

**SUN YAD CONSTRUCTION CO.,  
LTD. and Its' Subsidiaries**

**Consolidated Financial Statements and  
External Auditor's Report**

**2022 and 2021**

**Company address: 20-6F, No. 248, Sec. 2, Yong Hua Rd., Anping Dist., Tainan City**  
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## Statement

The companies to be included by the Company in the consolidated financial statement of affiliated companies in 2022 (January 1, 2022~December 31, 2022) pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included into the consolidated financial statements of the parent company and subsidiaries pursuant to the International Financial Reporting Standards (IFRSs) 10 endorsed by Financial Supervisory Commission (FSC). Further, the related information to be disclosed in the consolidated financial statement of affiliated companies has been disclosed in said consolidated financial statements of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statements of affiliated companies separately.

Hereby declared by

Company name: SUN YAD CONSTRUCTION CO., LTD.  
Chairman: Chang Yu-Ming  
Date: March 10, 2023

## External Auditor's Report

To the Board of Directors of SUN YAD CONSTRUCTION CO., LTD.:

### Audit Opinions

We have completed our review on the Consolidated Balance Sheet of SUN YAD CONSTRUCTION CO., LTD. and its subsidiaries (hereinafter referred to as "SUN YAD Group") on December 31, 2022 and 2021, and Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) for January 1~December 31, 2022 and 2021.

In our opinion, said consolidated financial statements in all major respects are in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), IFRIC Interpretation, or SIC Interpretation endorsed by the Financial Supervisory Commission, based on our audit results and the other external auditors' report (please refer to the Other Matters section). They are sufficient to adequately express the consolidated financial status of the SUN YAD Group as of December 31, 2022 and 2021 and its consolidated financial performance and consolidated cash flow from January 1 through December 31, 2022 and 2021.

### Basis for Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of the report. We are independent of SUN YAD Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions, based on our audit results and the other external auditors' report.

### Other Matters

The affiliated companies included into the consolidated financial statements of SUN YAD Group were audited by the other external auditors, not us. Therefore, in some opinion stated by us in said consolidated financial statements, the figures stated in said affiliated enterprises' financial statements were based on the audit report prepared by the other external auditors. The investments of said affiliated companies under equity method accounted for 0.02% of the total consolidated assets on December 31, 2021. The share of profit or loss of the affiliated companies recognized under the equity method from January 1 to December 31, 2021 accounted for 9.14% of the consolidated net loss before tax.

The financial statements of certain subsidiaries included into the consolidated financial statements of SUN YAD Group were audited by the other external auditors, not us. Therefore, in some opinion stated by us in said consolidated financial statements, the figures stated in said subsidiaries' financial statements were based on the audit report prepared by the other external auditors. The total assets of said subsidiaries were NT\$1,740,299 thousand and NT\$2,290,688 thousand, respectively, on December 31, 2022 and 2021, i.e. 14.74% and 21.61% of the total consolidated assets. The net operating revenues were NT\$16,689 thousand and NT\$183,633 thousand, respectively, in 2022 and 2021, i.e. 0.72% and 17.73% of the consolidated net operating revenue.

SUN YAD CONSTRUCTION CO., LTD. has prepared the parent company only financial statements 2022 and 2021. Meanwhile, we hereby express an unqualified opinion and the audit report referred to in the Other Matters section for future reference.

### **Key Audit Matters**

Key audit matters refer to the most important matters for the audit of 2022 consolidated financial statements of the SUN YAD Group based on our professional judgment. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We judge that the following key audit matters should be communicated in the audit report:

#### **I. Recognition of revenue - real estate sale**

For the accounting policy about recognition of revenue, please refer to Note IV(XVI) Recognition of Revenue in the consolidated financial statements. For the details about the recognition of revenue, please refer to Note VI(XXVIII) Revenue in the consolidated financial statements.

Explanation of Key Audit Matters:

The revenue from sale of real estate of SUN YAD Group was recognized at the time of registration of the transfer of real estate title and physical settlement. Management might fail to recognize revenue early or defer the recognition of revenue in order to attain a better performance. Such transactions might not satisfy the revenue recognition principles, possibly resulting in significant risk over misrepresentation. Therefore, the recognition of revenue is identified as one of the important evaluation indicators in our audit on SUN YAD Group's consolidated financial statements.

Audit procedures:

Our primary audit procedures for said key audit matters consist of verification of the control mechanism for the operating procedure of collecting and recognizing revenue from sales under the company's internal control system. We conduct the random check on the house and land sales contracts, payment details, bank transaction records, real estate ownership transfer documents, and settlement list. We conduct the random check on each installment payment for house/land to analyze the integrity of bank's collections and unearned receipts out for the house/land payment accounting procedure. We select the transactions before and after the balance sheet date at random to check the related transaction documents and evaluate whether the revenue is recognized in a timely manner.

#### **II. Inventory valuation**

For the accounting policy on inventory valuation, please refer to Note IV(VIII) Inventory in the consolidated financial statements. For the uncertainty in accounting estimates and hypotheses about net realizable value of inventory valuation, please refer to Note V in the consolidated financial statements. For the explanation of the net realizable value of inventory valuation, please refer to Note VI(VII) Inventory in the consolidated financial statements.

Explanation of Key Audit Matters:

SUN YAD Group's inventory is measured at the lower of cost and net realizable value. Among the other things, In consideration of the changes in market demand, the products in the manufacturing industry might become outdated or no longer satisfy the market demand, and the sales related thereto might fluctuate drastically. As to the building industry, as the real estate industry requires a high cash inflow with the long collection period, the industry is likely to be affected significantly by politics, economy and real estate tax systems and, therefore, there might be the risk that the inventory cost would be higher than the net realizable value. Therefore, the inventory valuation is identified as one of the important evaluation indicators in our audit on SUN YAD Group's consolidated financial statements.

Audit procedures:

Our primary audit procedures for said key audit matters consist of verification of the valuation policy adopted by the management of SUN YAD Group, in order to evaluate the reasonableness of the net realizable value of inventory. Meanwhile, we conduct the random check to inspect the accuracy of the statement of net realizable value of inventory. We check the inventory aging report, analyze the changes in inventory aging in various periods, and conduct the random check to check the accuracy of the inventory aging report. We check the accuracy of SUN YAD Group's loss provision for inventory in the past, and compare it with the loss provision for inventory estimated in the current period, in order to evaluate whether the estimation method and hypotheses in the current period are adequate. According to the latest Actual Price Registration of Real Estate released by the Ministry of the Interior and the quotation prices of nearby real estate, we evaluate the reasonableness of allowance for inventory valuation and obsolescence losses in the building industry and also evaluate whether the inventory valuation is executed in accordance with the Company's existing accounting policy, by translating the average selling price into the net realizable value of inventory. Also, we evaluate whether SUN YAD Group's disclosure of the information about loss provision for inventory is adequate.

### III. Evaluation on goodwill impairment

For the accounting policy on non-financial asset impairment, please refer to Note IV(XV) in the consolidated financial statements. For the explanation of the uncertainty in accounting estimates and hypotheses of evaluation on goodwill impairment, please refer to Note V in the consolidated financial statements. For the details about evaluation on goodwill impairment, please refer to Note VI(XVI).

Explanation of Key Audit Matters:

SUN YAD Group's goodwill arising from business combination should be tested for impairment periodically each year or should be tested when there is an indication of impairment. As the evaluation on the recoverable amount of the CGU to which the goodwill belongs might involve multiple hypotheses and estimates of the management, the valuation on goodwill impairment is identified as one of the important evaluation indicators in our audit on SUN YAD Group's consolidated financial statements.

Audit procedures:

Our primary audit procedures for said key audit matters consist of evaluation on the reasonableness of the valuation method and important hypotheses adopted by the management to measure the recoverable amount, review on the goodwill impairment evaluation report prepared by the appraiser appointed by the management, verification and evaluation of the reasonableness of the valuation method and important hypotheses adopted in the report, and review on whether SUN YAD Group has disclosed the information about evaluation on goodwill impairment adequately.

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

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and with International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), IFRIC Interpretation, or SIC Interpretation endorsed and promulgated in effect by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of SUN YAD Group to continue operations, disclosing related matters, as well as continuing operations with the basis of accounting, unless the management either intends to liquidate SUN YAD Group or to cease operations, or has no feasible alternative but to do so.

Those charged with governance (including Audit Committee) are responsible for overseeing the financial reporting process of SUN YAD Group.

### **External Auditors' Responsibilities for the Audit on Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement in the consolidated financial statements 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 consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of SUN YAD Group.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of SUN YAD Group to continue as a going concern, based on the audit evidence obtained. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 SUN YAD Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and contents of the consolidated financial statements, including the related notes, and whether the consolidated 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 entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion on the Group.

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 under the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and to communicate with them all relationships and other matters that may reasonably be considered affecting our independence, and where applicable, other matters (including related safeguards).

From the matters communicated with the governance unit, we have determined key audit matters of 2022 consolidated financial statements of SUN YAD Group. 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 HSU, ZHEN-LONG and CHEN, GUO-ZONG

KPMG

Tainan, Taiwan (the Republic of China)

March 10, 2023

#### **Notes to Readers**

The accompanying financial statements are intended only to present the statement of financial position, financial performance and 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 financial statements are those generally accepted and applied in the Republic of China. The independent auditors' report and 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 independent auditors' report and financial statements, the Chinese version shall prevail.

SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries

Consolidated Balance Sheet

December 31, 2022 and 2021

Unit: NT\$ Thousand

Assets		December 31, 2022		December 31, 2021		Liabilities and equity		December 31, 2022		December 31, 2021			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (Note VI(I))	\$	763,148	7	820,350	8	2100	Short-term loan (Notes VI(XVII) and VIII)	\$	3,597,304	31	3,148,526	30
1110	Financial assets at fair value through profit or loss - non-current (Note VI(II) and VIII)		287,613	2	285,882	3	2110	Short-term bills and notes payable (Notes VI(XVIII) and VIII)		154,726	1	79,915	1
1140	Financial assets measured at amortized cost --current (Note VI(IV))		13,900	-	-	-	2120	Financial liabilities at fair value through profit or loss - non-current (Note VI(II)(XXI))		5,936	-	-	-
1145	Contract assets - current (Note VI(XXVIII) and VII)		30,383	-	-	-	2130	Contract liabilities - current (Notes VI(XXVIII) and IX)		699,145	6	559,868	5
1150	Notes receivable, net (Note VI(V)(XXVIII))		67,656	1	61,629	-	2150	Notes payable		309	-	1,021	-
1170	Accounts receivable, net (Note VI(V)(XXVIII) and VII)		110,784	1	133,100	1	2170	Accounts payable		545,701	5	311,713	3
1200	Other receivables (Note VI(VI) and VII)		8,771	-	8,217	-	2200	Other payables (Note VII)		157,268	1	100,917	1
1220	Income tax assets for the current period		847	-	1,213	-	2230	Income tax liabilities for the current period		2,584	-	8,935	-
130X	Inventory (Note VI(VII), VIII and IX)		6,951,018	59	5,865,907	55	2280	Lease liabilities - current (Note VI(XX))		3,570	-	4,164	-
1410	Prepayments		281,654	2	168,317	2	2321	Corporate bonds payable, current portion (Notes VI(XXI) and VIII)		249,431	2	-	-
1470	Other current assets		119,520	1	108,406	1	2322	Long-term loan, current portion (Note VI(XIX))		31,085	-	6,235	-
1476	Other financial assets - current (Note VIII)		508,826	4	488,408	5	2399	Other current liabilities		22,983	-	8,212	-
Total current assets			9,144,120	77	7,941,429	75	Total current liabilities			5,470,042	46	4,229,506	40
Non-current assets:						Non-current liabilities:							
1510	Financial assets at fair value through profit or loss - non-current (Note VI(II) and (XXI))		348,882	3	353,613	3	2500	Financial liabilities at fair value through profit or loss - non-current (Note VI(II)(XXI))		8,827	-	1,980	-
1521	Financial assets at fair value through other comprehensive income - non-current (Note VI(III))		17,458	-	16,549	-	2530	Corporate bonds payable (Notes VI(XXI) and VIII)		808,211	7	859,193	8
1550	Investment under equity method (Note VI(IX))		-	-	1,623	-	2540	Long-term loan (Note VI(XIX))		93,207	1	4,765	-
1600	Property, plant and equipment (Note VI(XIII)(XV), VII, VIII and IX)		1,663,007	14	1,564,553	15	2572	Deferred income tax liabilities (Note VI(XXIV))		73,387	1	71,660	1
1755	Right-of-use assets (Notes VI(XIV) and VII)		17,494	-	26,737	-	2580	Lease liabilities - non-current (Note VI(XX))		14,206	-	23,400	-
1760	Investment property (Notes VI(XIII), (XV) and (XXII), and VIII)		262,131	2	283,472	3	2640	Net defined benefit liabilities-- non-current (Note VI(XXIII))		2,980	-	4,278	-
1780	Intangible assets (Note VI(XVI))		82,194	1	65,579	1	2645	Deposits received		13,237	-	6,280	-
1840	Deferred income tax assets (Note VI(XXIV))		14,685	-	19,971	-	Total non-current liabilities			1,014,055	9	971,556	9
1920	Refundable deposits		18,740	-	20,269	-	Total liabilities			6,484,097	55	5,201,062	49
1980	Other financial assets - non-current (Note VIII)		194,932	2	304,260	3	Equity attributed to owners of the parent (Note VI(III), (IX), (X), (XI), (XII), (XXI), (XXIII), (XXIV) and (XXV))						
1990	Other non-current assets (Note IX)		42,498	1	1,095	-	3100	Capital stock		2,190,421	19	2,325,457	22
Total non-current assets			2,662,021	23	2,657,721	25	3200	Capital surplus		321,536	3	288,511	3
							3350	Undistributed earnings (accumulated deficit)		126,438	1	(187,352)	(2)
							3400	Other equity		2,029	-	(755)	-
							3500	Treasury stock		(61,756)	(1)	(57,515)	(1)
							Total equity attributed to owners of the parent			2,578,668	22	2,368,346	22
							Non-controlling equity:						
							36XX	Non-controlling equity (Notes VI(X), (XI) and (XII))		2,743,376	23	3,029,742	29
							Total equity			5,322,044	45	5,398,088	51
Total assets		\$	11,806,141	100	10,599,150	100	Total liabilities and equity		\$	11,806,141	100	10,599,150	100

(Please refer the Notes to Consolidated Financial Statements.)

Chairman: Chang Yu-Ming

Manager: Chang Yu-Ming

Accounting Manager: Kuo Yu-Cheng



**SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries**

**Consolidated Statement of Comprehensive Income**

**January 1~December 31, 2022 and 2021**

**Unit: NT\$ Thousand**

		2022		2021	
		Amount	%	Amount	%
4000	<b>Operating revenue, net (Note VI(XII), (XXVIII) and VII)</b>	\$ 2,331,605	100	1,035,758	100
5000	<b>Operating cost (Note VI(VII), (XII), (XIII), (XIV), (XXIII) and (XXVI), VII and XII)</b>	1,744,172	75	835,924	81
5900	<b>Gross profit</b>	587,433	25	199,834	19
6100	<b>Operating expense (Note VI(V), (XII), (XIII), (XIV), (XV), (XVI), (XX), (XXII), (XXIII) and (XXVI), VII and XII)</b>				
6100	Selling expenses	148,338	6	65,748	6
6200	Management expenses	254,092	11	217,298	21
6300	R&D expenses	15,428	1	17,553	2
6450	Expected credit impairment loss	(393)	-	(1,508)	-
		417,465	18	299,091	29
6900	<b>Operating profit (loss)</b>	169,968	7	(99,257)	(10)
	<b>Non-operating revenue and expenditure (Note VI(II), (IX), (X), (XXI), (XXII) and (XXX), and VII)</b>				
7100	Interest revenue	6,667	-	1,172	-
7190	Other revenue	26,713	1	55,576	5
7020	Other gains and losses	(58,596)	(2)	89,335	9
7050	Financial cost	(73,963)	(3)	(70,709)	(7)
7060	Share of profit or loss of affiliated companies recognized under equity method	(742)	-	(2,401)	-
		(99,921)	(4)	72,973	7
7900	<b>Income (loss) before tax</b>	70,047	3	(26,284)	(3)
7950	<b>Less: Income tax expenses (Note VI(XXIV))</b>	13,961	1	1,975	-
8200	<b>Income (loss)</b>	56,086	2	(28,259)	(3)
8300	<b>Other comprehensive income:</b>				
8310	<b>Items not reclassified into income (Notes VI(XXIV) and (XXV))</b>				
8311	Remeasurement of defined benefit plan	1,326	-	2,833	-
8316	Investment in equity instrument at fair value through other comprehensive income				
	Unrealized valuation gains or losses	(2,478)	-	(917)	-
8349	Less: Income tax related to items that are not reclassified	(265)	-	(567)	-
		(1,417)	-	1,349	-
8360	<b>Items that might be reclassified into income subsequently (Notes VI(XXIV) and (XXV))</b>				
8361	Exchange differences on translation of foreign financial statements	10	-	(2)	-
8399	Less: Income tax related to items that might be reclassified	-	-	-	-
		10	-	(2)	-
	<b>Other comprehensive income (net after tax)</b>	(1,407)	-	1,347	-
8500	<b>Total comprehensive income</b>	<u>\$ 54,679</u>	<u>2</u>	<u>(26,912)</u>	<u>(3)</u>
	<b>The net profit for the current period shall be vested in:</b>				
8610	Owners of the parent	\$ 140,078	6	(85,630)	(9)
8620	Non-controlling equity	(83,992)	(4)	57,371	6
		<u>\$ 56,086</u>	<u>2</u>	<u>(28,259)</u>	<u>(3)</u>
	<b>The total comprehensive income shall be vested in:</b>				
8710	Owners of the parent	\$ 142,219	6	(86,104)	(9)
8720	Non-controlling equity	(87,540)	(4)	59,192	6
		<u>\$ 54,679</u>	<u>2</u>	<u>(26,912)</u>	<u>(3)</u>
	<b>Earnings per share (Note VI(XXVII) (Unit: NTS))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 0.70</u>		<u>(0.55)</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 0.65</u>			

(Please refer the Notes to Consolidated Financial Statements.)

Chairman: Chang Yu-Ming    Manager: Chang Yu-Ming    Accounting Manager: Kuo Yu-Cheng

**SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries**

**Consolidated Statement of Changes in Equity**

**January 1~December 31, 2022 and 2021**

**Unit: NT\$ Thousand**

	Equity attributed to owners of the parent														
	Retained earnings						Other equity items								
							Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) from financial assets at fair value through other comprehensive income			Total	Treasury stock	Total equity attributed to owners of the parent	Non-controlling equity	Total equity
	Common stock capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings (accumulated deficit)	Total									
Balance on January 1, 2021	\$ 1,846,776	108,144	36,494	4,832	(124,496)	(83,170)	(187)	-	(187)	(166,342)	1,705,221	904,387	2,609,608		
Income (loss)	-	-	-	-	(85,630)	(85,630)	-	-	-	-	(85,630)	57,371	(28,259)		
Other comprehensive income for the current period	-	-	-	-	19	19	(1)	(492)	(493)	-	(474)	1,821	1,347		
Total comprehensive income	-	-	-	-	(85,611)	(85,611)	(1)	(492)	(493)	-	(86,104)	59,192	(26,912)		
Elements of equity recognized upon issuance of convertible corporate bonds	-	38,399	-	-	-	-	-	-	-	-	38,399	-	38,399		
- -derived from the employee stock options															
Convertible corporate bonds	527,001	170,887	-	-	-	-	-	-	-	-	697,888	-	697,888		
Subsidiaries’ issuance of convertible corporate bonds	-	-	-	-	-	-	-	-	-	-	-	37,901	37,901		
Subsidiaries’ conversion of convertible corporate bonds	-	8,908	-	-	-	-	-	-	-	-	8,908	230,466	239,374		
Subsidiaries’ allocation of cash dividends	-	-	-	-	-	-	-	-	-	-	-	(24,399)	(24,399)		
The stocks of the parent company purchased by a subsidiary shall be identified as treasury stocks.	-	-	-	-	-	-	-	-	-	(4,811)	(4,811)	(31,393)	(36,204)		
Cancellation of treasury stock	(48,320)	(45,387)	-	-	(11,621)	(11,621)	-	-	-	105,328	-	-	-		
Changes in the ownership and equity of the subsidiary	-	(4,606)	-	-	(85)	(85)	-	-	-	8,310	3,619	(3,619)	-		
Share-based payment transactions	-	6,176	-	-	-	-	-	-	-	-	6,176	5,899	12,075		
Subsidiaries’ disposal of investment in equity instrument at fair value through other comprehensive income	-	-	-	-	75	75	-	(75)	(75)	-	-	-	-		
Subscribe for the subsidiary’s shares from non-controlling equity	-	5,990	-	-	(6,940)	(6,940)	-	-	-	-	(950)	950	-		
Decrease/increase in non-controlling equity	-	-	-	-	-	-	-	-	-	-	-	1,850,358	1,850,358		
Balance on December 31, 2021	2,325,457	288,511	36,494	4,832	(228,678)	(187,352)	(188)	(567)	(755)	(57,515)	2,368,346	3,029,742	5,398,088		
Income (loss)	-	-	-	-	140,078	140,078	-	-	-	-	140,078	(83,992)	56,086		
Other comprehensive income for the current period	-	-	-	-	110	110	6	2,025	2,031	-	2,141	(3,548)	(1,407)		
Total comprehensive income	-	-	-	-	140,188	140,188	6	2,025	2,031	-	142,219	(87,540)	54,679		
Legal reserve for accumulated deficit	-	-	(36,494)	-	36,494	-	-	-	-	-	-	-	-		
Capital surplus for accumulated deficit 6,147,461	-	(6,147)	-	-	6,147	6,147	-	-	-	-	-	-	-		
Capital decrease for accumulated deficit	(186,037)	-	-	-	186,037	186,037	-	-	-	-	-	-	-		
Convertible corporate bonds	74,063	25,564	-	-	-	-	-	-	-	-	99,627	-	99,627		
Subsidiaries’ issuance of convertible corporate bonds	-	-	-	-	-	-	-	-	-	-	-	9,252	9,252		
Repurchase of treasury stock	-	-	-	-	-	-	-	-	-	(39,580)	(39,580)	-	(39,580)		
Cancellation of treasury stock	(23,062)	(2,638)	-	-	(13,880)	(13,880)	-	-	-	39,580	-	-	-		
Subsidiaries’ allocation of cash dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(93,137)	(93,137)		
The stocks of the parent company purchased by a subsidiary shall be identified as treasury stocks.	-	-	-	-	-	-	-	-	-	(2,973)	(2,973)	(59,760)	(62,733)		
Changes in the ownership and equity of the subsidiary	-	4,596	-	-	(3,949)	(3,949)	-	-	-	(1,268)	(621)	621	-		
Subsidiaries’ disposal of investment in equity instrument at fair value through other comprehensive income	-	-	-	-	(753)	(753)	-	753	753	-	-	-	-		
Share-based payment transactions	-	5,079	-	-	-	-	-	-	-	-	5,079	4,275	9,354		
Decrease/increase in non-controlling equity	-	-	-	-	-	-	-	-	-	-	-	(60,077)	(60,077)		
Exercise of disgorgement	-	6,571	-	-	-	-	-	-	-	-	6,571	-	6,571		
Balance on December 31, 2022	\$ 2,190,421	321,536	-	4,832	121,606	126,438	(182)	2,211	2,029	(61,756)	2,578,668	2,743,376	5,322,044		

(Please refer the Notes to Consolidated Financial Statements.)

Chairman: Chang Yu-Ming

Manager: Chang Yu-Ming

Accounting Manager: Kuo Yu-Cheng

**SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries**

**Consolidated Cash Flow Statement**

**January 1~December 31, 2022 and 2021**

**Unit: NT\$ Thousand**

	<u>2022</u>	<u>2021</u>
<b>Cash flow from operating activities:</b>		
Income (loss) before tax	\$ 70,047	(26,284)
Adjustment:		
Adjustments to reconcile profit (loss)		
Depreciation expenses	48,880	34,327
Amortization expenses	1,732	1,636
Gain on reversal of expected credit impairment loss	(393)	(1,508)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	75,363	(77,239)
Interest expenses	73,963	70,709
Gain recognized in bargain purchase transaction	-	(45,045)
Constructive losses on intercompany bonds	-	24,935
Interest revenue	(6,667)	(1,172)
Dividend revenue	(26,713)	(10,531)
Profit from lease modification	(590)	(9)
Share of profit or loss of affiliated companies recognized under equity method	742	2,401
Gains on disposal and retirement of property, plant and equipment	(55)	(52)
Gain on disposal of investments	-	(42,045)
Unrealized foreign currency exchange loss (gain)	(1,263)	2,085
Share-based payment transactions	9,354	12,075
Adjustments to reconcile profit (loss)	174,353	(29,433)
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Increase in contract asset	(30,383)	-
Increase in notes payable	(6,027)	(16,025)
Decrease (increase) in accounts receivable	22,709	(20,349)
Increase in other receivables	(741)	(3,209)
Increase in inventories	(1,065,138)	(608,907)
Decrease in biological assets	-	7,556
Increase in prepayments	(113,337)	(38,620)
Increase in other current assets	(11,114)	(2,812)
Decrease in other non-current assets	429	1,233
Total net changes in assets related to operating activities	(1,203,602)	(681,133)
Net changes in liabilities related to operating activities:		
Increase in contract liabilities	139,277	213,889
Decrease in notes payable	(712)	(13,583)
Increase in accounts payable	234,846	136,285
Increase in other payables	54,108	33,474
Increase (decrease) in other current liabilities	14,772	(3,999)
Decrease in net defined benefit liabilities	(237)	(3,358)
Total net changes in liabilities related to operating activities	442,054	362,708
Total net changes in assets and liabilities related to operating activities	(761,548)	(318,425)
Total adjustments	(587,195)	(347,858)
Cash outflow from operation	(517,148)	(374,142)
Interest collected	6,667	1,172
Dividends collected	26,713	10,531
Interest paid	(78,256)	(74,565)
Income tax paid	(15,534)	(10,082)
Net cash outflow from operating activities	(577,558)	(447,086)
<b>Cash flow from investing activities:</b>		
Acquisition of financial assets at fair value through profit or loss	(208,555)	(351,503)
Proceeds from disposal of financial assets at fair value through profit or loss	147,433	286,797
Increase in financial assets measured at amortized cost --current	(13,900)	-
Acquisition of financial assets at fair value through other comprehensive income	(23,563)	(33,209)
Proceeds from disposal of financial assets at fair value through other comprehensive income	21,673	16,108
Acquisition of investment under equity method	-	(80,141)
Acquisition of property, plant and equipment	(120,746)	(8,982)
Proceeds from disposal of property, plant and equipment	55	24,122
Decrease in refundable deposits	1,529	7,280
Decrease in other receivables	32,710	-
Acquisition of intangible assets	(918)	(270)
Net cash inflow (outflow) from merger and acquisition of subsidiaries	(43,218)	722,456
Increase in other financial assets-current	(20,418)	(19,123)
Decrease (increase) in other financial assets-current	109,328	(302,518)
Increase in other non-current assets	(42,002)	-
Net cash inflow (outflow) from investing activities	(160,592)	261,017
<b>Cash flow from financing activities:</b>		
Increase in short-term loans	2,201,984	1,360,910
Decrease in short-term loans	(1,753,206)	(1,573,950)
Increase in short-term bills and notes payable	154,726	79,915
Decrease in short-term bills and notes payable	(79,915)	(28,000)
Issuance of convertible corporate bonds	294,665	1,317,500
Repayment of corporate bonds	-	(67,900)
Increase in long-term loans	135,324	11,000
Repayment of long-term loans	(22,032)	-
Payment for subsidiaries' repurchase of convertible corporate bonds	-	(98,983)
Subscribe for the subsidiary's equity from non-controlling equity	-	(316,071)
Increase (decrease) in deposits received	6,957	(580)
Repayment of principal for lease	(3,983)	(4,573)

Subsidiaries' allocation of cash dividends	(92,950)	(24,399)
Repurchase of treasury stock	(102,313)	(36,204)
Changes in non-controlling equity	(65,286)	136,427
Exercise of disgorgement	6,571	-
<b>Net cash inflow from financing activities</b>	<b>680,542</b>	<b>755,092</b>
Effect of changes in foreign exchange rate to cash and cash equivalents	406	(2,183)
Increase (decrease) in cash and cash equivalents for the current period	(57,202)	566,840
Balance of cash and cash equivalents, beginning	820,350	253,510
Balance of cash and cash equivalents, ending	<b>\$ 763,148</b>	<b>820,350</b>

**SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**2022 and 2021**

(All amounts are expressed in NT\$ thousand as the currency unit, unless otherwise noted.)

**I. Company History**

SUN YAD CONSTRUCTION CO., LTD. (hereinafter referred to as the “Company”) was established upon approval of the Ministry of Economic Affairs on December 11, 1979. Its registered address is 20-6F, No. 248, Sec. 2, Yong Hua Rd., Anping Dist., Tainan City. The Company and its subsidiaries (hereinafter referred to as the “consolidated entities”) are primarily engaged in the business lines including various polymer chemical raw materials, such as polyurethane resins, adhesives, surface treatment agents and solvents, manufacture and trading of synthetic leather, plastic leather and flocking clothe, etc., housing and building development and rental, livestock breeding and bulk raw materials trading, research, development, manufacturing and sale of integrated circuit systems and security monitoring products, and technical consulting service and import/export trade of said products.

