valuation; refer to note 5 for accounting estimation and assumption of the inventories valuation; please refer to note 6 (d) for relevant inventory disclosures.

Description of key audit matter:

In the financial statements, inventory is measured at the lower of the cost and net realizable value. Due to legal regulations and the economic cycle, which affect the transaction volume and sales in the real estate market, the gross profit of related products may be affected, resulting in the risk that the inventory cost may be higher than the net realizable value.

How the matter was addressed in our audit:

Our principal audit procedures included:

- Evaluating whether the inventory estimate was in accordance with business cycle and other economic decree.
- Evaluating whether the market price data provided have been updated on regular or irregular basis to reflect the real economic situation.
- Obtaining understanding of current market trends and business strategies from management, and soliciting sufficient audit evidence to ascertain the accurateness of inventory valuation.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chuang Chun Wei and Hsu Ming Fang.

KPMG

Taipei, Taiwan (Republic of China)

March 16, 2022

Notes to Readers

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

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Balance Sheets

December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollar)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
Assets		Amount	%	Amount	%	Liabilities and Stockholders' Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 560,618	2	867,114	4	2100	Short-term loans (note 6(h) 7 and 8)	\$ 10,748,491	32	6,090,000	26
1110	Financial assets at fair value through profit and loss (note 6(b))	-	-	-	-	2110	Short-term notes and bills payable (note 6(h) 7 and 8)	6,268,282	18	4,541,688	19
1150	Notes receivable, net (note 6(c)(n))	64,532	-	12,456	-	2130	Current contract liabilities (note 6(n) and 9)	1,675,503	5	532,085	2
1170	Accounts receivable, net (note 6(c)(n))	28,185	-	44,863	-	2150	Notes payable	93,160	-	24,128	-
1210	Other receivable—related parties (notes 7)	1,724	-	2,067	-	2170	Accounts payable	58,517	-	128,961	1
1320	Inventories (notes 6(d) 8 and 9)	27,382,403	81	18,136,781	77	2200	Other payable	204,981	1	56,139	-
1410	Prepayments(note 9)	746,686	2	520,403	2	2230	Current tax liabilities	7,458	-	7,220	-
1476	Other financial assets—current (note 6(n))	1,149,714	3	381,442	2	2399	Other current liabilities	41,137	-	18,963	-
1479	Other current assets (note 9)	131,835	-	124,795	-		Total current liabilities	19,097,529	56	11,399,184	48
1480	Incremental costs of obtaining a contract	545,986	2	149,490	1		Non-current liabilities:				
	Total current assets	30,611,683	90	20,239,411	86	2540	Long-term borrowings (note 6(h) 7 and 8)	3,060,000	9	-	-
	Non-current assets:					2600	Other non-current liabilities	9,742	-	9,588	-
1550	Investments accounted for using equity method (note 6(e))	27,833	-	29,204	-		Total non-current liabilities	3,069,742	9	9,588	-
1600	Property, plant and equipment (note 6(f) and 8)	80,310	-	83,138	-		Total liabilities	22,167,271	65	11,408,772	48
1760	Investment property, net (notes 6(g) and 8)	2,917,369	9	3,014,410	13		Equity (note 6(l)):				
1920	Refundable deposits (note 9)	136,647	1	186,495	1	3110	Common stock	3,328,087	10	3,328,087	14
1990	Other assets	109,409	-	4,809	-	3200	Capital surplus	2,042,348	6	2,042,348	9
	Total non-current assets	3,271,568	10	3,318,056	14		Retained earnings:				
						3310	Appropriated as legal capital reserve	1,979,059	6	1,917,660	8
						3320	Special reserve	-	-	-	-
						3350	Unappropriated earnings	4,366,486	13	4,860,600	21
								6,345,545	19	6,778,260	29
							Total equity	11,715,980	35	12,148,695	52
	Total assets	\$ 33,883,251	100	23,557,467	100		Total liabilities and equity	\$ 33,883,251	100	23,557,467	100

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollar except earnings per Share)

		2021		2020	
		Amount	%	Amount	%
Operating revenue:					
4300	Rental revenue (note 6(i) (n) and 7)	\$ 170,428	53	163,045	4
4511	Construction contract revenue (note 6(n))	152,229	47	3,814,519	96
Net operating revenue		<u>322,657</u>	<u>100</u>	<u>3,977,564</u>	<u>100</u>
Operating cost:					
5300	Rental Cost	87,753	27	71,885	2
5510	Construction contract cost (note 6(d))	112,089	35	2,927,261	73
Net operating cost		<u>199,842</u>	<u>62</u>	<u>2,999,146</u>	<u>75</u>
Gross profit		<u>122,815</u>	<u>38</u>	<u>978,418</u>	<u>25</u>
Operating expenses(note 6(j) (o)and7):					
6100	Selling expenses	27,234	8	114,130	3
6200	Administrative expenses	28,041	9	47,540	1
Total operating expenses		<u>55,275</u>	<u>17</u>	<u>161,670</u>	<u>4</u>
Operating income		<u>67,540</u>	<u>21</u>	<u>816,748</u>	<u>21</u>
Non-operating income and expenses (note6 (p) and7):					
7100	Interest income	1,411	-	7,191	-
7010	Other income	21,555	7	68,561	2
7020	Other gains and losses	44,690	14	(34,631)	(1)
7050	Finance costs	(152,077)	(47)	(107,783)	(3)
7060	Share of profit of investment in associates and subsidiaries accounted for using equity method	(1,371)	-	(1,375)	-
Total non-operating income and expenses		<u>(85,792)</u>	<u>(26)</u>	<u>(68,037)</u>	<u>(2)</u>
7900	Profit (loss) before tax	<u>(18,252)</u>	<u>(5)</u>	<u>748,711</u>	<u>19</u>
7951	Less: income tax expenses (note 6(k))	<u>15,092</u>	<u>5</u>	<u>134,722</u>	<u>4</u>
8200	Profit (loss)	<u>(33,344)</u>	<u>(10)</u>	<u>613,989</u>	<u>15</u>
Other comprehensive income:					
8360	Items that may be reclassified subsequently to profit or loss:				
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
8300	Other comprehensive income (after tax)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ (33,344)</u>	<u>(10)</u>	<u>613,989</u>	<u>15</u>
Earnings per share (note 6(m)):					
9750	Basic earnings per share (NT dollars)	<u>\$ (0.10)</u>		<u>1.84</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ -</u>		<u>1.84</u>	

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollar)

