

SANDI PROPERTIES CO., LTD.**Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

Address: 16F-3, No.175, Zhongzheng 2nd Rd., Lingya Dist., Kaohsiung, Taiwan, R.O.C.
Telephone: (07)225-9599

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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of material accounting policies	9~23
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	24
(6) Explanation of significant accounts	24~44
(7) Related-party transactions	44~46
(8) Assets pledged as security	46
(9) Commitments and contingencies	47
(10) Losses Due to Major Disasters	47
(11) Subsequent Events	48
(12) Other	48~49
(13) Other disclosures	
(a) Information on significant transactions	50~51
(b) Information on investees	51
(c) Information on investment in mainland China	51
(d) Major shareholders	51
(14) Segment information	52
9. Statement of major accounting items	53~67



安侯建業聯合會計師事務所
KPMG

高雄市前金區801301中正四路211號12樓之6
12th Fl., - 6, No. 211, Chung Cheng 4th Road,
Kaohsiung, 801301, Taiwan (R.O.C.)

電話 Tel	+ 886 7 213 0888
傳真 Fax	+ 886 7 271 3721
網址 Web	kpmg.com/tw

3

Independent Auditors' Report

To the Board of Directors of SANDI PROPERTIES CO., LTD.:

Opinion

We have audited the financial statements of SANDI PROPERTIES CO., LTD. ("the Company"), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountants 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 of our opinion.

Key Audit Matters

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

Valuation of inventory

Please refer to Note 4(g), 5, and 6(d) of the financial statements for the accounting policies on measuring inventory, assumption used and uncertainties considered in determining the net realizable value and the explanation of inventory valuation.

Description of key audit matter:

The Company's inventory is measured at the lower of cost or net realizable value. Because of the high capital investment and long payback period in the real estate industry, which is deeply affected by politics, macroeconomics, and reforms in real estate taxation, there may be a risk of the cost of inventory exceeding net realizable value. Thus, the valuation of inventory is the key audit matter our audit focused on.

How the matter was addressed in our audit:

As mentioned above, our principal audit procedures included obtaining the evaluation data of the net realizable value of the Company's inventory. We referred to the latest real estate selling price registration announced by the Ministry of the Interior or the average selling price obtained from the transaction market in neighboring areas, and converted it into the net realizable value of the real estate inventory for sale to compare whether there was a significant difference with the Company's evaluation data. Also, we checked the reasonableness of the aforementioned net realizable value by comparing and evaluating the appraisal report from the real estate appraiser appointed by the Company's management.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chen, Yung-Hsiang and Chen, Kuo-Tsung.