**II. Dates and procedures where the financial statements were resolved**

The consolidated financial statements were passed and promulgated by the Board of Directors on March 10, 2023.

**III. Applicability of newly promulgated and amended standard rules and interpretations**

(I) Effect posed by adoption of the newly promulgated and amended standard rules and interpretations endorsed by FSC.

The adoption of the following amended International Financial Reporting Standards by the consolidated entities starting on January 1, 2022 does not have a material influence on the consolidated financial statements.

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

(II) Effect when the Company has yet to adopt the IFRSs approved by the FSC.

The following amended IFRSs become effective as of January 1, 2023. The possible effects caused therefor are explained as following:

1. Amendments to IAS 1, “Disclosure of Accounting Policies”

The amendments primarily cover:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- Accounting policies for immaterial transactions, other events or conditions are themselves immaterial. Entities do not need to disclose them.
- Additionally, not all accounting policies are material to an enterprise’s financial statements just because they relate to significant transactions, other events, or conditions.

The consolidated entities are now continuing to assess and review the accounting policies to be disclosed in the consolidated financial statements in line with the amendments.

2. Others

It expects that the following amended standards will not pose any significant impact to the consolidated financial statements.

- Amendments to IAS 8, “Definition of Accounting Estimates”

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

- Amendments to IAS 12, “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

(III) New and amended standards and interpretations not yet endorsed by FSC.

IFRSs that have been released and amended by the International Accounting Standards Board (hereinafter referred to as the “IASB”) but have not yet endorsed by the FSC as critical to the consolidated entities are listed as follows:

New or amended standard	Contents of the amendments	Effective date of IASB's announcement
Amendments to IAS 1, “Classification of Liabilities as Current or Non-Current”	According to the existing IAS 1, a liability for which a company retains no unconditional right to defer settlement of the liability for at least 12 months after the reporting date shall be classified as current. The amendments thereto delete the unconditional rights, and require that such right should exist substantially after the reporting date.  The amendments clarify how a company should classify the liabilities repaid with respect to its own equity instrument already issued (e.g. convertible corporate bonds).	January 1, 2024
Amendments to IAS1 “Non-current Liabilities with Covenants”	Upon re-consideration of certain aspects of the 2020 amendments to IAS1, the new amendments clarify that only the covenants followed at or before the reporting will affect the classification of current or non-current liabilities.  The covenants to be followed after the reporting date (i.e. future covenants) would not affect the classification of liabilities on that date. Notwithstanding, if a non-current liability is subject to future covenants, a company needs to disclose information to help the financial statement user verify the risk to be repaid within 12 months after the reporting date.	January 1, 2024

The consolidated entities are continuing to assess the impact of the above standards and interpretations on its financial status and operating results and will disclose relevant influence once the assessment has been completed.

The consolidated entities expect no material influence on the consolidated financial statements due to other newly published and amended standards yet to be recognized as below.

- 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
- Amendments to IFRS 16 “Sale and Leaseback Transactions”

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## IV. Summary of significant accounting policies

The important accounting policies applied by the consolidated financial statements are summarized as follows: Unless otherwise provided, the following accounting policies have been applied during the presentation period of the consolidated financial statements.

### (I) Statement of compliance

The consolidated financial statements have been prepared 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 (IAS), IFRIC Interpretation, or SIC Interpretation endorsed and promulgated in effect by the Financial Supervisory Commission (hereinafter referred to as the "IFRSs endorsed by FSC").

### (II) Basis of preparation

#### 1. Basis for measurement

Except the following important items in the balance sheet, the consolidated financial statement was prepared based on the historical cost:

- (1) Financial assets at fair value through profit or loss;
- (2) Financial assets at fair value through other comprehensive income;

#### 2. Functional currency and presentation of currency

The functional currency of each of the consolidated entities shall be subject to the currency applicable in the main economic environment in which its business place is situated. The consolidated financial statements should be presented based on the Company's functional currency, NTD. Unless otherwise noted, all of the financial information presented in NTD should be held presented in NTD Thousand as the currency unit.

### (III) Basis for consolidation

#### 1. Principles for preparation of consolidated financial statements

The entities in the consolidated financial statements include the Company, and the entities controlled by the Company (namely, subsidiaries). When the Company is exposed to the changes of remuneration participated by the invested entities or is entitled to changes of remuneration, and is able to influence the remuneration by virtue of its power over the entities, the Company is held controlling the entities.

The subsidiary's financial statement shall be included into the consolidated financial statements as of the date of acquisition of the control is acquired, until the date of loss of the control. The consolidated entities' transactions, balance and unrealized income and expense have already been eliminated when the consolidated financial statements were prepared. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling equity, even if this results in the non-controlling equity having a deficit balance.

The financial statements of subsidiaries have been adjusted where necessary to ensure that its accounting policies are consistent with the policies adopted by the Company.

Any change in the Company's ownership of any subsidiaries which did not result in loss of control is treated as the equity transaction with the owner. The price difference between the adjustment value of non-controlling equity and fair value of paid or collected consideration shall be stated into equity directly and vested in the owners of the Company.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## 2. Subsidiaries included into the consolidated financial statements

The subsidiaries included into the consolidated financial statements include:

Name of Investee	Name of Subsidiary	Nature of Business	Equity (%)		Remarks
			December 31, 2022	December 31, 2021	
The Company	BOROMI OPTRONICS CORP. (BOROMI)	Indoor renovation/indoor decoration, and door and window installation project	-	-	(Note 6)
The Company	Victory Enterprises Limited	Investment	64.36%	64.36%	
The Company	U-BEST Innovative Technology Co., Ltd. (U-BEST)	Manufacturing and trading of polyester resin, adhesive and surface treatment agent	16.45%	16.14%	(Note)
The Company	Shangyu Construction Co., Ltd. (Shangyu)	Construction and engineering	99.99%	99.99%	
The Company	MYSON CENTURY, INC. (MYSON)	Research, development, manufacturing and sale of integrated circuit systems and security monitoring products	17.06%	17.01%	(Note 1)
The Company	FEEI CHERNG ENTERPRISE CO., LTD. (FEEI)	Livestock breeding and bulk raw materials trading	8.42%	8.42%	(Note 2 and Note 7)
MYSON CENTURY, INC.	ZAVIO INC. (ZAVIO)	Design and sale of security monitoring products	100.00%	100.00%	(Note 5 and Note 7)
MYSON CENTURY, INC.	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	Manufacturing and trading of polyester resin, adhesive and surface treatment agent	2.19%	-	(Note)
MYSON CENTURY, INC.	HSIN-LI CHEMICAL INDUSTRIAL CORP. (HSIN-LI)	Manufacture and trading of synthetic leather, plastic leather and flocking clothe, etc.	3.81%	2.55%	(Note 2 and Note 8)
MYSON CENTURY, INC.	FEEI CHERNG ENTERPRISE CO., LTD.	Livestock breeding and bulk raw materials trading	0.20%	1.50%	(Note 2 and Note 7)
Shangyu Construction Co., Ltd.	BOROMI OPTRONICS CORP.	Indoor renovation/indoor decoration, and door and window installation project	100.00%	99.98%	(Note 6)
Shangyu Construction Co., Ltd.	HSIN-LI	Manufacture and trading of synthetic leather, plastic leather and flocking clothe, etc.	5.05%	5.01%	(Note 2 and Note 8)
BOROMI OPTRONICS CORP.	HSIN-LI	Manufacture and trading of synthetic leather, plastic leather and flocking clothe, etc.	0.98%	0.97%	(Note 2 and Note 8)
BOROMI	U-BEST INNOVATIVE TECHNOLOGY	Manufacturing and	1.15%	-	(Note)



## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

OPTRONICS CORP.	CO., LTD.	trading of polyester resin, adhesive and surface treatment agent			
Victory Enterprises Limited	Acme International Management Inc.	Investment	100.00%	100.00%	
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	FEEI CHERNG ENTERPRISE CO., LTD.	Livestock breeding and bulk raw materials trading	24.45%	24.45%	(Note 2 and Note 7)
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	HSIN-LI	Manufacture and trading of synthetic leather, plastic leather and flocking clothe, etc.	15.08%	14.97%	(Note 2 and Note 8)
FEEI CHERNG ENTERPRISE CO., LTD.	HSIN-LI	Manufacture and trading of synthetic leather, plastic leather and flocking clothe, etc.	10.33%	10.27%	(Note 2 and Note 8)
FEEI CHERNG ENTERPRISE CO., LTD.	Perfect Bass Co., Ltd.	Investment	-	100.00%	(Note 3 and Note 4)
FEEI CHERNG ENTERPRISE CO., LTD.	Sen Tai Engineering Co., Ltd.	Construction and engineering	82.53%	-	(Note 9 and Note 10)

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

- (Note): The consolidated entities had the right to direct the voting rights of a majority of the company's Board members, and acquired the control over that company as that company was controlled by its Board of Directors. Therefore, the company was included into the consolidated financial statements.
- (Note 1): The consolidated entities had the right to direct the voting rights of a majority of the company's Board members in Q3 of 2021, and acquired the control over that company as that company was controlled by its Board of Directors. Therefore, the company was included into the consolidated financial statements.
- (Note 2): It was the consolidated entities' associate. The consolidated entities had the right to direct the voting rights of a majority of the Board members, and personnel, finance and business administration of HSIN-LI and FEEI CHERNG ENTERPRISE CO., LTD. in July and August 2021, and also acquired the control over these companies as they were controlled by their Board of Director. Therefore, these companies were included into the consolidated financial statements.
- (Note 3): Perfect Bass Co., Ltd., a non-major subsidiary, has been dissolved pursuant to laws per the resolution of the Board of Directors on November 8, 2017, and completed the liquidation procedure in Q2 of 2022.
- (Note 4): The consolidated entities have acquired the control over Perfect Bass Co., Ltd. via FEEI in August 2021, and the company became a subsidiary of the consolidated entities. Therefore, the company was included into the consolidated financial statements.
- (Note 5): The consolidated entities have acquired the control over ZAVIO INC. via MYSON CENTURY, INC. in July 2021, and the company became a subsidiary of the consolidated entities. Therefore, the company was included into the consolidated financial statements.
- (Note 6): In September 2021, the Company sold the whole equity of BOROMI to the subsidiary, Shangyu, through reorganization.
- (Note 7): The important subsidiary's financial statements have been audited by another CPA.
- (Note 8): The important subsidiary's 2021 financial statements have been audited by another CPA.
- (Note 9): The consolidated entities have acquired the control over Sen Tai via FEEI CHERNG ENTERPRISE CO., LTD. in December 2022, and the company became a subsidiary of the consolidated entities. Therefore, the company was included into the consolidated financial statements.
- (Note 10): The non-major subsidiary's financial statements have been audited by another CPA.
3. Subsidiaries excluded from the consolidated financial statements: None.

### (IV) Foreign currency

#### 1. Foreign currency transactions

The foreign currency exchange shall be stated at the functional currency translated at the exchange rate prevailing on the date of transaction. Subsequently, at the end of each reporting period, the foreign currencies shall be translated into the functional currency based on the foreign exchange rate prevailing on the same date. Meanwhile, the non-monetary items at fair value denominated in foreign currency shall be stated at the functional currency re-translated at the exchange rate prevailing on the same date of fair value measurement, while the non-monetary items at historical cost denominated in foreign currency shall be stated at the functional currency translated at the exchange rate on the date of transaction.

The foreign currency exchange difference generated from the translation is usually stated as income, unless in the following circumstances, it shall be stated as other comprehensive income:

- (1) Designated as the equity instrument at fair value through other comprehensive income;
- (2) Financial liabilities designated as net investment hedge for foreign operations within the scope of effective hedging; or
- (3) Qualified cash flow hedging within the scope of effective hedging.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

### 2. Foreign operations

Assets and liabilities of foreign operations, including the goodwill and fair value adjustment generated at the time of acquisition, shall be translated into functional currency at the exchange rate prevailing on the reporting date. The adjustments to reconcile profit (loss) shall be translated into NTD at the average exchange rate in the current period, and the exchange different generated therefor shall be stated as other comprehensive income.

When disposition of foreign operations results in loss of control, common control or any material effect, the accumulated exchange difference related to the foreign operations shall be reclassified into income in whole. If the disposition involves any subsidiary of the foreign operations, the relevant accumulated exchange difference shall be reclassified into the non-controlling equity on a pro rata basis.

If no repayment program is defined with respect to receivable or payable items of foreign operations denominated in currency and it is impossible to repay the same in the foreseeable future, the foreign currency exchange gain or loss generated therefor shall be held a part of the net investment in the foreign operations and stated as other comprehensive income.

### (V) Classification standard of current and non-current assets and liabilities

Assets which meet one of the following conditions shall be classified into current assets, and any assets other than the current assets shall be classified into non-current assets:

1. Assets expected to be realized, or intent to be sold or consumed, in the normal operating cycle. Except the real estate development business, which is subject to the business cycle longer than one year generally, the other businesses of the consolidated entities are subject to the business cycle for one year;
2. Assets primarily held for the purpose of trading;
3. Assets expected to be realized within 12 months after the reporting period; or
4. Assets which are cash or cash equivalent, exclusive of the assets to be used for an exchange or to settle a liability, or otherwise remain restricted at more than 12 months after the reporting period.

Liabilities which meet one of the following conditions shall be classified into current liabilities, and any liabilities other than the current liabilities shall be classified into non-current liabilities:

1. Liabilities expected to be repaid in the normal operating cycle; Except the real estate development business-related liabilities, which is subject to the business cycle longer than one year generally, the other liabilities of the consolidated entities are subject to the business cycle for one year;
2. Liabilities primarily held for the purpose of trading;
3. Liabilities expected to be discharged within 12 months after the reporting period; or
4. Liabilities of which the consolidated entities do not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the trading counterpart, result in its settlement by the issue of equity instruments do not affect its classification.

### (VI) Cash and Cash Equivalents

Cash or cash equivalents include cash on hand and demand deposits. Cash equivalents refer to highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposits satisfy said definitions, and are held in order to satisfy the short-term cash commitment, not for investment or any other purposes and, therefore, are stated as cash equivalents.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

### (VII) Financial instruments

The accounts receivable and bond securities issued therefrom are stated when they are incurred initially. The other financial assets and financial liabilities are recognized initially when the consolidated entities becomes a party to the contract of the financial instruments. Any financial assets other than those at fair value through profit or loss (exclusive of the accounts receivable constituting major components of finance), or financial liabilities, shall be initially evaluated based on fair value, plus the transaction cost directly attributed to the acquisition or issuance. The accounts receivable constituting major components of finance shall be initially evaluated based on the transaction cost.

#### 1. Financial assets

The purchase or disposal of financial assets classified in the same manner in customary transactions shall be subject to accounting on the date of transaction or settlement.

At the time of initial recognition, the financial assets are classified into the financial assets measured at amortized cost, investment in debt instrument at fair value through other comprehensive income, investment in equity instrument at fair value through other comprehensive income or financial assets at fair value through profit or loss. The consolidated entities would not reclassify all affected financial assets since the first date of next reporting period until it changes the financial assets management model.

##### (1) Financial assets measured at amortized cost

The financial assets which meet the following conditions but are not designated as those at fair value through profit or loss are measured at the amortized cost:

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

The subsequent measurement of such assets shall be stated at the amount recognized initially, plus or minus accumulated amortizations calculated under effective interest method, and the amortized cost after adjustment on any loss provision. The interest revenue, foreign currency exchange gain or loss and impairment loss are stated into the income. The gain or loss is stated into income at the time of derecognition.

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

Equity investments not held for trading, for which the consolidated entities have irrevocably elected at initial recognition to present changes in fair value in "other comprehensive income". Said election is made on an item-by-item basis.

The investment in equity instrument, if any, is measured at fair value subsequently. The dividend revenue is stated into income (unless it obviously represents the recovery of part of the investment). The other net profit or loss is stated into other comprehensive income, and is not reclassified into income.

The dividend revenue from equity investment is recognized on the date when the consolidated entities have the right to collect the dividend (on the ex-dividend date usually).

##### (3) Financial assets at fair value through profit or loss

Financial assets not measured at amortized cost or measured at fair value through other comprehensive income, but measured at fair value through profit or loss, including derivative financial assets. In order to eliminate or significantly reduce the accounting mismatch at the time of initial recognition, the consolidated entities may irrevocably designate the financial assets measured at amortized cost or at fair value through other comprehensive income as those at fair value through profit or loss.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

The assets shall be measured at fair value subsequently. The net profit or loss thereof (including any stock dividend and interest revenue) is stated into income.

### (4) Impairment on financial assets

The consolidated entities recognize the loss provision at an amount equal to the lifetime expected credit losses of financial assets measured at amortized cost (including cash and cash equivalents, notes receivable and accounts receivable, other receivables, refundable deposits and other financial assets, etc).

The loss provision on the following financial assets is measured at an amount equal to the 12-month expected credit losses, while that on the other assets is measured at an amount equal to lifetime expected credit losses.

- The credit risk over bond securities is considered low on the reporting date; and
- The credit risk over the other bond securities and bank deposits has not increased significantly since initial recognition (namely, the risk over potential defaults within the expected lifetime of financial instruments).

The loss provision on accounts receivable is measured at an amount equal to lifetime expected credit loss.

The lifetime expected credit loss represents the expected credit loss on financial instruments caused by potential defaults within the expected lifetime of the instruments.

The expected credit loss within 12 months represents the expected credit loss on financial instruments caused by potential defaults within 12 months after the reporting date (or a shorter term, if the expected lifetime of the financial instrument is shorter than 12 months).

The term measured for expected credit loss is no longer than the longest contract term in which the consolidated entities are exposed to the credit risk.

When determining whether the credit risk has increased significantly since the original recognition, the consolidated entities shall consider reasonable and supportable information (readily available without undue cost or investment), including qualitative and quantitative information, and the analysis based on the consolidated entities' historical experience, credit rating and forward-looking information.

If the contract payment is overdue for more than 30 days, the consolidated entities shall assume that the credit risk over the financial assets has increased significantly.

If the contract payment is overdue for more than 180 days, or the borrower is not likely to perform its credit obligation to repay the consolidated entities in full, the consolidated entities shall assume that the financial assets suffer default.

The expected credit loss refers to the weighted estimate based on the possibility of credit loss suffered by the financial instruments within the expected lifetime. The credit loss is measured based on the present value of cash short, namely the price difference between the cash flow collectible by the consolidated entities based on the contract and that expected by the consolidated entities to collect.

On each reporting date, the consolidated entities evaluate whether the financial assets measured at amortized cost and bond securities measured at fair value through other comprehensive income suffer any credit impairment. If the estimated future cash flow of the financial assets is affected adversely due to a single or multiple events occurring, the financial assets should be deemed suffering credit impairment. The evidence showing that financial assets have suffered credit impairment includes the following observable information:

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

- The borrower or issuer suffers significant financial difficulties.
- Default, e.g. payment deferred or overdue for more than 180 days;
- The concession by the consolidated entities on terms that it would not consider otherwise, with the economic or contractual reasons related to the borrower's financial difficulties;
- The borrower is likely to petition for bankruptcy or other financial reorganization; or
- The disappearance of an active market for the financial assets because of financial difficulties.

The loss provisions on financial assets measured at amortized cost are deducted from the carrying amount of the assets. For the investment in debt instruments at fair value through other comprehensive income, the loss provision is charged to profit or loss and is stated into other comprehensive income (without reduction in the carrying amount of the assets).

The gross carrying amount of a financial asset is written off directly when the consolidated entities have no reasonable expectations toward recovery of a financial asset in its entirety or a portion thereof. The consolidated entities individually make an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation toward recovery. The consolidated entities expect no significant reversal from the amount written off. However, financial assets that are written off could still be subject to compulsory execution, in order to comply with the consolidated entities' procedures for recovery of overdue amounts.

### (5) Derecognition of financial assets

The consolidated entities derecognize a financial asset when the contractual rights to the cash flows from the financial asset are terminated, or transfer 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 consolidated entities neither transfer nor retain substantially all of the risks and rewards of ownership and they do not retain control over the financial asset.

The consolidated entities enter into transactions whereby it transfers assets recognized in its balance sheet, but retain either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets shall still be stated into the balance sheet.

## 2. Financial liabilities and equity instruments

### (1) Classification of debt or equity

Debt and equity instruments issued by the consolidated entities 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 transactions

The equity instruments refer to any contracts signifying the consolidated entities' residual equity after their assets less all of their liabilities. The equity instruments issued by the consolidated entities are recognized at the amount after the payment of acquisition less the direct issue cost.

### (3) Treasury stock

When the equity instruments recognized by the Company are repurchased, the consideration paid by it (including directly attributable cost) is stated as the decrease in equity. The repurchased shares are classified as the treasury stocks. The amount collected from subsequent sale or re-issue of the treasury stocks is recognized as the increase in equity. Meanwhile, the surplus or loss generated from the transaction is recognized as the capital surplus or retained earnings (if the capital surplus is insufficient for the write-off).

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

### (4) Compound financial instruments

The compound financial instruments issued by the consolidated entities refer to the convertible corporate bonds (denominated in NTD) which the holders may choose to convert into capital stock. The number of shares issued therefor remains unaffected by any changes in the fair value of such instruments.

The components of liabilities of compound financial instruments are initially measured at the fair value of the similar liabilities excluding the right to convert equity. The components of equity are initially measured at the price difference between the fair value of the entire compound financial instruments and fair value of the components of liabilities. Any directly attributable transaction cost is allocated to the components of liabilities and equity, subject to the proportion of the original carrying amount of liabilities and equity.

Upon the initial recognition, the components of liabilities of compound financial instruments are measured at the amortized cost using the effective interest method. The components of equity of compound financial instruments are not re-measured upon the initial recognition.

The interest related to financial liabilities is stated into income. The financial liabilities are reclassified into the equity at the time of conversion. The conversion is not stated into income.

### (5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held for trading or derivative, or designated as such at the time of initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, and the net gains and losses, including any interest expenses, are stated into income.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and foreign exchange gains and losses are stated into income. Any gain or loss on derecognition is also stated into income.

### (6) Derecognition of financial liabilities

The consolidated entities derecognize a financial liability when their contractual obligations are discharged or cancelled, or expired. The consolidated entities also derecognize 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 and the total consideration paid or to be paid (including any non-cash assets transferred or liabilities assumed) is stated into income.

### (7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the consolidated entities currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## (VIII) Inventory

### 1. Building industry

Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs that meet the requisite asset capitalization as incurred in bringing the inventories to a useable location and condition.

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs for completion of the project and for completion of the sale. The net realizable value is verified in the following manners:

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

- (1) Land for construction: The net realizable value is based on the competent authority's estimate made subject to the current market condition.
- (2) Building under construction: The net realizable value is the estimated selling price (subject to the current market condition) less the estimated costs for completion of the project and selling expenses.
- (3) Available-for-sale house: The net realizable value is the estimated selling price (estimated by the competent authority subject to the current market condition) less the estimated costs generated at the time of sale of the real estate and selling expenses.

### 2. Manufacturing industry

Inventories are measured at the lower of cost or net realizable value. The cost consists of all costs of purchase, production or processing and other costs as incurred in bringing the inventories to a useable location and condition.

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs for completion of the project and for completion of the sale.

### (IX) Biological assets

The biological assets are measured at their fair value less the selling cost at the time of initial recognition and each reporting date. The selling cost refers to the incremental cost that may be attributed to disposal of assets directly, in addition to the financial cost and income tax. The gains or losses generated from the initial recognition of biological assets, and those generated from the subsequent changes resulting from fair value less selling cost, are stated into income when they are incurred.

### (X) Investment in associates

Associates are those entities in which the consolidated entities has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the consolidated entities' share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the consolidated entities, from the date on which significant influence commences until the date on which significant influence ceases. The consolidated entities recognize any changes of their shareholdings in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

The unrealized gains and losses resulting from transactions between the consolidated entities and an associate are recognized in the entities' financial statements only to the extent of unrelated person investors' interests in the associate.

When the consolidated entities' share of losses of an associate equals or exceeds their interests in the associate, they discontinue recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the consolidated entities have incurred legal or constructive obligations or made payments on behalf of the associate.

### (XI) 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, less accumulated depreciation and accumulated impairment losses. 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.



## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

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 stated into income.

Rental income from investment property is recognized as operating 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.

### (XII) Property, plant and equipment

#### 1. 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 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 property, plant and equipment is stated into income.

#### 2. Subsequent expenditure

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

#### 3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is stated into income on a straight-line basis over the estimated useful lives of each component of property, plant and equipment.

No depreciation is provided for land.

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

(1) Land improvement	7 ~ 15 Year
(1) Building and structure	1 ~ 60 Year
(2) Machine and equipment	2 ~ 30 Year
(3) Other equipment	1 ~ 30 Year

Depreciation methods, useful lives and residual values are reviewed by the consolidated entities at each reporting date, and adjusted if necessary.

### (XIII) Lease

At inception of a contract, the consolidated entities assess whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### 1. As a lessee

The consolidated entities recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Additionally, the consolidated entities periodically assess whether the right-of-use asset is impaired and deal with any impairment loss as incurred, and adjust such asset in response to certain remeasurements of the lease liability, if any.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease that may be reliably determined, or the consolidated entities' incremental borrowing rate, if that rate cannot be reliably determined. Generally, the consolidated entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (1) Fixed payments, including substantive fixed payments;
- (2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (3) Amounts expected to be payable under a residual value guarantee; and
- (4) Payments for purchase options, or fine for termination options, that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (1) there is a change in future lease payments arising from the change in an index or rate applied to decide the lease payments; or
- (2) there is a change in the consolidated entities' estimate of the amount expected to be payable under a residual value guarantee; or
- (3) there is a change of its assessment on whether it will exercise an option to purchase the underlying asset;
- (4) there is a change in the lease term resulting from a change of its assessment on whether it will exercise a extension or termination option; or
- (5) there are any amendments to the subject matter, scope or other terms of the lease.

When the lease liability is remeasured due to the change in an index or rate applied to decide the lease payments, the change in the estimate of the amount expected to be payable under a residual value guarantee and the change of the assessment on whether it will exercise a purchase, extension or termination option, a corresponding adjustment is made to the carrying amount of the right-of-use asset, and the residual remeasured amount is stated into the income when the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the consolidated entities account for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and state into income any gain or loss relating to the partial or full termination of the lease.

The consolidated entities present right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheet.

The consolidated entities have elected not to recognize right-of-use assets and lease liabilities for short-term leases of employee dormitory, parking lots, office premises and other equipment and leases of low-value assets. The consolidated entities recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 2. As a lessor

When the consolidated entities act as a lessor, they make 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 at the lease commencement. 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 consolidated entities consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

### (XIV) Intangible assets

#### 1. Recognition and measurement

The goodwill arising from the consolidated entities' acquisition of any subsidiary is measured at the cost less accumulated impairment.

Other intangible assets that are acquired by the consolidated entities are measured at cost less accumulated amortization and any accumulated impairment losses.

#### 2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is stated into income as incurred.

#### 3. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

(1) Cost of computer software	3~5 Year
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(2) License	10 Year
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Depreciation methods, useful lives and residual values of intangible assets are reviewed by the consolidated entities at each reporting date, and adjusted if necessary.

### (XV) Impairment on non-financial assets

At each reporting date, the consolidated entities review the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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 group of assets. 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 recoverable amount of an asset or CGU is lower than its carrying amount.

Impairment losses are stated into income immediately. 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.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### (XVI) Recognition of revenue

#### 1. Revenue from contracts with customers

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

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

### (1) Sale of products

The consolidated entities recognize revenue at the time when its control over the products is transferred. The transfer of control over the products means that the products have been delivered to customers. Customers may decide the sales channels and price of the products to their sole discretion, and no such problem about failure to perform obligation that might affect customers' acceptance of the products is existing. The delivery takes place when the products are shipped to the specific location and the risk over out-of-date and loss has been passed on to the customers, and customers accept the products per the sales contract, the inspection and acceptance terms are expired, or the consolidated entities believe based on objective evidence that all inspection and acceptance terms have been satisfied.

The consolidated entities recognize accounts receivable when delivering the products, as the consolidated entities has the right to collect consideration unconditionally at that moment.

### (2) Sales of real estate

The consolidated entities engage in sale of real estate, and frequently the pre-sale of real estate during or before the construction. The consolidated entities recognize revenue at the time when their control over the real estate is transferred. Subject to the contractual requirements, for the consolidated entities, the real estate generally is not intended for any other purposes. For identification of the year which the income from completion and settlement should be attributed to, the consolidated entities consider the control transferred upon completion and settlement of the project and also registration of transfer of the title, and then recognize the revenue.

The revenue is measured at the transaction cost per the contract. In the case of pre-sale real estate, the payment is generally collected in installments from execution of the contract until the real estate is transferred to customers. The earned receipts are recognized as the contract liabilities. The interest expenses and contract liabilities are recognized when the impact posed by time value of money is adjusted. The amount of accumulated contract liabilities is restated as revenue when the real estate is transferred to customers.