			Retained earnings				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Total equity
Balance at January 1, 2020	\$ 3,328,087	2,042,348	1,856,887	9,529	4,697,225	6,563,641	11,934,076
Net income	-	-	-	-	613,989	613,989	613,989
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	613,989	613,989	613,989
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	60,773	-	(60,773)	-	-
Special reserve	-	-	-	(9,529)	9,529	-	-
Cash dividends	-	-	-	-	(399,370)	(399,370)	(399,370)
Balance at December 31, 2020	<u>3,328,087</u>	<u>2,042,348</u>	<u>1,917,660</u>	<u>-</u>	<u>4,860,600</u>	<u>6,778,260</u>	<u>12,148,695</u>
Net loss	-	-	-	-	(33,344)	(33,344)	(33,344)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(33,344)	(33,344)	(33,344)
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	61,399	-	(61,399)	-	-
Cash dividends	-	-	-	-	(399,371)	(399,371)	(399,371)
Balance at December 31, 2021	<u>\$ 3,328,087</u>	<u>2,042,348</u>	<u>1,979,059</u>	<u>-</u>	<u>4,366,486</u>	<u>6,345,545</u>	<u>11,715,980</u>

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollar)

	2021	2020
Cash flows from (used in) operating activities:		
Profit (loss) before income tax	\$ (18,252)	748,711
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation expense	29,948	25,872
Amortization expense	335	150
Net profit on financial assets at fair value through profit or loss	(21)	(507)
Interest expenses	152,077	107,783
Interest income	(1,411)	(7,191)
Recognized shares of profit of investment in associates accounted for using equity method	1,371	1,375
Gain on disposal of property, plant and equipment	243	(125)
Gain on disposal of investments	(66,441)	(2,002)
Total adjustments to reconcile profit and loss	116,101	125,355
Net changes in operating assets and liabilities:		
Financial asset at fair value through profit or loss	21	4,775
Notes receivable	(52,076)	39,263
Accounts receivable	16,678	22,761
Other receivable—related parties	343	(675)
Inventories	(9,208,052)	(3,483,811)
Prepayments	(226,283)	(356,210)
Other current assets	(7,040)	1,275
Incremental costs of obtaining a contract	(396,496)	(31,130)
Other financial assets	(768,272)	(200,979)
Notes payable	69,032	(5,796)
Accounts payable	(70,444)	(51,486)
Other payable	142,641	(154,084)
Current contract liabilities	1,143,418	66,979
Other current liabilities	22,174	(20,822)
Total changes in operating assets / liabilities, net	(9,334,356)	(4,169,940)
Total adjustments	(9,218,255)	(4,044,585)
Cash used in from operations	(9,236,507)	(3,295,874)
Interest received	1,411	7,191
Interest paid	(183,446)	(122,932)
Income tax paid	(14,854)	(130,246)
Net cash flows used in operating activities	(9,433,396)	(3,541,861)
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(2,157)	(2,828)
Proceeds from disposal of property, plant and equipment	2,248	285
Increase in refundable deposits	(289,708)	(96,335)
Decrease in refundable deposits	339,556	23,425
Proceeds from disposal of investment property	136,028	4,738
(Increase) Decrease in other non-current assets	(104,935)	13,152
Net cash flows from (used in) investing activities	81,032	(57,563)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	19,297,991	10,993,000
Decrease in short-term borrowings	(14,639,500)	(10,000,000)
Increase in short-term notes and bills payable	18,770,987	11,767,177
Decrease in short-term notes and bills payable	(17,044,393)	(9,030,906)
Proceeds from long-term debt	3,060,000	-
Increase (Decrease) in other non-current liabilities	154	(1,227)
Cash dividends paid	(399,371)	(399,370)
Net cash flows from financing activities	9,045,868	3,328,674
Net decrease in cash and cash equivalents	(306,496)	(270,750)
Cash and cash equivalents, at beginning of period	867,114	1,137,864
Cash and cash equivalents, at end of period	<u>\$ 560,618</u>	<u>867,114</u>

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

For the years ended December 31 2021 and 2020

(expressed in thousands of New Taiwan dollar unless otherwise specified)

1. Company history

Company was incorporated in October 5, 1988, and changed into Hong Pu Real Estate Development Co., Ltd. (“the Company”) in 1990. The Company was approved to be a public company by the Securities and Futures Commission (“SFC”) of the Republic of China (“ROC”) on March 23, 1991, and was listed on the Taiwan Stock Exchange on December 21, 1995. Registered address is 21F., No.71, Sec. 2, Dunhua S. Rd., Da’an Dist., Taipei City, Taiwan. The Company primarily engages in the business of construction, sales, and leasing of residential and commercial buildings.

Based on the resolution of the Board of Directors on July 15, 2004, the Company, which is the surviving company, completed its merger with Hung Yuan. The merger was a simple merger. After the merger, the name of the Company remained as Hong Pu Real Estate Development Co., Ltd.

2. Approval date and procedures of the financial statements

The financial statements were approved and authorized for issue by the Board of Directors on March 16, 2022.

3. New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the new amendments, which do not have a significant impact on its financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Company has initially adopted the following amendments to IFRS from April 1, 2001, which did not have material impact on its financial statements.

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments are intended to enhance consistency in the adoption of the standards to assist entities in determining whether the liability at the settlement date or other liabilities shall be classified as current (or likely to mature within 1 year) or non-current in the balance sheet. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrow the scope of recognition exemption such that the initial recognition exemption does not apply to transactions in which equal and deductible temporary differences arise on initial recognition.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the above-mentioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company expects no material impact of new and amended standards not yet endorsed by the FSC on the parent-company-only financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

4. Summary of significant accounting policies

The accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards,

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(d) Classification of current and non-current assets and liabilities

As the Company's operating cycle is longer than a year, assets and liabilities related to the operation are classified as current or non-current by their operating cycle. An asset not related to the operation is classified as current under one of the following criteria, and all other assets are classified as non-current:

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability not related to the operation as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting date; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash and cash equivalents.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Company statement of cash flows.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 2 years past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

The Company capitalizes the acquisition costs and interest expenses paid for land as prepayments for the land before the ownership of the land is transferred, and records them as “Prepayment for land purchases”. After the ownership of the land is transferred, it is recorded as “Land held for development”, and as “Construction-in-progress— land” when the construction has begun. Construction costs and expenses which can be allocated by construction site are recorded as “Construction-in-progress— project”. After the completion of the construction, the costs are transferred to “Properties and land held for sale”. The inventories, which include “Land held for development”, “Construction-in-progress— land”, “Construction-in-progress— project”, and “Properties and land held for sale” are measured at the lower of cost and net realizable value. An allowance for loss on decline in market value will be recorded if the net realizable value is lower than the cost at the reporting date.

Interest expense from borrowing used in construction-in-progress (projects and land) is capitalized before the construction is completed, and is stated as inventory costs.

(h) Investment in subsidiaries

The Company uses the equity method to evaluate an investee that it controls in preparing the financial statements. Under the equity method, the net income, other comprehensive income, and shareholders’ equity in the financial reports of the Company and the net income, other comprehensive income, and shareholders’ equity that belongs to the Company in the consolidated financial reports should be the same.

