

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, 2022 and 2021**

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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.

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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, 2022 and 2021, 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, 2022 and 2021, 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 and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of 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 (p) 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 or 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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 or supervisors) 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing of the the Republic of China, we exercise professional judgment and 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 08, 2023

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, 2022 and 2021

(expressed in thousands of New Taiwan dollar)

Assets		December 31, 2022		December 31, 2021				Liabilities and Stockholders' Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%					Amount	%	Amount	%
Current assets:								Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$	191,909	1	560,618	2	2100	Short-term loans (note 6(i), 7 and 8)	\$	13,067,980	34	10,748,491	32
1110	Financial assets at fair value through profit and loss (note 6(b))		-	-	-	-	2110	Short-term notes and bills payable (note 6(i), 7 and 8)		5,415,892	14	6,268,282	18
1150	Notes receivable, net (note 6(c)(p))		12,284	-	64,532	-	2130	Current contract liabilities (note 6(p) and 9)		3,962,158	10	1,675,503	5
1170	Accounts receivable, net (note 6(c)(p))		15,144	-	28,185	-	2150	Notes payable		50,851	-	93,160	-
1210	Other receivable—related parties (note 7)		1,795	-	1,724	-	2170	Accounts payable		166,812	1	58,517	-
1220	Current income tax assets		329	-	-	-	2200	Other payable		180,357	1	204,981	1
1320	Inventories (notes 6(d), 8 and 9)		30,314,562	80	27,382,403	81	2230	Current tax liabilities		-	-	7,458	-
1410	Prepayments(note 9)		360,502	1	746,686	2	2399	Other current liabilities		52,073	-	41,137	-
1476	Other financial assets— current (note 6(p))		2,417,026	6	1,149,714	3		Total current liabilities		22,896,123	60	19,097,529	56
1479	Other current assets (note 9)		99,006	-	131,835	-		Non-current liabilities:					
1480	Incremental costs of obtaining a contract		895,186	2	545,986	2	2530	Bonds payable (note 6(j))		500,000	1	-	-
	Total current assets		34,307,743	90	30,611,683	90	2540	Long-term borrowings (note 6(i), 7 and 8)		3,060,000	8	3,060,000	9
	Non-current assets:						2600	Other non-current liabilities		7,833	-	9,742	-
1550	Investments accounted for using equity method (note 6(c))		630,976	2	27,833	-		Total non-current liabilities		3,567,833	9	3,069,742	9
1600	Property, plant and equipment (note 6(g) and 8)		78,269	-	80,310	-		Total liabilities		26,463,956	69	22,167,271	65
1760	Investment property, net (note 6(h) and 8)		2,890,023	8	2,917,369	9		Equity:					
1920	Refundable deposits (note 9)		109,480	-	136,647	1	3110	Common stock (note 6(n))		3,328,087	9	3,328,087	10
1990	Other assets		109,447	-	109,409	-	3200	Capital surplus (note 6(n))		2,042,348	5	2,042,348	6
	Total non-current assets		3,818,195	10	3,271,568	10		Retained earnings (note 6(n)):					
							3310	Appropriated as legal capital reserve		1,979,059	5	1,979,059	6
							3350	Unappropriated earnings		4,312,488	12	4,366,486	13
										6,291,547	17	6,345,545	19
								Total equity		11,661,982	31	11,715,980	35
	Total assets	\$	38,125,938	100	33,883,251	100		Total liabilities and equity	\$	38,125,938	100	33,883,251	100

(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, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
Operating revenue:					
4300	Rental revenue (note 6(k)(p) and 7)	\$ 159,860	23	170,428	53
4511	Construction contract revenue (note 6(p))	<u>524,708</u>	<u>77</u>	<u>152,229</u>	<u>47</u>
Net operating revenue		<u>684,568</u>	<u>100</u>	<u>322,657</u>	<u>100</u>
Operating cost:					
5300	Rental Cost	84,465	12	87,753	27
5510	Construction contract cost (note 6(d))	<u>218,840</u>	<u>32</u>	<u>112,089</u>	<u>35</u>
Net operating cost		<u>303,305</u>	<u>44</u>	<u>199,842</u>	<u>62</u>
Gross profit		<u>381,263</u>	<u>56</u>	<u>122,815</u>	<u>38</u>
Operating expenses(note 6(l)(q) and 7):					
6100	Selling expenses	45,433	7	27,234	8
6200	Administrative expenses	<u>33,699</u>	<u>5</u>	<u>28,041</u>	<u>9</u>
Total operating expenses		<u>79,132</u>	<u>12</u>	<u>55,275</u>	<u>17</u>
Operating income		<u>302,131</u>	<u>44</u>	<u>67,540</u>	<u>21</u>
Non-operating income and expenses (note 6(j)(r) and 7):					
7100	Interest income	3,337	-	1,411	-
7010	Other income	27,647	4	21,555	7
7020	Other gains and losses	28,612	4	44,690	14
7050	Finance costs	(321,400)	(47)	(152,077)	(47)
7060	Share of profit of investment in associates and subsidiaries accounted for using equity method	<u>(8,857)</u>	<u>(1)</u>	<u>(1,371)</u>	<u>-</u>
Total non-operating income and expenses		<u>(270,661)</u>	<u>(40)</u>	<u>(85,792)</u>	<u>(26)</u>
7900	Profit (loss) before tax	31,470	4	(18,252)	(5)
7951	Less: income tax expenses (note 6(m))	<u>85,468</u>	<u>12</u>	<u>15,092</u>	<u>5</u>
8200	Loss	<u>(53,998)</u>	<u>(8)</u>	<u>(33,344)</u>	<u>(10)</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)	-	-	-	-
8500	Total comprehensive income	<u>\$ (53,998)</u>	<u>(8)</u>	<u>(33,344)</u>	<u>(10)</u>
Earnings per share (note 6(o)):					
9750	Basic earnings per share (NT dollars)	<u>\$ (0.16)</u>		<u>(0.10)</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ (0.16)</u>		<u>(0.10)</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, 2022 and 2021