### (3) Financing components

The consolidated entities do 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 for the goods or services exceeds one year. Meanwhile, the consideration for the commitment under real estate sales contracts and the present sale value are not indifferent, and are free from significant financing factors; therefore, no significant financial components exist. As a consequence, the consolidated entities do not adjust any of the transaction prices for the time value of money.

## 2. Customer contract cost

### (1) Incremental costs of obtaining a contract

The consolidated entities recognize as an asset the incremental costs of obtaining a contract with a customer if the consolidated entities expect to recover those costs. The incremental costs of obtaining a contract are those costs that the consolidated entity 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 consolidated entities apply 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 entities otherwise would have recognized is one year or less.

### (2) Costs to fulfill a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 "Inventories," IAS 16 "Property, Plant and Equipment" or IAS 38 "Intangible Assets"), the consolidated entities recognize an asset from the costs incurred to fulfill a contract only if the costs relate directly to a contract or to an anticipated contract that the consolidated entities can specifically identify, the costs generate or enhance resources of the consolidated entities that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and the costs are expected to be recovered.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the consolidated entities cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the consolidated entities recognize these costs as expenses when they are incurred.

### (XVII) Operating expenses

The commission expenditure that is incurred for pre-sale of real estate is stated as prepaid sales expenses at first when it is incurred, and then deferred, based on the principle of matching costs with revenues, and re-stated as current expenses when the house sale revenue is acknowledged.

### (XVIII) Government grants

The consolidated entities recognize an unconditional government grant related to employees' benefits as other income when the grant becomes receivable. Grants that compensate the consolidated entities for expenses or losses incurred are stated into income on a systematic basis in the periods in which the expenses or losses are recognized.

### (XIX) Employee benefits

#### 1. Defined contribution plans

Obligations for contributions to defined contribution plans are stated as the employee benefit expenses under the title of income as the related service is provided.

#### 2. Defined benefit plans

The consolidated entities' net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the consolidated entities, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and any changes in the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The consolidated entities determine the net interest expense (revenue) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are stated into income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is stated into income immediately. The consolidated entities recognize gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### 3. 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 consolidated entities have 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.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

### (XX) Share-based payment transactions

The transaction is share-based payment for settlement of equity. Under the share-based payment agreement, the fair value of equity instruments on the date of granting are recognized as expenses and the equity shall be increased relatively during the vested period for the remuneration. The recognized expenses are adjusted based on the quantity of remuneration expected to meet service conditions and non-market value vested conditions. The amount recognized ultimately is measured based on the quantity of remuneration expected to service conditions and non-market value vested conditions on the vested date.

The non-vested conditions related to share-based payment has been reflected in the measurement of fair value on the grant date of share-based payment. It is not necessary to verify or adjust the difference between the expectation and actual result.

When the consolidated entities carry out cash capital increase to reserve shares available to employees for subscription, the date of granting means the record date when the Board of Directors approves the capital increase. When issuing employee stock warrants, the date of granting means the date when the number of shares which the employees subscribe for is verified.

### (XXI) Income tax

Income tax comprises current and deferred income taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be stated into income.

The current income tax comprises the expected tax payable or receivable on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount is the best estimate of the tax amount expected to be paid or received as measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax arises due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. except in the following circumstances, no deferred income tax shall be recognized:

1. 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;
2. temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the consolidated entities are 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
3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax is 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.

Deferred income tax assets and deferred income tax liabilities may be offset against each other by the consolidated entities only when the following conditions are met:

1. When the consolidated entities have a legally enforceable right to offset the current income tax assets against current income tax liabilities; and
2. The deferred income tax assets and deferred income 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 income 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 income tax liabilities or assets are expected to be settled or recovered.

Deferred income 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 income 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.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

### (XXII) Business combination

The consolidated entities had the right to direct the voting rights of a majority of the Board members, and personnel, finance and business administration of MYSON CENTURY INC., FEEI CHERNG ENTERPRISE CO., LTD. and HSIN-LI in Q3 of 2021, and also acquired the control over these companies as they were managed by their Board of Director. Therefore, since Q3 of 2021, the consolidated entities have started to apply the accounting policy related to business combination.

The consolidated entities account for business combinations using the acquisition method. The goodwill arising from an acquisition is measured at the fair value of the transfer consideration on the date of acquisition, including the amount of non-controlling equity vested in the acquiree, less the identifiable assets as acquired and liabilities as assumed (generally the fair value). If the amount calculated above is a deficit balance, the consolidated entities state that amount as the gain recognized in bargain purchase transaction into income immediately after reassessing whether they have correctly identified all of the assets acquired and all of the liabilities assumed.

All transaction costs related to business combination are expensed as incurred, except for the issuance of debt or equity instruments.

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

If the original accounting treatment of business combination has not been completed by the end of the reporting period in which the combination transaction occurs, the consolidated entities recognize the accounting titles which have not yet been completed based on provisional amounts, and during the measurement period, retrospective adjustments are made or additional assets or liabilities are recognized to reflect the obtained new information about the facts and circumstances that existed on the acquisition date. The measurement period shall be no more than one year as of the acquisition date.

The consolidated entities adopt the book value approach, instead of the acquisition method, to treat the business combination under reorganization.

### (XXIII) Earnings per share

The consolidated entities disclose the Company's basic and diluted earnings per share attributed to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributed 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 or loss attributed 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. The consolidated entities' potentially dilutive ordinary shares include convertible corporate bonds, employee stock options, and employee remuneration that may be allocated in the form of stocks.

### (XXIV) Segment information

An operating segment is a component of the consolidated entities that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the consolidated entities). Operating results of the operating segment are regularly reviewed by the consolidated entities' chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment has standalone financial information.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

### V. Significant accounting judgments, and major sources of estimation and assumption uncertainty

When preparing these consolidated financial statements according to the Regulations Governing the Preparation of Financial Reports, and IFRSs endorsed by the Financial Supervisory Commission, the management must make judgments, estimates and assumptions. Such judgments, estimates and assumptions have influence on the adoption of accounting policies and the reported numbers of assets, liabilities, Income and expenses. Actual results may differ from estimates.

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

The information about the accounting policies requiring significant judgment and rendering significant effects to the amounts recognized in the consolidated financial statements in order to judge whether the investee has substantial control:

On December 31, 2022, the consolidated entities held 17.06% of the voting shares of MYSON CENTURY, INC., as the largest shareholder of MYSON CENTURY, INC., while the other 82.94% of the voting shares are not concentrated on specific shareholders. The consolidated entities had the right to direct the voting rights of a majority of that company's Board members in July 2021, and acquired the control over that company as that company is controlled by its Board of Directors.

On December 31, 2022, the consolidated entities held 35.25% of the voting shares of HSIN-LIN, as the largest shareholder of HSIN-LIN, while the other 64.75% of the voting shares are not concentrated on specific shareholders. The consolidated entities had the right to direct the voting rights of a majority of that company's Board members in July 2021, and acquired the control over that company as that company is controlled by its Board of Directors.

On December 31, 2022, the consolidated entities held 33.07% of the voting shares of HSIN-LIN, as the largest shareholder of HSIN-LIN, while the other 66.93% of the voting shares are not concentrated on specific shareholders. The consolidated entities had the right to direct the voting rights of a majority of that company's Board members in August 2021, and acquired the control over that company as that company is controlled by its Board of Directors.

The information about the uncertainty in hypotheses and estimates that result in the significant risk over significant adjustment on the carrying amount of assets and liabilities in next fiscal year and that already reflect the effects posed by COVID-19 epidemic:

#### 1. Inventory valuation

As the inventory shall be measured at the lower of the cost and net realizable value, the consolidated entities evaluate the amounts of inventory which suffers normal wear and tear, is outdated, or becomes unmarketable at the reporting date, and writes off the inventory cost to the net realizable value.

Manufacturing industry: In consideration of the changes in market demand, the original products become outdated or no longer satisfy the market demand, and the sales related thereto might fluctuate drastically.

Building industry: The real estate industry requires a high cash inflow with the long collection period.

Considering that the inventory valuation is estimated based on the demand for products in the future specific period, significant changes might result from the rapid industrial transformation and the effects posed by politics, economy and real estate tax systems. For the estimation of inventory valuation, please refer to Note VI(VII) for details.

#### 2. Evaluation on goodwill impairment

The evaluation on goodwill impairment relies on the consolidated entities' subjective judgment, including identification of CGUs, allocation of goodwill to related CGUs, and determination of amount recoverable by related CGUs. For the details about evaluation on goodwill impairment, please refer to Note VI(XVI).



# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## VI. Explanation of important accounting titles

### (I) Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash and petty cash	\$ 1,449	1,504
Check deposits and demand deposits	761,699	718,846
Time deposits	-	100,000
Cash and cash equivalents in Consolidated Cash Flow Statement	<u><u>\$ 763,148</u></u>	<u><u>820,350</u></u>

Please refer to Note VI(XXXI) for the analysis on interest rate risk and sensitivity of the consolidated entities' financial assets and liabilities.

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

	December 31, 2022	December 31, 2021
<b>Financial assets mandatorily measured at fair value through profit or loss - non-current</b>		
Stocks listed on TWSE/TPEX	\$ 218,702	230,891
Beneficiary certificate	27,843	33,582
Convertible corporate bonds	41,068	21,409
	<u><u>\$ 287,613</u></u>	<u><u>285,882</u></u>
<b>Financial assets mandatorily measured at fair value through profit or loss - non-current:</b>		
Stocks listed on TWSE/TPEX	\$ 341,191	344,240
Stocks unlisted on TWSE/TPEX	7,691	7,292
Embedded derivatives - put option/right of redemption for convertible corporate bonds	-	2,081
	<u><u>\$ 348,882</u></u>	<u><u>353,613</u></u>
<b>Financial liabilities mandatorily measured at fair value through profit or loss - non-current</b>		
Embedded derivatives - put option/right of redemption for convertible corporate bonds	<u><u>\$ 5,936</u></u>	<u><u>-</u></u>
<b>Financial liabilities mandatorily measured at fair value through profit or loss - Non-current:</b>		
Embedded derivatives - put option/right of redemption for convertible corporate bonds	<u><u>\$ 8,827</u></u>	<u><u>1,980</u></u>

For the amount remeasured at fair value and then stated into income and gains on disposal of financial assets at fair value through profit or loss, please refer to Note VI(XXX).

The consolidated entities' financial assets at fair value through profit or loss were not pledged as collateral.

As Lehman Brothers Holdings Inc. and Lehman Brothers Treasury Co. B.V. petitioned for bankruptcy and the related legal procedures were pending, the carrying amount of the "monthly income USD-denominated structured bonds" held by the consolidated entities has been adjusted as NT\$0 thousand.

The consolidated entities recognized the gains on reversal, NT\$10 thousand and NT\$60 thousand, as a result of the redemption of certain structured notes by the First Commercial Bank in 2022 and 2021, stated into other gains and losses in the Consolidated Statement of Comprehensive Income.

The consolidated entities recognized the dividend revenues, NT\$24,520 thousand and NT\$10,515 thousand, as a result of said financial liabilities mandatorily measured at fair value through profit or loss in

Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and  
Its' Subsidiaries (Cont'd)

2022 and 2021.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (III) Financial assets at fair value through other comprehensive income

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Financial assets at fair value through other comprehensive income - non-current:		
Stocks listed on TWSE/TPEX	\$ 16,532	16,549
Stocks unlisted on TWSE/TPEX	926	-
	<b><u>\$ 17,458</u></b>	<b><u>16,549</u></b>

The consolidated entities recognized the dividend revenues, NT\$2,193 thousand and NT\$16 thousand, respectively as a result of the investment in equity instruments designated at fair value through other comprehensive income in 2022 and 2021.

MYSON CENTURY, INC. and Shangyu changed its investment strategies from January 1 to December 31, 2022 and 2021. Therefore, the domestic stocks listed on TWSE/TPEX designated to be measured at fair value through other comprehensive income were sold. The fair values thereof totaled NT\$21,657 thousand and NT\$16,108 thousand at the time of the disposal. The accumulated losses on the disposal amounted to NT\$5,288 thousand and NT\$439 thousand. Said accumulated losses on the disposal have been re-stated as the retained earnings, NT\$753 thousand and NT\$75 thousand, from other equity, subject to the consolidated entities' shareholdings.

For the information about credit risk and market risk, please refer to Note VI(XXXI).

## (IV) Financial assets measured at amortized cost

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Time deposits with the maturity date of more than three months	<b><u>\$ 13,900</u></b>	<b><u>-</u></b>

The consolidated entities evaluated that the assets should be held to maturity to collect the contractual cash flow. Besides, the cash flow from the financial assets are solely payments of principal and interest on the principal amount outstanding. Therefore, the same are stated as the financial assets measured at amortized cost.

For the information about credit risk, please refer to Note VI(XXXI).

Said financial assets have never been pledged as collateral.

## (V) Notes receivable and accounts receivable

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivable - from operations	\$ 67,656	61,629
Accounts receivable	104,477	132,561
Accounts receivable - related party	7,731	2,343
Less: Loss provision	<u>(1,424)</u>	<u>(1,804)</u>
	<b><u>\$ 178,440</u></b>	<b><u>194,729</u></b>

The consolidated entities apply the simplified approach to provide for its expected credit losses on all notes receivable and accounts receivable, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, the notes receivable and accounts receivable have been grouped based on shared credit risk characteristics in terms of customers' ability to pay all due amounts according to contract terms and conditions, as well as incorporated forward looking information.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

The expected credit loss analysis on the consolidated entities' notes receivable and accounts receivable is as follows:

	<b>December 31, 2022</b>		
	<b>Carrying amounts of accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
Not past due	\$ 178,398		-
Overdue for less than 30 days	42	-	-
Overdue for more than 91 days	1,424	100%	1,424
Total	<b>\$ 179,864</b>		<b>1,424</b>

  

	<b>December 31, 2021</b>		
	<b>Carrying amounts of accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance for lifetime expected credit losses</b>
Not past due	\$ 195,122	0%~0.3%	393
Overdue for more than 181 days	1,411	100%	1,411
Total	<b>\$ 196,533</b>		<b>1,804</b>

Changes in loss provision for the consolidated entities' notes receivable and accounts receivable are as follows:

	<b>2022</b>	<b>2021</b>
Balance, beginning	\$ 1,804	1,508
Reversal of impairment loss	(393)	(1,508)
Foreign currency translation gains	13	(1)
Effect of initial consolidation of subsidiaries	-	1,805
Balance, ending	<b>\$ 1,424</b>	<b>1,804</b>

The consolidated entities didn't hold any collateral toward the balances.

(VI) Other receivables

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other receivables	\$ 7,043	7,443
Other receivables - related party	8,298	7,344
Less: Loss provision	(6,570)	(6,570)
	<b>\$ 8,771</b>	<b>8,217</b>

For the information about credit risk, please refer to Note VI(XXXI).

Changes in loss provision for the consolidated entities' other receivables are as follows:

	<b>2022</b>	<b>2021</b>
Balance, beginning	\$ 6,570	-
Effect of initial consolidation of subsidiaries	-	6,570
Balance, ending	<b>\$ 6,570</b>	<b>6,570</b>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (VII) Inventory

	December 31, 2022	December 31, 2021
Manufacturing industry:		
Raw materials and consumables	\$ 63,326	111,322
Work in process	1,341	4,195
Finished goods	31,112	29,034
Subtotal	95,779	144,551
Building industry:		
Land for construction		
Construction land	2,965,923	2,171,013
Land for transfer floor area	261,015	-
	3,226,938	2,171,013
Land under construction	758,414	1,319,810
Building under construction	501,756	1,898,514
Available-for-sale house	1,993,706	290,690
Available-for-sale land	374,425	41,329
Subtotal	6,855,239	5,721,356
Total	<u>\$ 6,951,018</u>	<u>5,865,907</u>

Cost of goods sold of the continuing operations is detailed below:

	2022	2021
Inventory and biological assets reclassified after being sold	\$ 1,737,088	823,585
Gain on inventory price recovery	(6,512)	(825)
Loss on idle capacity	11,270	11,314
Revenue from sale of scraps	(898)	(697)
Gain on physical inventory, net	(56)	(60)
Investment property depreciation expenses	2,596	2,342
Others	684	265
	<u>\$ 1,744,172</u>	<u>835,924</u>

For the amount of capitalized interest, please refer to Note VI(XXX). The annual interest rates of capitalization were 1.42%~2.73% and 1.3%~2.47% in 2022 and 2021.

For the consolidated entities' inventories pledged as collaterals, please refer to Note VIII.

## (VIII) Biological assets

	Livestock
Balance on January 1, 2021	\$ -
Acquired from merger & acquisition	7,556
Invested costs and expenses	1,375
Decrease for sale	(8,931)
Balance on December 31, 2021	<u>\$ -</u>

The consolidated entities' biological assets were not pledged as collaterals.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (IX) Investment under equity method

The consolidated entities have acquired the control over HSIN-LI and FEEI in July and August 2021, respectively, and these companies became subsidiaries of the consolidated entities. Therefore, they were included into the consolidated financial statements. Please refer to Note VI(X). The gains, 21,355 thousand, on disposal remeasured and recognized at fair value as a result of said acquisition of the control are stated as other gains and losses.

The summarized financial information of associates important to the consolidated entities is shown below. The financial information has adjusted the amounts included in each associate's consolidated financial statements adopting the IFRSs to reflect the fair value adjustment made by the consolidated entities upon the acquisition of the associate's equity and adjustment made according to the accounting policy differences:

Summarized financial information of HSIN-LI:

	<b>January to June 2021</b>
Operating revenue	<b>\$ 197,285</b>
Income from	\$ 25,158
Other comprehensive income	-
Total comprehensive income	<b>\$ 25,158</b>
Total comprehensive income attributed to non-controlling equity	<b>\$ -</b>
Total comprehensive income attributed to the owners of investee	<b>\$ 25,158</b>
The consolidated entities' share of net assets of associates, beginning	\$ 174,547
Total comprehensive income attributed to the consolidated entities in the current period	4,037
Stock dividend collected from associates in the current period	-
The consolidated entities' share of net assets of associates, ending	178,584
Add: Goodwill	32,139
Difference between fair value and carrying amount of real estate	54,816
Carrying amount of the consolidated entities' equity of associates, ending	<b>\$ 265,539</b>

Summarized financial information of FEEI:

	<b>January 1, 2021~August 18, 2021</b>
Operating revenue	<b>\$ 58,932</b>
Net loss for the current period	\$ (32,867)
Other comprehensive income	-
Total comprehensive income	<b>\$ (32,867)</b>
Total comprehensive income attributed to the owners of investee	<b>\$ (32,867)</b>
The consolidated entities' share of net assets of associates, beginning	\$ 158,320
Share of net assets of associates acquired in the current period	-
Total comprehensive income attributed to the consolidated entities in the current period	(5,465)
The consolidated entities' share of net assets of associates, ending	152,855
Add: Goodwill	16,453
Difference between fair value and carrying amount of identifiable assets and liabilities	651
Carrying amount of the consolidated entities' equity of associates, ending	<b>\$ 169,959</b>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

The consolidated entities resigned as a director of LUXE BRING CO., LTD. (hereinafter referred to as "LUXE") on August 11, 2022 and, therefore, lost the significant influence over such company. The investment was designated as measured at fair value through other comprehensive income.

The consolidated entities' investment under equity method at the end of the financial reporting period is listed as follows:

	<b>December 31, 2021</b>
Associate	
LUXE BRING CO., LTD. (hereinafter referred to as "LUXE BRING")	<b><u>\$ 1,623</u></b>

The financial information about the consolidated entities' associates under equity method not important to the consolidated entities individually is summarized as follows. Said financial information refers to the figures included into the consolidated entities' consolidated financial statements:

	<b>January 1, 2022~August 11, 2022</b>	<b>July 8, 2021~December 31, 2021</b>
Share attributed to the consolidated entities:		
Income (loss)	\$ (742)	118
Other comprehensive income	-	-
Total comprehensive income	<b><u>\$ (742)</u></b>	<b><u>118</u></b>

The consolidated entities' investment under equity method has never been pledged as collateral.

## (X) Acquisition of subsidiaries and non-controlling equity

### 1. Acquisition of the subsidiary, HSIN-LI

The consolidated entities had the right to direct the voting rights of a majority of the Board members, and personnel, finance and business administration of HSIN-LI on July 8, 2021, and also acquired the control over the company as it was managed by the company's board of directors. Meanwhile, since the date when the consolidated entities acquired the control, HSIN-LI has been included into the consolidated financial statements. HSIN-LI is primarily engaged in manufacturing and trading of synthetic leather, plastic leather and flocking clothe, etc.

The transfer consideration, assets acquired and liabilities assumed, and gain recognized in bargain purchase transaction recognized on the date of acquisition are stated as follows:

(1) The fair value of transfer consideration on the date of acquisition is stated as follows:

	<b>July 8, 2021</b>
Stocks of HSIN-LI (20,722 thousand common shares)	<b><u>\$ 422,726</u></b>

### (2) Identifiable net assets acquired and liabilities assumed

The fair value of the identifiable assets acquired and liabilities assumed from HSIN-LI on July 8, 2021 (date of acquisition) is detailed as follows:

Item	Amount
Cash and Cash Equivalents	\$ 12,822
Financial assets at fair value through profit or loss	399,966
Notes and accounts receivable, net	62,874
Income tax assets for the current period	551
Inventory	58,469
Other current assets	6,762
Other financial assets - current	800

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Item	Amount
Investment under equity method	1,505
Property, plant and equipment	1,156,345
Right-of-use assets	3,212
Investment property	189,181
Deferred income tax assets	1,938
Refundable deposits	1,634
Other non-current assets	1,177
Short-term loans	(187,000)
Notes and accounts payable, net	(29,602)
Contract liability - current	(835)
Other payables	(11,751)
Income tax liabilities for the current period	(1,662)
Lease liability - current	(526)
Other current liabilities	(3,744)
Deferred income tax liabilities	(67,368)
Lease liability - non-current	(2,727)
Deposits received	(1,953)
Other non-current liabilities	(9,902)
Fair value of identifiable net assets	<u><u>\$ 1,580,166</u></u>

(3) Gain recognized in bargain purchase transaction

The gain recognized in bargain purchase transaction due to acquisition is detailed as follows:

Item	Amount
Transfer consideration - stocks of HSIN-LI	\$ 422,726
Add: Non-controlling equity (measured at the proportion of the fair value of identifiable net assets to the non-controlling equity)	1,112,395
Less: Fair value of identifiable net assets acquired	(1,580,166)
Gain recognized in bargain purchase transaction	<u><u>\$ (45,045)</u></u>

The gain recognized in bargain purchase transaction of the consolidated entities on the date of acquisition, NT\$45,045 thousand, is stated as “other revenue” in the Consolidated Statement of Comprehensive Income.

2. Acquisition of the subsidiary, FEEI

The consolidated entities had the right to direct the voting rights of a majority of the Board members, and personnel, finance and business administration of FEEI on August 18, 2021, and also acquired the control over the company as it was managed by the company’s board of directors. Meanwhile, since the date when the consolidated entities acquired the control, FEEI has been included into the consolidated financial statements. FEEI is primarily engaged in livestock and poultry breeding and bulk raw materials trading.

The transfer consideration, assets acquired and liabilities assumed, and goodwill recognized on the date of acquisition are stated as follows:



# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

(1) The fair value of transfer consideration on the date of acquisition is stated as follows:

	<b>August 18, 2021</b>
Stocks of FEEI (16,430 thousand common shares)	<b><u>\$ 179,087</u></b>

(2) Identifiable net assets acquired

The fair value of the identifiable assets acquired and liabilities assumed from FEEI on August 18, 2021 (date of acquisition) is detailed as follows:

<b>Item</b>	<b>Amount</b>
Cash and Cash Equivalents	\$ 591,244
Financial assets at fair value through profit or loss - current	82,150
Accounts receivable	3,520
Other receivables	8
Income tax assets for the current period	1,208
Biological assets	7,556
Other current assets	5,602
Property, plant and equipment	113,472
Financial assets at fair value through profit or loss - non-current	119,958
Deferred income tax assets	2,977
Other non-current assets	1,301
Contract liabilities	(287)
Notes and accounts payable	(4,384)
Deposits received	(1,601)
Fair value of identifiable net assets	<b><u>\$ 922,724</u></b>

(3) Goodwill

The goodwill recognized due to the acquisition is detailed as follows:

<b>Item</b>	<b>Amount</b>
Transfer consideration - stocks of FEEI	\$ 179,087
Add: Non-controlling equity (measured at the proportion of identifiable net assets to the non-controlling equity)	769,234
Less: Fair value of identifiable assets acquired and liabilities assumed	(922,724)
Goodwill	<b><u>\$ 25,597</u></b>

The goodwill is primarily generated from FEEI's profitability in the future market development. As the effect fails to satisfy the recognition conditions on identifiable intangible assets, it is not stated separately from the goodwill. no income tax effect is expected to be produced by the recognized goodwill.

3. Acquisition of the subsidiary, MYSON CENTURY, INC.

The consolidated entities had the right to direct the voting rights of a majority of the Board members, and personnel, finance and business administration of MYSON CENTURY, INC. on July 1, 2021, and also acquired the control over the company as it was managed by the company's board of directors. Meanwhile, since the date when the consolidated entities acquired the control, MYSON CENTURY, INC. has been included into the consolidated financial statements. MYSON CENTURY, INC. is primarily engaged in R&D, manufacturing and trading of hybrid digital analog and pure digital analog integrated circuit products.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

The transfer consideration, assets acquired and liabilities assumed, and goodwill recognized on the date of acquisition are stated as follows:

(1) The fair value of transfer consideration on the date of acquisition is stated as follows:

	<b>July 1, 2021</b>
Stocks of MYSON CENTURY, INC. (10,203 thousand common shares)	<b>\$ 65,302</b>

(2) Identifiable net assets acquired

The fair value of the identifiable assets acquired and liabilities assumed from MYSON CENTURY, INC. on July 1, 2021 (date of acquisition) is detailed as follows:

<b>Item</b>	<b>Amount</b>
Cash and Cash Equivalents	\$ 110,835
Other current assets	1,702
Investment under equity method	7,606
Property, plant and equipment	63,724
Right-of-use assets	13,603
Intangible assets	499
Other non-current assets	1,742
Lease liability - current	(276)
Other current liabilities	(2,711)
Deferred income tax liabilities	(4,568)
Lease liability - non-current	(13,589)
Other non-current liabilities	(230)
Fair value of identifiable net assets	<b>\$ 178,337</b>

(3) Goodwill

The goodwill recognized due to the acquisition is detailed as follows:

<b>Item</b>	<b>Amount</b>
Transfer consideration - stocks of MYSON CENTURY, INC.	\$ 65,302
Add: Non-controlling equity (measured at the proportion of identifiable net assets to the non-controlling equity)	148,009
Less: Fair value of identifiable assets acquired and liabilities assumed	(178,337)
Goodwill	<b>\$ 34,974</b>

The goodwill is primarily generated from MYSON's profitability in the future market development. As the effect fails to satisfy the recognition conditions on identifiable intangible assets, it is not stated separately from the goodwill. no income tax effect is expected to be produced by the recognized goodwill.

4. Acquisition of the subsidiary, Sen Tai

The consolidated entities held the control over Sen Tai upon acquisition of 82.53% of equity of Sen Tai on December 12, 2022, and included Sen Tai into the consolidated entities as of the date when it held the control. Sen Tai is primarily engaged in various construction, engineering and management projects.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

- (1) The fair value of the primary type of transfer consideration on the date of acquisition is stated as follows:

	<b>December 12, 2022</b>
Cash	<b><u>\$ 43,218</u></b>

- (2) Identifiable net assets acquired and liabilities assumed

The fair value of the identifiable assets acquired and liabilities assumed from Sen Tai on December 12, 2022 (date of acquisition) is detailed as follows:

<b>Item</b>	<b>Amount</b>
Other receivables	\$ 32,710
Prepayments	1
Property, plant and equipment	1,050
Intangible assets	13,000
Other payables	(162)
Deferred income tax liabilities	(2,600)
Fair value of identifiable net assets	<b><u>\$ 43,999</u></b>

- (3) Goodwill

The goodwill recognized due to the acquisition is detailed as follows:

<b>Item</b>	<b>Amount</b>
Transfer consideration	\$ 43,218
Add: Fair value of non-controlling equity	5,210
Less: Fair value of identifiable assets acquired and liabilities assumed	(43,999)
Goodwill	<b><u>\$ 4,429</u></b>

## (XI) Changes in the ownership and equity of the subsidiary

U-BEST increased its equity acquired from FEEI in cash in the amount of NT\$159,453 thousand in September 2021. As a result, the equity increased from 16.63% to 29.40%.

FEEI increased its equity acquired from HSIN-LI in cash in the amount of NT\$9,594 thousand in October 2021. As a result, the equity increased from 23.73% to 24.51%.

Until December 31, 2021, since the consolidated entities acquired the control over FEEI and HSIN-LI, MYSON CENTURY, INC. has increased the non-controlling equity in cash in the amount of NT\$55,324 thousand, and acquired the equity of said companies, 1.05% and 2.55%, respectively.

FEEI completed the cash capital increase in December 2021. SUN YAD participated in the subscription and acquired 8.42% of the company's equity in cash, NT\$91,700 thousand. In consideration of the changes in the equity held by U-BEST in FEEI, the equity held by the consolidated entities in FEEI increased from 29.4% to 32.87%.