KPMG

Taipei, Taiwan (Republic of China)
March 22, 2024

Notes to Readers

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

(English Translation of Financial Statements Originally Issued in Chinese)
SANDI PROPERTIES CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2023</u>		<u>December 31, 2022</u>				<u>December 31, 2023</u>		<u>December 31, 2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 55,386	1	408,059	5	2100	Short-term borrowings (notes 6(k) and 8)	\$ 2,320,046	21	1,458,295	18
1170	Accounts receivable, net (note 6(b) and (r))	-	-	12,080	-	2130	Current contract liabilities (notes 6(r), 7 and 9)	867,492	8	498,978	6
1200	Other receivables, net (note 6(c))	94,380	1	30,419	1	2150	Notes payable	80,105	1	2,151	-
1210	Other receivables from related parties, net (notes 6(c), and 7)	69,431	1	28,757	-	2170	Accounts payable	123,479	1	27,077	-
1220	Current tax assets	-	-	2	-	2200	Other payables (note 6(s))	159,117	2	53,502	1
130X	Inventories(notes 6(d), 7and 8)	5,557,104	51	3,157,337	38	2230	Current tax liabilities	7,566	-	1,330	-
1476	Other current financial assets (notes 6(e) and 8)	664,035	6	437,465	5	2280	Current lease liabilities (note 6(m))	806,206	7	1,732	-
1479	Other current assets (note 6(g) and (j))	<u>381,390</u>	<u>3</u>	<u>166,887</u>	<u>2</u>	2300	Other current liabilities (note 12)	<u>171,611</u>	<u>2</u>	<u>12,511</u>	<u>-</u>
		<u>6,821,726</u>	<u>63</u>	<u>4,241,006</u>	<u>51</u>			<u>4,535,622</u>	<u>42</u>	<u>2,055,576</u>	<u>25</u>
Non-current assets:						Non-Current liabilities:					
1517	Financial assets at fair value through other comprehensive income,non-current (note 6(f))	-	-	-	-	2540	Long-term borrowings (notes 6(l) and 7)	4,000,000	37	4,000,000	48
1600	Property, plant and equipment (notes 6(h))	318	-	17,553	-	2570	Deferred tax liabilities (note 6(o))	58,064	-	59,465	1
1755	Right-of-use asset(notes 6(i))	10,716	-	802	-	2580	Non-current lease liabilities (note 6(m))	<u>416,930</u>	<u>4</u>	<u>146,331</u>	<u>2</u>
1920	Refundable deposits(notes 7)	<u>4,035,630</u>	<u>37</u>	<u>4,015,945</u>	<u>49</u>			<u>4,474,994</u>	<u>41</u>	<u>4,205,796</u>	<u>51</u>
		4,046,664	37	4,034,300	49			<u>9,010,616</u>	<u>83</u>	<u>6,261,372</u>	<u>76</u>
						Total liabilities					
						Equity attributable to owners of parent:(note 6(p))					
						3100	Ordinary shares	<u>912,058</u>	<u>9</u>	<u>912,058</u>	<u>11</u>
						3200	Capital surplus	<u>674,317</u>	<u>6</u>	<u>674,317</u>	<u>8</u>
						3300	Retained earnings:				
						3310	Legal reserve	38,163	-	3,009	-
						3350	Unappropriated retained earnings	<u>233,236</u>	<u>2</u>	<u>424,550</u>	<u>5</u>
								<u>271,399</u>	<u>2</u>	<u>427,559</u>	<u>5</u>
								<u>1,857,774</u>	<u>17</u>	<u>2,013,934</u>	<u>24</u>
Total assets		<u>\$ 10,868,390</u>	<u>100</u>	<u>8,275,306</u>	<u>100</u>	Total equity		<u>\$ 10,868,390</u>	<u>100</u>	<u>8,275,306</u>	<u>100</u>
						Total liabilities and equity		<u>\$ 10,868,390</u>	<u>100</u>	<u>8,275,306</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
SANDI PROPERTIES CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(r) and 7)	\$ 316,107	100	595,265	100
5000	Operating costs (notes 6(d) and 7)	<u>255,835</u>	<u>81</u>	<u>147,124</u>	<u>25</u>
5900	Gross profit from operations	<u>60,272</u>	<u>19</u>	<u>448,141</u>	<u>75</u>
6000	Operating expenses (notes 6(g),(m),(n),(s) and 12):				
6100	Selling expenses	12,593	4	9,368	1
6200	Administrative expenses	<u>22,905</u>	<u>7</u>	<u>22,150</u>	<u>4</u>
	Total operating expenses	<u>35,498</u>	<u>11</u>	<u>31,518</u>	<u>5</u>
6900	Net operating income	<u>24,774</u>	<u>8</u>	<u>416,623</u>	<u>70</u>
7000	Non-operating income and expenses (notes 6 (g) and (t)):				
7100	Interest income	4,746	2	578	-
7020	Other gains and losses, net	5,803	2	21,826	4
7050	Finance costs	<u>(93,087)</u>	<u>(30)</u>	<u>(58,747)</u>	<u>(10)</u>
	Total non-operating income and expenses	<u>(82,538)</u>	<u>(26)</u>	<u>(36,343)</u>	<u>(6)</u>
7900	Profit before income tax	(57,764)	(18)	380,280	64
7950	Less: Income tax expenses (note 6(o))	<u>7,190</u>	<u>3</u>	<u>6,731</u>	<u>1</u>
	Profit	<u>(64,954)</u>	<u>(21)</u>	<u>373,549</u>	<u>63</u>
8300	Other comprehensive income	-	-	-	-
	Total comprehensive income	<u><u>\$ (64,954)</u></u>	<u><u>(21)</u></u>	<u><u>373,549</u></u>	<u><u>63</u></u>
	Earnings per share (note 6(q))				
	Basic earnings per share (NT dollars)	<u><u>\$ (0.71)</u></u>		<u><u>5.17</u></u>	
	Diluted earnings per share (NT dollars)	<u><u>\$ (0.71)</u></u>		<u><u>5.16</u></u>	

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
SANDI PROPERTIES CO., LTD.

Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2022	<u>\$ 712,058</u>	<u>344,317</u>	<u>-</u>	<u>76,010</u>	<u>76,010</u>	<u>(22,000)</u>	<u>1,110,385</u>
Profit for the year ended December 31,2022	-	-	-	373,549	373,549	-	373,549
Other comprehensive income for the year ended December 31,2022	-	-	-	-	-	-	-
Total comprehensive income for the year ended December 31,2022	-	-	-	373,549	373,549	-	373,549
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	3,009	(3,009)	-	-	-
Capital increase by cash	200,000	330,000	-	-	-	-	530,000
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	(22,000)	(22,000)	22,000	-
Balance at December 31, 2022	<u>912,058</u>	<u>674,317</u>	<u>3,009</u>	<u>424,550</u>	<u>427,559</u>	<u>-</u>	<u>2,013,934</u>
Loss for the year ended December 31,2023	-	-	-	(64,954)	(64,954)	-	(64,954)
Other comprehensive income for the year ended December 31,2023	-	-	-	-	-	-	-
Total comprehensive income for the year ended December 31,2023	-	-	-	(64,954)	(64,954)	-	(64,954)
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	35,154	(35,154)	-	-	-
Cash dividends of ordinary share	-	-	-	(91,206)	(91,206)	-	(91,206)
Balance at December 31, 2023	<u>\$ 912,058</u>	<u>674,317</u>	<u>38,163</u>	<u>233,236</u>	<u>271,399</u>	<u>-</u>	<u>1,857,774</u>

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
SANDI PROPERTIES CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from (used in) operating activities:		
Profit before (loss) income tax	\$ <u>(57,764)</u>	<u>380,280</u>
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	3,491	1,221
Interest revenue	(4,746)	(578)
Interest expense	93,087	58,747
Gain on disposal of property, plant and equipment	(1,064)	(950)
Gain on rent concessions	-	(800)
Reversal of impairment loss	<u>-</u>	<u>(4,835)</u>
Total adjustments to reconcile profit	<u>90,768</u>	<u>52,805</u>
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	12,080	(12,080)
(Increase) decrease in other receivable	(63,901)	12,354
Increase in other receivable from related parties	(40,674)	(28,757)
Increase in inventories	(1,272,604)	(140,462)
Increase in other current financial assets	(222,301)	(350,905)
Increase in other current assets	(214,503)	(138,367)
Increase in contract liabilities	368,514	432,076
Increase in notes payable	77,954	1,245
Increase in accounts payable	96,402	25,819
Decrease in accounts payable to related parties	-	(100,007)
Increase in other payable	104,434	28,164
Increase in other current liabilities	<u>159,100</u>	<u>12,372</u>
Total adjustments	<u>(904,731)</u>	<u>(205,743)</u>
Cash (outflow) inflow generated from operations	(962,495)	174,537
Interest received	4,686	578
Interest paid	(152,576)	(113,641)
Income taxes paid	<u>(2,353)</u>	<u>(14,594)</u>
Net cash flows (used in) from operating activities	<u>(1,112,738)</u>	<u>46,880</u>

(English Translation of Financial Statements Originally Issued in Chinese)
SANDI PROPERTIES CO., LTD.

Statements of Cash Flows (CONT'D)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(307)	(47)
Proceeds from disposal of property, plant and equipment	18,503	18,502
Increase in refundable deposits	(19,685)	(2,013,416)
Increase in other financial assets	(4,269)	(11,036)
Net cash flows used in investing activities	<u>(5,758)</u>	<u>(2,005,997)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	861,751	(252,305)
Decrease in short-term notes and bills payable	-	(33,951)
Increase from long-term borrowings	-	2,000,000
Payment of lease liabilities	(4,722)	(1,045)
Capital increase by cash	-	530,000
Cash dividends paid	(91,206)	-
Net cash flows from financing activities	<u>765,823</u>	<u>2,242,699</u>
Net (decrease) increase in cash and cash equivalents	<u>(352,673)</u>	<u>283,582</u>
Cash and cash equivalents at beginning of period	<u>408,059</u>	<u>124,477</u>
Cash and cash equivalents at end of period	<u><u>\$ 55,386</u></u>	<u><u>408,059</u></u>

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

SanDi Properties Co., Ltd. (the Company) was incorporated on October 11 as a company limited by shares under the laws of the Republic of China (R.O.C.) on Oct 11, 1955. The address of its registered office and principal place of business is 16F-3, No. 175, Zhongzheng 2nd Rd., Lingya Dist., Kaohsiung City 802406, Taiwan (R.O.C). The company passed a resolution that changed name from “Yu Foong International Corporation” to “SanDi Properties Co., Ltd.” by the shareholders’ meeting. The major business activities of the Company are residential and building development, leasing and sales and real estate trading.