Changes in the Company’s ownership interest in a subsidiary that do not result in a loss of control over a subsidiary are accounted for as equity transactions with owners.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost. Depreciation expense is calculated based on the depreciation method, useful life and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- | | |
|--------------------|------------|
| 1) Buildings | 3~55 years |
| 2) Other equipment | 4~8 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(k) Leases

(i) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘rental revenue’.

(l) Impairment – non-financial assets

Non-financial assets other than inventories are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(m) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

1) Land development and sales of real estate

The Company develops and sells residential properties, and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Company due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer to be significant financial components. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(o) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current-tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

(p) Earnings per share (EPS)

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(q) Operating segments

The Company discloses the operating segments information in the consolidated financial statements.

Therefore, the Company does not disclose such information in the parent company only financial statement.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the parent company only financial statements, in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

1. Valuation of Inventory

Inventories are stated at lower of cost and net realizable value, and the assessment of net realizable value is determined based on the current sales market. Any change in the real sales market may have significant effect on the result of estimation. Please refer to note 6(d) for the estimation of inventory valuation.

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data.

6. Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 175	181
Demand deposits	560,443	866,933
Cash and cash equivalents in the statement of cash flows	\$ 560,618	867,114

Please refer to note 6(q) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks listed on domestic markets	\$ -	-

As of December 31, 2021 and 2020, the financial assets were not pledged.

(c) Note and trade receivables

	December 31, 2021	December 31, 2020
Notes receivable	\$ 64,532	12,456
Account receivables—measured as amortized cost	28,185	44,863
Total	\$ 92,717	57,319

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions in Taiwan were determined as follows:

December 31, 2021			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ <u>92,717</u>	-	<u>-</u>
December 31, 2020			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ <u>57,319</u>	-	<u>-</u>

The notes and trade receivable of the Company were not pledged as collaterals.

For further credit risk information, please refer to note 6(q).

(d) Inventories

	December 31, 2021	December 31, 2020
Properties and land held for sale	\$ 204,928	318,078
Construction-in-progress — land	8,902,356	4,030,920
Construction-in-progress — projects	2,552,382	1,640,473
Land held for development	15,710,047	11,240,278
Prepayments for land purchase	15,190	910,742
Less: allowance for loss on decline in market value and obsolescence	(2,500)	(3,710)
	<u>\$ 27,382,403</u>	<u>18,136,781</u>

- (i) For the years ended December 31, 2021 and 2020, the amount of capitalized interests of land held for development and construction in progress of the Company were \$37,570 thousand and \$14,645 thousand, respectively.
- (ii) For the years ended December 31, 2021 and 2020, the reversal of write-downs amounted to \$1,210 thousand and \$86,670 thousand, respectively. The write-downs and reversals are included in cost of sales.
- (iii) Please refer to note 8 for the Company's inventories pledged as collateral as of December 31, 2021 and 2020.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(e) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using equity method at the reporting date is as follows:

	December 31, 2021	December 31, 2020
Subsidiary	\$ 27,833	29,204

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended 2021.

(ii) Collateral

As of December 31, 2021 and 2020, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

(f) Property, plant and equipment

(i) Changes in the cost, depreciation of property, plant, and equipment for 2021 and 2020 were as follows:

	Land	Buildings and construction	Other Facilities	Total
Cost :				
Balance at January 1, 2021	\$ 54,131	65,703	15,991	135,825
Addition	-	-	2,157	2,157
Disposal	-	-	(2,700)	(2,700)
Balance at December 31, 2021	\$ 54,131	65,703	15,448	135,282
Balance at January 1, 2020	\$ 54,131	65,703	16,717	136,551
Addition	-	-	2,828	2,828
Scrapped	-	-	(2,505)	(2,505)
Disposal	-	-	(1,049)	(1,049)
Balance at December 31, 2020	\$ 54,131	65,703	15,991	135,825
Depreciation :				
Balance at January 1, 2021	\$ 7,869	34,056	10,762	52,687
Depreciation for the year	-	1,267	1,227	2,494
Disposal	-	-	(209)	(209)
Balance at December 31, 2021	\$ 7,869	35,323	11,780	54,972
Balance at January 1, 2020	\$ 7,869	32,810	12,698	53,377
Depreciation for the year	-	1,246	1,458	2,704
Scrapped	-	-	(2,505)	(2,505)
Disposal	-	-	(889)	(889)
Balance at December 31, 2020	\$ 7,869	34,056	10,762	52,687

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Other Facilities</u>	<u>Total</u>
Carrying value:				
Balance at December 31, 2021	\$ <u>46,262</u>	<u>30,380</u>	<u>3,668</u>	<u>80,310</u>
Balance at December 31, 2020	\$ <u>46,262</u>	<u>31,647</u>	<u>5,229</u>	<u>83,138</u>
Balance at January 1, 2020	\$ <u>46,262</u>	<u>32,893</u>	<u>4,019</u>	<u>83,174</u>

(ii) Collateral

As of December 31, 2021 and 2020, the property, plant and equipment of the Company had been pledged as collateral, please refer to note 8.

(g) Investment Properties

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost :			
Balance at January 1, 2021	\$ 1,609,903	1,427,658	3,037,561
Disposal	<u>(37,322)</u>	<u>(33,020)</u>	<u>(70,342)</u>
Balance at December 31, 2021	\$ <u>1,572,581</u>	<u>1,394,638</u>	<u>2,967,219</u>
Balance at at January 1, 2020	\$ -	-	-
Reclassification from inventories	1,611,364	1,428,950	3,040,314
Disposal	<u>(1,461)</u>	<u>(1,292)</u>	<u>(2,753)</u>
Balance at December 31, 2020	\$ <u>1,609,903</u>	<u>1,427,658</u>	<u>3,037,561</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2021	\$ -	23,151	23,151
Depreciation for the year	-	27,454	27,454
Disposal	<u>-</u>	<u>(755)</u>	<u>(755)</u>
Balance at December 31, 2021	\$ <u>-</u>	<u>49,850</u>	<u>49,850</u>
Balance at at January 1, 2020	\$ -	-	-
Depreciation for the year	-	23,168	23,168
Disposal	<u>-</u>	<u>(17)</u>	<u>(17)</u>
Balance at December 31, 2020	\$ <u>-</u>	<u>23,151</u>	<u>23,151</u>
Carrying amount :			
Balance at December 31, 2021	\$ <u>1,572,581</u>	<u>1,344,788</u>	<u>2,917,369</u>
Balance at December 31, 2020	\$ <u>1,609,903</u>	<u>1,404,507</u>	<u>3,014,410</u>
Balance at January 1, 2020	\$ <u>-</u>	<u>-</u>	<u>-</u>
Fair value :			
Balance at December 31, 2021			\$ <u>7,474,334</u>
Balance at December 31, 2020			\$ <u>7,758,917</u>
Balance at January 1, 2020			\$ <u>-</u>

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

The fair value of the investment property was determined by referring to the average market price of similar real estate after deducting related expenses. The inputs used in the fair value valuation technique were market values classified as Level 3.