(Expressed in thousands of New Taiwan dollar)

	Common stock	Capital surplus	Retained earnings		Total	Total equity
			Legal reserve	Unappropriated earnings		
Balance at January 1, 2021	\$ 3,328,087	2,042,348	1,917,660	4,860,600	6,778,260	12,148,695
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	3,328,087	2,042,348	1,979,059	4,366,486	6,345,545	11,715,980
Net loss	-	-	-	(53,998)	(53,998)	(53,998)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	(53,998)	(53,998)	(53,998)
Balance at December 31, 2022	<u>\$ 3,328,087</u>	<u>2,042,348</u>	<u>1,979,059</u>	<u>4,312,488</u>	<u>6,291,547</u>	<u>11,661,982</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, 2022 and 2021

(expressed in thousands of New Taiwan dollar)

	2022	2021
Cash flows from (used in) operating activities:		
Profit (loss) before income tax	\$ 31,470	(18,252)
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation expense	29,949	29,948
Amortization expense	183	335
Net profit on financial assets at fair value through profit or loss	-	(21)
Interest expenses	321,400	152,077
Interest income	(3,337)	(1,411)
Recognized shares of profit of investment in associates accounted for using equity method	8,857	1,371
Loss from disposal of property, plant and equipment	-	243
Gain on disposal of Investment property	-	(66,441)
Total adjustments to reconcile profit and loss	357,052	116,101
Net changes in operating assets and liabilities:		
Financial asset at fair value through profit or loss	-	21
Notes receivable	52,248	(52,076)
Accounts receivable	13,041	16,678
Other receivable—related parties	(71)	343
Inventories	(2,836,204)	(9,208,052)
Prepayments	386,184	(226,283)
Other current assets	4,018	(7,040)
Incremental costs of obtaining a contract	(349,200)	(396,496)
Other financial assets	(1,267,312)	(768,272)
Notes payable	(42,309)	69,032
Accounts payable	108,295	(70,444)
Other payable	(35,714)	142,641
Current contract liabilities	2,286,655	1,143,418
Other current liabilities	10,936	22,174
Total changes in operating assets / liabilities, net	(1,669,433)	(9,334,356)
Total adjustments	(1,312,381)	(9,218,255)
Cash used in from operations	(1,280,911)	(9,236,507)
Interest received	3,448	1,411
Interest paid	(406,265)	(183,446)
Income tax paid	(93,255)	(14,854)
Net cash flows used in operating activities	(1,776,983)	(9,433,396)
Cash flows from (used in) investing activities:		
Investments accounted for using equity method	(612,000)	-
Acquisition of property, plant and equipment	(562)	(2,157)
Proceeds from disposal of property, plant and equipment	-	2,248
Increase in refundable deposits	(2,362)	(289,708)
Decrease in refundable deposits	58,229	339,556
Proceeds from disposal of investment property	-	136,028
Increase in other non-current assets	(221)	(104,935)
Net cash flows from (used in) investing activities	(556,916)	81,032
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	21,962,011	19,297,991
Decrease in short-term borrowings	(19,642,522)	(14,639,500)
Increase in short-term notes and bills payable	40,334,041	18,770,987
Decrease in short-term notes and bills payable	(41,186,431)	(17,044,393)
Increase in bonds payable	500,000	-
Proceeds from long-term debt	-	3,060,000
Increase (Decrease) in other non-current liabilities	(1,909)	154
Cash dividends paid	-	(399,371)
Net cash flows from financing activities	1,965,190	9,045,868
Net decrease in cash and cash equivalents	(368,709)	(306,496)
Cash and cash equivalents, at beginning of period	560,618	867,114
Cash and cash equivalents, at end of period	<u>\$ 191,909</u>	<u>560,618</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 2022 and 2021

(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 08, 2023.

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, 2022:

- 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”

- (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, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(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”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

(Continued)

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

The Company does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its 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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

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 consolidated 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, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(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.

(Continued)

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

(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.

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 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.

(Continued)

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

An entity shall classify a liability 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 issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises 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.

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.

(Continued)

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

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.

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.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

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.

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.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

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.

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.

(Continued)

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

(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.

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.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

(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.

(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.

(Continued)

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

(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.

(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.

(Continued)

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

(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) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(q) 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.

(r) 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:

(Continued)

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

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 accounting policies and disclosures include measuring financial and non-financial assets and liabilities by fair value. Related internal control policies have been established, which include forming the valuation group to conduct independent verification on all significant fair value measurement (including level 3 inputs). The valuation group periodically reviews significant unobservable inputs and adjustments. If the input data for valuation models is provided by external third parties (such as agency and pricing service institution), the valuation group would evaluate the evidence supporting such input data in order to ensure that the fair value measurement and hierarchy meet the IFRSs.