(2) Approval date and procedures of the financial statements:

The financial statements were authorized for issuance by the Board of Directors on March 8, 2024. .

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

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

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The material accounting policies presented in the financial statements are summarized below. Except for those specifically indicated in Note3, the following accounting policies were applied consistently throughout the periods presented in the financial statement.

- (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as “IFRS endorsed by the FSC”).

- (b) Basis of preparation

- (i) Basis of measurement

Except for the Financial assets at fair value through other comprehensive income are measured at fair value, the financial statements have been prepared on the historical cost basis.

- (ii) Functional and presentation currency

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

- (c) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

- (i) An investment in equity securities designated as at fair value through other comprehensive income;
- (ii) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) Qualifying cash flow hedges to the extent that the hedge is effective.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

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

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

An entity shall classify a liability as current when:

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

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI) – equity investment.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

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

3) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivables, other receivables, refundable deposits and other financial assets) and contract assets.

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

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

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

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

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

6) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories in bringing them to their existing location and condition and capitalized costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The methods of determining the net realizable value are as follows:

(i) Land held for development

The Company's management estimates the net realizable value of land held for development based on market value.

(ii) Construction-in-progress

Net realizable value is the estimated selling price (based on market value), less the estimated costs of completion and selling expenses.

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

(iii) Properties and land held for sale

Net realizable value is the estimated selling price (based on market value), less the estimated costs of selling expenses.

The superficieses acquired by the Company are of land leased by the Company for construction projects. The royalties and rentals over the expected lives of the superficieses are measured according to IFRS 16 and recognized within inventory costs.

(h) Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics: (a) the parties are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 “Joint Arrangements” defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (ie activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company accounts for the assets, liabilities, revenues and expenses in relation to its interest in a joint operation in accordance with the IFRSs Accounting Standards applicable to the particular assets, liabilities, revenues and expenses. When assessing whether a joint arrangement is a joint operation or a joint venture, the Group considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

Land is not depreciated.

The estimated useful lives for current and comparative years are as follows:

1) Buildings	44 years
2) Computer equipment	4~6 years
3) Other equipment	3 years

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

(j) Lease

At inception of a contract, the Company assesses 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.

(i) As a lessee

The Company recognizes 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 lives of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- 1) fixed payments, including in-substance 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 or termination options that are reasonably certain to be exercised.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

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; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if 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 Company accounts 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 recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- 4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(k) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

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

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

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

(l) Revenue

(i) Revenue from contracts with customers

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

1) Sale of goods

The Company recognizes revenue when a customer takes possession of the product. Payment of the transaction price is due immediately when the customer purchases the product.

2) Land development and sale of real estate

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

The revenue is measured at the transaction price agree under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceed twelve months. The transaction price is therefore

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period using the specific borrowing rate of the construction project. Receipt of the payment from a customers is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction price for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil 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 Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

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 Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(m) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Termination benefits

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

(iii) 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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(n) Income Taxes

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (1) affects neither accounting nor taxable profits (losses) and (2) does not give rise to equal taxable and deductible temporary differences;

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

(o) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. The company's potentially diluted ordinary shares include compensation to employees based on share-based payment.

(p) Operating segments

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

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

Valuation of inventories

As obsolete inventories are measured at the lower of cost or net realizable value, the Company evaluates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and writes down the cost of inventories to net realizable value. The net realizable value of the obsolete inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the politics, macroeconomics, and reforms in real estate taxation, there may be significant changes in the net realized value of obsolete inventories. Please refer note 6(d) for inventory valuation.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	\$ 71	120
Demand deposits	55,309	407,865
Check deposits	6	74
Cash and cash equivalents in the statement of cash flows	\$ 55,386	408,059

(b) Account receivable

	December 31, 2023	December 31, 2022
account receivable	\$ -	12,080
Less: Loss allowance	-	-
	\$ -	12,080

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

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

December 31, 2023		
	Gross carrying amount	Weighted- average loss rate
	Loss allowance Provision	
Current	\$ -	-
	-	-
December 31, 2022		
	Gross carrying amount	Weighted- average loss rate
	Loss allowance Provision	
Current	\$ 12,080	-
	-	-

The movement in the allowance for accounts receivable was as follows:

	2023	2022
Balance at January 1 (Balance at December 31)	\$ -	-
	-	-

The aforementioned financial assets were not pledged as collaterals.