HSIN-LI has repurchased its own stocks successively from November to December 2021. As a result, the equity held by the consolidated entities in HSIN-LI increased from 30.99% to 33.77%.

HSIN-LI has repurchased its own stocks successively in January 2021. As a result, the equity held by the consolidated entities in HSIN-LI increased from 33.77% to 34.02%.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

The consolidated entities disposed of certain equity of FEEI CHERNG and HSIN-LI at the price of NT\$17,698 thousand in cash from January to December 2022. Notwithstanding, the consolidated entities didn't lose the control over both companies therefor.

The consolidated entities acquired additional equity from U-BEST, HSIN-LI and BOROMI OPTRONICS CORP. at the cost of NT\$80,692 thousand from January to December 2022. For the changes in the related shareholdings, please refer to Note IV (III).

Effects produced by the changes in the consolidated entities' ownership and equity of the subsidiary to the equity attributed to owners of the parent are stated as follows:

	2022	2021
Retained earnings	<u>\$ (3,949)</u>	<u>(6,940)</u>
Capital surplus - recognition of changes in the ownership and equity of the subsidiary	<u>\$ (4,596)</u>	<u>(5,990)</u>

## (XII) Subsidiaries with significant non-controlling equity

The information about non-controlling equity of subsidiaries important to the consolidated entities is stated as follows:

Name of Subsidiary	Principal business place/country where the company is registered	Proportion of ownership and voting right of the non-controlling equity	
		December 31, 2022	December 31, 2021
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	Taiwan	80.21%	83.86%
HSIN-LI	Taiwan	64.75%	66.23%
FEEI CHERNG ENTERPRISE CO., LTD.	Taiwan	66.93%	65.63%
MYSON CENTURY, INC.	Taiwan	82.94%	82.99%

Said subsidiaries' summarized consolidated financial information is stated as follows. The financial information was prepared based on the IFRSs endorsed by FSC, which reflects the fair value adjustment and adjustment on the accounting policy difference made by the consolidated entities on the date of acquisition. Meanwhile, the financial information refers to the amount before the consolidated entities' internal trading was written off:

### (1) Consolidated summarized financial information of U-BEST

	December 31, 2022	December 31, 2021
Current assets	\$ 3,471,647	2,633,690
Non-current assets	2,514,291	2,582,096
Current liabilities	(1,882,586)	(779,984)
Non-current liabilities	(723,134)	(567,136)
Net assets	<u>\$ 3,380,218</u>	<u>3,868,666</u>
Carrying amount of non-controlling equity, ending	<u>\$ 2,701,986</u>	<u>2,919,798</u>

  

	2022	2021
Operating revenue	<u>\$ 888,893</u>	<u>706,252</u>
Income (loss)	\$ (157,850)	57,505
Other comprehensive income	<u>(190,237)</u>	<u>2,266</u>

Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and  
Its' Subsidiaries (Cont'd)

Total comprehensive income	<u>\$ (348,087)</u>	<u>59,771</u>
Net profit (loss) attributed to non-controlling equity	<u>\$ (29,555)</u>	<u>47,495</u>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

	<u>2022</u>	<u>2021</u>
Total comprehensive income attributed to non-controlling equity	<u>\$ (28,564)</u>	<u>49,697</u>
Cash flow from operating activities	\$ (814,246)	(181,479)
Cash flow from investing activities	(314,130)	52,641
Cash flow from financing activities	1,075,778	461,568
Effect of changes in foreign exchange rate to cash and cash equivalents	34	(23)
Increase (decrease) in cash and cash equivalents	<u>\$ (52,564)</u>	<u>332,707</u>
Dividends paid to non-controlling equity	<u>\$ 45,056</u>	<u>9,753</u>

Note: U-BEST's consolidated summarized financial information in 2022 and 2021 has included the financial information of the subsidiaries, HSIN-LI and FEEI.

## (2) Summarized financial information of HSIN-LI:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 326,404	280,015
Non-current assets	1,799,819	1,688,997
Current liabilities	(257,586)	(270,717)
Non-current liabilities	(389,695)	(76,843)
Net assets	<u>\$ 1,478,942</u>	<u>1,621,452</u>
Carrying amount of non-controlling equity, ending	<u>\$ 964,757</u>	<u>1,065,587</u>

	<u>2021</u>	<u>July 8,</u>
Operating revenue	<u>\$ 325,363</u>	<u>167,715</u>
Income (loss)	\$ (38,776)	109,898
Other comprehensive income	1,206	2,267
Total comprehensive income	<u>\$ (37,570)</u>	<u>112,165</u>
Net profit (loss) attributed to non-controlling equity	<u>\$ (3,323)</u>	<u>50,089</u>
Total comprehensive income attributed to non-controlling equity	<u>\$ (2,331)</u>	<u>51,961</u>
Cash flow from operating activities	\$ 61,949	50,127
Cash flow from investing activities	(205,803)	(1,785)
Cash flow from financing activities	209,794	(37,666)
Increase in cash and cash equivalents	<u>\$ 65,940</u>	<u>10,676</u>
Dividends paid to non-controlling equity	<u>\$ 48,081</u>	<u>14,646</u>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (3) Summarized financial information of FEEI:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current assets	\$ 1,585,910	913,201
Non-current assets	279,302	280,816
Current liabilities	(790,365)	(14,165)
Non-current liabilities	(2,924)	(1,081)
Net assets	<b>\$ 1,071,923</b>	<b>1,178,771</b>
Carrying amount of non-controlling equity, ending	<b>\$ 661,887</b>	<b>681,142</b>

  

	<b>2022</b>	<b>August 18, 2021~December 31, 2021</b>
Operating revenue	<b>\$ 8,922</b>	<b>12,943</b>
Income (loss)	\$ (101,009)	49,000
Other comprehensive income	-	-
Total comprehensive income	<b>\$ (101,009)</b>	<b>49,000</b>
Net loss attributed to non-controlling equity	<b>\$ (26,233)</b>	<b>(1,837)</b>
Total comprehensive income attributed to non-controlling equity	<b>\$ (26,233)</b>	<b>(1,837)</b>
Cash flow from operating activities	\$ (528,941)	(253,315)
Cash flow from investing activities	(160,617)	(358,705)
Cash flow from financing activities	775,231	183,149
Increase (decrease) in cash and cash equivalents	<b>\$ 85,673</b>	<b>(428,871)</b>
Dividends paid to non-controlling equity	<b>\$ -</b>	<b>-</b>

## (4) Summarized financial information of MYSON CENTURY, INC.:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current assets	\$ 48,713	51,614
Non-current assets	149,623	122,990
Current liabilities	(11,396)	(7,556)
Non-current liabilities	(51,597)	(14,588)
Net assets	<b>\$ 135,343</b>	<b>152,460</b>
Carrying amount of non-controlling equity, ending	<b>\$ 90,240</b>	<b>141,594</b>

  

	<b>2022</b>	<b>July to December 2022</b>
Operating revenue	<b>\$ 18,432</b>	<b>2,975</b>
Net loss for the current period	\$ (9,357)	(12,859)
Other comprehensive income	(4,737)	(512)
Total comprehensive income	<b>\$ (14,094)</b>	<b>(13,371)</b>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

	2022	July to December 2022
Net loss attributed to non-controlling equity	<u>\$ (7,591)</u>	<u>(11,320)</u>
Total comprehensive income attributed to non-controlling equity	<u>\$ (12,094)</u>	<u>(10,954)</u>
Cash flow from operating activities	\$ (10,890)	(7,201)
Cash flow from investing activities	(33,259)	(80,115)
Cash flow from financing activities	43,238	(315)
Effect of changes in foreign exchange rate to cash and cash equivalents	358	(81)
Decrease in cash and cash equivalents	<u>\$ (553)</u>	<u>(87,712)</u>
Dividends paid to non-controlling equity	<u>\$ -</u>	<u>-</u>

## (XIII) Property, plant and equipment

The changes in the property, plant and equipment of the consolidated entities are detailed as follows:

	Land	Land improvement	Building and structure	Machine and equipment	Other equipment	Construction in progress and equipment pending inspection	Total
Cost or deemed cost:							
Balance on January 1, 2022	\$ 1,235,263	13,067	466,570	264,567	117,545	-	2,097,012
Additions	33,150	303	1,030	596	775	84,892	120,746
Acquired from merger & acquisition	1,050	-	-	-	-	-	1,050
Reclassified in the current period	18,745	-	-	-	-	170	18,915 (Note 1)
Disposal	-	-	(3,876)	(359)	(11,215)	-	(15,450)
Balance on December 31, 2022	<u>\$ 1,288,208</u>	<u>13,370</u>	<u>463,724</u>	<u>264,804</u>	<u>107,105</u>	<u>85,062</u>	<u>2,222,273</u>
Balance on January 1, 2021	\$ 174,845	-	74,073	101,791	52,789	495	403,993
Additions	3,014	-	950	2,554	2,464	-	8,982
Acquired from merger & acquisition	1,057,184	13,067	394,958	161,946	70,334	-	1,697,489
Reclassified in the current period	10,403	-	11,660	495	-	(495)	22,063 (Note 2)
Disposal	(10,183)	-	(15,071)	(2,219)	(8,042)	-	(35,515)
Balance on December 31, 2021	<u>\$ 1,235,263</u>	<u>13,067</u>	<u>466,570</u>	<u>264,567</u>	<u>117,545</u>	<u>-</u>	<u>2,097,012</u>
Accumulated depreciation and impairment losses:							
Balance on January 1, 2022	\$ -	6,405	260,347	183,332	82,375	-	532,459
Depreciation in the current period	-	1,150	15,462	17,446	8,199	-	42,257
Disposal	-	-	(3,876)	(359)	(11,215)	-	(15,450)
Balance on December 31, 2022	<u>\$ -</u>	<u>7,555</u>	<u>271,933</u>	<u>200,419</u>	<u>79,359</u>	<u>-</u>	<u>559,266</u>
Balance on January 1, 2021	\$ -	-	48,538	69,227	34,530	-	152,295
Depreciation in the current period	-	555	8,592	11,552	6,619	-	27,318
Acquired from merger & acquisition	-	5,850	207,002	103,915	47,181	-	363,948
Reclassified in the current period	-	-	342	-	-	-	342 (Note 2)
Disposal	-	-	(4,127)	(1,362)	(5,955)	-	(11,444)
Balance on December 31, 2021	<u>\$ -</u>	<u>6,405</u>	<u>260,347</u>	<u>183,332</u>	<u>82,375</u>	<u>-</u>	<u>532,459</u>



# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

	Land	Land improvement	Building and structure	Machine and equipment	Other equipment	Construction in progress and equipment pending inspection	Total
Carrying amount:							
December 31, 2022	\$ 1,288,208	5,815	191,791	64,385	27,746	85,062	1,663,007
December 31, 2021	\$ 1,235,263	6,662	206,223	81,235	35,170	-	1,564,553
January 1, 2021	\$ 174,845	-	25,535	32,564	18,259	495	251,698

Note 1: Transferred from other non-current assets, NT\$170 thousand, and from investment property, NT\$18,745 thousand.

Note 2: Transferred from investment property.

For the consolidated entities' property, plant and equipment pledged as collaterals, please refer to Note VIII.

The agricultural land owned by the consolidated entities in Luzhu Dist., Kaohsiung City and Shulin Township, Yunlin County values NT\$36,260 thousand in total. The land is registered in personal name. The person has executed the entrust agreement and created the mortgage of the land to the consolidated entities in full amount. The land is used by the consolidated entities for the purpose of operation.

For the consolidated entities' property, plant and equipment pledged as collaterals, please refer to Note VIII.

## (XIV) Right-of-use assets

The changes in the cost and accumulated depreciation of the land, house and building and transportation equipment leased by the consolidated entities are detailed as follows:

	Land	Building and structure	Transportation equipment	Total
Cost of right-of-use assets:				
Balance on January 1, 2022	\$ 14,762	16,645	5,283	36,690
Additions	-	-	1,118	1,118
Decrease	(3,894)	(4,550)	(2,101)	(10,545)
Balance on December 31, 2022	<u>\$ 10,868</u>	<u>12,095</u>	<u>4,300</u>	<u>27,263</u>
Balance on January 1, 2021	\$ 347	15,908	4,154	20,409
Additions	-	-	3,182	3,182
Decrease	(347)	(3,813)	(2,053)	(6,213)
Acquired from merger & acquisition	14,762	4,550	-	19,312
Balance on December 31, 2021	<u>\$ 14,762</u>	<u>16,645</u>	<u>5,283</u>	<u>36,690</u>
Accumulated depreciation of the right-of-use assets:				
Balance on January 1, 2022	\$ 1,392	6,338	2,223	9,953
Depreciation in the current period	403	1,713	1,911	4,027
Decrease	(370)	(1,740)	(2,101)	(4,211)
Balance on December 31, 2022	<u>\$ 1,425</u>	<u>6,311</u>	<u>2,033</u>	<u>9,769</u>
Balance on January 1, 2021	\$ 232	6,379	1,812	8,423
Depreciation in the current period	348	2,434	1,885	4,667
Decrease	(347)	(3,813)	(1,474)	(5,634)
Acquired from merger & acquisition	1,159	1,338	-	2,497
Balance on December 31, 2021	<u>\$ 1,392</u>	<u>6,338</u>	<u>2,223</u>	<u>9,953</u>
Carrying amount:				
December 31, 2022	<u>\$ 9,443</u>	<u>5,784</u>	<u>2,267</u>	<u>17,494</u>

Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and  
Its' Subsidiaries (Cont'd)

December 31, 2021	\$	<u>13,370</u>	<u>10,307</u>	<u>3,060</u>	<u>26,737</u>
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# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (XV) Investment property

	<u>Land</u>	<u>Building and structure</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2022	\$ 223,350	135,075	358,425
Reclassified	(18,745)	-	(18,745) (Note)
Balance on December 31, 2022	<u>\$ 204,605</u>	<u>135,075</u>	<u>339,680</u>
Balance on January 1, 2021	\$ 52,374	66,954	119,328
Reclassified	(10,403)	(11,660)	(22,063)
Acquired from merger & acquisition	181,379	79,781	261,160
December 31, 2021	<u>\$ 223,350</u>	<u>135,075</u>	<u>358,425</u>
	<u>Land</u>	<u>Building and structure</u>	<u>Total</u>
Accumulated depreciation:			
Balance on January 1, 2022	\$ -	74,953	74,953
Depreciation in the current period	-	2,596	2,596
Balance on December 31, 2022	<u>\$ -</u>	<u>77,549</u>	<u>77,549</u>
Balance on January 1, 2021	\$ -	974	974
Depreciation in the current period	-	2,342	2,342
Reclassified	-	(342)	(342)
Acquired from merger & acquisition	-	71,979	71,979
December 31, 2021	<u>\$ -</u>	<u>74,953</u>	<u>74,953</u>
Carrying amount:			
December 31, 2022	<u>\$ 204,605</u>	<u>57,526</u>	<u>262,131</u>
December 31, 2021	<u>\$ 223,350</u>	<u>60,122</u>	<u>283,472</u>
January 1, 2021	<u>\$ 52,374</u>	<u>65,980</u>	<u>118,354</u>
Fair value:			
December 31, 2022	<u>\$ 217,660</u>	<u>79,401</u>	<u>297,061</u>
December 31, 2021	<u>\$ 237,989</u>	<u>82,172</u>	<u>320,161</u>

Note: Reclassified into property, plant and equipment.

The investment property held by the consolidated entities is leased in accordance with the rules governing the commercial building & land and the land and buildings of offices and certain factory premises held for sale or lease. The consolidated entities negotiate with the lessee for renewal of each lease contract each year, without collecting the contingent rent. For the related information, please refer to Note VI(XXII) for details.

The fair value of investment property on December 31, 2022 and 2021 was evaluated based on the valuation report provided by the independent appraiser. The valuation was conducted based on the market value.

For the consolidated entities' investment property pledged as collaterals, please refer to Note VIII.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (XVI) Intangible assets

The consolidated entities' intangible assets are detailed as follows:

	<b>Cost of computer software</b>	<b>License</b>	<b>Goodwill</b>	<b>Total</b>
Cost:				
Balance on January 1, 2022	\$ 7,086	11,254	72,235	90,575
Acquired independently	918	-	-	918
Acquired from merger & acquisition	-	13,000	4,429	17,429
Disposal	(990)	-	-	(990)
Balance on December 31, 2022	<u><b>\$ 7,014</b></u>	<u><b>24,254</b></u>	<u><b>76,664</b></u>	<u><b>107,932</b></u>
Balance on January 1, 2021	\$ 5,008	11,254	-	16,262
Acquired independently	270	-	-	270
Acquired from merger & acquisition	1,808	-	72,235	74,043
Balance on December 31, 2021	<u><b>\$ 7,086</b></u>	<u><b>11,254</b></u>	<u><b>72,235</b></u>	<u><b>90,575</b></u>
Accumulated amortization and impairment losses:				
Balance on January 1, 2022	\$ 6,300	7,032	11,664	24,996
Amortized in the current period	606	1,126	-	1,732
Disposal	(990)	-	-	(990)
Balance on December 31, 2022	<u><b>\$ 5,916</b></u>	<u><b>8,158</b></u>	<u><b>11,664</b></u>	<u><b>25,738</b></u>
Balance on January 1, 2021	\$ 4,480	5,907	-	10,387
Amortized in the current period	511	1,125	-	1,636
Acquired from merger & acquisition	1,309	-	11,664	12,973
Balance on December 31, 2021	<u><b>\$ 6,300</b></u>	<u><b>7,032</b></u>	<u><b>11,664</b></u>	<u><b>24,996</b></u>
Carrying amount:				
December 31, 2022	<u><b>\$ 1,098</b></u>	<u><b>16,096</b></u>	<u><b>65,000</b></u>	<u><b>82,194</b></u>
December 31, 2021	<u><b>\$ 786</b></u>	<u><b>4,222</b></u>	<u><b>60,571</b></u>	<u><b>65,579</b></u>
January 1, 2021	<u><b>\$ 528</b></u>	<u><b>5,347</b></u>	<u><b>-</b></u>	<u><b>5,875</b></u>

### 1. Goodwill impairment test

The goodwill generated from the subsidiaries, FEEI and MYSON CENTURY, INC., acquired by the consolidated entities in Q3 of 2021, NT\$25,597 thousand and NT\$34,974 thousand, primarily arose from the profitability in the future market development of both companies. In accordance with IAS 36, the goodwill acquired from business combination shall be tested for impairment at least each year. The goodwill impairment test allocates the goodwill to the CGU benefited from the consolidated effects of the combination. FEEI and MYSON CENTURY, INC. are the CGUs that may generate independent cash flows by themselves. Therefore, the goodwill impairment provision is decided through calculation of the recoverable amount and carrying amount of FEEI and MYSON CENTURY, INC..

The CGU refers the lowest level unit of the management which regulates the return on investment including goodwill assets. According to the results of the goodwill impairment test conducted by the consolidated entities against FEEI and MYSON CENTURY, INC., the recoverable amounts decided by FEEI and MYSON CENTURY, INC. based on the value in use on December 31, 2022 and 2021 were NT\$239,985 thousand, NT\$128,808 thousand, NT\$46,814 thousand and NT\$61,960 thousand, all higher than their carrying amounts. Therefore, it is not necessary to recognize any impairment loss.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

The key assumptions applied to the estimation of value in use are stated as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
FEEI CHERNG ENTERPRISE CO., LTD.		
Discount rate	8.09%	8.10%
MYSON CENTURY, INC.		
YoY of operating revenue	10%	10%
Discount rate	11.14%	7.82%

(1) The estimated future cash flows as applied refer to the five-year financial budget estimated by the management based on the future business planning. The cash flows beyond five years are estimated using the YoY by 1.5%.

(2) The discount rate to decide the value in use is estimated based on the weighted average cost of capital.

2. The amortization expenses for intangible assets in 2022 and 2021 are stated as the operating expenses in the Consolidated Statement of Comprehensive Income. Please refer to Note XII.

## (XVII) Short-term loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	\$ 131,554	39,999
Secured bank loans	3,425,755	3,095,960
Unsecured loan of non-bank financial institutions	39,995	12,567
Total	<u>\$ 3,597,304</u>	<u>3,148,526</u>
Unused short-term credit lines	<u>\$ 2,944,294</u>	<u>901,158</u>
Interest rate range	<u>1.47%~4.66%</u>	<u>0.95%~4.66%</u>

For the interest expenses, please refer to Note VI(XXX).

A part of the consolidated entities' secured bank loans was supposed to be matured on November 18, 2020. As the project of joint construction and separate sale was still pending and required fund, the consolidated entities applied with the bank for an extension until November 18, 2022. On December 31, 2022, the secured bank loans have been repaid in full.

For the consolidated entities' assets mortgaged to secure the bank loans, please refer to Note VIII.

## (XVIII) Short-term bills and notes payable

	<u>December 31, 2022</u>	<u>December 31, 2022</u>
Secured short-term bills and notes payable	\$ 104,816	79,915
Unsecured short-term bills and notes payable	49,910	-
Total	<u>\$ 154,726</u>	<u>79,915</u>
Unused short-term credit lines	<u>\$ 245,000</u>	<u>-</u>
Interest rate	<u>1.50%~2.20%</u>	<u>0.9%</u>

For the consolidated entities' assets mortgaged to cover the short-term bills and notes payable, please refer to Note VIII.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (XIX) Long-term loans

The consolidated entities' long-term loans are detailed as follows:

December 31, 2022				
	Currency type	Interest rate range	Expiration Year	Amount
Unsecured bank loans	NTD	2.08%~2.18%	2023~2025	\$ 89,324
Secured bank loans	NTD	2.20%	2027	34,968
Less: a current portion				(31,085)
Total				<u>\$ 93,207</u>
Unused short-term credit lines				<u>\$ 10,000</u>

December 31, 2021				
	Currency type	Interest rate range	Expiration Year	Amount
Unsecured bank loans	NTD	1.6%	2022~2023	\$ 11,000
Less: a current portion				(6,235)
Total				<u>\$ 4,765</u>
Unused short-term credit lines				<u>\$ 8,198</u>

For the consolidated entities' assets mortgaged to secure the bank loans, please refer to Note VIII.

## (XX) Lease liabilities

The consolidated entities' lease liabilities are stated as follows:

	December 31, 2022	December 31, 2021
Current	\$ 3,570	4,164
Non-current	14,206	23,400
	<u>\$ 17,776</u>	<u>27,564</u>

For the expiration analysis, please refer to Note VI(XXXI).

The amount recognized into profit or loss is stated as follows:

	2022	2021
Interest expenses on lease liabilities	<u>\$ 429</u>	<u>389</u>
Short-term lease expenses	<u>\$ 2,789</u>	<u>1,002</u>
Low-value underlying lease asset expenses (exclusive of low-value lease in the short-term leases)	<u>\$ 251</u>	<u>329</u>

Amount recognized into the Cash Flow Statement is stated as follows:

	2022	2021
Total cash outflow from leases	<u>\$ 7,452</u>	<u>6,293</u>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## 1. Lease of land, house and building

The consolidated entities lease the land, house and building as the land used to store construction materials and for offices premises and reception centers. The lease term of the land used to store construction materials is 3 years. The lease term of the land leased from the Park Administration is 20 years, the lease term of the office premises 3~ 10 years, and the lease term of the reception center 1~3 years.

## 2. Other leases

The lease term of the transportation equipment rented by the consolidated entities is 2~3 years.

The consolidated entities lease the employee dormitory, parking lots, offices and other equipment for the lease term of 1~5 years. Such lease is a short-term or low-value underlying lease. The consolidated entities decide to apply recognition exemptions to refrain from recognizing related right-of-use assets and lease liabilities for such short-term or low-value underlying lease.

## (XXI) Corporate bonds payable

### 1. Domestic convertible corporate bonds payable

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Total amount for Issuance of convertible corporate bonds	\$ 1,600,000	2,100,000
Accumulated conversion amount	(427,100)	(1,056,300)
Amount of repayment due	-	(67,900)
Amount of repurchase by subsidiaries	(74,049)	(74,049)
Balance of corporate bonds payable discounted but not yet amortized	(41,209)	(42,558)
Less: a current portion	(249,431)	-
Balance of corporate bonds payable, ending	<u>\$ 808,211</u>	<u>859,193</u>
Embedded derivatives - put option and right of redemption (stated as the financial assets at fair value through profit or loss)	<u>\$ -</u>	<u>2,081</u>
Embedded derivatives - put option and right of redemption (stated as the financial assets at fair value through profit or loss)	<u>\$ 14,763</u>	<u>1,980</u>
Elements of equity - right of conversion (stated as capital surplus-employee stock options, changes in net worth of subsidiaries' equity under equity method, and non-controlling equity)	<u>\$ 64,390</u>	<u>59,741</u>
	<u>2022</u>	<u>2021</u>
Embedded derivatives - valuation gains on put option and right of redemption (stated as the valuation gains on financial assets/liabilities at fair value through profit or loss)	<u>\$ (13,319)</u>	<u>10,606</u>
Interest expenses (Note)	<u>\$ (14,205)</u>	<u>(18,541)</u>

Note: The effective interest rates for the 3rd and 4th secured corporate bonds and 5th unsecured corporate bonds issued by the Company are 1.23%, 0.82% and 2.68%, respectively. Those for the 5th secured corporate bonds, 6th secured corporate bonds and 7th unsecured corporate bonds issued by U-BEST are 1.41%, 0.80% and 1.78%, respectively. The effective interest rate for the 1st unsecured corporate bonds issued by the subsidiary, HSIN-LI, is 1.77%.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

The Company has repaid the 3rd secured corporate bonds payable, which have expired but not yet been converted, NT\$67,300 thousand, at the par value of the bonds on November 19, 2021.

U-Best has repaid the 5th secured corporate bonds payable, which have expired but not yet been converted, NT\$600 thousand, at the par value of the bonds on July 9, 2021.

For the information about the common shares converted by the Company as a result of the convertible corporate bond holders' exercise of the right of conversion in 2022 and 2021, please refer to Note VI(XXV).

2. The Company issued the domestic 3rd secured convertible corporate bonds on November 7, 2018, primarily on the following terms and conditions:
- (1) Total issued amount: NT\$500,000 thousand
  - (2) Issue price: Issued at par value, NT\$100 thousand.
  - (3) Coupon rate: 0%
  - (4) Method of repayment: Except those converted to the Company's common stock by the bond holders according to Article 10 of the Regulations, or those redeemed upon exercise of the put option according to Article 19 of the Regulations, and those redeemed by the Company earlier pursuant to Article 18 of the Regulations, the others would be repaid in cash in full amount upon maturity.
  - (5) Issuance period: 3 years (from November 7, 2018 to November 7, 2021)
  - (6) Conversion period:

The bond holders may ask the Company to convert the convertible corporate bonds hold by them into the Company's common shares from the day following expiration of three months after the bonds were issued (February 8, 2019) until expiration of the bonds (November 7, 2021), other than (I) the period for suspension of transfer registration of common stock required by laws, (II) 15 business days prior to the date for suspension of transfer registration of allocated bonus shares requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights, and from the record date for capital decrease until the day prior to the trading of stock swapped upon capital decrease.

- (7) Conversion price and adjustment thereof:

The conversion price at the time of issuance shall be NT\$20.1 per share. Notwithstanding, if any of the following conditions is met upon the issuance of the convertible corporate bonds, the conversion price shall be adjusted based on the formula defined by the issuance terms:

- A. In the event of an increase in the number of common shares issued by the Company or offered by the Company in private placement, except the conversion of various securities with the right of conversion to common shares or stock options as issued by the Company or offered by the Company in private placement into common shares.
- B. In the event of the cash dividends on common shares distributed by the Company to the current value per share exceeding 1.5%.
- C. In the event of the Company's further issuance or private placement of various securities with the right of conversion to common shares or stock options at the conversion or stock option price less than the current price per share.
- D. In the event of the Company's capital decrease resulting from any causes other than cancelation of treasury stocks and thereby resulting in the decrease in common shares.

Per the resolution of the shareholders' meeting on June 24, 2019, the Company distributed the cash dividends on common shares and thereby caused the conversion price to be adjusted as NT\$14.7 on August 7, 2019.

- (8) Put option:

The bond holders may exercise the put option of the bonds earlier on the record date for exercise of put option, namely, upon expiration of two years after issuance of the bonds (November 7, 2020). The creditor may demand that the Company should redeem the convertible corporate bonds held by him in cash at the book value of the bond plus the interest compensation [i.e. 101.0025% (the real yield rate 0.5%) upon expiration of two years].



## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

(9) Right of redemption:

If any of the following conditions is met from the day following expiration of three months after the issuance (February 8, 2019) until 40 days prior to expiration of the issuance period (September 28, 2021), the Company may recall the convertible corporate bonds according to the regulations governing issuance and conversion of corporate bonds (the "Regulations"):

- A. if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days;
- B. if the balance of the outstanding bonds is less than NT\$50,000 thousand (10% of the initial total issue price).

(10) According to the Regulations, all of the convertible corporate bonds recalled (including those repurchased from OTC markets), repaid or converted by the Company will be canceled, and no longer sold or issued again. The right of conversion attached thereto shall be extinguished accordingly.