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 information. (i.e. non-observable parameter.)

6. Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 177	175
Demand deposits	191,732	560,443
Cash and cash equivalents in the statement of cash flows	\$ 191,909	560,618

Please refer to note 6(s) 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, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks non-listed on domestic markets	\$ -	-

As of December 31, 2022 and 2021, the financial assets were not pledged.

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

(c) Note and trade receivables

	December 31, 2022	December 31, 2021
Notes receivable	\$ 12,284	64,532
Account receivables—measured as amortized cost	15,144	28,185
Total	<u><u>\$ 27,428</u></u>	<u><u>92,717</u></u>

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, 2022		
	Weighted- average loss rate	Loss allowance provision
Current	-	-
	<u><u>\$ 27,428</u></u>	<u><u>-</u></u>
December 31, 2021		
	Weighted- average loss rate	Loss allowance provision
Current	-	-
	<u><u>\$ 92,717</u></u>	<u><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(s).

(d) Inventories

	December 31, 2022	December 31, 2021
Properties and land held for sale	\$ 203,725	204,928
Construction-in-progress — land	10,000,089	8,902,356
Construction-in-progress — projects	6,296,756	2,552,382
Land held for development	13,800,902	15,710,047
Prepayments for land purchase	15,190	15,190
Less: allowance for loss on decline in market value and obsolescence	(2,100)	(2,500)
	<u><u>\$ 30,314,562</u></u>	<u><u>27,382,403</u></u>

- (i) The capitalized interests of land held for development and construction in progress were \$95,955 thousand and \$37,570 thousand in the year of 2022, and 2021 respectively.

(Continued)

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

- (ii) In 2022 and 2021 the reversal of allowance for loss of inventory amounted to \$400 thousand and \$1,210 thousand, respectively, due to the increase in market demand.
- (iii) Please refer to note 8 for the Company's inventories pledged as collateral as of December 31, 2022 and 2021.

(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, 2022	December 31, 2021
Subsidiary	\$ 630,976	27,833

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended 2022.

(ii) Collateral

As of December 31, 2022 and 2021, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

(f) Business combination

On February, 2022, the Company participated cash capital increasement of Mitsubashi development Co,Ltd., and invested \$600,000 thousand, 60,000 thousand shares, acquiring 50% of the shares and voting interests in the company.Mitsubashi development Co,Ltd. is a company of Housing and Building Development.

Taking control of Mitsubashi development Co,Ltd. will enable the Company to execute urban renewal.

For the eleven months ended December 31, 2022, Mitsubashi development Co,Ltd. contributed revenue of \$0 thousand and loss of \$14,952 thousand to the Company's results. If the acquisition had occurred on January 1, 2022, management estimates that consolidated revenue would have been \$0 thousand and loss would have been \$14,952 thousand. In determining these amounts, the management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2022.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

- (i) The following table summarizes the acquisition date fair value of major class of consideration transferred.

Cash and cash equivalent	\$ <u>600,000</u>
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- (ii) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Inventories (note 6(d))	\$ 390,315
Cash and cash equivalent	808,537
Other current assets	900
Other assets	371
Current liabilities	<u>(123)</u>
Total identifiable net assets acquired	\$ <u>1,200,000</u>

- (iii) Acquisitions of NCI

In March 2022, the Company acquired an additional interest in Mitsubishi development Co., Ltd. for \$12,000 thousand in cash, increasing its ownership from 50 to 51%.

- (g) Property, plant and equipment

- (i) Changes in the cost, depreciation of property, plant, and equipment for 2022 and 2021 were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Other Facilities</u>	<u>Total</u>
Cost :				
Balance at January 1, 2022	\$ 54,131	65,703	15,448	135,282
Addition	-	-	562	562
Scrapped	-	-	(2,060)	(2,060)
Balance at December 31, 2022	\$ <u>54,131</u>	<u>65,703</u>	<u>13,950</u>	<u>133,784</u>
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	\$ <u>54,131</u>	<u>65,703</u>	<u>15,448</u>	<u>135,282</u>

(Continued)

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

	Land	Buildings and construction	Other Facilities	Total
Depreciation and impairments loss :				
Balance at January 1, 2022	\$ 7,869	35,323	11,780	54,972
Depreciation for the year	-	1,267	1,336	2,603
Scrapped	-	-	(2,060)	(2,060)
Balance at December 31, 2022	<u>\$ 7,869</u>	<u>36,590</u>	<u>11,056</u>	<u>55,515</u>
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	<u>\$ 7,869</u>	<u>35,323</u>	<u>11,780</u>	<u>54,972</u>
Carrying value:				
Balance at December 31, 2022	<u>\$ 46,262</u>	<u>29,113</u>	<u>2,894</u>	<u>78,269</u>
Balance at December 31, 2021	<u>\$ 46,262</u>	<u>30,380</u>	<u>3,668</u>	<u>80,310</u>
Balance at January 1, 2021	<u>\$ 46,262</u>	<u>31,647</u>	<u>5,229</u>	<u>83,138</u>

(ii) Collateral

As of December 31, 2022 and 2021, the property, plant and equipment of the Company had been pledged as collateral, please refer to note 8.