(c) Other Receivable

	December 31, 2023	December 31, 2022
Other receivable— joint arrangement sales commission	\$ 94,320	30,419
Other receivable— related parties	69,431	28,757
Other receivable— interest	60	-
Less: Loss allowance	-	-
	\$ 163,811	59,176

Please refer to note 6(g) for joint arrangement and note 7 for related-party transaction.

Please refer to note 6(u) for other credit risk information.

(d) Inventory

	December 31, 2023	December 31, 2022
Land held for development	\$ 620,511	295,247
Construction in progress	2,651,065	1,858,518
Properties and land held for sale	-	256,113
Right-of-use assets	2,285,528	747,459
	\$ 5,557,104	3,157,337

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

On November 10, 2023, the Company contracted with the Southern Region Branch, National Property Administration, Ministry of Finance to set the superficies of the state-owned land that was not for public use, thereby obtaining the superficies whose duration was 70 years (from November 10, 2023 to November 9, 2093). During the 70 years, the Company is entitled to construct buildings for sale on the underlying land in accordance with the purposes and usage rules specified in the contract. For leases of land with superficies, the Company recognizes right-to-use assets and lease liabilities according to IFRS 16.

The costs of sales were as follows:

	2023	2022
Inventory that has been sold	\$ 255,835	147,333
Reversal of write-downs	-	(209)
	\$ 255,835	147,124

The previous write-down inventories were sold, therefore, the net realizable value of inventories lowered than cost no longer existed. The reversal of write-down was recognized as a reduction of operating costs.

The information of capitalized interests was as follows:

	2023	2022
Capitalized interest amount	57,013	56,040
Capitalized interest rate	2.62 %	2.18 %

The aforesaid inventories had been pledged as collateral. Please refer to note 8.

(e) Other current financial assets

	December 31, 2023	December 31, 2022
Account of pre-sale real estate values trust	\$ 641,827	419,526
Account of disposal of property, plant and equipment values trust	-	6,000
Restricted bank deposits(reserve account)	22,208	11,939
Total	\$ 664,035	437,465

Please refer to note 6(u) for other credit risk information; The aforesaid assets had been pledged as collateral, please refer to note 8.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

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

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income:		
-Common stocks unlisted on domestic markets-Enterprise Bank of Hualien	\$ -	-

The Company invests in equity instruments for long-term strategic purpose rather than for trading. Therefore, the equity instruments have been designated as at FVOCI.

On September 15, 2022, the Ministry of Economic Affairs has completed the registration of the liquidation completion of Enterprise Bank of Hualien. Therefore, the Company derecognized Enterprise Bank of Hualien, which was designated as at FVOCI. The fair value at the time of disposal was \$0 thousand and the accumulated losses on disposal amounted to \$22,000 thousand, hence the transfer of the aforementioned losses from other equity to retained earnings.

The aforementioned financial assets were not pledged as collaterals.

(g) joint arrangement

For joint sale of real estate, the Company and an advertising agency entered into a project agreement instead of establishing an independent entity. The advertising agency acts as the executor responsible for sales plans, management and entry of sales contracts under mutual control. Both parties shall convene a joint meeting in advance to handle matters pursuant to concurrent resolutions. Each party shall use its own assets and incur its own liabilities in the performance of contractual obligations. Revenues and related expenses arising from the sale of real estate shall be recognized by the Company and the advertising agency on a 50% share basis.

The Company's share of expenses recognized by the advertising agency under joint operation was as follows:

	December 31, 2023	December 31, 2022
Yuguang	\$ 214	2,004
Yuan Cang Lin	7,522	-
Chengdong	7,808	-
	\$ 15,544	2,004

The above-mentioned amounts were recognized in the line item of other current assets— costs to fulfil a contract; please refer to note 6(j).

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

The Company's share of "income and expenses, net" recognized by the advertising agency under joint operation was as follows:

	<u>2023</u>	<u>2022</u>
Yuguang	\$ 4,840	8,351
Wenfu	-	4,841
Mingyi(Land lot No. 90)	-	1,931
Yuan Cang Lin	(550)	-
	<u>\$ 4,290</u>	<u>15,123</u>

Please refer to note 6(t) for the recognition of the aforementioned amounts in the line item of other gains and losses.