3. The Company issued the domestic 4th secured convertible corporate bonds on January 29, 2021, primarily on the following terms and conditions:

- (1) Total issued amount: NT\$400,000 thousand
- (2) Issue price: Issued at 101% of the par value, NT\$100 thousand.
- (3) Coupon rate: 0%
- (4) Method of repayment: Except those converted to the Company's common stock by the bond holders according to Article 10 of the Regulations, those redeemed upon exercise of the put option according to Article 19 of the Regulations, those redeemed by the Company earlier pursuant to Article 18 of the Regulations, or those repurchased by the Company from OTC markets for cancellation, the others would be repaid in cash in full amount upon maturity.
- (5) Issuance period: 5 years (from January 29, 2021 to January 29, 2026)
- (6) Conversion period:

The bond holders may ask the Company to convert the convertible corporate bonds hold by them into the Company's common shares from the day following expiration of three months after the bonds were issued (April 30, 2021) until expiration of the bonds (January 29, 2026), other than (I) the period for suspension of transfer registration of common stock required by laws, (II) 15 business days prior to the date for suspension of transfer registration of allocated bonus shares requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights, (III) from the record date for capital decrease until the day prior to the trading of stock swapped upon capital decrease, (IV) from the commencement date of suspension of conversion until the day when the swap of new shares starts.

(7) Conversion price and adjustment thereof:

The conversion price at the time of issuance shall be NT\$14.9 per share. Notwithstanding, if any of the following conditions is met upon the issuance of the convertible corporate bonds, the conversion price shall be adjusted based on the formula defined by the issuance terms:

- A. In the event of an increase in the number of common shares issued by the Company or offered by the Company in private placement, except the conversion of various securities with the right of conversion to common shares or stock options as issued by the Company or offered by the Company in private placement into common shares.
- B. In the event of the cash dividends on common shares distributed by the Company.
- C. In the event of the Company's further issuance or private placement of various securities with the right of conversion to common shares or stock options at the conversion or stock option price less than the current price per share.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

D. In the event of the Company's capital decrease resulting from any causes other than cancelation of treasury stocks and thereby resulting in the decrease in common shares.

The Company carried out the capital reduction to compensate the deficit on August 23, 2022 and thereby caused the reduction in the common shares. The Board of Directors resolved to adjust the corporate bond conversion price as NT\$16.2.

(8) Put option:

The bond holders may exercise the put option of the bonds earlier on the record date for exercise of put option, namely, upon expiration of three years after issuance of the bonds (January 29, 2024).

The creditor may demand that the Company should redeem the convertible corporate bonds held by him in cash at the book value of the bond plus the interest compensation [i.e. 100.75% (the real yield rate 0.25%) upon expiration of three years].

(9) Right of redemption:

If any of the following conditions is met from the day following expiration of three months after the issuance (April 30, 2021) until 40 days prior to expiration of the issuance period (December 20, 2025), the Company may recall the convertible corporate bonds according to the Regulations:

A. if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days;

B. if the balance of the outstanding bonds is less than NT\$40,000 thousand (10% of the initial total issue price).

(10) According to the Regulations, all of the convertible corporate bonds recalled (including those repurchased from OTC markets), repaid or converted by the Company will be canceled, and no longer sold or issued again. The right of conversion attached thereto shall be extinguished accordingly.

The balance of said convertible corporate bonds is secured by Jih Sun International Bank as the guarantor. According to the contract for guarantee on issuance of the convertible corporate bonds between the Company and Jih Sun International Bank, in the duration of the contract, the Company shall provide its bank deposits, NT\$193,181 thousand, to secure the convertible corporate bonds. Please refer to Note VIII.

4. The Company issued the domestic 5th secured convertible corporate bonds on February 1, 2021, primarily on the following terms and conditions:

(1) Total issued amount: NT\$400,000 thousand

(2) Issue price: Issued at par value, NT\$100 thousand.

(3) Coupon rate: 0%

(4) Method of repayment: Except those converted to the Company's common stock by the bond holders according to Article 10 of the Regulations, those redeemed upon exercise of the put option according to Article 19 of the Regulations, those redeemed by the Company earlier pursuant to Article 18 of the Regulations, or those repurchased by the Company from OTC markets for cancellation, the others would be repaid in cash in full amount upon maturity.

(5) Issuance period: 3 years (from February 1, 2021 to February 1, 2024)

(6) Conversion period:

The bond holders may ask the Company to convert the convertible corporate bonds hold by them into the Company's common shares from the day following expiration of three months after the bonds were issued (May 2, 2021) until expiration of the bonds (February 1, 2024), other than (I) the period for suspension of transfer registration of common stock required by laws, (II) 15 business days prior to the date for suspension of transfer registration of allocated bonus shares requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights, (III) from the record date for capital decrease until the day prior to the trading of stock swapped upon capital decrease, (IV) from the commencement date of suspension of conversion until the day when the swap of new shares starts.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

(7) Conversion price and adjustment thereof:

The conversion price at the time of issuance shall be NT\$11.6 per share. Notwithstanding, if any of the following conditions is met upon the issuance of the convertible corporate bonds, the conversion price shall be adjusted based on the formula defined by the issuance terms:

- A. In the event of an increase in the number of common shares issued by the Company or offered by the Company in private placement, except the conversion of various securities with the right of conversion to common shares or stock options as issued by the Company or offered by the Company in private placement into common shares.
- B. In the event of the cash dividends on common shares distributed by the Company.
- C. In the event of the Company's further issuance or private placement of various securities with the right of conversion to common shares or stock options at the conversion or stock option price less than the current price per share.
- D. In the event of the Company's capital decrease resulting from any causes other than cancelation of treasury stocks and thereby resulting in the decrease in common shares.

The Company carried out the capital reduction to compensate the deficit on August 23, 2022 and thereby caused the reduction in the common shares. The Board of Directors resolved to adjust the corporate bond conversion price as NT\$12.6.

(8) Put option:

The bond holders may exercise the put option of the bonds earlier on the record date for exercise of put option, namely, upon expiration of two years after issuance of the bonds (February 1, 2023). The creditor may demand that the Company should redeem the convertible corporate bonds held by him in cash at the book value of the bond plus the interest compensation [i.e. 104.04% (the real yield rate 2%) upon expiration of three years].

(9) Right of redemption:

If any of the following conditions is met from the day following expiration of three months after the issuance (May 2, 2021) until 40 days prior to expiration of the issuance period (December 23, 2023), the Company may recall the convertible corporate bonds according to the Regulations:

- A. if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days;
- B. if the balance of the outstanding bonds is less than NT\$40,000 thousand (10% of the initial total issue price).

(10) According to the Regulations, all of the convertible corporate bonds recalled (including those repurchased from OTC markets), repaid or converted by the Company will be canceled, and no longer sold or issued again. The right of conversion attached thereto shall be extinguished accordingly.

5. The subsidiary, U-BEST, issued the domestic 5th secured convertible corporate bonds at the par value in July 2018, and listed the bonds on Taipei Exchange on July 9, 2018, primarily on the following terms and conditions:

- (1) Total issued amount: NT\$300,000 thousand
- (2) Issue price: Issued at par value, NT\$100 thousand.
- (3) Coupon rate: 0%
- (4) Method of repayment: Except those converted to the Company's common stock by the bond holders according to Article 10 of the Regulations, those redeemed upon exercise of the put option according to Article 19 of the Regulations, those redeemed by the Company earlier pursuant to Article 18 of the Regulations, or those repurchased from OTC markets for cancellation, the others would be repaid in cash in full amount.
- (5) Issuance period: 3 years (from July 9, 2018 to June 9, 2021)

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

(6) Conversion period:

(2) The bond holders may ask the Company to convert the convertible corporate bonds hold by them into the Company's common shares from the day following expiration of three months after the bonds were issued (October 10, 2018) until expiration of the bonds (July 9, 2021), other than A. the period for suspension of transfer registration of common stock required by laws; B. 15 business days prior to the date for suspension of transfer registration of allocated bonus shares requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights, and C. from the record date for capital decrease until the day prior to the trading of stock swapped upon capital decrease.

(7) Conversion price and adjustment thereof:

The conversion price at the time of issuance shall be NT\$16.5 per share. Notwithstanding, if any of the following conditions is met upon the issuance of the convertible corporate bonds, the conversion price shall be adjusted based on the formula defined by the issuance terms:

- A. In the event of an increase in the number of common shares issued by the Company or offered by the Company in private placement, except the conversion of various securities with the right of conversion to common shares or stock options as issued by U-BEST or offered by U-BEST in private placement into common shares.
- B. In the event of the cash dividends on common shares distributed by U-BEST to the current value per share exceeding 1.5%.
- C. In the event of U-BEST's further issuance or private placement of various securities with the right of conversion to common shares or stock options at the conversion or stock option price less than the current price per share.
- D. In the event of U-BEST's capital decrease resulting from any causes other than cancelation of treasury stocks and thereby resulting in the decrease in common shares.

In 2020, the distribution of cash and stock dividends was announced and then the conversion price was adjusted as NT\$13 per share on September 15, 2020, namely the ex-right (ex-dividend) record date.

(8) Put option:

The bond holders may exercise the put option of the bonds earlier on the record date for exercise of put option, namely, upon expiration of two years after issuance of the bonds (July 9, 2020). The creditor may demand that the Company should redeem the convertible corporate bonds held by him in cash at the book value of the bond plus the interest compensation [i.e. 101.0025% (the real yield rate 0.5%) upon expiration of two years].

(9) Right of redemption:

If any of the following conditions is met from the day following expiration of three months after the issuance (October 10, 2018) until 40 days prior to expiration of the issuance period (May 30, 2021), U-BEST may recall the convertible corporate bonds according to the Regulations:

- A. if the closing price of U-BEST's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days;
- B. if the balance of the outstanding bonds is less than NT\$15,000 thousand (10% of the initial total issue price).

(10) According to the Regulations, all of the convertible corporate bonds recalled by U-BEST (including those repurchased from OTC markets), repaid or converted by the Company will be canceled, and no longer sold or issued again. The right of conversion attached thereto shall be extinguished accordingly.

(11) According to the Regulations, the shareholder rights and obligations of the new shares, which are converted since the common shares converted from the convertible corporate bonds are traded on Taipei Exchange after the date of delivery, are the same as those of the common shares issued initially.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

6. The subsidiary, U-BEST, issued the domestic 6th secured convertible corporate bonds on October 15, 2021, and listed the bonds on Taipei Exchange, primarily on the following terms and conditions:
- (1) Total issued amount: NT\$300,000 thousand
  - (2) Issue price: Issued at 105.37% of the par value, NT\$100 thousand.
  - (3) Coupon rate: 0%
  - (4) Method of repayment: Except those converted to the Company's common stock by the bond holders according to Article 10 of the Regulations, those redeemed upon exercise of the put option according to Article 19 of the Regulations, those redeemed by U-BEST earlier pursuant to Article 18 of the Regulations, or those repurchased from OTC markets for cancellation, the others would be repaid in cash in full amount.
  - (5) Issuance period: 5 years (from October 15, 2021 to October 15, 2026)
  - (6) Conversion period:

The bond holders may ask U-BEST to convert the convertible corporate bonds hold by them into U-BEST's common shares from the day following expiration of three months after the bonds were issued (January 16, 2022) until expiration of the bonds (October 15, 2026), other than A. the period for suspension of transfer registration of common stock required by laws; B. 15 business days prior to the date for suspension of transfer registration of allocated bonus shares requested by U-BEST, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights; C. from the record date for capital decrease until the day prior to the trading of stock swapped upon capital decrease, and D. from the commencement date of suspension of conversion for changes in the par value of stocks until the day prior to the swap of new shares.

- (7) Conversion price and adjustment thereof:

The conversion price at the time of issuance shall be NT\$16.8 per share. Notwithstanding, if any of the following conditions is met upon the issuance of the convertible corporate bonds, the conversion price shall be adjusted based on the formula defined by the issuance terms:

- A. In the event of an increase in the number of common shares issued by the Company or offered by the Company in private placement, except the conversion of various securities with the right of conversion to common shares or stock options as issued by U-BEST or offered by U-BEST in private placement into common shares, or issuance of new shares for employee remuneration.
- B. In the event of the cash dividends on common shares distributed by U-BEST.
- C. In the event of U-BEST's further issuance or private placement of various securities with the right of conversion to common shares or stock options at the conversion or stock option price less than the current price per share.
- D. In the event of U-BEST's capital decrease resulting from any causes other than cancelation of treasury stocks and thereby resulting in the decrease in common shares.

U-Best's Board of Directors resolved to distribute the cash dividends on March 8, 2022. Therefore, the conversion price was adjusted as NT\$15.6 as of the ex-dividend date, July 9, 2022.

- (8) Put option:

The bond holders may exercise the put option of the bonds earlier on the record date for exercise of put option, namely, upon expiration of three years after issuance of the bonds (October 15, 2024). The bond holder may demand that the Company should redeem the convertible corporate bonds held by him in cash at 100% of the book value of the bond.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

(9) Right of redemption:

If any of the following conditions is met from the day following expiration of three months after the issuance (January 16, 2022) until 40 days prior to expiration of the issuance period (September 5, 2026), U-BEST may recall the convertible corporate bonds according to the Regulations:

- A. if the closing price of U-BEST's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days;
- B. if the balance of the outstanding bonds is less than NT\$30,000 thousand (10% of the initial total issue price).

- (10) According to the Regulations, all of the convertible corporate bonds recalled by U-BEST (including those repurchased from OTC markets), repaid or converted by the Company will be canceled, and no longer sold or issued again. The right of conversion attached thereto shall be extinguished accordingly.
- (11) According to the Regulations, the shareholder rights and obligations of the new shares, which are converted since the common shares converted from the convertible corporate bonds are traded on Taipei Exchange after the date of delivery, are the same as those of the common shares issued initially.
7. The subsidiary, U-BEST, issued the domestic 7th secured convertible corporate bonds on November 5, 2021, and listed the bonds on Taipei Exchange, primarily on the following terms and conditions:
- (1) Total issued amount: NT\$200,000 thousand
  - (2) Issue price: Issued at 103.76% of the par value, NT\$100 thousand.
  - (3) Coupon rate: 0%
  - (4) Method of repayment: Except those converted to the Company's common stock by the bond holders according to Article 10 of the Regulations, those redeemed upon exercise of the put option according to Article 19 of the Regulations, those redeemed by U-BEST earlier pursuant to Article 18 of the Regulations, or those repurchased from OTC markets for cancellation, the others would be repaid in cash in full amount.
  - (5) Issuance period: 3 years (from November 5, 2021 to November 5, 2024)
  - (6) Conversion period:

The bond holders may ask U-BEST to convert the convertible corporate bonds held by them into the Company's common shares from the day following expiration of three months after the bonds were issued (February 6, 2022) until expiration of the bonds (November 5, 2024), other than A. the period for suspension of transfer registration of common stock required by laws; B. 15 business days prior to the date for suspension of transfer registration of allocated bonus shares requested by U-BEST, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights; C. from the record date for capital decrease until the day prior to the trading of stock swapped upon capital decrease, and D. from the commencement date of suspension of conversion for changes in the par value of stocks until the day prior to the swap of new shares.

(7) Conversion price and adjustment thereof:

The conversion price at the time of issuance shall be NT\$14 per share. Notwithstanding, if any of the following conditions is met upon the issuance of the convertible corporate bonds, the conversion price shall be adjusted based on the formula defined by the issuance terms:

- A. In the event of an increase in the number of common shares issued by the Company or offered by the Company in private placement, except the conversion of various securities with the right of conversion to common shares or stock options as issued by U-BEST or offered by U-BEST in private placement into common shares, or issuance of new shares for employee remuneration.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

B. In the event of the cash dividends on common shares distributed by U-BEST.

C. In the event of U-BEST's further issuance or private placement of various securities with the right of conversion to common shares or stock options at the conversion or stock option price less than the current price per share.

D. In the event of U-BEST's capital decrease resulting from any causes other than cancelation of treasury stocks and thereby resulting in the decrease in common shares.

U-Best's Board of Directors resolved to distribute the cash dividends on March 8, 2022. Therefore, the conversion price was adjusted as NT\$13 as of the ex-dividend date, July 9, 2022.

(8) Put option:

The bond holders may exercise the put option of the bonds earlier on the record date for exercise of put option, namely, upon expiration of two years after issuance of the bonds (November 5, 2023).

The bond holder may demand that U-BEST should redeem the convertible corporate bonds held by him in cash at 104.04% of the book value of the bond.

(9) Right of redemption:

If any of the following conditions is met from the day following expiration of three months after the issuance (February 6, 2022) until 40 days prior to expiration of the issuance period (September 25, 2024), U-BEST may recall the convertible corporate bonds according to the Regulations:

A. if the closing price of U-BEST's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days;

B. if the balance of the outstanding bonds is less than NT\$20,000 thousand (10% of the initial total issue price).

(10) According to the Regulations, all of the convertible corporate bonds recalled by U-BEST (including those repurchased from OTC markets), repaid or converted by the Company will be canceled, and no longer sold or issued again. The right of conversion attached thereto shall be extinguished accordingly.

(11) According to the Regulations, the shareholder rights and obligations of the new shares, which are converted since the common shares converted from the convertible corporate bonds are traded on Taipei Exchange after the date of delivery, are the same as those of the common shares issued initially.

8. The subsidiary, HSIN-LI, issued the domestic 1st unsecured convertible corporate bonds on May 27, 2022, and listed the bonds on Taipei Exchange, primarily on the following terms and conditions:

(1) Total issued amount: NT\$300,000 thousand

(2) Issue price: Issued at 100% of the par value, NT\$100 thousand.

(3) Coupon rate: 0%

(4) Method of repayment: Except those converted to the Company's common stock by the bond holders according to Article 10 of the Regulations, those redeemed upon exercise of the put option according to Article 19 of the Regulations, those redeemed by HSIN-LI earlier pursuant to Article 18 of the Regulations, or those repurchased from OTC markets for cancellation, HSIN-LI shall repay the convertible corporate bonds at 101.5075% of the par value of the bonds (substantive annual yield 0.5%) in cash in full amount when due.

(5) Issuance period: 3 years (from May 27, 2022 to May 27, 2025)

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

(6) Conversion period:

The bond holders may ask HSIN-LI to convert the convertible corporate bonds hold by them into the Company's common shares at any time from the day following expiration of three months after the bonds were issued (August 28, 2022) until expiration of the bonds (May 27, 2025), other than A. the period for suspension of transfer registration of common stock required by laws; B. 15 business days prior to the date for suspension of transfer registration of allocated bonus shares requested by HSIN-LI, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights; C. from the record date for capital decrease until the day prior to the trading of stock swapped upon capital decrease, and D. from the commencement date of suspension of conversion for changes in the par value of stocks until the day prior to the swap of new shares, during which no application for conversion (subscription) is allowed.

(7) Conversion price and adjustment thereof:

The conversion price at the time of issuance shall be NT\$27.93 per share. Notwithstanding, if any of the following conditions is met upon the issuance of the convertible corporate bonds, the conversion price shall be adjusted based on the formula defined by the issuance terms:

- A. In the event of an increase in the number of common shares issued by the Company or offered by the Company in private placement, except the conversion of various securities with the right of conversion to common shares or stock options as issued by HSIN-LI or offered by HSIN-LI in private placement into common shares, or issuance of new shares for employee remuneration.
- B. In the event of the cash dividends on common shares distributed by HSIN-LI.
- C. In the event of HSIN-LI's further issuance or private placement of various securities with the right of conversion to common shares or stock options at the conversion or stock option price less than the current price per share.
- D. In the event of HSIN-LI's capital decrease resulting from any causes other than cancelation of treasury stocks and thereby resulting in the decrease in common shares.

HSIN-LI's Board of Directors resolved to distribute the cash dividends on March 29, 2022.

Therefore, the conversion price was adjusted as NT\$26.46 as of the ex-dividend date, September 26, 2022.

(8) Put option:

The bond holders may exercise the put option of the bonds earlier on the record date for exercise of put option, namely, upon expiration of two years after issuance of the bonds (May 27, 2024). The bond holder may demand that HSIN-LI should redeem the convertible corporate bonds held by him in cash at 102.01% of the par value of the bond.

(9) Right of redemption:

If any of the following conditions is met from the day following expiration of three months after the issuance (August 28, 2022) until 40 days prior to expiration of the issuance period (April 17, 2025), HSIN-LI may recall the convertible corporate bonds according to the Regulations:

- A. if the closing price of HSIN-LI's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days;
- B. if the balance of the outstanding bonds is less than NT\$15,000 thousand (10% of the initial total issue price).

(10) According to the Regulations, all of the convertible corporate bonds recalled (including those repurchased from OTC markets), repaid or converted by HSIN-LI will be canceled, and no longer sold or issued again. The right of conversion attached thereto shall be extinguished accordingly.



# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

(11) According to the Regulations, the shareholder rights and obligations of the new shares, which are converted since the common shares converted from the convertible corporate bonds are traded on Taipei Exchange after the date of delivery, are the same as those of the common shares issued initially.

## (XXII) Operating lease - as a lessor

As the consolidated entities lease the investment property without transferring all risks and remuneration of the ownership of the underlying assets, the lease contract is classified as the operating lease. Please refer to Note VI(XV) Investment Property.

The maturity analysis of the lease payment will be listed based on the total undiscounted lease payment which will be collected after the reporting date:

	December 31, 2022	December 31, 2021
Less than one year	\$ 13,041	14,685
1~2 years	5,352	9,479
2~5 years	3,310	9,050
More than 5 years	-	61
Total undiscounted lease payment	<u>\$ 21,703</u>	<u>33,275</u>

For the rental revenues generated from the investment property in 2022 and 2021, please refer to Note VI(XXX). The direct operating expenses generated from said operating lease in 2021 and 2020 were NT\$4,501 thousand and NT\$4,485 thousand.

## (XXIII) Employee benefits

### 1. Defined benefit plans

The consolidated entities' present value of defined benefit obligations and net defined benefit liabilities are reconciled as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 3,731	7,115
Fair value of plan assets	(751)	(2,837)
Net defined benefit liabilities	<u>\$ 2,980</u>	<u>4,278</u>

Contributions for defined benefit plans of the consolidated entities are appropriated to a dedicated pension fund account opened with Bank of Taiwan. The pension payment to each employee that is subject to the Labor Standards Act is based on the pension point received for the years of service and the average salary six months prior to the retirement.

### (1) Composition of plan assets

The pension fund appropriated by the consolidated entities in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds, Ministry of Labor (referred to as the "Bureau of Labor Funds" hereinafter). According to the "Guidelines for Labor Pension Fund Safekeeping and Implementation," the annual minimum yield generated from the use of fund may not be less than the interest income generated from a local bank's two-year time deposit.

The consolidated entities' labor pension fund account at the Bank of Taiwan is with a balance of NT\$751 thousand and NT\$2,837 thousand on December 31, 2022 and 2021. For information of the Labor Pension Fund Asset Management, including the fund yield rate and pension asset allocation, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (2) Changes in the present value of defined benefit obligations

The details of changes in the present value of the consolidated entities' defined benefit obligation in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Defined benefit obligations on January 1	\$ 7,115	-
Current service cost and interest	125	279
Effect of initial consolidation of subsidiaries	-	14,571
Interest expenses	56	63
Re-measurement of net defined benefit liabilities (assets)		
- Actuarial gains/losses due to empirical adjustment	(729)	(2,393)
- Actuarial gains/losses due to change of financial assumption	(398)	(429)
Benefits planned to be paid	(2,438)	(4,976)
Defined benefit obligations on December 31	<b><u>\$ 3,731</u></b>	<b><u>7,115</u></b>

## (3) Changes in the fair value of plan assets

The details of changes in the fair value of the consolidated entities' defined benefit plan assets in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Fair value of plan assets on January 1	\$ 2,837	-
Interest revenue	22	1
Effect of initial consolidation of subsidiaries	-	249
Re-measurement of net defined benefit liabilities		
- Actuarial gains/losses due to empirical adjustment	199	11
Amount already contributed to the plan	131	7,552
Benefits planned to be paid	(2,438)	(4,976)
Fair value of plan assets on December 31	<b><u>\$ 751</u></b>	<b><u>2,837</u></b>

## (4) Expenses recognized in profit and loss

The details of expenses recognized by the consolidated entities in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Current service cost	\$ 125	279
Net interest of net defined benefit liabilities	34	62
	<b><u>\$ 159</u></b>	<b><u>341</u></b>
Operating cost	<b><u>\$ 159</u></b>	<b><u>341</u></b>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (5) Actuarial assumptions

The consolidated entities' principal actuarial assumptions to decide the present value of defined benefit obligations at the end of financial reporting are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.46%	0.79%
Future salary increase rate	2.00%	2.00%

The consolidated entities plan to pay NT\$3,200 thousand for the defined benefit plan within one year after the reporting date as of 2022.

The weighted average duration of the defined benefit plans is 16 years.

## (6) Analysis of sensitivity

The effect of changes in the adopted principal actuarial assumptions on the present value of defined benefit obligations on December 31, 2022 and 2021 is stated as follows:

	<u>Effect on defined benefit obligations</u>	
	<u>Increase by 0.5%</u>	<u>Decrease by 0.5%</u>
December 31, 2022		
Discount rate	\$ (279)	303
Future salary increase rate	303	(29)

	<u>Effect on defined benefit obligations</u>	
	<u>Increase by 0.5%</u>	<u>Decrease by 0.5%</u>
December 31, 2021		
Discount rate	\$ (553)	603
Future salary increase rate	593	(549)

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be structured with each other. The methods used by the analysis of sensitivity are identical with those used to calculate the net pension liabilities in the Balance Sheet.

The methods and hypotheses applied to the preparation of the current sensitivity analysis report are the same as those applied in the previous period.

## 2. Defined contribution plans

The defined contribution plans of the Company, U-BEST, BOROMI, Shangyu, MYSON CENTURY, INC., HSIN-LI and FEEI are based on the Labor Pension Act. An amount equivalent to 6% of the monthly wages is appropriated to the Labor Pension personal accounts at the Bureau of Labor Insurance. In these plans, after appropriating a fixed amount to the Bureau of Labor Insurance, the consolidated entities have no legal or constructive obligation to make additional contribution.

The consolidated entities' pension expense as of 2022 and 2021 under the defined contribution plans amounted to NT\$6,115 thousand and NT\$4,864 thousand, respectively.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

(XXIV) Income tax

1. The Company's income tax expenses are detailed as follows:

	<b>2022</b>	<b>2021</b>
Income tax expenses for the current period		
Generated in the current period	\$ 3,552	2,782
Land value increment tax	6,202	776
Adjustment to previous year's income tax	59	5,252
	<u>9,813</u>	<u>8,810</u>
Deferred income tax expenses		
Occurrence and reversal of temporary difference	4,148	(6,835)
Income tax expenses	<u><b>\$ 13,961</b></u>	<u><b>1,975</b></u>

2. The income tax expenses recognized by the consolidated entities as other comprehensive income are stated as follows:

	<b>2022</b>	<b>2021</b>
Items not reclassified into income:		
Remeasurement of defined benefit plan	<u><b>\$ 265</b></u>	<u><b>567</b></u>

3. The relationship between the consolidated entities' income tax expenses and net loss before tax is adjusted as follows:

	<b>2022</b>	<b>2021</b>
Income (loss) before tax	\$ 70,047	(26,284)
Income tax calculated based on the income tax rate of the country the Company operates	14,009	(5,257)
Tax-free income from land	(55,821)	(2,398)
Land value increment tax	6,202	776
Income basic tax	-	542
Effect of TWSE's Stop Taxation Policy	1,678	(7,621)
Effect of investment loss recognized under equity method	148	666
Tax difference on disposal of investment gains under equity method	-	(7,006)
Non-deductible expenses	(1,241)	8,310
Revenue from tax-free dividend and revenue from government grants	(4,329)	(2,104)
Valuation gains or losses on financial assets at fair value through profit or loss	9,706	(7,969)
Recognition of taxation loss not recognized in previous period	(10,484)	(18,936)
Gain recognized in bargain purchase transaction	-	(9,009)
Capital decrease by the subsidiary for accumulated deficit	(12,102)	-
Deferred income tax assets and overestimation of liabilities in the previous period	(333)	4,853
Current taxation loss of unrecognized deferred income tax assets	66,293	50,394
Unrecognized changes in temporary difference	(946)	(8,904)
Imposition on undistributed earnings	444	383
Underestimation in the previous period	59	5,252
Others	<u>678</u>	<u>3</u>

Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and  
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\$ 13,961 1,975

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## 4. Deferred income tax assets and liabilities

### (1) Unrecognized deferred income tax assets

The items not recognized by the consolidated entities as deferred income tax assets are stated as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	\$ 199,803	125,337
Taxation loss	2,624,056	2,645,850
	<u>\$ 2,823,859</u>	<u>2,771,187</u>

According to the Income Tax Act, taxation may be made on its net income after deduction of losses incurred in the preceding ten years as verified and determined by the competent tax collection authority from the current income. Said items were not recognized as deferred income tax assets, because the consolidated entities evaluated that they were not likely to have sufficient taxable income to cover the losses.