(h) Investment Properties

	Land and improvements	Buildings	Total
Cost :			
Balance at January 1, 2022	<u>\$ 1,572,581</u>	<u>1,394,638</u>	<u>2,967,219</u>
Balance at December 31, 2022	<u>\$ 1,572,581</u>	<u>1,394,638</u>	<u>2,967,219</u>
Balance at at January 1, 2021	\$ 1,609,903	1,427,658	3,037,561
Disposal	(37,322)	(33,020)	(70,342)
Balance at December 31, 2021	<u>\$ 1,572,581</u>	<u>1,394,638</u>	<u>2,967,219</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2022	\$ -	49,850	49,850
Depreciation for the year	-	27,346	27,346
Balance at December 31, 2022	<u>\$ -</u>	<u>77,196</u>	<u>77,196</u>

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

	Land and improvements	Buildings	Total
Balance at at January 1, 2021	\$ -	23,151	23,151
Depreciation for the year	-	27,454	27,454
Disposal	-	(755)	(755)
Balance at December 31, 2021	<u>\$ -</u>	<u>49,850</u>	<u>49,850</u>
Carrying amount :			
Balance at December 31, 2022	<u>\$ 1,572,581</u>	<u>1,317,442</u>	<u>2,890,023</u>
Balance at December 31, 2021	<u>\$ 1,572,581</u>	<u>1,344,788</u>	<u>2,917,369</u>
Balance at January 1, 2021	<u>\$ 1,609,903</u>	<u>1,404,507</u>	<u>3,014,410</u>
Fair value :			
Balance at December 31, 2022			<u>\$ 7,474,334</u>
Balance at December 31, 2021			<u>\$ 7,474,334</u>
Balance at January 1, 2021			<u>\$ 7,758,917</u>

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, 2022 and 2021.

(i) 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, 2022			
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	TWD	2.15%~2.95%	2023~2027	\$ 12,897,980
Secured bank loans	TWD	2.15%~2.26%	2028	3,060,000
Unsecured bank loans	TWD	2.425%	2027	170,000
Commercial paper payables	TWD	1.10%~2.49%	2023	5,415,892
Total				<u>\$ 21,543,872</u>
Current				\$ 18,483,872
Non-current				3,060,000
Total				<u>\$ 21,543,872</u>

(Continued)

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

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	<u>6,268,282</u>
Total				<u>\$ 20,076,773</u>
Current				\$ 17,016,773
Non-current				<u>3,060,000</u>
Total				<u>\$ 20,076,773</u>

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.

(j) Bonds payable

(i) The details of unsecured bonds payable were as follows:

	December 31, 2022
Unsecured bonds payable	\$ 500,000
Unamortized discounted corporate bonds payable	-
Cumulative redeemed amount	-
Year end balance	<u>\$ 500,000</u>
	2022
Interest expense	<u>\$ 2,351</u>

(ii) The Company' Board of Directors approved issuing not exceed NT\$1,000,000 thousand unsecured bonds payable on September 7, 2022, and the authority approved the declaration on October 19, 2022. The company's rights and obligations to the outstanding unsecured bonds payable issued are as follows:

Item	Domestic unsecured bonds payable (I)
Total amount issued	NT\$500,000 thousand
Par value	NT\$1,000 thousand
Issue price	NT\$1,000 thousand
Issue date	October 27, 2022~October 27, 2027, 5 years
Coupon rate	2.60%
Terms of repayment	Unless the bonds are converted to ordinary shares of the Company in accordance with Article 8 of these Regulations, the Company shall repay in cash one lump sum according to the bond face value when the bonds payable mature.

(Continued)

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

Item	Domestic unsecured bonds payable (I)
Terms of redemption prior to maturity	From the day following the one-year period after the issuance of the bonds payable, the company may redemption parts or all bonds issued. Bonds holders shall be no objections. Notification letter will be delivered to the TPEx for the announcement within the next 30 business days. The redemption price is set as the Par value of the bonds, plus interest payable.
Interest payment	Simple interest will be used since the issuing date by using the coupon rate. Every million dollars of bond interests will round to the nearest whole number. If the payment date coincide with the bank's non-working day, the interest payment will be postponed to the next working day with no accrued interest. There is also no accrued interest for those who receive interest after the coupon dates.
Secured type	None

(k) 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.

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

	December 31, 2022	December 31, 2021
Less than one year	\$ 175,137	162,118
One to two year	168,939	153,625
Two to three year	162,098	171,577
Three to four year	156,027	151,726
Four to five year	153,885	150,011
More than five year	<u>1,695,609</u>	<u>1,844,038</u>
Total undiscounted lease payments	<u>\$ 2,511,695</u>	<u>2,633,095</u>

Rental income from investment properties were \$144,103 thousand and \$149,550 thousand for the years ended December 31, 2022 and 2021, respectively.

(Continued)

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

(l) 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, 2022 and 2021

(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 \$1,399 thousand and \$1,246 thousand for the years ended December 31, 2022 and 2021, respectively.