Please refer to note 8 for the Company's investment property pledged as collateral as of December 31, 2021 and 2020.

(h) Short-term borrowings/short-term notes and bills payable/long-term borrowings

Short-term borrowings/short-term notes and bills payable/long-term borrowings were summarized as follows :

December 31, 2021				
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	TWD	1.36%~1.80%	2022~2024	\$ 10,359,449
Secured bank loans	TWD	1.47%	2028	3,060,000
Unsecured bank loans	TWD	1.30%	2022	389,042
Commercial paper payables	TWD	0.32%~1.29%	2022	6,268,282
Total				\$ 20,076,773
Current				\$ 17,016,773
Non-current				3,060,000
Total				\$ 20,076,773

December 31, 2020				
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	TWD	1.35%~1.69%	2021	\$ 5,590,000
Unsecured bank loans	TWD	1.35%~1.36%	2021	500,000
Commercial paper payables	TWD	0.35%~1.29%	2021	4,541,688
Total				\$ 10,631,688
Current				\$ 10,631,688
Non-current				-
Total				\$ 10,631,688

Please refer to note 8 for the Company's assets pledged to secure bank loans; please refer to note 7 for joint guarantees provided by related parties.

(i) Operating lease

The Company leases out its office and carpark space. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follow:

	December 31, 2021	December 31, 2020
Less than one year	\$ 162,118	174,429
One to two year	153,625	193,429
Two to three year	171,577	182,208
Three to four year	151,726	173,283
Four to five year	150,011	155,021
More than five year	<u>1,844,038</u>	<u>1,995,097</u>
Total undiscounted lease payments	<u><u>\$ 2,633,095</u></u>	<u><u>2,873,467</u></u>

(j) Employee benefits

(i) Defined benefit plans

The pension cost incurred from the defined contribution plans amounted to \$32 thousand for both year ended December 31, 2021 and 2020

(ii) Defined contribution plans

The Company allocates 6% of the contribution rate of the employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligation.

The pension cost incurred from the contributions to the Bureau of the Labor Insurance amounted to \$1,246 thousand and \$1,077 thousand for the years ended December 31, 2021 and 2020, respectively.

(k) Income tax

(i) Income tax expense

The components of income tax in the years of 2021 and 2020 were as follows:

	2021	2020
Current tax expense	\$ 15,092	134,722
Deferred tax expense	<u>-</u>	<u>-</u>
Income tax expenses from continuing operations	<u><u>\$ 15,092</u></u>	<u><u>134,722</u></u>

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

Reconciliation of income tax expense and profit before tax for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Income (loss) before tax	<u><u>\$ (18,252)</u></u>	<u><u>748,711</u></u>
Income tax using the Company's domestic tax rate	\$ (3,650)	149,742
Tax-exempt income	(11,781)	(183,038)
Land value increment Tax	7,431	129,173
Additional tax on undistributed earnings	7,661	5,549
Others	<u>15,431</u>	<u>33,296</u>
Total	<u><u>\$ 15,092</u></u>	<u><u>134,722</u></u>

(ii) Deferred tax assets

1) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets were as follows:

	December 31, 2021	December 31, 2020
Tax effect of deductible Temporary Differences	\$ 80,628	73,792
The carryforward of unused tax losses	<u>183,248</u>	<u>172,933</u>
	<u><u>\$ 263,876</u></u>	<u><u>246,725</u></u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of items because it is not probable that future taxable profit will be available against which the Company's can utilize the benefits there from.

As of December 31, 2021, the information of the Company's unused to losses for which no deferred tax assets were recognized was as follows:

Year of loss	Unused amount	Expiration year
2015	\$ 34,844	2025
2017	14,183	2027
2018	386,349	2028
2019	102,694	2029
2020	326,710	2030
2021	51,458	2031

(3) The ROC income tax authorities have examined the Company's income tax returns for all years through 2019.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(l) Capital and Other Equities

As of December 31, 2021 and 2020, the total value of authorized ordinary shares were \$4,300,000 thousand with par value of \$10 per share. As of the date, 332,809 thousand of ordinary shares amounted 332,809 thousand were issued.

(i) Capital surplus

Balances of capital surplus at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Share capital	\$ 1,769,869	1,769,869
Treasury share transactions	26,353	26,353
Difference arising from subsidiary's share price and its carrying value	765	765
Capital surplus — premium from merger	217,538	217,538
Conversion right of convertible bonds	16,588	16,588
Interest payable refund from bond conversion	11,235	11,235
Total	<u>\$ 2,042,348</u>	<u>2,042,348</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Unappropriated earnings

The Company's Articles of Incorporation stipulate that if the Company has profit for the year, it shall first appropriate no less than one percent thereof as compensation to employees and no more than three percent to directors; if employee compensation is capitalized, the portion thereof can be paid in the form of shares. Subsequently, the Company shall pay all taxes and dues, after which 10 percent of the remainder shall be set aside as legal reserve, unless the total legal reserve has already reached the amount of the Company's paid-in capital. After that, the Company shall appropriate the remaining portion as a special reserve pursuant to relevant laws. Any remaining profit, together with any undistributed retained earnings, shall be distributed as dividends according to the distribution plan proposed by the Board of Directors and approved at a stockholders' meeting.

If there is profit for the year, it shall be used to offset accumulated losses, if any, before appropriating employee compensation, after which the remaining portion shall be appropriated according to the above-mentioned proportion. If employee compensation is to be paid in the form of shares or cash, the recipients shall include the employees of the Company's affiliated companies that meet certain conditions.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

Considering future capital demand and sound financial plan for sustainable development of the Company, the meeting of shareholders may resolve accordingly that part or all of the earnings will not be distributed, and that when there is distribution of earnings, cash dividends shall account for at least 20% of total cash and stock dividends. The remains will be paid in the form of shares to transfer retained earnings and capital surplus to capital.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

The Financial Supervisory Commission stipulates that if there are items accounted for as deductions from other shareholders' equity for the year, a special reserve of equal amount shall be set aside from unappropriated current-year and previous-year earnings. Similarly, a special reserve, equal to the total amount of items that were accounted for as deductions from other shareholders' equity, shall be set aside from the previous year's unappropriated earnings. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings Distribution

Earnings distribution for 2020 and 2019 was decided by the resolution adopted, at the general meeting of shareholders held on August 20, 2021 and June 9, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share	Total amount	Amount per share	Total Amount
Cash Dividend	\$ 1.20	<u><u>399,371</u></u>	1.20	<u><u>399,370</u></u>