As of December 31, 2022, the deduction period of the taxation loss of items which have not yet been recognized deferred income tax assets by the consolidated entities is as follows:

Year of loss	Unrecognized Losses yet to be deducted	Last year for deduction
<u>The Company</u>		
Authorized in 2013	\$ 60,330	2023
Authorized in 2014	142,488	2024
Authorized in 2015	85,957	2025
Authorized in 2016	82,574	2026
Authorized in 2017	22,012	2027
Authorized in 2019	66,154	2029
Authorized in 2020	135,391	2030
Declared in 2021	90,499	2031
Expected to be declared in 2022	177,332	2032
<u>BOROMI OPTRONICS CORP.</u>		
Expected to be declared in 2022	18,108	2032
<u>FEEI CHERNG ENTERPRISE CO., LTD.</u>		
Authorized in 2013	80,465	2023
Authorized in 2014	2,277	2024
Authorized in 2015	234,659	2025
Authorized in 2017	21,694	2027
Authorized in 2018	594,723	2028
Authorized in 2020	15,440	2030
Declared in 2021	43,787	2031
Expected to be declared in 2022	24,828	2032
<u>MYSON CENTURY, INC.</u>		
Authorized in 2013	49,029	2023
Authorized in 2014	65,796	2024
Authorized in 2015	248,551	2025
Authorized in 2016	77,944	2026
Authorized in 2017	83,151	2027
Authorized in 2018	28,299	2028
Authorized in 2019	31,370	2029
Authorized in 2020	62,207	2030

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Declared in 2021	32,390	2031
Expected to be declared in 2022	27,567	2032

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Year of loss	Unrecognized Losses yet to be deducted	Last year for deduction
<u>ZAVIO INC.</u>		
Authorized in 2015	3,973	2025
Authorized in 2016	7,756	2026
Authorized in 2017	3,695	2027
Authorized in 2018	1,610	2028
Authorized in 2019	860	2029
Authorized in 2020	1,140	2030
	<u>\$ 2,624,056</u>	

(2) Unrecognized deferred income tax liabilities: None.

(3) Recognized deferred income tax assets and liabilities

The changes in the deferred income tax assets and liabilities in 2022 and 2021 are as follows:

Deferred income tax assets:

	Deferred sales expenses	Loss carryforwards	Pension expenses	Others	Total
<b>Balance on January 1, 2022</b>	\$ 3,181	12,987	855	2,948	19,971
(Debit)/credit profit and loss	923	(7,603)	-	1,659	(5,021)
(Debit)/credit other comprehensive income	-	-	(265)	-	(265)
<b>Balance on December 31, 2022</b>	<u>\$ 4,104</u>	<u>5,384</u>	<u>590</u>	<u>4,607</u>	<u>14,685</u>
<b>Balance on January 1, 2021</b>	\$ 3,140	5,061	-	1,355	9,556
(Debit)/credit profit and loss	41	7,926	430	(2,329)	6,068
(Debit)/credit other comprehensive income	-	-	(567)	-	(567)
Generated from merger & acquisition	-	-	992	3,922	4,914
<b>Balance on December 31, 2021</b>	<u>\$ 3,181</u>	<u>12,987</u>	<u>855</u>	<u>2,948</u>	<u>19,971</u>

Deferred income tax liabilities:

	Land value increment tax	Generated from business mergers & acquisitions	Others	Total
<b>Balance on January 1, 2022</b>	\$ 31,448	40,014	198	71,660
(Debit)/credit profit and loss	-	(854)	(19)	(873)
Generated from merger & acquisition	-	2,600	-	2,600
<b>Balance on December 31, 2022</b>	<u>\$ 31,448</u>	<u>41,760</u>	<u>179</u>	<u>73,387</u>
<b>Balance on January 1, 2021</b>	\$ -	-	491	491
(Debit)/credit profit and loss	-	(427)	(340)	(767)
Generated from merger & acquisition	31,448	40,441	47	71,936
<b>Balance on December 31, 2021</b>	<u>\$ 31,448</u>	<u>40,014</u>	<u>198</u>	<u>71,660</u>

5. The income tax expenses recognized by the consolidated entities into equity and other comprehensive directly were both NT\$0.

6. The income tax returns of the Company's profit-seeking business have been authorized by the competent



Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and  
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tax collection authority up to 2020.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (XXV) Capital and other equity

The total authorized capital-common stocks of the Company were both NT\$5,000,000 thousand at the par value of NT\$10 per share, divided into 500,000 thousand shares respectively, as of December 31, 2022 and 2021. The shares issued refer to the common stocks totaling 219,042 thousand shares and 232,546 thousand shares, respectively, and all the capital funds for the outstanding shares have been received.

The outstanding stock of the Company (Unit: Thousand Shares) in 2022 and 2021 is adjusted as follows:

	<b>Common stock</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	232,546	184,678
Capital decrease for accumulated deficit	(18,604)	-
Conversion of corporate bonds	7,406	52,700
Cancellation of treasury stock	(2,306)	(4,832)
Balance on December 31	<b>219,042</b>	<b>232,546</b>

### 1. Issuance of common stock

7,406 thousand new shares were issued at the par value upon the convertible corporate bond holders' exercise of the right of conversion in 2022. The total amount was NT\$74,063 thousand. After taking into consideration the corporate bond discount, financial assets at fair value through profit or loss and capital surplus-corporate bond stock options, the Company recognized the capital surplus-convertible corporate bond conversion premium, NT\$30,166 thousand. The related statutory registration procedures have been completed by December 31, 2022.

52,700 thousand new shares were issued at the par value upon the convertible corporate bond holders' exercise of the right of conversion in 2021. The total amount was NT\$527,001 thousand. After taking into consideration the corporate bond discount, financial assets at fair value through profit or loss and capital surplus-corporate bond stock options, the Company recognized the capital surplus-convertible corporate bond conversion premium, NT\$199,123 thousand. The related statutory registration procedures have been completed by December 31, 2022.

In order to secure a sound financial structure, the Company's annual general meeting on May 27, 2022 resolved to pass the capital decrease for accumulated deficit, by NT\$186,037 thousand, resulting in cancelation of 18,604 thousand shares. Said capital decrease was also reported to, and became effective upon approved by, the FSC on August 4, 2022. The Board of Directors was authorized to set August 23, 2022 as the record date for the capital decrease. The capital decrease rate was 7.7531% and 221,348 thousand shares issued upon the capital decrease.

### 2. Capital surplus

The balance of the Company's capital surplus is as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Stock premium (including convertible corporate bond premium)	\$ 250,512	229,131
Difference between the equity price and carrying amount of the subsidiary's equity acquired	5,149	5,149
Changes in net worth of the subsidiary's equity recognized under equity method	21,045	16,449
Elements of equity recognized upon issuance of convertible corporate bonds - employee stock options	17,238	21,840
Employee stock options	13,211	8,132
Others - invalid employee stock options	7,751	7,751
Others - exercise of disgorgement	6,630	59
	<b>\$ 321,536</b>	<b>288,511</b>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Pursuant to the Company Act, the capital surplus shall be first used to offset losses, then new shares or cash may be allocated based on realized capital surplus. The term "realized capital surplus" referred to in the preceding paragraph includes the shares issued at premium exceeding the par value and the gains in the form of gifts. According to the Regulations Governing the Offering and Issuance of Securities by the Issuer, the capital surplus that can be capitalized annually shall not exceed 10% of the total paid-in capital.

The Company's Board of Directors resolved on March 10, 2023 to distribute the cash dividends from the capital surplus, NT\$65,712 thousand.

## 3. Retained earnings

According to the Company's Articles of Incorporation, the Company may allocate earnings or compensate losses at the end of each half of the fiscal year. When allocating the earnings, the Company shall first pay taxes, make up any losses from past years, retain employee remuneration, and then make contribution of 10% of the balance to the legal reserve, unless the legal reserve reaches the Company total paid-in capital, and also make provision or reversal of special reserves subject to business needs and pursuant to laws. If there is a surplus, the balance and the accumulated undistributed surplus, beginning shall be allocated subject to the earnings allocation plan proposed by the Board of Directors. Where, upon the supervisors' audit, the same shall be distributed in the form of issuance of new shares, such matter shall be first submitted to the Shareholders' Meeting for resolution before distribution. Where the same is distributed in cash, the distribution shall be subject to a special resolution made by the Board of Directors. If the Company has annual earnings, it shall first pay taxes, make up any losses from past years, and then make contribution of 10% of the balance to the legal reserve, unless the legal reserve reaches the Company total paid-in capital, and also make provision of special reserves subject to business needs and pursuant to laws. If there is a surplus, the balance and the accumulated undistributed surplus, beginning shall be allocated subject to the earnings allocation plan proposed by the Board of Directors and resolved by a shareholders' meeting.

In order to support the Company's long-term growth, the Company's dividend distribution policy aims to satisfy the future business development. After taking into consideration the conditions, such as robust financial structure, maintenance of stable dividends, and protection of reasonable remuneration to shareholders comprehensively, the Board of Directors prepares the adequate earnings allocation plan. In consideration of the balanced and stable dividend policy, the Company allocates 30% of the distributable earnings as the shareholder bonus at the end of each half of the fiscal year, provided that where the distributable earnings are less than 10% of the paid-in capital, no bonus may be distributed per resolution of the Board of Directors. The shareholder bonus may be distributed in the form of stock or in cash, provided that the cash dividend shall be no less than 10% of the total dividends. At least 30% of the distributable earnings upon annual final accounting shall be appropriated as the shareholder bonus, provided that the cash dividend shall be no less than 10% of the total dividends.

Earnings distribution:

The Company had no accumulated earnings available for distribution in 2021 and 2020. Therefore, the Company resolved the loss compensation plans 2021 and 2022 at the annual general meetings on May 27, 2022 and July 2, 2021.

The Company's Board of Directors resolved on August 11, 2022 that no dividends should be distributed in 1H of 2022.

For the distribution of cash dividends from earnings in 2H of 2022 as resolved by the Company's Board of Directors on March 10, 2023, the dividends to be distributed to the owners of the parent are stated as following:

	<b>2H of 2022</b>	
	<b>Payout ratio (NT\$)</b>	<b>Amount</b>
Dividends distributed to the owners of common shares:		
Cash	<u>\$ 0.40</u>	<u>87,617</u>

The related information may be accessed on the MOPS.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## 4. Treasury stock

The treasury stock repurchased by the Company in order to transfer shares to employees in accordance with Article 28-2 of the Securities and Exchange Act in 2018 totaled 4,832 thousand shares, at the cost of NT\$105,328 thousand. Per the resolution of the Board of Directors on January 22, 2021, all of them were cancelled, and the registration of such change was also completed. The difference from the excess of the carrying amount of the treasury stock cancelled of the par value, NT\$48,320 thousand, the balance is offset against the capital surplus generated from the transactions of treasury stock under the same type, NT\$44,581 thousand, and the stock premium, NT\$806 thousand, as the first priority. The deficits thereof, NT\$11,621 thousand, are debited as retained earnings.

The treasury stock repurchased by the Company in order to maintain the Company's credit and shareholders' equity in accordance with Article 28-2 of the Securities and Exchange Act per the Board of Directors' resolution on July 8, 2022 totaled 2,500 thousand shares, at the cost of NT\$39,580 thousand. Per the resolution of the Board of Directors on November 10, 2022, all of them were cancelled, and the registration of such change was also completed. The difference from the excess of the carrying amount of the treasury stock cancelled of the par value, NT\$23,062 thousand is offset against the capital surplus- generated from the stock premium, NT\$107 thousand and conversion premium of corporate bonds NT\$2,531 thousand, as the first priority. The deficits thereof, NT\$13,880 thousand, are debited as retained earnings.

According to the Securities and Exchange Act, the quantity of shares repurchased by the Company shall be no more than 10% of the total shares issued by the Company. The total costs spent in the repurchase shall be no more than the Company's retained earnings plus stock premium and realized capital surplus. The quantity and amount of shares repurchased by the Company are held satisfying the Securities and Exchange Act.

Pursuant to the Securities and Exchange Act, the treasury stocks held by the Company cannot be pledged. Meanwhile, before the transfer, the shareholder's equity is not permitted.

The changes in the Company's stock held by the subsidiaries in 2022 and 2021 are detailed as follows:

2022				
<u>Name of Subsidiary</u>	<u>Quantity of shares, beginning</u>	<u>Increase in the current period</u>	<u>Decrease in the current period</u>	<u>Quantity of shares, ending</u>
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	18,453,800	-	1,430,742	17,023,058
FEEI CHERNG ENTERPRISE CO., LTD.	1,950,000	360,000	179,097	2,130,903
HSIN-LI	-	870,000	67,452	802,548
MYSON CENTURY, INC.	-	280,000	21,709	258,291
	<u>20,403,800</u>	<u>1,510,000</u>	<u>1,699,000</u>	<u>20,214,800</u>
2021				
<u>Name of Subsidiary</u>	<u>Quantity of shares, beginning</u>	<u>Increase in the current period</u>	<u>Decrease in the current period</u>	<u>Quantity of shares, ending</u>
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	17,993,800	460,000	-	18,453,800
FEEI CHERNG ENTERPRISE CO., LTD.	-	1,950,000	-	1,950,000
	<u>17,993,800</u>	<u>2,410,000</u>	<u>-</u>	<u>20,403,800</u>

The Company shall treat the Company's stock held by the investees controlled by it, namely U-BEST, FEEI, HSIN-LI and MYSON CENTURY, for the purpose of business and property management as the treasury stock when preparing the financial statements. Said companies held the Company's stock totaling 20,215 thousand shares and 20,404 thousand shares, at the market price of NT\$239,545 thousand and

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

NT\$434,601 thousand, on December 31, 2022 and 2021. The Company stated the carrying amount of treasury stock as NT\$61,756 thousand and NT\$57,515 thousand, subject to the shareholdings pursuant to the relevant requirements.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## 5. Other equity

	Exchange differences on translation of foreign financial statements	Unrealized valuation gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance on January 1, 2022	\$ (188)	(567)	(755)
Foreign currency translation difference (net after tax)			
Consolidated entities	6	-	6
Unrealized profit or loss from the financial assets at fair values through other comprehensive profit or loss			
Consolidated entities	-	2,025	2,025
Disposal of investment in equity instrument at fair value through other comprehensive income			
Consolidated entities	-	753	753
Balance on December 31, 2022	<u>\$ (182)</u>	<u>2,211</u>	<u>2,029</u>
Balance on January 1, 2021	\$ (187)	-	(187)
Foreign currency translation difference (net after tax)			
Consolidated entities	(1)	-	(1)
Unrealized profit or loss from the financial assets at fair values through other comprehensive profit or loss			
Consolidated entities	-	(492)	(492)
Disposal of investment in equity instrument at fair value through other comprehensive income			
Consolidated entities	-	(75)	(75)
Balance on December 31, 2021	<u>\$ (188)</u>	<u>(567)</u>	<u>(755)</u>

## (XXVI) Share-based payment transactions

### Employee stock options

- The Company adopted the paid employee stock option scheme in July 2020, and estimated the remuneration cost under the fair value method. Meanwhile, it adopted the Black-Scholes Model to estimate the granted quantity, exercise price, vested conditions and hypotheses at the fair value of the stock options on the grant date as follows:

Grant date	2010.9.7
Granted quantity	9,000,000 shares
Exercise price	Closing price of the common stock on the issuing date
Vested conditions	The exercisable equity rate is 50% upon expiration of two years, 75% upon expiration of three years, and 100% upon expiration of four years.
Projected price fluctuation ratio	36.97%, 45.83% and 43.51% upon expiration of two years, three years and four years, respectively.
Risk-free interest rate	0.29%, 0.30% and 0.32% upon expiration of two years, three years and four years, respectively.
Expected duration	4.5 years
Weighted average fair value of stock options	NT\$1.54, NT\$2.13 and NT\$1.98 upon expiration of two years, three years and four years, respectively.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

- The remuneration costs recognized under the fair value method based on said paid employee stock option scheme in 2022 and 2021 were NT\$5,079 thousand and NT\$6,176 thousand, respectively.
- The information about quantity and weighted average exercise price related to the Company's paid employee stock option scheme is disclosed as follows:

	2022		2021	
	Weighted average exercise price (NT\$)	Quantity of stock options	Weighted average exercise price (NT\$)	Quantity of stock options
Outstanding shares on January 1	\$ 11.5	8,952,000	11.5	9,000,000
Invalid quantity in the current period	-	(28,000)	11.5	(48,000)
Outstanding shares on December 31	11.5	<u>8,924,000</u>	11.5	<u>8,952,000</u>
Exercisable quantity on December 31	-	<u>4,462,000</u>	-	<u>-</u>

- The subsidiary, U-BEST, adopted the paid employee stock option scheme in March 2020, and estimated the remuneration cost under the fair value method. Meanwhile, it adopted the Black-Scholes Model to estimate the granted quantity, exercise price, vested conditions and hypotheses at the fair value of the stock options on the grant date as follows:
 

Grant date	August 12, 2020
Granted quantity	5,000,000 shares
Exercise price	Closing price of the common stock on the issuing date
Vested conditions	The exercisable equity rate is 50% upon expiration of two years, 75% upon expiration of three years, and 100% upon expiration of four years.
Projected price fluctuation ratio	37.81%, 40.26% and 38.90% upon expiration of two years, three years and four years, respectively.
Risk-free interest rate	0.27%, 0.30% and 0.32% upon expiration of two years, three years and four years, respectively.
Expected duration	4.5 years
Weighted average fair value of stock options	NT\$2.86, NT\$3.20 and NT\$3.17 upon expiration of two years, three years and four years, respectively.
- The remuneration costs recognized by the subsidiary, U-BEST, under the fair value method based on said paid employee stock option scheme in 2022 and 2021 were NT\$4,275 thousand and NT\$5,899 thousand, respectively.
- The information about quantity and weighted average exercise price related to the paid employee stock option scheme of the subsidiary, U-BEST, is disclosed as follows:

	2022		2021	
	Weighted average exercise price (NT\$)	Quantity of stock options	Weighted average exercise price (NT\$)	Quantity of stock options
Outstanding shares, beginning	\$ 12.7	5,000,000	12.7	5,000,000
Invalid quantity in the current period	11.8	(187,000)	-	-
Outstanding shares, ending	11.8	<u>4,813,000</u>	12.7	<u>5,000,000</u>
Exercisable quantity, ending	11.8	<u>2,406,500</u>	-	<u>-</u>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (XXVII) Earnings per share

The consolidated entities' basic earnings per share and diluted earnings per share are calculated as follows:

	<u>2022</u>	<u>2021</u>
<b>Basic earnings per share:</b>		
Net profit (loss) attributed to the Company's common stock shareholders	<u>\$ 140,078</u>	<u>(85,630)</u>
Weighted average outstanding shares of common stocks (thousand shares)	<u>199,987</u>	<u>156,605</u>
(Unit: NT\$)	<u>\$ 0.70</u>	<u>(0.55)</u>
<b>Basic earnings per share:</b>		
Net profit (loss) attributed to the Company's common stock shareholders	\$ 140,078	
Effects after tax of income related to convertible corporate bonds	<u>7,352</u>	
Net profit (loss) attributed to the Company's common stock shareholders (after adjustment of effects of dilutive potential common shares)	<u>\$ 147,430</u>	
Weighted average outstanding shares of common stocks (thousand shares)	199,987	
Effect of all potential diluted common stocks:		
Remuneration to employees	226	
Convertible corporate bonds	<u>25,966</u>	
Weighted average outstanding shares of common stocks (after adjustment of effects of dilutive potential common shares) (thousand shares)	<u>226,179</u>	
(Unit: NT\$)	<u>\$ 0.65</u>	

It is not included in the calculation of diluted earnings per share, as anti-dilution effect will be produced if the potential common stocks are stated in 2021.

## (XXVIII) Revenue from contracts with customers

### (1) Details of revenue

	<u>2022</u>	<u>2021</u>
Main territories and markets:		
Taiwan	\$ 2,309,556	1,027,362
Asia (exclusive of the territories of Taiwan)	<u>22,049</u>	<u>8,396</u>
	<u>\$ 2,331,605</u>	<u>1,035,758</u>



# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

	2022	2021
Main product/service line:		
PU synthetic resin	\$ 529,524	496,532
Dry and wet PU synthetic leather and plastic leather	267,377	144,613
Sales of real estate	1,380,455	347,610
Construction and engineering revenue	69,838	-
Rental revenue from investment property	13,719	9,542
Integrated circuit system	6,329	1,762
System module	241	1,213
Bulk raw materials and supplies	8,922	7,908
Pork and poultry	-	5,036
Others	55,200	21,542
	<u><u>\$ 2,331,605</u></u>	<u><u>1,035,758</u></u>

## (2) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable	\$ 179,864	196,533	91,889
Less: Loss provision	(1,424)	(1,804)	(1,508)
	<u><u>\$ 178,440</u></u>	<u><u>194,729</u></u>	<u><u>90,381</u></u>
Contract assets - Chi Yun	\$ 30,383	-	-
Less: Loss provision	-	-	-
	<u><u>\$ 30,383</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Contract liability - The King's Landscapes	\$ 149,630	193,450	155,680
Contract liability - Tiffany	-	11,020	21,600
Contract liability - Mayfair	-	207,054	94,337
Contract liability - The Twin Towers	410,000	43,890	-
Contract liability - Changrong Taishan	50,477	43,027	30,447
Contract liability - Ha Jiu Kyung	70,644	60,735	42,708
Contract liability - Liu Jin	16,780	-	-
Contract liability - others	1,614	692	-
	<u><u>\$ 699,145</u></u>	<u><u>559,868</u></u>	<u><u>344,772</u></u>

The balances of contract liabilities on January 1, 2022 and 2021 that were recognized as revenue in 2022 and 2021 were NT\$272,463 thousand and NT\$21,600 thousand, respectively. Further, due to the customers' cancellation of reservation, or cancellation of transactions against laws, the contract liabilities decreased by NT\$31,685 thousand in 2021, while no such case took place in 2022.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (XXIX) Remuneration to employees and directors/supervisors

According to the original Articles of Incorporation, annual profits concluded by the Company shall be subject to employee remuneration of 2%~5% , and director/supervisor remuneration of no more than 5%. However, profits must first be taken to offset against cumulative losses if any. The employee remuneration referred to in the preceding paragraph can be paid in shares or cash to employees of affiliated companies that satisfy certain criteria. The annual general meeting resolved on May 27, 2022 to pass the amendments to the Articles of Incorporation providing that the annual profits concluded by the Company shall be subject to employee remuneration of 1%~10% , and director remuneration of no more than 5%.

The Company stated accumulated losses in 2021. Therefore, it was not necessary to provide the remuneration to employees and directors/supervisors.

In 2022, the amount of employee remuneration provided by the Company was estimated at NT\$2,680 thousand, and the amount of director remuneration NT\$4,019 thousand. The estimates were made by applying the Company's before-tax profits before the deduction of the remunerations to employees and directors, and subject to the appropriate percentages for the remuneration to employees and directors set based on the Articles of Incorporation, then stated as operating costs or expenses in that period. Any differences between the amounts actually paid in next year and the amount previously estimated would be treated as a change in accounting estimate, and recognized as profit or loss in next year. Said amounts of remuneration to employees and directors per the resolution of the Board of Directors were consistent with the estimated amounts reported in the Company's 2022 financial statements. The related information may be accessed on the MOPS.

## (XXX) Non-operating revenue and expenditure

### 1. Interest revenue

The consolidated entities' interest revenue is stated as follows:

	<u>2022</u>	<u>2021</u>
Interest revenue - bank deposits	\$ 1,832	992
Financial assets measured at amortized cost	4,367	104
Interest revenue - interest on the deposit for lease	3	44
Interest revenue - others	465	32
	<u><u>\$ 6,667</u></u>	<u><u>1,172</u></u>

### 2. Other revenue

The consolidated entities' other revenue is stated as follows:

	<u>2022</u>	<u>2021</u>
Dividend revenue	\$ 26,713	10,531
Gain recognized in bargain purchase transaction	-	45,045
	<u><u>\$ 26,713</u></u>	<u><u>55,576</u></u>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## 3. Other gains and losses

The consolidated entities' other gains and losses are stated as follows:

	<b>2022</b>	<b>2021</b>
Foreign currency exchange gains (losses)	\$ (178)	932
Rental revenue	7,015	869
Disposal of investment gains under equity method	-	21,355
Net income from disposal of financial assets at fair value through profit or loss	-	20,690
Net income (loss) from disposal of financial assets/liabilities at fair value through profit or loss	(75,363)	91,378
Proceeds from disposal of property, plant and equipment	55	52
Others	9,875	(45,941)
	<b><u>\$ (58,596)</u></b>	<b><u>89,335</u></b>

## 4. Financial cost

The consolidated entities' financial cost is stated as follows:

	<b>2022</b>	<b>2021</b>
Bank loans	\$ (76,936)	(63,693)
Loan of non-bank financial institutions	(2,310)	(9,579)
Short-term bills and notes payable	-	(161)
Discount and amortization of corporate bonds payable	(14,205)	(18,541)
Imputed interest on security deposit	(3)	(42)
Interest expenses on lease liabilities	(429)	(389)
Others	(53)	(13)
Less: capitalized interest	19,973	21,709
	<b><u>\$ (73,963)</u></b>	<b><u>(70,709)</u></b>

## (31) Financial instruments

### 1. Credit risk

#### (1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure amount.

#### (2) Concentration of credit risk

The consolidated entities have sales conducted significantly focusing on few customers. 47% and 59% of the total accounts receivable by the consolidated entities were due from three and five customers on December 31, 2022 and 2021.

#### (3) Credit risk over receivables

For the details about credit risk exposures of notes and accounts receivable, please refer to Note VI(V).

The other financial assets measured at amortized cost include other receivables and other financial assets. No impairment was provided or reversed in 2022 and 2021. Said financial assets are all with low credit risk; therefore, the loss provision for that period should be measured based on the amount of 12-month expected credit loss.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## 2. Liquidity risk

The contract maturities of financial liabilities are illustrated in the table below, including the estimated interest but not the impact of net amount agreed.

	Carrying amount	Contractual cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
<b>December 31, 2022</b>							
Non-derivative financial liabilities							
Bank loans (floating interest rate)	\$ 3,557,309	3,662,375	408,788	514,839	1,984,330	752,118	2,300
Loan of non-bank financial institutions (fixed interest rate)	39,995	40,624	31,424	9,200	-	-	-
Short-term bills and notes payable (fixed interest rate)	154,726	155,000	155,000	-	-	-	-
Corporate bonds payable (fixed interest rate)	1,057,642	1,098,852	-	62,652	436,200	600,000	-
Liabilities without interest	703,278	703,278	703,278	-	-	-	-
Lease liabilities	17,776	25,747	1,946	1,946	2,974	5,042	13,839
Long-term loan (including the current portion) (fixed interest rate)	124,292	132,733	15,285	18,149	37,749	34,955	26,595
Deposits received	13,237	13,237	9,258	364	1,967	1,648	-
Derivative financial liabilities							
Financial liabilities at fair value through profit or loss - current & non-current	14,763	14,763	-	96	7,257	7,410	-
	<b>\$ 5,683,018</b>	<b>5,846,609</b>	<b>1,324,979</b>	<b>607,246</b>	<b>2,470,477</b>	<b>1,401,173</b>	<b>42,734</b>
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Bank loans (floating interest rate)	\$ 3,135,959	3,257,170	321,455	886,860	821,419	1,227,436	-
Loan of non-bank financial institutions (fixed interest rate)	12,567	12,695	12,695	-	-	-	-
Short-term bills and notes payable (fixed interest rate)	79,915	80,000	80,000	-	-	-	-
Corporate bonds payable (fixed interest rate)	859,193	896,400	-	-	83,500	812,900	-
Liabilities without interest	413,651	413,651	413,651	-	-	-	-
Lease liabilities	27,564	31,887	2,467	2,167	4,071	8,519	14,663
Long-term loan (including the current portion) (fixed interest rate)	11,000	11,165	6,076	274	4,815	-	-
Deposits received	6,280	6,280	646	1,103	1,528	3,003	-
Financial liabilities at fair value through profit or loss - non-current							
	1,980	1,980	-	-	-	1,980	-
	<b>\$ 4,548,109</b>	<b>4,711,228</b>	<b>836,990</b>	<b>890,404</b>	<b>915,333</b>	<b>2,053,838</b>	<b>14,663</b>

The consolidated entities do not expect the maturity analysis of cash flows will be significantly pre-matured or the actual amount will be significantly different.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## 3. Market risk

### (1) Exchange rate risk exposure

The consolidated entities' financial assets and liabilities exposed to significant foreign exchange rate risk are as follows:

		Unit: NT\$ Thousand					
		December 31, 2022			December 31, 2021		
		Foreign currency	Foreign exchange rate	NTD	Foreign currency	Foreign exchange rate	NTD
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	948	30.71	29,088	431	27.68	11,934
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		472	30.71	14,488	764	27.68	21,364

### (2) Analysis of sensitivity

The exchange rate risk of the consolidated entities is mainly from foreign currency denominated cash and cash equivalent as well as accounts receivable. Foreign exchange gain and loss arise from the translation. If NTD vs USD on December 31, 2022 and 2021 appreciated or depreciated by 1%, while all other factors stayed unchanged, the net loss after tax would decrease or increase by NT\$117 thousand and NT\$75 thousand in 2022 and 2021. The analysis in both periods adopted the same basis.

### (3) Exchange gain or loss of monetary items

The foreign currency exchange gains (losses) (including the realized and unrealized ones) of the consolidated entities were NT\$178 thousand and NT\$932 thousand in 2022 and 2021, respectively.