(m) Income tax

(i) Income tax expense

The components of income tax in the years of 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 85,468	15,092
Deferred tax expense	-	-
Income tax expenses from continuing operations	<u>\$ 85,468</u>	<u>15,092</u>

Reconciliation of income tax expense and profit before tax for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Profit(loss) excluding income tax	<u>\$ 31,470</u>	<u>(18,252)</u>
Income tax using the Company's domestic tax rate	\$ 6,294	(3,650)
Tax-exempt income	(1,767)	(11,781)
Land value increment Tax	87,134	7,431
Additional tax on undistributed earnings	-	7,661
Previous overestimate	(1,667)	-
Others	(4,526)	15,431
Total	<u>\$ 85,468</u>	<u>15,092</u>

(Continued)

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

(ii) Deferred tax assets

1) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets were as follows:

	December 31, 2022	December 31, 2021
Tax effect of deductible Temporary Differences	\$ 109,818	80,628
The carryforward of unused tax losses	184,537	183,248
	<u>\$ 294,355</u>	<u>263,876</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, 2022, 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	49,069	2031
2022	8,835	2032

(iii) The ROC income tax authorities have examined the Company's income tax returns for all years through 2020.

(n) Capital and Other Equities

As of December 31, 2022 and 2021, 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 ordinary shares were outstanding.

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

(i) Capital surplus

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

	December 31, 2022	December 31, 2021
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	\$ 2,042,348	2,042,348

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 article of incorporation stipulate that any Company's net earnings should first be used to offset the prior years' deficits, before paying any income taxes. Then 10% of the remaining balance is to be appropriated as legal reserve, unless such legal reserve has amounted to the 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. Except as distribute reserve required by law, the Company can't appropriate dividends and bonus if the Company had net loss.

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.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

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) Earnings Distribution

Loss covering for 2021 and earnings distribution for 2020 was decided by the resolution adopted, at the general meeting of shareholders held on June 15, 2022 and August 20, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share	Total amount	Amount per share	Total Amount
Dividends distributed to ordinary shareholders :				
Cash	\$ -	-	1.20	399,371

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.

(o) Earnings per share

(i) Basic Earnings per share

The details on the calculation of basic earnings per share at December 31, 2022 and 2021 was based on the loss attributable to ordinary shareholders of the Company amounting to \$(53,998) thousand and \$(33,334) thousand and the weighted average number of ordinary shares outstanding were both 332,809 thousand as follows:

	2022	2021
Loss attributable to ordinary shareholders of the Company	\$ <u>(53,998)</u>	<u>(33,334)</u>
Weighted-average number of ordinary shares outstanding (basic) (in thousands)	<u>332,809</u>	<u>332,809</u>
Basic (loss) earnings per share (NT dollars)	<u>(0.16)</u>	<u>(0.10)</u>

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.
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(ii) Diluted earnings per share

The details on the calculation of diluted earnings per share at December 31, 2022 and 2021 was based on loss attributable to ordinary shareholders of the Company amounting to \$(53,998) thousand and \$(33,344) thousand and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 332,809 thousand, as follows:

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

	<u>2022</u>	<u>2021</u>
Loss attributable to ordinary shareholders of the Company (basic)	\$ <u>(53,998)</u>	<u>(33,334)</u>
Loss attributable to ordinary shareholders of the Company (diluted)	\$ <u><u>(53,998)</u></u>	<u><u>(33,334)</u></u>

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

	<u>2022</u>	<u>2021</u>
Weighted-average number of ordinary shares (basic) (in thousands)	332,809	332,809
Effect of employee stock bonus	<u>-</u>	<u>-</u>
Weighted-average number of ordinary shares (diluted) (in thousands)	<u><u>332,809</u></u>	<u><u>332,809</u></u>
Diluted (loss) earnings per share (NT dollars)	\$ <u><u>(0.16)</u></u>	\$ <u><u>(0.10)</u></u>

(p) Revenue from contracts with customers

(i) Details of revenue

	<u>2022</u>	<u>2021</u>
Primary geographical markets		
Taiwan	\$ <u><u>684,568</u></u>	<u><u>322,657</u></u>
Major products/services lines		
Sale of land and buildings	\$ 524,708	152,229
Lease of real estate	<u>159,860</u>	<u>170,428</u>
	\$ <u><u>684,568</u></u>	<u><u>322,657</u></u>

(Continued)

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

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 12,284	64,532	12,456
Accounts receivable	15,144	28,185	44,863
Total	<u>\$ 27,428</u>	<u>92,717</u>	<u>57,319</u>
Contract liabilities — sale of real estate	<u>\$ 3,962,158</u>	<u>1,675,503</u>	<u>532,085</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, 2022 and 2021.

- (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, 2022	December 31, 2021
Other financial assets-current	<u>\$ 2,417,026</u>	<u>1,149,714</u>

As of December 31, 2022, 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, 2022, the transaction payment trust for presale projects— Hong Pu Summer Palace, Hong Pu Central Park, Hong Pu Garden Gark, Hong Pu Yang Ming, Hong Pu ITC, Hong Pu Grand Park, Great Mansion, Fashion Mansion and Chic 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

(q) 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. The amount of remuneration of directors and of compensation for employees entitled to receive the abovementioned employee compensation is in accordance with relevant laws and regulations and approved by the Board of Directors.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration were both amounting to \$0 thousands, and directors' remuneration were also both amounting to \$0 thousands. 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 2022 and 2021. 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, 2022 and 2021, are identical to those of the actual distributions.