Information on the earnings appropriation proposed by the Company's Board of Directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(m) Earnings per share

(i) Basic Earnings per share

The details on the calculation of basic earnings per share at December 31, 2021 and 2020 was based on the profit attributable to ordinary shareholders of the Company amounting to \$(33,334) thousand and \$613,989 thousand and the weighted average number of ordinary shares outstanding were both 332,809 thousand as follows:

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

	<u>2021</u>	<u>2020</u>
Profit (loss) attributable to ordinary shareholders of \$ the Company	<u>(33,334)</u>	<u>613,989</u>
Weighted-average number of ordinary shares outstanding (basic) (in thousands)	<u>332,809</u>	<u>332,809</u>
Basic (losses) earnings per share (NT dollars)	<u>(0.10)</u>	<u>1.84</u>

(ii) Diluted earnings per share

The details on the calculation of diluted earnings per share at December 31, 2020 that was based on profit attributable to ordinary shareholders of the Company amounting to \$613,989 thousand and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 333,492 thousand, as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	<u>2020</u>
Profit (loss) attributable to ordinary shareholders of the Company (basic)	\$ 613,989
Profit (loss) attributable to ordinary shareholders of the Company (diluted)	<u>\$ 613,989</u>

2) Weighted-average number of ordinary shares (diluted)

	<u>2020</u>
Weighted-average number of ordinary shares (basic) (in thousands)	332,809
Effect of employee stock bonus	683
Weighted-average number of ordinary shares (diluted) (in thousands)	<u>333,492</u>
Diluted earning per share (NT dollars)	<u>\$ 1.84</u>

(n) Revenue from contracts with customers

(i) Details of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets		
Taiwan	<u>\$ 322,657</u>	<u>3,977,564</u>
Major products/services lines		
Sale of land and buildings	\$ 152,229	3,814,519
Lease of real estate	<u>170,428</u>	<u>163,045</u>
	<u>\$ 322,657</u>	<u>3,977,564</u>

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2019
Accounts receivable	\$ 64,532	12,456	51,719
Notes receivable	28,185	44,863	67,624
Total	<u>\$ 92,717</u>	<u>57,319</u>	<u>119,343</u>
Contract liabilities — sale of real estate	<u>\$ 1,675,503</u>	<u>532,085</u>	<u>465,106</u>

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2021 and 2020.

- (iii) For the unearned revenue received from pre-sale of construction properties the Company registered the trust of the construction in progress to which the contract liabilities belongs. This trust amount is recorded as “other financial assets-current”.

	December 31, 2021	December 31, 2020
Other financial assets-current	<u>\$ 1,149,714</u>	<u>381,442</u>

As of December 31, 2021, the Company consigned the trustees to manage the capital received from its pre-sale of properties in accordance with the Trust agreements, wherein the trust will be terminated when the project is completed, when the permit to use the building is issued, and when the ownership of the building is first registered.

- (iv) Unearned revenue received were from sale and pre-sale of properties and land held-for-sale.
- (v) As of December 31, 2021, the transaction payment trust for presale projects—Hong Pu Summer Palace, Hong Pu Central Park, Hong Pu Garden Park, Great Mansion, and Fashion Mansion was detailed as follows:
- 1) The reports are in accordance with the sold contracts.
 - 2) Accrued trust amount on the base date is equal to the amount deposited into the trust account.
 - 3) The Company deposits the payment received from buyers into the specific trust account at the same period.
 - 4) There should be no delay in paying the deposit.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(o) Remuneration to employees and directors

In accordance with the Articles of Incorporation, the Company should contribute no less than 1% of the profit as employee compensation and less than 3% as directors' remuneration when there is profit for the year. If there is profit for the year, it shall be used to offset accumulated losses, if any, before appropriating employee compensation, after which the remaining portion shall be appropriated according to the above-mentioned proportion. If employee compensation is to be paid in the form of shares or cash, the recipients shall include the employees of the Company's affiliated companies that meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$0 and \$12,000 thousands, and directors' remuneration amounting to \$0 and \$2,200, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees, directors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses during 2021 and 2020. Related information would be available at the Market Observation Post System website. The above-mentioned amounts, as stated in the financial statements for the years ended December 31, 2021 and 2020, are identical to those of the actual distributions.

(p) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	2021	2020
Interest income from bank deposits	\$ 1,280	6,947
Other interest income	131	244
Total	<u><u>\$ 1,411</u></u>	<u><u>7,191</u></u>

(ii) Other income

The details of other income were as follows:

	2021	2020
Breach income	\$ 2,314	52,971
Others	19,241	15,590
Total	<u><u>\$ 21,555</u></u>	<u><u>68,561</u></u>

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	2021	2020
Gains on financial assets at fair value through profit	\$ 21	507
Gains or lose on disposals of property, plant and equipment	(243)	125
Gains on disposals of investment property	66,441	2,002
Foreign exchange losses	(15,581)	(32,584)
Others	(5,948)	(4,681)
Total	\$ 44,690	(34,631)

(iv) Finance costs

The details of finance costs were as follows:

	2021	2020
Interest expenses	\$ 189,647	122,428
Less: Capitalized Interest	(37,570)	(14,645)
Total	\$ 152,077	107,783
Capitalized Interest Rate	1.01%~1.33%	1.04%~1.92%

(q) Financial Instrument

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) The concentration of credit risk

The Company's revenue is attributable to the sales transactions with a wide range of customer. So, there is no concentration of credit risk.

(ii) Liquidity risk

The followings table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6-12months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
As of December 31, 2021							
Non-derivative financial liabilities							
Secured bank loans	\$ 13,419,449	13,875,453	6,498,381	601,613	97,748	3,558,727	3,118,984
Unsecured Secured bank loans	389,042	392,534	2,508	390,026	-	-	-
Short-term notes and bills payables	6,268,282	6,273,400	6,273,400	-	-	-	-
Notes and accounts payables	151,677	151,677	151,677	-	-	-	-
	<u>\$ 20,228,450</u>	<u>20,693,064</u>	<u>12,925,966</u>	<u>991,639</u>	<u>97,748</u>	<u>3,558,727</u>	<u>3,118,984</u>
As of December 31, 2020							
Non-derivative financial liabilities							
Secured bank loans	\$ 5,590,000	5,630,715	3,642,427	2,006,288	-	-	-
Unsecured bank loan	500,000	501,481	501,481	-	-	-	-
Short-term notes and bills payables	4,541,688	4,546,000	4,546,000	-	-	-	-
Notes and accounts payables	153,089	153,089	153,089	-	-	-	-
	<u>\$ 10,784,777</u>	<u>10,831,285</u>	<u>8,842,997</u>	<u>2,006,288</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company does not expecting the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

	December 31, 2021			December 31, 2020			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial assets							
<u>Monetary item</u>							
USD	\$	13,929	27.68	385,567	21,767	28.48	619,918

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents and investment accounted using equity method that are denominated in foreign currency. As of December 31, 2021 and 2020, a strengthening (weakening) of 10% of the NTD against the USD, would have increased (decreased) the net profit after tax by \$38,557 and \$61,992 thousand respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

(iv) Interest risk

Please refer to the attached note for the liquidity risk management and the Company's interest rate exposure to its financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases / decreases by 50 basis points, the Company's net profit after tax would have increased (decreased) by \$76,795 thousand and \$43,858 thousand for the years ended December 31, 2021 and 2020 with all other variable factors that remain constant. This is mainly due to the Company's borrowings in floating variable rate.