## 4. Interest rate risk

Please refer to the Note regarding liquidity risk management for the interest rate risk exposure of the consolidated entities' financial assets and financial liabilities.

The following analysis of sensitivity is based on the interest rate risk exposure of the derivative and non-derivative instruments on the reporting date. The analysis of floating rate liabilities is based on the assumption that the outstanding liability amount on the reporting date stays outstanding the entire year. The rate of change used in the consolidated entities' internal report to the management was the interest rate with an increase or decrease by 1%. The interest rate is assessed within the reasonable and possible range of change by the management.

If interest rate is increased or decreased by 1%, with all other variables stayed unchanged, the consolidated entities' net loss would increase or decrease by NT\$28,458 thousand and NT\$25,088 thousand in 2022 and 2021, primarily as a result of the consolidated entities' loan subject to the floating interest rate.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## 5. Other pricing risk

The effect of the changes in equity price on the reporting date (the analysis of two periods is completed by using the same basis, and assuming all other variables held constant) on the profit and loss is as follows:

	2022		2021	
Securities and fund price on the reporting date	Other comprehensive income after tax	Income after tax	Other comprehensive income after tax	Income after tax
Increase by 3%	\$ 524	17,863	496	18,480
Decrease by 3%	\$ (524)	(17,863)	(496)	(18,480)

## 6. Information about fair value

### (1) Type and fair value of financial instrument

The carrying amount and fair value of the consolidated entities' financial assets and liabilities (including fair value level information) are stated as follows, except the financial instruments measured at fair value with the carrying amount close to the reasonable amount of fair value and the investment in equity instruments without quotation in an active market and of which the fair value cannot be reliably measured:

	December 31, 2022				
	Carrying amount	Class 1	Class 2	Class 3	Total
<b>Financial assets at fair value through profit or loss</b>					
Financial assets mandatorily measured at fair value through profit or loss	\$ 636,495	636,495	-	-	636,495
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks listed on TWSE/TPEX	\$ 16,532	16,532	-	-	16,532
Stocks unlisted on TWSE/TPEX	926	-	-	926	926
	<u>\$ 17,458</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and Cash Equivalents	\$ 763,148	-	-	-	-
Financial assets measured at amortized cost	13,900	-	-	-	-
(V) Notes receivable and accounts receivable (including related party)	178,440	-	-	-	-
Other receivables (including related party)	8,771	-	-	-	-
Other financial assets - current & non-current	703,758	-	-	-	-
Refundable deposits	18,740	-	-	-	-
	<u>\$ 1,686,757</u>				
<b>Financial liabilities at fair value through profit or loss</b>					
Financial liabilities mandatorily measured at fair value through profit or loss	\$ 14,763	-	14,763	-	14,763
<b>Financial liabilities measured at amortized cost</b>					
Short-term loans	\$ 3,597,304	-	-	-	-
Short-term bills and notes payable	154,726	-	-	-	-
Payables (including related party)	703,278	-	-	-	-
Corporate bonds payable (including the current portion)	1,057,642	-	1,043,747	-	1,043,747
Lease liabilities	17,776	-	-	-	-

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Long-term loan (including the current portion)	124,292	-	-	-	-
Deposits received	<u>13,237</u>	-	-	-	-
	<u><b>\$ 5,668,255</b></u>				

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

	December 31, 2021				
	Carrying amount	Fair value			
		Class 1	Class 2	Class 3	Total
<b>Financial assets at fair value through profit or loss</b>					
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 639,495</u>	637,414	2,081	-	639,495
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks listed on TWSE/TPEX	<u>\$ 16,549</u>	16,549	-	-	16,549
<b>Financial assets measured at amortized cost</b>					
Cash and Cash Equivalents	\$ 820,350	-	-	-	-
Notes receivable and accounts receivable	194,729	-	-	-	-
Other receivables	8,217	-	-	-	-
Other financial assets - current	792,668	-	-	-	-
Refundable deposits	<u>20,269</u>	-	-	-	-
	<u>\$ 1,836,233</u>				
<b>Financial liabilities mandatorily measured at fair value through profit or loss</b>					
Financial liabilities mandatorily measured at fair value through profit or loss	<u>\$ 1,980</u>	-	-	-	-
<b>Financial liabilities measured at amortized cost</b>					
Short-term loans	\$ 3,148,526	-	-	-	-
Short-term bills and notes payable	79,915	-	-	-	-
Payables	413,651	-	-	-	-
Corporate bonds payable	859,193	-	859,193	-	859,193
Lease liabilities	27,564	-	-	-	-
Long-term loan (including the current portion)	11,000	-	-	-	-
Deposits received	<u>6,280</u>	-	-	-	-
	<u>\$ 4,546,129</u>				

The consolidated entities applied the input which was observable in the market as possible as it could when measuring its assets and liabilities. The classes of fair value are concluded as follows based on the input used by the valuation technique:

- (1.1) Class 1: Open quotation of the same assets or liabilities in an active market (without adjustment).
- (1.2) Class 2: Except the open quotation under Class 1, the import parameter of assets or liabilities may be observable directly (namely, the price) or indirectly (namely, presumed from the price).

- (1.3) Class 3: The import parameters of assets or liabilities are not based on observable market information (non-observable parameters).

- (2) Fair value valuation technique for the financial instrument not measured at fair value

The methods and hypotheses used by the consolidated entities to estimate the instruments not measured at fair value are stated as follows:

Financial liabilities measured at amortized cost

The components of liabilities of the convertible corporate bonds issued by the consolidated entities are estimated under the evaluation method. The estimates and hypotheses used by the evaluation method refer to estimation of fair value by discounted cash flow.

- (3) Fair value valuation technique for the financial instrument measured at fair value
  - (3.1) Non-derivative financial instruments



# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

If quotation in active markets is available, the quotation shall be established as fair values. Market prices published by major stock exchange, and OTC market where is held high volume of central government bonds are traded, are the foundation of fair value of debt instruments with quoted market price in an active market and listed equity instruments.

A financial instrument is regarded as being quoted in an active market if quotation is readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and the quotation represents actual and regularly occurring market transactions on an arm's-length basis. If a financial instrument does not accord with said definition, then it is considered to be without quotation in active market. In general, any market with wide price difference, significant increase in bid price and low trading volume is an indication of non-active market.

The fair value of financial assets with standard terms/conditions and traded in the active market, such as stocks listed on TWSE/TPEX, fund and emerging stocks in an active market, shall be decided subject to the market quotation.

Except for the financial instruments in the active market, the fair value of the other financial instruments is based on the valuation technique or the quotation of the trading counterpart. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data.

If the consolidated entities' financial instruments do not have an active market, wherein their fair values are determined as follows by type and attribute:

Equity instrument without an active quotation: The consolidated entities estimate the fair values by using the comparable company approach on the assumption that the fair values are calculated on the basis of the investees' net worth per share and the Price-Book Ratio in the same trade derived from comparable TWSE/TPEX-listed companies' quoted prices. The discount effect resulting from the lack of market liquidity of such equity securities has been adjusted.

## (3.2) Derivative financial instruments

Based on the valuation models extensively accepted by the users in the market, e.g. discount method and Option Pricing Model. The put options for the convertible corporate bonds of the Company and the subsidiary, U-BEST, are valued based on Monte Carlo method.

## (4) Details of change in Class 3

	<b>Financial assets at fair value through profit or loss</b>
	<b>Designated to be measured at fair value through profit or loss</b>
	<b>(Designated at the time of initial recognition)</b>
Balance on January 1, 2021	\$ 7,716
Recognized as the income (stated into other gains and losses)	(7,716)
Balance on December 31, 2021	<u>\$ -</u>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (5) Quantitative data used on measuring the fair value of the unobservable major input (Class 3)

The consolidated entities' item that is measured at fair value and classified as Class 3 includes financial assets measured at fair value through profit or loss- investment in equity instrument.

The fair value of the consolidated entities classified as Class 3 has only one unobservable major input. The quantitative data of the unobservable major input are as follow:

Item	Valuation technique	Unobservable major input	Relationship between the unobservable major input and the fair value
Financial assets at fair value through profit or loss- investment in equity instrument without an active market	Comparable TWSE/TPEX-listed company method	Discount resulting from the lack of market liquidity (40% on December 31, 2021)	The higher discount resulting from the lack of market liquidity is, the lower the fair value is.

## (6) No transfer of fair value levels took place in 2022 and 2021.

### (XXXII) Financial risk management

#### 1. Overview

The consolidated entities have exposures to the following risks from its financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

The consolidated entities' risk exposure information and objectives, policies, and procedures of the risk measured and managed by the consolidated entities are expressed in this Note. For more disclosures about the quantitative effects of the risk exposure, please refer to the respective notes in the consolidated financial statements.

#### 2. Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of its risk management framework. The Board has the Chairman's Office responsible for developing and controlling the consolidated entities' risk management policies.

The consolidated entities' risk management policies are established to identify and analyze the risks faced by the consolidated entities, evaluate the effect posed by the financial risk and execute related policies to evade the financial risk. Risk management policies are reviewed regularly to reflect changes in market conditions and the consolidated entities' activities. The consolidated entities, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The consolidated entities' Board of Directors oversees how the management monitors compliance with the consolidated entities' risk management policies and procedures, and review the adequacy of the risk management framework in relation to the risks faced by the consolidated entities. The Board of Directors is assisted in their oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews on the financial risk management controls and procedures, the results of which are reported to the Board of Directors.

#### 3. Credit risk

Credit risk is the risk of financial losses faced by the consolidated entities when the customer or the trading counterpart of financial instruments trade is unable to meet its contractual obligations. It is mainly from the consolidated entities' accounts receivables from customers and securities investment.

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

### (1) Accounts receivable and other receivables

The consolidated entities' exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the demographics of the consolidated entities' customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

Manufacturing industry: The consolidated entities have established a credit policy under which each new customer is analyzed individually for creditworthiness before the consolidated entities' standard payment terms are offered. The consolidated entities' review includes external ratings, when available, and in some cases bank references. The procurement limits are established for each customer and reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the consolidated entities only on an advance received basis.

Building industry: The consolidated entities' exposure to credit risk is influenced mainly by the individual characteristics of each customer. The consolidated entities' customers are concentrated in the wide consumer base. In order to mitigate the credit risk over accounts receivable, the consolidated entities demand that the customers should allocate the bank loan to the consolidated entities directly from the lending bank, when the bank grants the loan. Therefore, the credit risk may be controlled effectively.

The consolidated entities have the allowance account set up to reflect the estimated losses of the accounts receivable and other receivables. The allowance account mainly includes specific loss related to individual significant exposure and the combined loss of the similar asset group that have incurred but yet to be identified. The allowance account for combined loss is determined in accordance with the historical payment statistics of similar financial assets.

### (2) Investment

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the consolidated entities' finance department. The consolidated entities' trading counterparts and performing parties are reputable banks and corporate organizations with no significant performance concerns. Therefore, there is no significant credit risk.

### (3) Guarantees

Based on the consolidated entities' policies, they may only provide financial guarantees to the subsidiaries wholly owned by them, or mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

## 4. Liquidity risk

Liquidity risk is the risk that the consolidated entities are unable to pay cash or financial asset to settle the financial liability and unable to perform their obligations. The method applied by the consolidated entities to manage liquidity is to ensure that the consolidated entities in general practice or under pressure has sufficient current fund to liquidate liabilities when due, without incurring unacceptable losses or causing harm to the consolidated entities' reputation.

## 5. Market risk

Market risk is the risk that the market price change, such as foreign exchange rate, interest rate and equity instrument price change, will affect the consolidated entities' income or risk over the value of financial instruments held by the consolidated entities. The objective of market risk management is to control the market risk exposure within the affordable range and to optimize return on investment.

### (1) Interest rate risk

The consolidated entities are exposed to exchange rate risk resulting from the sale, procurement and load transactions measured with a currency other than the functional currency of the consolidated entities. The functional currency of the consolidated entities includes NTD, CNY, VND and USD. These transactions are denominated in major currencies including NTD, VND, USD and CNY.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Generally, the currency denominating the loan shall adopt the borrower's functional currency. If it is necessary to apply for loan in foreign currency, hedge shall be taken to ensure that the exposure is maintained within the acceptable level.

The consolidated entities adopt the economic hedging to evade the exchange rate risk arising from foreign currency financial liabilities when engaging in financial derivatives trading. The income generated from changes in foreign exchange rate is expected to offset against the income of hedged items generated from changes in foreign exchange rate. Notwithstanding, such income is stated into the valuation gains or losses on financial assets, as it doesn't satisfy the hedging accounting.

## (2) Interest rate risk

The fair value or future cash flow fluctuation risk would arise due to changes in interest rate, when the consolidated entities borrow fund. The consolidated entities' policies aim to ensure the exposure of changes in the loan interest rate, and evaluate it based on the market interest rate development. The consolidated entities manage the interest rate risk by maintaining an adequate portfolio consisting of floating and fixed interest rates.

## (3) Other market price risk

The equity price risk refers to the risk over the equity instruments held by the consolidated entities resulting from the uncertainty in future price. The consolidated entities engage in multifaceted investment projects, and regularly verify the financial status of equity instruments to manage the price risk over equity instruments.

## (XXXIII) Capital management

The policy of the Board of Directors maintains the basis of unimpaired capital. It helps maintain the confidence of the investors, creditors and markets. It also supports future operating development. The Board of Directors controls the rate of return on the capital and also the common stock dividend level.

The consolidated entities meet its objectives for managing capital to safeguard the capacity of continuing operations, to continue to provide a return to its shareholders and other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entities might adjust the stock dividend to be paid, refund of capital to shareholders through capital decrease, issuance of new shares or realization of assets to reduce liabilities.

The consolidated entities control the capital based on the debt to equity ratio. The ratio is net liabilities divided by total capital. The net liabilities refer to the total liabilities listed in the balance sheet less cash and cash equivalents. The total capital refers to the components of equity (namely, capital stock, capital surplus, retained earnings, other equity and non-controlling equity). The debt to equity ratio on the reporting date is as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 6,484,097	5,201,062
Less: Cash and Cash Equivalents	(763,148)	(820,350)
Net liabilities	<u><b>\$ 5,720,949</b></u>	<u><b>4,380,712</b></u>
Total equity	<u><b>\$ 5,322,044</b></u>	<u><b>5,398,088</b></u>
Debt to equity ratio	<u><b>107.50%</b></u>	<u><b>81.15%</b></u>

As of December 31, 2022, the capital management method of the consolidated entities remained unchanged. The current debt to equity ratio increased from December 31, 2021, primarily because the consolidated entities needed to apply for financing with the bank to cover their funding needs for business, and the net liabilities increased upon acquisition of the land for construction.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## (XXXIV) Investing and financing activities other than transactions in cash

The consolidated entities' liabilities from financing activities in 2022 and 2021 are adjusted as follows:

	Short-term loans	Short-term bills and notes payable	Corporate bonds payable (including the current portion)	Lease liabilities	Long-term loan (including the current portion)	Total liabilities from financing activities
Balance on January 1, 2022	\$ 3,148,526	79,915	859,193	27,564	11,000	4,126,198
Cash flow						
Cash from loan	2,201,984	154,726	-	-	135,324	2,492,034
Repayment of loan	(1,753,206)	(79,915)	-	-	(22,032)	(1,855,153)
Cash from issuance of						
convertible corporate bonds	-	-	294,665	-	-	294,665
Repayment of principal for lease	-	-	-	(3,983)	-	(3,983)
Non-cash flow						
Discount and amortization	-	-	14,205	-	-	14,205
Other changes	-	-	(110,421)	(5,805)	-	(116,226)
Balance on December 31, 2022	<u>\$ 3,597,304</u>	<u>154,726</u>	<u>1,057,642</u>	<u>17,776</u>	<u>124,292</u>	<u>4,951,740</u>

	Short-term loans	Short-term bills and notes payable	Corporate bonds payable	Lease liabilities	Long-term loan (including the current portion)	Total liabilities from financing activities
Balance on January 1, 2021	\$ 3,174,566	28,000	689,155	12,378	-	3,904,099
Cash flow						
Cash from loan	1,360,910	79,915	-	-	11,000	1,451,825
Repayment of loan	(1,573,950)	(28,000)	-	-	-	(1,601,950)
Cash from issuance of						
convertible corporate bonds	-	-	1,317,500	-	-	1,317,500
Cash spent in redemption of						
convertible corporate bonds	-	-	(67,900)	-	-	(67,900)
Repayment of principal for lease	-	-	-	(4,573)	-	(4,573)
Non-cash flow						
Effect of initial consolidation of subsidiaries	187,000	-	-	17,118	-	204,118
Additions in the current period	-	-	-	3,182	-	3,182
Discount and amortization	-	-	18,541	48	-	18,589
Other changes	-	-	(1,098,103)	(589)	-	(1,098,692)
Balance on December 31, 2021	<u>\$ 3,148,526</u>	<u>79,915</u>	<u>859,193</u>	<u>27,564</u>	<u>11,000</u>	<u>4,126,198</u>

## VII. Transactions with related parties

### (I) Names of related parties and their relationship with the Company

Related parties that have performed transactions with the consolidated entities during the period of the consolidated financial statement include:

<u>Name of Related Party</u>	<u>Relationship with the consolidated entities</u>
Ms. Chang Hui-Feng	Spouse of the Company's Chairman
Huang Nan-Hao	President of U-BEST
HSIN-LI	Associate of the consolidated entities (Note)
LUXE BRING CO., LTD.	Associate of the consolidated entities (Note 1)
Metropolis Internet Technology	Its Chairman is a director of the Company.
Zhong Qing Technology Co., Ltd.	Its Chairman is same person as the Company's Chairman.
Tai Chan Construction Co., Ltd.	Its Chairman is a director of the Company.
Shin Agri Tech Co., Ltd.	Other related party of the consolidated entities

Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and  
Its' Subsidiaries (Cont'd)

Shin Agri PingTong CO., LTD.  
Mr. Yang Ching-Tsung

Other related party of the consolidated entities  
Other related party of the consolidated entities

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Note: HSIN-LI changed from an associate of the Company to a subsidiary of the consolidated entities in Q3 of 2021.

Note 1: The consolidated entities have resigned as a director of LUXE since August 12, 2022 and, therefore, lost the significant influence over such company. The investment was designated as the financial assets at fair value through other comprehensive income instead.

## (II) Significant transactions with related parties

### 1. Operating revenue

The amount of significant transactions between the consolidated entities and related parties is as follows:

	<u>2022</u>	<u>2021</u>
Associate	\$ 1,162	2,682
Other related party	8,922	11,718
	<u><b>\$ 10,084</b></u>	<u><b>14,400</b></u>

The consolidated entities' collection term for sales to the associate was O/A 30~60 days, and 15~120 days in the case of non-related party. The selling price was not significantly different from that applicable to the general customers. No collateral was collected for the accounts receivable of related parties. After assessment, not impairment loss needed to be recognized.

The associate, LUXE, guaranteed that it would continue to order the goods from the consolidated entities. Until December 31, 2021, it has provided the consolidated entities with the security bond, NT\$763 thousand, which was stated into the deposits received.

### 2. Contract awarding

The total contract amounts and accounts collected by the consolidated entities for undertaking other related parties' engineering contracts are stated as following:

	<u>2022</u>
Executed contract amounts	<u><b>\$ 181,959</b></u>
Accounts already collected per the contracts	<u><b>\$ 39,455</b></u>

The consolidated entities calculated the contract amount for the contract awarded by any related party based on the engineering budget plus reasonable overhead and profit, subject to approval of the relevant supervisor. The contract assets arising from said transaction amounted to NT\$30,383 thousand on December 31, 2022. No transaction with non-related party was made available as the comparable for the profit rate and collection terms and conditions of the contract undertaken by the consolidated entities. No such transaction took place on December 31, 2021.

### 3. Purchase

The consolidated entities' purchase value from related parties are stated as follows:

	<u>2022</u>	<u>2021</u>
Other related party	<u><b>\$ -</b></u>	<u><b>2,599</b></u>

The consolidated entities' purchase price was not significantly different from that applicable by the consolidated entities to the general suppliers. The payment term is 30 days, not significantly different from that applicable to the general suppliers.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## 4. Receivables - related party

The consolidated entities' receivable accounts-related party are stated as follows:

<u>Title</u>	<u>Type of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	Associate	\$ -	255
Accounts receivable	Other related party	7,731	2,088
		<u>\$ 7,731</u>	<u>2,343</u>

## 5. Transaction of property

The consolidated entities' sale of property, plant and equipment to related parties is summarized as follows:

	2021	
Type of related party	Proceeds from disposal	Gain or loss on disposal
Other related party - Mr. Yang Ching-Tsung	\$ 22,100	364

## 6. Lease

- (1) The consolidated entities leased the office to other related parties in 2022 and 2021, and the rental revenues were both NT\$23 thousand. The payment for said transaction has been received in full on December 31, 2022.
- (2) The rental revenue generated from the consolidated entities' lease of property, plant and equipment to the associate was NT\$96 thousand, stated into the operating revenue. The balance of accounts receivable from such transaction has been collected in full on December 31, 2022.

## 7. Others

- (1) The consolidated entities executed the real estate joint construction and separate sale contract with the spouse of the Company's Chairman in 2023. In 2022 and 2021, the consolidated entities paid the advertising expenses and interest to be borne by the joint construction and separate sale land owner on behalf of the land owner, NT\$8,298 thousand and NT\$7,344 thousand, preliminarily. Notwithstanding, the expenses and interest have not yet been received by December 31, 2021 and, therefore, were stated as other receivables.
- (2) In 2022, the Company purchased from other related party, -Metropolis, the office supplies. The expenses generated therefor, NT\$70 thousand, were stated into the overhead. Further, the expenses generated from purchase of computer equipment were NT\$194 thousand. As of December 31, 2022, the payables generated from said transaction, NT\$277 thousand, were stated into other payables.
- (3) The Company entrusted the subsidiary's president to help the real estate agent with sale of the equity of Success Investments Limited in 2020. The commission paid in 2021 totaled NT\$2,029 thousand, stated into the overhead. The accounts payable generated from said transactions have been paid in full.

## (III) Key management personnel transactions

Remuneration to the key management personnel includes the following:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 41,447	41,694
Post-employment benefits	409	532
Share-based payment	1,142	1,613
	<u>\$ 42,998</u>	<u>43,839</u>



# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

The consolidated entities provided the cars, of which the costs were NT\$695 thousand, to the key management personnel on December 31, 2021. The depreciation expenses were NT\$19 thousand in 2021, while no such case took place in 2022.

The costs of leased cars recognized by the consolidated entities as the right-of-use assets were NT\$2,248 thousand and NT\$3,231 thousand, respectively, on December 31, 2022 and 2021. The cars were primarily provided to the key management personnel.

## VIII. Assets pledged as collateral or for security

The carrying amount of the consolidated entities' assets pledged as collateral or for security is as follows:

<u>Pledged assets</u>	<u>Objective pledged and guaranteed</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time and demand deposits (Note)	Guarantees for short-term loans, guarantees for corporate bonds payable, values trust, performance bond, guarantees for customs tariff, and guarantees for land lease with the Bureau.	\$ 703,758	350,569
Financial assets at fair value through profit or loss - current	Guarantees for short-term loans and short-term bills and notes payable	210,502	-
Financial assets measured at amortized cost-current	Guarantees for tariff and land lease	1,750	-
Inventory - land for construction	Guarantees for short-term loans	2,492,621	2,017,014
Inventory - land under construction	Guarantees for short-term loans and endorsements/guarantees	757,917	1,319,810
Inventory - building under construction	Guarantees for short-term loans	288,907	1,625,730
Inventory - available-for-sale land	Guarantees for short-term loan and corporate bonds payable	340,074	41,329
Inventory - available-for-sale house	Guarantees for short-term loan and corporate bonds payable	1,887,225	290,690
Property, plant and equipment	Short-term loan, long-term loan, corporate bonds payable, and short-term bills and notes payable	445,854	481,000
Investment property	Guarantees for short-term loans and short-term bills and notes payable	165,398	167,848
		<u>\$ 7,294,006</u>	<u>6,293,990</u>

Note: Stated as other financial assets - current & non-current.

## IX. Major contingent liabilities and unrecognized contractual commitments

- (I) The consolidated entities' letter of credit that has been issued for purchase of imported raw materials and supplies but not used amounts to NT\$13,361 thousand and NT\$9,728 thousand on December 31, 2022 and 2021.
- (II) The real estate sale contracts executed by the consolidated entities with the buyers for the projects launched by them totaled NT\$5,695,578 thousand and NT\$3,756,084 thousand on December 31, 2022 and 2021. Among them, NT\$697,531 thousand and NT\$559,175 thousand have been collected pursuant to the contract, and stated as contract liabilities - current.
- (III) The amount of the contracts for the property, plant and equipment which the consolidated entities have executed but not yet recognized was NT\$98,497 thousand on December 31, 2022. Among them, NT\$83,722 thousand has been paid per the contracts, and stated as the property, plant and equipment. No such case took place on December 31, 2021.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

(IV) The amount of the contracts for the investment property which the consolidated entities have executed was NT\$130,182 thousand on December 31, 2022. Among them, NT\$39,807 thousand has been paid per the contracts, and stated as the non-current assets. No such case took place on December 31, 2021.

**X. Losses due to major disasters: None.**

## **XI. Significant subsequent events**

In order to increase its working capital, MYSON CENTURY, INC. planned to raise fund from its strategic investors through private placement upon approval of its Board of Directors on February 24, 2023. It planned to issue the common stock in private placement for no more than 20,000 thousand shares. Notwithstanding, the plan is still pending resolution by the shareholders' meeting to be convened by MYSON CENTURY INC..

## **XII. Others**

Employee benefits, depreciation, depletion and amortization expenses by function are summarized as follows:

By Nature	By function	2022			2021		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefit expenses							
Salary expenses		45,977	162,542	208,519	53,603	138,187	191,790
Labor/national health insurance expenses		4,340	8,764	13,104	3,802	6,952	10,754
Pension expenses		2,128	4,146	6,274	1,922	3,283	5,205
Compensation to directors		-	7,678	7,678	-	5,840	5,840
Other employee benefit expenses		2,961	5,001	7,962	2,373	3,947	6,320
Depreciation expenses		29,784	19,096	48,880	20,654	13,673	34,327
Amortization expenses		-	1,732	1,732	-	1,636	1,636

## **XIII. Disclosures in notes**

### **(I) Information on significant transactions**

The information about significant transactions to be disclosed by the consolidated entities pursuant to the Regulations Governing the Preparation of Financial Reports in 2022 is stated as follows:

#### **1. Loaning of fund to others:**

No.	Lender	Borrower	Accounting title	Related party or not?	Current maximum amount	Balance, ending	Drawdown	Interest rate range	Nature of loans to others	Business transaction amount	Reasons of necessary short-term financing	Amount recognized in loss provision	Collateral		Limit of loans to individual borrowers	Limit of total loans	Remark
													Name	Value			
0	The Company	Shangyu Construction Co., Ltd.	Other receivables	Yes	50,000	50,000	-	3%	Needs for short-term financing	-	Working capital	-		-	644,667 (Note 1)	1,031,467 (Note 1)	(Note 2)
0	The Company	BOROMI OPTRONICS CORP.	Other receivables	Yes	100,000	100,000	50,000	3%	Needs for short-term financing	-	Working capital	-		-	644,667 (Note 1)	1,031,467 (Note 1)	(Note 2)

(Note 1) According to the Company's Operating Procedure for Loaning to Others, the limit amount of total loans shall not exceed 50% of the net worth, provided that the limit amount of total loans to another person in need of short-term financing shall not exceed 40% of the net worth, and 25% in the case of a single enterprise. For the borrower trading with the Company, the limit amount on the loan to individual borrower shall be no more than the amount of transaction between both parties. The limit amount of loaning between foreign companies in

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

which the Company owns directly or indirectly 100% of voting rights shall be no more than 25% of the net worth of the companies, and for a term of one year.

(Note 2) Already written off during the preparation of the consolidated financial statements.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

## 2. Making of endorsements/guarantees for others:

No.	Endorser/ guarantor	Endorsed/ guaranteed party		Limits on endorsements/ guarantees for a single enterprise	Current maximum endorsement/ guarantee balance	Endorsement/ guarantee balance - ending	Drawdown	Endorsement/ guarantee amount secured with property as collateral	Ratio of the cumulative endorsement/ guarantee amount to the net worth in the most recent financial statements	Maximum endorsements/ guarantees	Endorsement/ guarantee made by the parent company for its subsidiaries	Endorsements/ guarantees made by the subsidiaries for the parent company	Endorsement/ guarantee made for the operations in Mainland China	Remark
		Company Name	Relationship											
0	The Company	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	(Note 1)	2,578,668 (100% of the Company's net worth)	60,000	-	-	-	- %	5,157,336 (200% of the Company's net worth)	Y			(Note 2)
1	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	The Company	(Note 1)	1,477,904 (100% of the Company's net worth)	120,000	120,000	120,000	-	8.12%	2,955,808 (200% of the Company's net worth)	-	Y	-	(Note 2)

(Note 1): Mutual endorsements/guarantees for another company in the same industry for purposes of undertaking a construction project.

(Note 2): Already written off during the preparation of the consolidated financial statements.