(r) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	2022	2021
Interest income from bank deposits	\$ 3,276	1,280
Other interest income	61	131
Total	<u><u>\$ 3,337</u></u>	<u><u>1,411</u></u>

(ii) Other income

The details of other income were as follows:

	2022	2021
Breach income	\$ 4,954	2,314
Others	22,693	19,241
Total	<u><u>\$ 27,647</u></u>	<u><u>21,555</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:

	2022	2021
Gains on financial assets at fair value through profit or loss	\$ -	21
Losses on disposals of property, plant and equipment	-	(243)
Gains on disposals of investment property	-	66,441
Foreign exchange gains (losses)	34,171	(15,581)
Others	(5,559)	(5,948)
Total	<u><u>\$ 28,612</u></u>	<u><u>44,690</u></u>

(iv) Finance costs

The details of finance costs were as follows:

	2022	2021
Interest expenses	\$ 417,355	189,647
Less: Capitalized Interest	(95,955)	(37,570)
Total	<u><u>\$ 321,400</u></u>	<u><u>152,077</u></u>
Capitalized Interest Rate	<u><u>1.30%~2.10%</u></u>	<u><u>1.01%~1.33%</u></u>

(s) 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, 2022							
Non-derivative financial liabilities							
Secured bank loans	\$ 15,957,980	16,790,806	5,200,676	1,214,144	4,598,631	2,696,959	3,080,396
Unsecured Secured bank loans	170,000	187,018	2,061	2,061	4,123	178,773	-
Short-term notes and bills payables	5,415,892	5,433,400	5,433,400	-	-	-	-
Bonds payables	500,000	562,649	6,447	6,553	13,000	536,649	-
Notes and accounts payables	217,663	217,663	217,663	-	-	-	-
	<u>\$ 22,261,535</u>	<u>23,191,536</u>	<u>10,860,247</u>	<u>1,222,758</u>	<u>4,615,754</u>	<u>3,412,381</u>	<u>3,080,396</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 bank loan	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>

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, 2022			December 31, 2021			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial assets							
<u>Monetary item</u>							
USD	\$	761	30.71	23,368	13,929	27.68	385,567

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents that are denominated in foreign currency. A strengthening (weakening) of 10% of the NTD against the USD as of December 31, 2022 and 2021, would have increased (decreased) the net profit before tax by \$2,337 and \$38,557 thousand respectively. The analysis assumes that all other variables remain constant.

(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.

(Continued)

HONG PU REAL ESTATE DEVELOPMENT CO., LTD.

Notes to Parent Company Only Financial Statements

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 \$104,108 thousand and \$76,795 thousand for the years ended December 31, 2022 and 2021 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	2022		2021	
	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, 2022				
	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	191,909	-	-	-	-
Notes receivable and account receivable	27,428	-	-	-	-
Other financial assets - current	2,417,026	-	-	-	-
Subtotal	2,636,363	-	-	-	-
Total	\$ 2,636,363				

(Continued)

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

December 31, 2022					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Bank Loans	\$ 16,127,980	-	-	-	-
Short-term notes and bills payable	5,415,892	-	-	-	-
Notes payable and account payable	217,663	-	-	-	-
Other payable	180,357	-	-	-	-
Bonds payable	500,000	-	-	-	-
Subtotal	22,441,892	-	-	-	-
Total	\$ 22,441,892	-	-	-	-

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	-	-	-	-
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	-	-	-	-

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.

(t) Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

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, 2022 and 2021, 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 \$1,725,120 thousand and \$2,862,651 thousand as at 31 December 31, 2022 and 2021.

(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

(u) 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 2022 and 2021, and debt-to-equity ratios on December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 26,463,956	22,167,271
Less: cash and cash equivalents	(191,909)	(560,618)
Net debt	<u>\$ 26,272,047</u>	<u>21,606,653</u>
Total equity	<u>\$ 11,661,982</u>	<u>11,715,980</u>
Debt to equity ratio	<u>225.28%</u>	<u>184.42%</u>

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.

<u>Name related party</u>	<u>Relationship with the Company</u>
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

(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 2022 and 2021, the Company's rent income were both amounting to \$34 thousand. As of December 31, 2022 and 2021, 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, and charged Hsin Pei Real Estate for 6% of the management fee. For the years ended December 31, 2022 and 2021, management fee income amounted to \$21,904 thousand and \$10,811 thousand, respectively. As of December 31, 2022 and 2021, the resulting accounts receivable amounted to \$1,795 thousand and \$1,464 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 2021, the Company recognized management income amounted \$260 thousands, and accounts receivables of \$260 thousands, recorded as "Other receivable—related parties".