(v) Other market price risk

If the price of the equity securities changes, and if it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

Equity price at reporting date	2021		2020	
	After-tax other Comprehensive income	After-tax profit (loss)	After-tax other Comprehensive income	After-tax profit (loss)
Increase 3%	\$ -	-	-	-
Decrease 3%	\$ -	-	-	-

(vi) Fair value

1) Categories of financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	December 31, 2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss \$	-	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	560,618	-	-	-	-
Notes receivable and account receivable	92,717	-	-	-	-
Other financial assets - current	1,149,714	-	-	-	-
Subtotal	1,803,049	-	-	-	-
Total	\$ 1,803,049				

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

December 31, 2021					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Bank Loans	\$ 13,808,491	-	-	-	-
Short-term notes and bills payable	6,268,282	-	-	-	-
Notes payable and account payable	151,677	-	-	-	-
Other payable	204,981	-	-	-	-
Subtotal	20,433,431	-	-	-	-
Total	\$ 20,433,431	-	-	-	-

December 31, 2020					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ -	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	867,114	-	-	-	-
Notes receivable and account receivable	57,319	-	-	-	-
Other financial assets - current	381,442	-	-	-	-
Subtotal	1,305,875	-	-	-	-
Total	\$ 1,305,875	-	-	-	-
Financial liabilities at amortized cost					
Bank Loans	\$ 6,090,000	-	-	-	-
Short-term notes and bills payable	4,541,688	-	-	-	-
Notes payable and account payable	153,089	-	-	-	-
Other payable	56,139	-	-	-	-
Subtotal	\$ 10,840,916	-	-	-	-
Total	\$ 10,840,916	-	-	-	-

2) Fair value valuation techniques of financial instruments not measured at fair value

Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument in an active market.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, the fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

(r) Management of financial risk

Overview

(i) By using financial instruments, the Company is exposed to risks as below:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of above risks, the objectives, policies and processes for measuring and managing risk. Please see other related notes for quantitative information.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors the risks which should be in compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by the Internal Audit. The internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment securities.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

1) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transactions are with the counterparties, and the contractually obligated counterparties are the banks, financial institutions, corporate organizations and government agencies with good credits, there are no compliance issues, and therefore, there is no significant credit risk.

2) Guarantees

As of December 31, 2021 and 2020, there is no guarantee outstanding.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures that they are in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Company. The Company has unused short-term bank facilities of \$2,862,651 thousand and \$3,900,800 thousand as at 31 December 31, 2021 and 2020.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is not exposed to currency risk on sales, purchases and borrowings that are denominated in a New Taiwan Dollars (TWD).

2) Interest rate risk

The Company's borrowings bear floating interest rate. The Company reduces the interest risks by negotiating the loan interest rates frequently with banks.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

(s) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's capital management strategies were the same for 2021 and 2020, and debt-to-equity ratios on December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 22,167,271	11,408,772
Less: cash and cash equivalents	(560,618)	(867,114)
Net debt	\$ 21,606,653	10,541,658
Total equity	\$ 11,715,980	12,148,695
Debt to equity ratio	184.42%	86.77%

7. Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

Name related party	Relationship with the Company
J.H. Tuan	The chairman of the Company
IG Construction Co., Ltd.	Other related parties
Hsin Pei Real Estate Development Co., Ltd.	Other related parties
Chuan Yue Real Estate Development Co., Ltd.	Subsidiary
Hong Pu Welfare and Charity Foundation	Other related parties

(b) Related party transactions

(i) Endorsements and guarantees

The chairman of the company was the guarantor for the Company's loans from financial institutions.

(ii) Leases

One of other related parties rented an office building from the Company, for which a five-year lease contract was signed at the price of \$331 thousand with reference to nearby office rental rates. For 2021 and 2020, the Company's rent income amounted to \$34 thousand and \$61 thousand, respectively. As of December 31, 2021 and 2020, the payments have been received.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

(iii) Others

The Company has signed a contract for a joint-construction project—"012310247" with Hsin Pei Real Estate Development Co., Ltd. during June 2017. According to the agreement, The Company accounts for 33.9% of the project. For the years ended December 31, 2021 and 2020, management fee income amounted to \$10,811 thousand and \$8,777 thousand, respectively. As of December 31, 2021 and 2020, the resulting accounts receivable amounted to \$1,464 thousand and \$1,721 thousand respectively, both of which were included in the line item of "other receivables due from related parties."

The Company offers management services to its subsidiaries. For the year ended December 31, 2021 and 2020, the Company recognized management income amounted \$260 and \$346 thousands respectively. As of December 31, 2021 and 2020 the accounts receivables of \$260 and \$346 thousands, respectively, recorded as "accounts-receivables—related parties ."has not been received.

The Company donated to the Hong Pu Social Welfare Foundation the amount of \$1,000 thousand in 2020.

(c) Key management personnel compensation

	2021	2020
Short-term employee benefits	\$ 5,907	11,620
Retirement benefits	316	309
Other long-term benefits	-	-
Resignation benefits	-	-
Share-based payment	-	-
Total	<u>\$ 6,223</u>	<u>11,929</u>

8. Pledged assets

As of December 31, 2021 and 2020, the carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2021	December 31, 2020
Inventories -Construction-in-progress -land	Short-term bills payable, short-term loans	\$ 8,863,450	3,992,014
Inventories -Land held for development	Short-term bills payable, short-term loans	13,051,001	9,210,369
Property, Plant and Equipment	Short-term bills payable	76,642	77,909
Investment properties	Short-term bills payable, Long-term borrowings	2,917,369	3,014,410
		<u>\$ 24,908,462</u>	<u>16,294,702</u>