## 3. Marketable securities held at the end of year (excluding the equity held by invested subsidiaries, associates and joint ventures):

Holder	Securities Type and name	Relationship with securities issuer	Ledger account	Ending				Highest shareholding in the interim or contribution status	Remark
				Quantity of shares (thousand shares)	Carrying amount	Shareholding	Fair value		
The Company	Monthly income USD-denominated structured bonds	-	Financial assets at fair value through profit or loss - non-current	1	-	- %	-	-%	-
The Company	Stocks of FOILTEC INDUSTRIAL CO., LTD.	-	"	1,126	-	4.83 %	-	4.83%	-
BOROMI OPTRONICS CORP.	Domestic 5th unsecured convertible corporate bonds of SUN YAD	The Company	Financial assets at fair value through profit or loss - current	-	33,440	- %	33,440	-%	(Note 2)
Shangyu Construction Co., Ltd.	Stocks of RUN LONG CONSTRUCTION CO., LTD.	-	Financial assets at fair value through other comprehensive income - non-current	98	6,778	0.02 %	6,778	0.02%	-
MYSON CENTURY, INC.	Stocks of SUN YAD	-	"	258	3,061	- %	3,061	-%	-
MYSON CENTURY, INC.	Stocks of Highwealth Construction Corp.	-	"	242	9,754	- %	9,754	-%	-
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	Stocks of SUN YAD	The Company	"	17,023	201,723	7.77 %	201,723	7.94%	(Note 1)
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	Stocks of Renjie Oldsichuan Catering Management Consultant Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	166	7,691	0.77 %	7,691	0.78%	-
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	Stocks of WAKOM SEMICONDUCTOR	-	"	28	-	0.81 %	-	0.81%	-

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

LTD.	CORPORATION								
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	Stocks of FOILTEC INDUSTRIAL CO., LTD.	-	"	583	-	2.50 %	-	2.50%	-
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	Stocks of RUN LONG CONSTRUCTION CO., LTD.	-	Financial assets at fair value through profit or loss - current	199	13,809	0.04 %	13,809	0.04%	-
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	Stocks of FORMOSA TAFFETA CO., LTD.	-	"	170	4,548	0.010 %	4,548	0.01%	-
HSIN-LI	Stocks of LUXE		Financial assets at fair value through other comprehensive income - non-current:	166	926	12.77 %	926	12.77%	-
HSIN-LI	Stocks of E.SUN Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	3,547	85,312	0.02 %	85,312	0.02%	-
HSIN-LI	Stocks of TAIWAN BUSINESS BANK, LTD.	-	"	9,254	119,836	0.12 %	119,836	0.12%	-
HSIN-LI	Stocks of Taishin Financial Holding Co., Ltd.	-	"	9,009	136,043	0.07 %	136,043	0.80%	-
HSIN-LI	Stocks of Shin Kong Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	3,200	28,064	0.02 %	28,064	0.02%	-
HSIN-LI	Stocks of King's Town Bank Co., Ltd.	-	"	278	9,424	0.03 %	9,424	0.03%	-
HSIN-LI	Stocks of WE & WIN DIVERSIFICATION CO., LTD.	-	"	124	1,457	0.06 %	1,457	0.06%	-
HSIN-LI	Stocks of KUNYUE DEVELOPMENT CO., LTD.	-	"	112	1,820	0.07 %	1,820	0.07%	-
HSIN-LI	Stocks of DA-LI DEVELOPMENT CO., LTD.	-	"	518	15,333	0.13 %	15,333	0.13%	-
HSIN-LI	Common stock of China Development Financial Holding Corporation	-	"	832	10,483	- %	10,483	-%	-
HSIN-LI	Preferred stock of China Development Financial Holding Corporation	-	"	1,355	10,489	- %	10,489	-%	-
HSIN-LI	Domestic 5th unsecured convertible corporate bonds of SUN YAD	The Company	"	-	27,401	- %	27,401	-%	(Note 2)
HSIN-LI	Stocks of SUN YAD	The Company	"	803	9,510	0.37 %	9,510	0.37%	(Note 1)
HSIN-LI	Stock of U-BEST Innovative Technology Co., Ltd.	Subsidiary	"	2,000	21,000	1.43 %	21,000	1.43%	(Note 1)
HSIN-LI	Stocks of RADIUM LIFE TECH CO., LTD.	-	"	30	274	- %	274	0.03%	-

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

	Securities	Relationship with securities		Ending				Highest shareholding in the interim or contribution status	
Holder	Type and name	issuer	Ledger account	Quantity of shares (thousand shares)	Carrying amount	Shareholding	Fair value	Shareholding	Remark
HSIN-LI	Stocks of Taiwan Semiconductor Manufacturing Company Limited	-	"	5	2,243	- %	2,243	-%	-
HSIN-LI	Materials of ETERNAL MATERIALS CO., LTD.	-	"	134	4,186	0.01 %	4,186	0.01%	-
HSIN-LI	Stocks of MEILOON INDUSTRIAL CO., LTD.	-	"	96	1,877	0.06 %	1,877	0.08%	-
HSIN-LI	Stocks of FORMOSA OPTICAL TECHNOLOGY CO., LTD.	-	"	80	4,640	0.13 %	4,640	0.13%	-
HSIN-LI	Stocks of SanDi Properties Co., Ltd.	-	"	131	4,120	0.14 %	4,120	0.14%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of SUN YAD	The Company	"	2,131	25,251	0.97 %	25,251	0.97%	(Note 1)
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of Highwealth Construction Corp.	-	"	556	22,390	0.03 %	22,390	0.03%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of SanDi Properties Co., Ltd.	-	"	943	29,657	1.32 %	29,657	1.32%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Common stock of China Development Financial Holding Corporation	-	"	836	10,535	- %	10,535	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Preferred stock of China Development Financial Holding Corporation	-	"	763	5,905	- %	5,905	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of EZPLACE CO., LTD.	-	"	438	3,114	0.15 %	3,114	0.24%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of DA-LI DEVELOPMENT CO., LTD.	-	"	237	7,023	0.06 %	7,023	0.06%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of Cathay Financial Holdings Co., Ltd.	-	"	98	3,937	- %	3,937	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stock of Tacheng Real Estate Co., Ltd.	-	"	88	2,130	0.09 %	2,130	0.21%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of AMTRAN TECHNOLOGY CO., LTD.	-	"	305	3,045	0.04 %	3,045	0.04%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of SUNTY DEVELOPMENT CO., LTD.	-	"	40	474	0.01 %	474	0.07%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of KUNYUE DEVELOPMENT CO., LTD.	-	"	381	6,191	0.24 %	6,191	0.24%	-

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of Kindom Construction Corp.	-	"	133	3,884	0.02 %	3,884	0.02%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of WE & WIN DIVERSIFICATION CO., LTD.	-	"	232	2,726	0.11 %	2,726	0.11%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of Shin Kong Financial Holding Co., Ltd.	-	"	50	439	- %	439	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Stock of U-BEST Innovative Technology Co., Ltd.	Subsidiary	"	650	6,825	0.47 %	6,825	0.47%	(Note 1)
FEEI CHERNG ENTERPRISE CO., LTD.	Stocks of Taiwan Semiconductor Manufacturing Company Limited	-	"	10	4,485	- %	4,485	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Domestic 5th unsecured convertible corporate bonds of SUN YAD	The Company	"	-	27,960	- %	27,960	-%	(Note 2)
FEEI CHERNG ENTERPRISE CO., LTD.	Domestic 2nd unsecured convertible corporate bonds of Bright Sheland International Co., Ltd.	-	"	-	6,452	- %	6,452	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Domestic 1st unsecured convertible corporate bonds of YONGGU GROUP INC.	-	"	-	7,604	- %	7,604	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Domestic 4th unsecured convertible corporate bonds of AIRMATE (CAYMAN) INTERNATIONAL CO., LIMITED, TAIWAN BRANCH	-	"	-	7,580	- %	7,580	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	5th unsecured convertible corporate bonds of Shin Kong Financial Holding Co., Ltd.	-	"	-	7,313	- %	7,313	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	3rd secured convertible corporate bonds of KMC (KUEI MENG) INTERNATIONAL INC.	-	"	-	1,207	- %	1,207	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	3rd secured convertible corporate bonds of COSMO ELECTRONICS CORPORATION	-	"	-	1,224	- %	1,224	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	1st unsecured convertible corporate bonds of MERCURIES & ASSOCIATES HOLDING, LTD.	-	"	-	784	- %	784	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	2nd secured convertible corporate bonds of XIN CHIO GLOBAL CO., LTD.	-	"	-	515	- %	515	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	1st secured convertible corporate bonds of BUIJA GROUP INC. TAIWAN BRANCH (CAYMAN ISLANDS)	-	"	-	310	- %	310	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	1st secured convertible corporate bonds of GSEVEN CO., LTD.	-	"	-	1,247	- %	1,247	-%	-

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

	Securities	Relationship with securities		Ending				Highest shareholding in the interim or contribution status	
Holder	Type and name	issuer	Ledger account	Quantity of shares (thousand shares)	Carrying amount	Shareholding	Fair value	Shareholding	Remark
FEEI CHERNG ENTERPRISE CO., LTD.	Domestic 3rd secured convertible corporate bonds of United Renewable Energy Co., Ltd.	-	"	-	6,832	- %	6,832	-%	-
FEEI CHERNG ENTERPRISE CO., LTD.	CTBC Battery & Energy Storage Technology ETF	-	"	2,000	24,280	0.38 %	24,280	0.38%	-
FEEI CHERNG ENTERPRISE CO., LTD.	Fubon FTSE Vietnam ETF	-	"	326	3,563	0.02 %	3,563	0.04%	-

(Note 1): Restated as treasury stocks.

(Note 2): The subsidiary's subscription for convertible corporate bonds issued by the parent company shall constitute the recall.

4. The amount of the accumulated purchase or sale of the same securities is over NT\$300 million or 20% of the paid-in capital: None.

5. The purchase amount of real estate exceeds NT\$300 million or 20% of paid-in capital: None.

Holder	Name of Property	Date of Transaction or Date of Occurrence	Transaction amount	Payment status	Trading counterpart	Relationship	Information about the previous transfer, if the trading counterpart is a related party.				Reference basis for determination of the price	Purpose and usage	Other agreements
							All persons	Relationship with the issuer	Date of transfer	Amount			
FEEI CHERNG ENTERPRISE CO., LTD.	Land for construction	April 15, 2022	415,823	Paid in full	Natural person	-	N/A	N/A	N/A	N/A	Appraisal report	Land for construction	None

6. The amount of real estate disposed of exceeds NT\$300 million or 20% of paid-in capital: None

7. The purchase and sales conducted with the related parties for an amount over NT\$100 million or 20% of paid-in capital:

Purchaser/seller	Trading counterpart	Relationship	Transactions				The circumstances of and reasons for the trading conditions different from general transactions		Accounts/notes receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale)	Credit period	Unit price	Credit period	Balance	Percentage in total accounts/notes receivable	



# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

					amount					(payable)	
The Company	Shangyu Construction Co., Ltd.	Subsidiary	Contract awarding	327,353	28 %	Paid in installment per the contract and work progress	-	-	(31,600)	7.00%	(Note)
The Company	BOROMI OPTRONICS CORP.	Subsidiary	Contract awarding	240,632	21 %	Paid in installment per the contract and work progress	-	-	(94,749)	22.00%	(Note)
Shangyu Construction Co., Ltd.	The Company	Parent company	Engineering revenue	345,335 (Note 1)	83 %	Collected in installment per the contract and work progress	-	-	31,600	86.00%	(Note)
BOROMI OPTRONICS CORP.	The Company	Parent company	Engineering revenue	184,040 (Note 1)	100 %	Collected in installment per the contract and work progress	-	-	94,749	100.00%	(Note)

(Note): Already written off during the preparation of the consolidated financial statements.

(Note 1) The contractor recognized the construction revenue under the Percentage of Completion Method.

8. The receivables-related party for an amount over NT\$100 million or 20% of paid-in capital: None.

9. Engaging in derivatives trading: Please refer to Notes VI(II) and (XXI).

10. Business relationship and important transactions between the parent company and subsidiaries:

No.	Name of trader	Trading counterpart	Relationship with the trader (Note 1)	Transaction			
				Title	Amount	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
0	The Company	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	1	Other revenue	378	O/A 30 days	0.02%
0	The Company	Shangyu Construction Co., Ltd.	1	Interest revenue	1,443	The loan shall accrue the interest	0.06%
				Unearned receipts for	7	at the annual interest rate of 3%.	-%
				rent	11		-%
				Rental revenue	327,353	Collected in installment per the lease contract	2.77%
				Purchase		"	
						Collected in installment per the contract and work progress	
0	The Company	BOROMI OPTRONICS CORP.	1	Other receivables	50,000	The loan shall accrue the interest	0.42%
				Other receivables	82	at the annual interest rate of 3%.	-%
				interest revenue	834		0.04%
				advance rent receipt	10	The loan interest is collected each	-%
				rental revenue	12	month.	-%
				purchase	240,632	The loan shall accrue the interest	2.04%
						at the annual interest rate of 3%.	
						Collected in installment per the lease contract	

Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and  
Its' Subsidiaries (Cont'd)

						Collected in installment per the lease contract Collected in installment per the contract and work progress Collected	
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# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

No.	Name of trader	Trading counterpart	Relationship with the trader (Note 1)	Transaction			
				Title	Amount	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
1	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	The Company	2	Endorsement/guarantee	120,000	Not significantly different from the general endorsements/guarantees.	1.02%
				Other receivables	2,195	Paid per the contract	0.02%
1	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	HSIN-LI	1	Sales revenue	7,515	O/A 46 days	0.32%
				Accounts receivable	4,567	O/A 46 days	0.04%
1	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	FEEI CHERNG ENTERPRISE CO., LTD.	1	Sales revenue	693	Collected in installment per the lease contract	0.03%
				Deposits received	182	Collected per the lease contract	-%
1	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	MYSON CENTURY, INC.	3	Rental revenue	371	Collected in installment per the lease contract	0.02%
				Deposits received	97	Collected per the lease contract	-%
2	Shangyu Construction Co., Ltd.	The Company	2	Operating revenue	345,335	Collected in installment per the contract and work progress	14.80%
				Accounts receivable	31,600	"	0.27%
2	Shangyu Construction Co., Ltd.	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	3	Other revenue	76	O/A 90 days	-%
				Other receivables	40	"	-%
3	BOROMI OPTRONICS CORP.	The Company	2	Operating revenue	184,040	Collected in installment per the contract and work progress	7.89%
				Accounts receivable	94,749	"	0.80%
4	MYSON CENTURY, INC.	ZAVIO INC.	1	Rental revenue	208	Collected in installment per the lease contract	0.01%
4	MYSON CENTURY, INC.	BOROMI OPTRONICS CORP.	3	Operating revenue	10,665	O/A 90 days	0.46%
5	ZAVIO INC.	MYSON CENTURY, INC.	2	Interest revenue	1	Per the contract	-%
5	ZAVIO INC.	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	3	Sales revenue	1,197	O/A 90 days	0.05%

(Note 1): Indication of the relationship with trader

1. Parent company to a subsidiary.
2. A subsidiary to the parent company.
3. A subsidiary to a subsidiary.

(Note 2): Said transactions have already been written off during the preparation of the consolidated financial statements.

(Note 3): For assets and liabilities, the percentage of transaction amount to the consolidated total

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

operating revenue or total assets is shown as the percentage of the balance, ending to the consolidated total assets. For income, it shall be shown as the percentage of accumulated amount in the consolidated total operating revenue.

## (II) Information on investees:

The information about investees (excluding the invested business in Mainland China) of the consolidated entities from January 1 to December 31, 2022 is stated as follows:

Name of Investor	Name of Investee	Location	Main business	Original investment amount		Held at year end			Highest shareholding in the interim or contribution status	Investee income recognized in the current period	Investment income recognized in the current period	Remark
				End of the current period (December 31, 2022)	End of the previous period (December 31, 2021)	Quantity of shares (shares)	Ratio	Carrying amount (Note 1)				
The Company	Victory Enterprises Limited	Samoa	Investment	5,006 (USD 163 thousand) (Note 1)	5,006 (USD 163 thousand) (Note 1)	162,500	64.36%	65	64.36%	-	-	Subsidiary
The Company	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	Taiwan	Manufacturing and trading of polyester resin, adhesive and surface treatment agent	240,847	240,847	22,506,152	16.45%	200,841	16.45%	(52,813)	(6,492) (Note 3)	Subsidiary
The Company	Shangyu Construction Co., Ltd.	Taiwan	Building industry	207,603	207,603	25,459,990	99.99%	180,990	99.99%	(27,273)	28,730	Subsidiary
The Company	MYSON CENTURY, INC.	Taiwan	R&D, manufacturing and trading of hybrid digital analog and pure digital analog integrated circuit products.	80,216	80,141	2,507,367	17.06%	61,312	17.06%	(9,357)	(1,541)	Subsidiary

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Name of Investor	Name of Investee	Location	Main business	Original investment amount		Held at year end			Highest shareholding in the interim or contribution status	Investee income recognized in the current period	Investment income recognized in the current period	Remark
				End of the current period (December 31, 2022)	End of the previous period (December 31, 2021)	Quantity of shares (shares)	Ratio	Carrying amount (Note 1)				
The Company	FEEI CHERNG ENTERPRISE CO., LTD.	Taiwan	Livestock breeding and bulk raw materials trading	91,700	91,700	10,000,000	8.42%	88,960	8.42%	(102,898)	(4,761) (Note 4)	Subsidiary
Victory Enterprises Limited	Acme International Management Inc.	Samoa	Investment	-	-	-	100.00%	-	100.00%	-	-	Subsidiary
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	FEEI CHERNG ENTERPRISE CO., LTD.	Taiwan	Livestock breeding and bulk raw materials trading	299,063	299,063	29,041,121	24.45%	280,208	24.45%	(102,898)	(24,728) (Note 4)	Subsidiary
U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	HSIN-LI	Taiwan	Manufacture and trading of synthetic leather, plastic leather and flocking clothe, etc.	207,676	207,676	10,180,219	15.08%	221,656	15.08%	(41,198)	(5,950) (Note 3)	Subsidiary
FEEI CHERNG ENTERPRISE CO., LTD.	HSIN-LI	Taiwan	Manufacture and trading of synthetic leather, plastic leather and flocking clothe, etc.	170,129	140,808	6,970,000	10.33%	146,686	10.34%	(41,198)	(4,261) (Note 3)	Subsidiary
FEEI CHERNG ENTERPRISE CO., LTD.	Sen Tai Engineering Co., Ltd.	Taiwan	Construction and engineering	43,218	-	25,172,000	82.53%	43,168	82.53%	(3,216)	(50) (Note 4)	Subsidiary
HSIN-LI	LUXE BRING CO., LTD.	Taiwan	Construction materials and chemical raw materials wholesale	-	1,660	-	- %	-	16.60%	(4,465)	(742) (Note 3)	(Note 5)
MYSON CENTURY, INC.	ZAVIO INC.	Taiwan	Design and sale of security monitoring products	68,274	68,274	900,000	100.00%	16,383	100.00%	8,233	8,233 (Note 4)	Subsidiary
MYSON CENTURY, INC.	e-Phocus Inc.	USA	IC R&D and sale	46,035	46,035	2,583,333	22.91%	-	22.91%	-	- (Note 4)	Associate
MYSON CENTURY, INC.	HSIN-LI	Taiwan	Manufacture and trading of synthetic leather, plastic leather and flocking clothe, etc.	49,167	30,242	2,570,000	3.81%	45,760	3.81%	(41,198)	(1,379) (Note 3)	Subsidiary
MYSON CENTURY, INC.	FEEI CHERNG ENTERPRISE CO., LTD.	Taiwan	Livestock breeding and bulk raw materials trading	2,720	25,082	240,000	0.20%	2,522	1.50%	(102,898)	(651) (Note 4)	Subsidiary
MYSON CENTURY, INC.	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	Taiwan	Manufacturing and trading of polyester resin, adhesive and surface treatment agent	39,965	-	2,997,000	2.19%	37,783	2.19%	(52,813)	(741) (Note 3)	Subsidiary
Shangyu Construction Co., Ltd.	HSIN-LI	Taiwan	Manufacture and trading of synthetic leather, plastic leather and flocking clothe, etc.	66,980	66,980	3,408,650	5.05%	75,280	5.05%	(41,198)	(2,253) (Note 3)	Subsidiary

## Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Shangyu Construction Co., Ltd.	BOROMI OPTRONICS CORP.	Taiwan	Indoor renovation/indoor decoration, and door and window installation project	211,626	211,559	20,000,001	100.00%	(36,527)	100.00%	(130,218)	(130,207)	Subsidiary
											(Note 2 and Note 3)	
BOROMI OPTRONICS CORP.	U-BEST INNOVATIVE TECHNOLOGY CO., LTD.	Taiwan	Manufacturing and trading of polyester resin, adhesive and surface treatment agent	21,735	-	1,570,000	1.15%	16,960	1.15%	(52,813)	(375)	Subsidiary
											(Note 3)	
BOROMI OPTRONICS CORP.	HSIN-LI	Taiwan	Manufacture and trading of synthetic leather, plastic leather and flocking clothe, etc.	12,925	12,925	661,000	0.98%	14,599	0.98%	(41,198)	(437)	Subsidiary
											(Note 3)	

Note 1: Translated at the foreign exchange rate, USD:NTD=1:30.71, on December 31, 2022.

Note 2: The unrealized internal profit writeoff amount and the difference from adjustment of IFRS9 as equity method for the subsidiary's investment in HSIN-LI.

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Note 3: The investment income is provided based on the financial report audited by the external auditor firm of the parent company.

Note 4: The investment income is estimated based on the financial statements already audited by other CPAs.

Note 5: HSIN-LI resigned as a director of LUXE on August 11, 2022 and, therefore, lost the significant influence over such company. The investment was designated as measured at fair value through other comprehensive income.

Note 6: FEEI acquired 82.53% of the equity of Sen Tai Engineering Co., Ltd. in December 2022, and also the control over the company.

(III) Information on investment in the mainland China

(IV) Information on major shareholders

Name of major shareholder	Shares	Shares held	Shareholding
Zhong Qing Technology Co., Ltd.		18,536,885	8.37%
U-BEST Innovative Technology Co., Ltd.		17,023,058	7.69%

Note 1: The information about major shareholders herein is generated based on TDCC's calculation of the number of shares already registered and delivered by the shareholders (including treasury stock), totaling 5% or more, in intangible form at the last business day of each quarter. The capital stock referred to the Company's financial report and the number of shares already registered and delivered by the Company vary or be different due to the basis of calculation.

(2) If the shareholder puts the shares held by it under trust, said information shall be disclosed by the individual client of the trust account opened by the trustee. If the shareholder completes the insider equity presentation for shareholdings more than 10% pursuant to the Securities and Exchange Act, the shares held shall include the shares held by the shareholder per se, plus the shares he puts under trust and with the right to decide and utilize the trust property. For the insider equity presentation information, please refer to the MOPS.

## XIV. Segment information

(I) The consolidated entities' management has already identified the segments to be reported based on the reporting information used by the business decision maker in making decisions. The consolidated entities' business decision maker manages the business from the point of view of a company.

The consolidated entities' business policy maker evaluates the operating department's performance based on the income before tax. The criteria exclude the effect posed by the non-recurring revenue and expenditure in the operating department. The explanation about the operating department's accounting policy is as same as the summarization of the significant accounting policy stated in Notes 4 to the consolidated financial statements.

The information about the consolidated entities' operating department is adjusted as follows:

	SUN YAD	U-BEST	FEEI	HSIN-LI	Shangyu	BOROMI	MYSON CENTURY, INC.	Others	Adjustment and cancellation	Total
<b>2022</b>										
Revenue:										
Revenue from external customers	\$ 1,366,676	554,237	8,922	325,363	69,838	-	6,569	-	-	2,331,605
Inter-departmental revenue	-	8,579	-	-	345,335	184,040	11,863	-	(549,817)	-
Interest revenue	2,973	1,116	4,296	305	53	86	116	-	(2,278)	6,667
Total revenue	<u>\$ 1,369,649</u>	<u>563,932</u>	<u>13,218</u>	<u>325,668</u>	<u>415,226</u>	<u>184,126</u>	<u>18,548</u>	<u>-</u>	<u>(552,095)</u>	<u>2,338,272</u>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Interest expenses	<u>\$ 51,981</u>	<u>10,190</u>	<u>5,411</u>	<u>5,747</u>	<u>1,443</u>	<u>834</u>	<u>668</u>	<u>-</u>	<u>(2,311)</u>	<u>73,963</u>
Depreciation and amortization	<u>\$ 3,333</u>	<u>12,927</u>	<u>5,700</u>	<u>24,375</u>	<u>49</u>	<u>7</u>	<u>2,906</u>	<u>-</u>	<u>1,315</u>	<u>50,612</u>
Income of department to be reported	<u>\$ 145,774</u>	<u>(27,093)</u>	<u>(96,936)</u>	<u>(36,387)</u>	<u>(10,260)</u>	<u>(128,051)</u>	<u>(2,671)</u>	<u>-</u>	<u>225,671</u>	<u>70,047</u>
Income of department to be reported	<u>\$ 6,419,159</u>	<u>2,171,534</u>	<u>1,692,930</u>	<u>2,126,223</u>	<u>151,775</u>	<u>236,640</u>	<u>184,225</u>	<u>-</u>	<u>(1,176,345)</u>	<u>11,806,141</u>



# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

	SUN YAD	U-BEST	FEEI	HSIN-LI	Shangyu	BOROMI	MYSON CENTURY, INC.	Others	Adjustment and cancellation	Total
<b>2021</b>										
Revenue:										
Revenue from external customers	\$ 326,685	525,440	12,943	167,715	-	-	2,975	-	-	1,035,758
Inter-departmental revenue	38	840	-	-	47,787	436,571	-	-	(485,236)	-
Interest revenue	1,223	65	362	17	14	11	292	1	(813)	1,172
Total revenue	<u>\$ 327,946</u>	<u>526,345</u>	<u>13,305</u>	<u>167,732</u>	<u>47,801</u>	<u>436,582</u>	<u>3,267</u>	<u>1</u>	<u>(486,049)</u>	<u>1,036,930</u>
Interest expenses	<u>\$ 63,646</u>	<u>5,700</u>	<u>13</u>	<u>1,070</u>	<u>745</u>	<u>-</u>	<u>254</u>	<u>-</u>	<u>(719)</u>	<u>70,709</u>
Depreciation and amortization	<u>\$ 4,805</u>	<u>13,199</u>	<u>2,309</u>	<u>12,785</u>	<u>97</u>	<u>7</u>	<u>1,513</u>	<u>-</u>	<u>1,248</u>	<u>35,963</u>
Income of department to be reported	<u>\$ (85,179)</u>	<u>8,331</u>	<u>43,662</u>	<u>111,166</u>	<u>(80,928)</u>	<u>118,546</u>	<u>(29,220)</u>	<u>(8)</u>	<u>(112,654)</u>	<u>(26,284)</u>
Income of department to be reported	<u>\$ 6,083,344</u>	<u>2,214,553</u>	<u>1,032,628</u>	<u>1,969,012</u>	<u>390,989</u>	<u>425,613</u>	<u>174,604</u>	<u>(8)</u>	<u>(1,691,585)</u>	<u>10,599,150</u>

The inter-departmental gains (losses) to be cancelled from the income of department to be reported in 2022 and 2021 were NT\$225,671 thousand and NT\$112,654 thousand.

## (II) Overview of the entire enterprise:

### 1. Information by product

Consolidated entities' revenue from external customers:

<b>Name of product and labor service</b>	<b>2022</b>	<b>2021</b>
Dry and wet PU synthetic leather and plastic leather	\$ 267,377	144,613
PU synthetic resin	529,524	496,532
Sales of real estate	1,380,455	347,610
Construction and engineering revenue	69,838	-
Rental revenue from investment property	13,719	9,542
Integrated circuit system	6,329	1,762
System module	241	1,213
Bulk raw materials and supplies	8,922	7,908
Pork and poultry	-	5,036
Others	55,200	21,542
<b>Total</b>	<b><u>\$ 2,331,605</u></b>	<b><u>1,035,758</u></b>

### 2. Information by territory

The consolidated entities' information by territory is stated as follows. The revenue is classified based on the geographical location where the customer resides, while the non-current assets are classified based on the geographical location where the assets reside.

Revenue from external customers

<b>Territory</b>	<b>2022</b>	<b>2021</b>
Taiwan	\$ 2,309,556	1,027,362

Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and  
Its' Subsidiaries (Cont'd)

Asia (exclusive of territories of Taiwan_	<u>22,049</u>	<u>8,396</u>
Total	<u><u>\$ 2,331,605</u></u>	<u><u>1,035,758</u></u>

# Notes to Consolidated Financial Statements of SUN YAD CONSTRUCTION CO., LTD. and Its' Subsidiaries (Cont'd)

Non-current assets:

Territory	December 31, 2022	December 31, 2021
Taiwan	\$ <u>2,067,324</u>	<u>1,941,436</u>

The non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets and other non-current assets, but exclude non-current assets such as financial instruments and deferred income tax assets.

## (III) Information about main customers:

The consolidated entities had no revenue from a single customer accounting for more than 10% of the operating revenue, net specified in the Consolidated Income Statement in 2022 and 2021.