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 6,780	5,907
Retirement benefits	374	316
Other long-term benefits	-	-
Resignation benefits	-	-
Share-based payment	-	-
Total	<u><u>\$ 7,154</u></u>	<u><u>6,223</u></u>

8. Pledged assets

As of December 31, 2022 and 2021, the carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Inventories -Construction-in-progress -land	Short-term bills payable, short-term loans	\$ 9,961,184	8,863,450
Inventories -Land held for development	Short-term bills payable, short-term loans	12,685,352	13,051,001
Property, Plant and Equipment	Short-term bills payable	75,375	76,642
Investment properties	Short-term bills payable, Long-term borrowings	2,890,023	2,917,369
		<u><u>\$ 25,611,934</u></u>	<u><u>24,908,462</u></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, 2022 and 2021, the Company had issued promissory notes of \$21,547,900 and \$20,976,900 thousand to financial institutions for their provision of repayment guarantees.
- (b) As of December 31, 2022 and 2021, the total contract amount of the Company's construction projects was \$6,715,395 and \$4,486,592 thousand, of which \$1,929,988 and \$485,496 thousand had been paid and recorded as "inventory and prepayments."
- (c) As of December 31, 2022 and 2021, the total contract amount of the Company's advanced-sell projects was \$24,019,577 and \$12,377,601 thousand of which \$3,962,158 and \$1,675,503 thousand had been received and recorded as "current contract liabilities."
- (d) As of December 31, 2022 and 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 ware \$671,507 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, 2022 and 2021, in accordance with the joint construction agreement, the Company has paid a promissory amount of \$92,464 thousand and \$121,234 thousand respectively 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, 2022 and 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 16, 2023, the Company issued unsecured bonds payable(II), total amount issued was NT\$500,000 thousand, with Coupon rate 2.85%, 5 years.

(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, 2022 and 2021, were as follows:

	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salaries	11,951	17,998	29,949	8,238	17,867	26,105
Labor and health insurance	1,080	1,943	3,023	755	1,945	2,700
Pension	657	774	1,431	459	819	1,278
Remuneration of directors	-	631	631	-	588	588
Others	337	527	864	240	579	819
Depreciation	27,346	2,603	29,949	27,454	2,494	29,948
Amortization	-	183	183	-	335	335

The information on the Company's employee and employee for the years ended December 31, 2022 and 2021 were as follow:

	2022	2021
Number of employees	<u>35</u>	<u>32</u>
Number of directors (not employees)	<u>5</u>	<u>3</u>
Average employee benefit expense	<u>\$ 1,176</u>	<u>1,066</u>
Average salary expense	<u>\$ 998</u>	<u>900</u>
Perecentage of average employee salary expense	<u>10.89 %</u>	<u>(32.13)%</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, 2022 (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	STOCK-CPT	-	Mandatorily measured at fair value through profit-current	23,599	-	-	-	
The Company	STOCK-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 :

(In Thousands of New Taiwan Dollar)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	STOCK-Mitsubishi Development Co., Ltd.	Investment's accounted for using equity method	Cash Capital Increase	none	-	-	60,000,000	600,000	-	-	-	-	60,000,000	600,000
The Company	STOCK-Mitsubishi Development Co., Ltd.	Investment's accounted for using equity method	Mitsui Fudosan Taiwan Co., Ltd.	none	-	-	1,200,000	12,000	-	-	-	-	1,200,000	12,000

- (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			
Mitsubishi Development Co., Ltd.	Construction-in-progress-land	2022.03.01	1,950,000	1,950,000	4 People 、OO Co., Ltd	An unrelated parties	-	-	-	-	Referring to the average market price of similar real estate	Construction	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	December 30, 2021 (note)	July 30, 2007	164,775	461,380	461,380	296,605	OO Co., Ltd	An unrelated party	Operating income	Reference is made to the land transaction prices in the vicinity	None
The Company	Inventory-Construction-in-progress	October 30, 2022	It's Properties and land held for sale, so not applicable	None	4,080,000	600,000	None	OO Co., Ltd 、 OO Co., Ltd	An unrelated party	Operating income	Chiatai Real Estate Appraiser Office appraised for \$3,950,399 。 Yes Home Real Estate Appraiser Office appraised for \$3,962,690.	None

Note: On January 19, 2022, property right had transferred.

- (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 2022 (excluding information on investees in Mainland China):

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of the investee	Share of profit / losses of investee	Note
				December 31, 2022	December 31, 2021	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 %	26,602	(2,414)	(1,231)	None
The Company	Mitsubashi Development Co., Ltd.	Taipei	Real estate development service	612,000	-	61,200,000	51.00 %	604,374	(14,952)	(7,626)	None

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

Shareholder's Name	Shareholding	Shares	Percentage
Hua-Zhan Investment Co., Ltd.		60,009,745	18.03 %
Fu-Ta Investment Co., Ltd.		59,182,040	17.78 %

14. Segment information : None.

Hong Pu Real Estate Development Co., Ltd.

Statement of cash and cash equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash on hand and Petty cash	\$ <u>177</u>
Demand deposit	Demand deposit	165,300
	Checking deposit	3,068
	Foreign currency deposit	
	USD760,631 with exchange rate 30.71and HK 1,313 with exchange rate 3.938	<u>23,364</u>
Subtotal		<u>191,732</u>
Total		<u><u>\$ 191,909</u></u>

Other financial assets current

<u>Item</u>	<u>Amount</u>
Trust	
Cathy United Bank #05985	\$ 100
Cathy United Bank #5019411	111,773
Cathy United Bank #21890	4,827
Cathy United Bank #22799	92,261
Cathy United Bank #5022829	932,819
Cathy United Bank #5050822	58,797
Cathy United Bank #5058408	232,003
Cathy United Bank #5063789	220,078
Cathy United Bank #5034126	217,129
Cathy United Bank #22799	<u>547,239</u>
Total	<u><u>\$ 2,417,026</u></u>

Hong Pu Real Estate Development Co., Ltd.