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

9. Commitments and contingencies

- (a) As of December 31, 2021, the Company had issued promissory notes of \$20,976,900 thousand to financial institutions for their provision of repayment guarantees.
- (b) As of December 31, 2021, the total contract amount of the Company's construction projects was \$4,486,592 thousand, of which \$485,496 thousand had been paid and recorded as "inventory."
- (c) As of December 31, 2021, the total contract amount of the Company's advanced-sell projects was \$12,377,601 thousand of which \$1,675,503 thousand had been received and recorded as "current contract liabilities."
- (d) As of December 31, 2021, the total contract amount of the Company's prepayments for land purchase were \$15,190 thousand, of which \$15,190 thousand had been paid and recorded as "inventories".
- (e) As of December 31, 2021, the total contract amount of the Company's prepayments for building bulk were \$671,5071 thousand, of which \$588,680 thousand had been paid and recorded as "prepayment".
- (f) The Company has signed project "061120014" joint construction agreement with six non-related parties, Mrs. Yang and five others, on June 2010; and Mr. Pan and three others on September 2011. As of December 31, 2021, in accordance with the joint construction agreement, the Company has paid a promissory amount of \$11,390 thousand to the land owners and recorded it as "refundable deposits".
- (g) The Company has signed project "012310247" joint construction agreement with nine non-related parties, Mrs. Lin and eight others, on May 2014 and on July 2015. As of December 31, 2021, in accordance with the joint construction agreement, the Company has paid a promissory amount of \$121,234 thousand to the land owners and recorded it as "other current assets"
- (h) The Company has signed project "032310150" joint construction agreement with eleven non-related parties, Mr. Chen and ten others, in October, November and December 2019. As of December 31, 2021, the Company has paid a promissory of \$49,052 thousand to the land owners and recorded it as "refundable deposit". in accordance with the joint construction agreement.
- (i) The Company requested IBFC to be the guarantor for its issuance of commercial papers. The Tunhwa South office was pledged as collateral. According to the contract, IBFC was appointed as the beneficiary of the fire insurance on this office.

10. Losses Due to Major Disasters : None.

11. Subsequent Events

On January 26, 2021, the Company's Board of Directors resolved to subscribe for new shares issued by Mitsubashi Development Co., Ltd., and the investment totaled \$600,000 thousand divided into 60,000 thousand shares, representing a 50% shareholding ratio. In February of the same year, the Company obtained more than half of the board seats of Mitsubashi Development, gaining control over it.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
Notes to Parent Company Only Financial Statements

12. Other

- (a) Total personnel, depreciation and amortization expenses categorized by function for the years ended December 31, 2021 and 2020, were as follows:

	2021			2020		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	8,238	17,867	26,105	8,711	25,775	34,486
Labor and health insurance	755	1,945	2,700	586	1,870	2,456
Pension	459	819	1,278	368	741	1,109
Remuneration of directors	-	588	588	-	2,839	2,839
Others	240	579	819	205	539	744
Depreciation	27,454	2,494	29,948	23,168	2,704	25,872
Amortization	-	335	335	-	150	150

The information on the Company's employee and employee for the years ended December 31, 2021 and 2020 were as follow:

	2021	2020
Number of employees	<u>32</u>	<u>29</u>
Number of directors (not employees)	<u>3</u>	<u>3</u>
Average employee benefit expense	<u>\$ 1,066</u>	<u>1,492</u>
Average salary expense	<u>\$ 900</u>	<u>1,326</u>
Perecentage of average employee salary expense	<u>(32.13)%</u>	<u>(8.24)%</u>
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

The company's salary and remuneration policy (including directors, managers and employees) are as follows:

When the company incurs no loss, it should first allocate employee remuneration not less than 1%, and directors' remuneration must not be higher than 3%. The company must consider the rights and interests of shareholders and employees, and set remuneration for directors and managers. The Remuneration Committee formulates and regularly reviews the policies, systems, standards and structure of directors and managers' performance evaluation and remuneration; for employees, it attracts and retains outstanding talents by providing the company's colleagues with a market-competitive overall remuneration.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

13. Other disclosures

(a) Information on significant transactions

The followings is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

- (1) Fund financing to other parties : None.
- (2) Guarantees and endorsements for other parties : None.
- (3) Securities held as December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures) :

(Unit Share)

Name of holder	Category and name of security	Relationship with company	Account title	Ending Balance				Note
				Shares/Units	carrying value	Percentage of ownership	Fair value	
The Company	CPT	-	Mandatorily measured at fair value through profit-current	23,599	-	-	-	
The Company	NEOMAGIC(NMGC)	-	Mandatorily measured at fair value through profit-current	10,659	-	-	-	

- (4) Cumulative buying or selling of one specific security exceeding the lower of TWD300 million or 20% capital stock : None.

- (5) Acquisition of real estate with an amount exceeding the lower of TWD300 million or 20% of the capital stock :

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Construction-in-progress-land	2021.07.14	318,617	318,617	5 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none
The Company	Construction-in-progress-land	2021.09.14	2,160,000	2,160,000	Taoyuan City Government	Not related parties	-	-	-	-	The highest bidding price	Construction	none
The Company	Construction-in-progress-land	2021.09.14	959,017	959,017	Taoyuan City Government	Not related parties	-	-	-	-	The highest bidding price	Construction	none
The Company	Construction-in-progress-land	2021.09.14	2,631,169	2,631,169	Taoyuan City Government	Not related parties	-	-	-	-	The highest bidding price	Construction	none
The Company	Construction-in-progress-land	2021.09.23	433,993	433,993	8 People	Not related parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	none
The Company	Construction-in-progress-land	2021.10.21 2021.12.03	489,469	489,469	15 People	Not related parties	-	-	-	-	Reference is made to the published market prices of the land for major construction projects of the Taoyuan City Government	To donate transfer of development rights	none

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

- (6) Disposal of real estate with an amount exceeding the lower of TWD300 million or 20% of the capital stock :

Name of company	Name of property	Transaction	Acquisition date	Book value	Transaction amount	Amount received	Gain or loss on disposal	Counter party	Relationship with the Company	Purpose of disposal	References for determining price	Other
The Company	Land held for construction s	December 30, 2021	July 30, 2007	164,742	461,380	92,276	NA	OO Co., Ltd	An unrelated party	Operating income	Reference is made to the land transaction prices in the vicinity	None

- (7) Related party transactions for purchase and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock: None.
- (8) Receivable from related parties exceeding the lower of TWD100 million or 20% of the capital stock: None.
- (9) Trading in Derivative instruments: None.

- (b) Information on investees:

The following is the information on investees for the year 2020 (excluding information on investees in Mainland China):

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of the investee	Share of profit / losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value			
The Company	Chuan Yue Real Estate Development Co., Ltd.	Taipei	Real estate development service	32,742	32,742	3,060,000	51.00 %	27,833	(2,688)	(1,371)	Note

- (c) Information on investment in Mainland China: None.

- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Hua-Zhan Investment Co., Ltd.		59,159,745	17.77 %
Fu-Ta Investment Co., Ltd.		57,938,040	17.40 %

14. Segment information : None.

Hong Pu Real Estate Development Co., Ltd.

Statement of cash and cash equivalents

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash and petty cash		\$ <u>175</u>
Demand deposit		168,697
Checking deposit		6,183
Foreign currency deposit	US\$11,550,000 with exchange rate 27.68	319,704
Foreign currency deposit	USD2,379,133 with exchange rate 27.68 and HK \$1,312 with exchange rate 3.549	<u>65,859</u>
Subtotal		<u>560,443</u>
Total		<u><u>\$ 560,618</u></u>

Other financial assets current

<u>Item</u>	<u>Amount</u>
Trust	
Cathy United Bank #05985	\$ 100
Cathy United Bank #21890	52,978
Cathy United Bank #5022829	579,459
Cathy United Bank #5063789	180,372
Cathy United Bank #5034126	116,911
Cathy United Bank #22799	<u>219,894</u>
Total	<u><u>\$ 1,149,714</u></u>

Hong Pu Real Estate Development Co., Ltd.

Statement of changes in financial assets at fair value through profit or loss

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Name of the company</u>	<u>Shares</u>	<u>Cost</u>	<u>Fair value</u>	
			<u>Unit price</u>	<u>Total amount</u>
Domestic listed company :				
CPT	23,599	\$ -	-	-
NEOMAGIC(NMGC)	10,659	-	-	-
Total		<u>\$ -</u>		<u>-</u>

Statement of inventories

Refer to note 6(d).

Hong Pu Real Estate Development Co., Ltd.

Statement of change in construction-in-progress-Land and projects

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning balance	Addition		Conversion of construction-in- progress-land	Reduce		Ending balance	Details of collateral
		Cost	Capital interest		Other			
011040249	\$ 4,098,686	5,533	-	-	-		4,104,219	Note8
012310247	136,153	97,542	155	-	-		233,850	None
011046961	983,055	193,408	7,236	-	-		1,183,699	Note8
033340412	83,626	16,103	1,915	864,568	-		966,212	Note8
042310028	162,216	47,540	17,107	3,074,670	-		3,301,533	Note8
023340378	36,592	15,153	1,855	932,198	-		985,798	Note8
Other	171,065	508,362	-	-	-		679,427	Note8
Total	<u><u>\$ 5,671,393</u></u>	<u><u>883,641</u></u>	<u><u>28,268</u></u>	<u><u>4,871,436</u></u>	<u><u>-</u></u>		<u><u>11,454,738</u></u>	

Hong Pu Real Estate Development Co., Ltd.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Entity	Balance on January 1, 2020		Increase in current period		Decrease in current period		Share of profit/losses of investee	Balance on December 31, 2021			Price per share	Total amount	Basis	Details of collateral
	Share	Amount	Share	Amount	Share	Amount	Ammount	Share	Percentage on voting interest	Amount				
Chuan Yue Real Estate Development Co., Ltd..	3,060,000	\$ <u>29,204</u>	-	<u>-</u>	-	<u>-</u>	<u>(1,371)</u>	3,060,000	51.00 %	<u>27,833</u>	12.36	<u>27,833</u>	the equity method	None

Hong Pu Real Estate Development Co., Ltd.

Statement of investment property

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Refer to note 6(g).

Statement of short-term borrowings

Type of borrowings	Ending balance	Contract period	Range of interest rate	Borrowing quota	Mortgages
Secured loan	\$ 10,359,449	2021.05.03~2024.09.22	1.40%~1.80%	\$ 12,910,100	land in construction and land held for development
Unsecured loan	<u>389,042</u>	2021.09.10~2022.09.10	1.30%	389,042	None
Total	<u><u>\$ 10,748,491</u></u>				

Hong Pu Real Estate Development Co., Ltd.

Statement of short-term bills payable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Trustee	Name of bonds	Amount	Period	Range of interest rate	Quota	Details of collateral
Ta Ching bills Finance Co.	Commerical paper	\$ 830,000	2021.05.07~ 2022.05.06	1.19%~1.29%	\$ 830,000	Land in construction
Mega bills	Commerical parer	1,548,000	2021.11.25~ 2022.01.04	0.84%	1,860,000	Land held for development
China bills Finance Co.	Commerical paper	2,270,400	2021.10.28~ 2022.01.26	0.32%~0.34%	2,270,400	Land held for development, land in construction and investment property
Shanghai Commerical and Savings Bank	Commerical paper	525,000	2021.12.08~ 2022.01.14	0.35%~0.36%	525,000	Land held for development
KGI Bank	Commerical paper	1,100,000	2021.11.24~ 2022.02.22	0.402%	1,100,000	Land held for development
International bills Finance Co.	Commerical paper	-	-	-	-	Property, Plant and equipment
Less: Discount		(5,118)				
Total		<u><u>\$ 6,268,282</u></u>				

Statement of notes payable

Item	Amount
Kimzoa Constructioin	\$ 26,372
Hai Shin Co.Ltd	62,397
Other	<u>4,391</u>
Total	<u><u>\$ 93,160</u></u>

Hong Pu Real Estate Development Co., Ltd.

Statement of trade payables

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Kimoza Construction	\$ 11,940
Han Fu Electric Co. Ltd.	6,299
Bard Land & Lands Office	5,225
Joyear Group	8,916
Gaoyao Construction	3,760
Other	<u>22,377</u>
Total	<u><u>\$ 58,517</u></u>

Statement of long-term borrowings

Refer to note 6(h).

Hong Pu Real Estate Development Co., Ltd.
Statement of operating revenue
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Refer to note 6(n).

Statement of operating costs

<u>Item</u>	<u>Amount</u>
Beginning balance of construction-in-progress-project	\$ 5,671,393
Beginning balance of land held for development	11,240,278
Beginning balance of prepayment for land purchase	910,742
Add: cost	9,357,562
Less: Ending balance of construction -in-progress-project	(11,454,738)
Ending balance of land held for development	(15,710,047)
Ending balance of prepayment for land purchase	<u>(15,190)</u>
Cost of period of the year	-
Add: Beginning balance of properties and land held for sale	318,078
Other	149
Less: Ending balance of properties and land held for sale	<u>(204,928)</u>
Construction cost	113,299
Lease cost	87,753
Less: gains on reversal of inventory write-downs	<u>(1,210)</u>
Operating cost	<u><u>\$ 199,842</u></u>

Hong Pu Real Estate Development Co., Ltd.

Statement of operating expense

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expense	Administration expesne	Total
Salaries	\$ 4,698	13,893	18,591
Advertising	4,443	31	4,474
Tax	16,104	676	16,780
Entertainment	26	694	720
Insurance	10	2,297	2,307
Other	1,953	10,450	12,403
	\$ 27,234	28,041	55,275