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

December 31, 2022

(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		\$ -		-

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, 2022

(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	\$ 4,104,219	-	-	-	-		4,104,219	Note8
012310247	233,850	190,188	2,319	-	-		426,357	None
011046961	1,183,699	222,464	12,353	-	-		1,418,516	Note8
033340412	966,212	281,816	12,293	-	-		1,260,321	Note8
042310028	3,301,533	328,679	38,975	-	-		3,669,187	Note8
023340378	985,798	235,856	12,188	-	-		1,233,842	Note8
081145411	46,653	566,520	17,825	1,097,734	-		1,728,732	Note8
Other	632,774	1,822,975	-	-	(78)		2,455,671	Note8
Total	\$ 11,454,738	3,648,498	95,953	1,097,734	(78)		16,296,845	

Hong Pu Real Estate Development Co., Ltd.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2022

(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 of the equity method	Details of collateral
	Share	Amount	Share	Amount	Share	Amount	Amount	Share	Percentage on voting interest	Amount				
Chuan Yue Real Estate Development Co., Ltd..	3,060,000	\$ 27,833	-	-	-	-	(1,231)	3,060,000	51.00 %	26,602	8.55	26,156	the equity method	None
Mitsubashi Development Co., Ltd.	-	-	61,200,000	612,000	-	-	(7,626)	61,200,000	51.00 %	604,374	9.88	604,374	the equity method	None
				<u>612,000</u>		<u>-</u>	<u>(8,857)</u>							
		<u>\$ 27,833</u>								<u>630,976</u>				

Hong Pu Real Estate Development Co., Ltd.

Statement of investment property

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Refer to note 6(h).

Statement of short-term borrowings

Type of borrowings	Ending balance	Contract period	Range of interest rate	Borrowing quota	Mortgages
Secured loan	\$ 12,897,980	2023.05.03~2027.12.30	2.15%~2.95%	\$ 13,577,100	land in construction and land held for development
Unsecured loan	<u>170,000</u>	2027.02.16	2.425%	170,000	None
Total	<u><u>\$ 13,067,980</u></u>				

Hong Pu Real Estate Development Co., Ltd.

Statement of short-term bills payable

December 31, 2022

(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	\$ 820,000	2022.12.29~ 2023.06.27	2.29%~2.39%	\$ 820,000	Land in construction
Mega bills	Commerical parer	1,548,000	2022.12.23~ 2023.02.21	1.76%	1,860,000	Land held for development
Dah Chung bills Finance Co.	Commerical parer	260,000	2022.12.29~ 2023.02.24	2.49%	360,000	Land held for development
China bills Finance Co.	Commerical paper	2,280,400	2022.12.28~ 2023.02.23	1.10%	2,914,400	Land held for development, land in construction and investment property
Shanghai Commerical and Savings Bank	Commerical paper	525,000	2022.12.05~ 2023.01.11	1.26%	525,000	Land held for development
International bills Finance Co.	Commerical paper	-	-	-	-	Property, Plant and equipment
Less: Discount		<u>(17,508)</u>				
Total		<u><u>\$ 5,415,892</u></u>				

Statement of notes payable

Item	Amount
Kimzoa Constructioin Co. Ltd	\$ 8,955
Han Fu electric Co. Ltd	4,582
Chiao Jen electric Co. Ltd	5,107
Hitachi Yungtay Co. Ltd	2,673
Hiyes international Co. Ltd	15,492
Hai Shin Co.Ltd	10,357
Other (less than 5%)	<u>3,685</u>
Total	<u><u>\$ 50,851</u></u>

Hong Pu Real Estate Development Co., Ltd.

Statement of trade payables

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Kimoza Construction Co. Ltd	\$ 52,633
Chiao Jen electric Co. Ltd	11,139
Joyear Group Co. Ltd	41,535
Coiao contruction Co. Ltd	33,655
Other(less than 5%)	<u>27,850</u>
Total	<u><u>\$ 166,812</u></u>

Statement of long-term borrowings

Refer to note 6(i).

Hong Pu Real Estate Development Co., Ltd.
Statement of operating revenue
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Refer to note 6(p).

Statement of operating costs

<u>Item</u>	<u>Amount</u>
Beginning balance of construction-in-progress-project	\$ 11,454,738
Beginning balance of land held for development	15,710,047
Beginning balance of prepayment for land purchase	15,190
Add: cost	3,150,356
Less: Ending balance of construction -in-progress-project	(16,296,845)
Ending balance of land held for development	(13,800,902)
Ending balance of prepayment for land purchase	(15,190)
Other	<u>(52)</u>
Cost of period of the year	217,342
Add: Beginning balance of properties and land held for sale	204,928
Other	695
Less: Ending balance of properties and land held for sale	<u>(203,725)</u>
Construction cost	219,240
Lease cost	84,465
Less: gains on reversal of inventory write-downs	<u>(400)</u>
Operating cost	<u><u>\$ 303,305</u></u>

Hong Pu Real Estate Development Co., Ltd.

Statement of operating expense

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expense	Administration expesne	Total
Salaries	\$ 5,771	13,014	18,785
Advertising	5	51	56
Tax	35,788	1,856	37,644
Entertainment	27	638	665
Insurance	11	2,312	2,323
Other	3,831	15,828	19,659
	<u>\$ 45,433</u>	<u>33,699</u>	<u>79,132</u>