The Company entered into joint contractor sales agreement with the advertising company, which was commissioned by the Company to sell its properties. The balance of the share of expenses recognized by the Company is accounted for under other current assets, incremental costs of contracts acquisition. Please refer to note 6(j) for more details.

The details of net share of revenue an expenses recognized by the Company as follows:

	<u>2023</u>	<u>2022</u>
Song Hua Yuan II	\$ -	630
Guoan	-	15,045
Mingyi (Land lot No.35)	309	9,365
Sankuaicuo	18,596	(14,997)
Pingshi	42,143	-
	<u>\$ 61,048</u>	<u>10,043</u>

The above amounts are accounted for as other current assets - reduction in incremental cost for contract acquisition. Please refer to note 6(j) for more details.

The Company's construction project, Song Hua Yuan II was accounted for under other current asset-accumulated reduction in incremental cost for contract acquisition amounting to \$0 thousand and \$5,650 thousand as of December 31, 2023 and 2022. The above-mentioned other current assets- the reduction balance in incremental cost of the acquisition of contracts, coordinated with the timing of revenue recognition, were transferred to operating expenses- operating expenses of \$2,806 thousand and \$1,711 thousand for the year ended December 31, 2023 and the year 2022, respectively.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(h) Property, plant and equipment

The movement in cost, depreciation, and impairment of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Computer equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:					
Balance on January 1, 2023	\$ 8,820	10,229	329	-	19,378
Additions	-	-	-	307	307
Disposal	(8,820)	(10,229)	-	-	(19,049)
Balance on December 31, 2023	<u>\$ -</u>	<u>-</u>	<u>329</u>	<u>307</u>	<u>636</u>
Balance on January 1, 2022	\$ 17,640	20,457	282	-	38,379
Additions	-	-	47	-	47
Disposal	(8,820)	(10,228)	-	-	(19,048)
Balance on December 31, 2022	<u>\$ 8,820</u>	<u>10,229</u>	<u>329</u>	<u>-</u>	<u>19,378</u>
Depreciation and impairments loss:					
Balance on January 1, 2023	\$ -	1,610	215	-	1,825
Depreciation	-	-	43	60	103
Disposal	-	(1,610)	-	-	(1,610)
Balance on December 31, 2023	<u>\$ -</u>	<u>-</u>	<u>258</u>	<u>60</u>	<u>318</u>
Balance on January 1, 2022	\$ 2,340	5,308	162	-	7,810
Depreciation	-	293	53	-	346
Reversal of impairment loss	(2,340)	(2,495)	-	-	(4,835)
Disposals	-	(1,496)	-	-	(1,496)
Balance on December 31, 2022	<u>\$ -</u>	<u>1,610</u>	<u>215</u>	<u>-</u>	<u>1,825</u>
Carrying amounta:					
Balance on December 31, 2023	<u>\$ -</u>	<u>-</u>	<u>71</u>	<u>247</u>	<u>318</u>
Balance on January 1, 2022	<u>\$ 15,300</u>	<u>15,149</u>	<u>120</u>	<u>-</u>	<u>30,569</u>
Balance on December 31, 2022	<u>\$ 8,820</u>	<u>8,619</u>	<u>114</u>	<u>-</u>	<u>17,553</u>

(i) Collateral

The property, plant and equipment of the Company were not pledged as collateral or restricted.

(ii) Impairment losses

As the recoverable amounts of CGUs within land, buildings and structures had become lower than the carrying amounts thereof, the Company recognized accumulated impairment losses of \$2,340 thousand and \$2,860 thousand respectively as of December 31, 2016. In May and October 2022, the Company sold property, plant and equipment whose recoverable amounts were higher than the carrying amounts, hence the recognition of \$2,425 thousand and \$2,410 thousand as the gains on reversal of impairment.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(iii) Disposal

Please refer to note 6(t) for the gain or loss on disposal of property, plant and equipment.

(i) Right-of-use assets

The Company leases vehicles, information about leases for which the Company as a lessee was presented below:

	<u>Vehicles</u>
Cost:	
Balance at January 1, 2023	\$ 2,625
Additions	13,302
Decrease	<u>(2,625)</u>
Balance at December 31, 2023	<u><u>\$ 13,302</u></u>
Balance at January 1, 2022	<u>\$ 2,625</u>
Balance at December 31, 2022	<u><u>\$ 2,625</u></u>
Accumulated depreciation	
Balance at January, 2023	\$ 1,823
Depreciation	3,388
Decrease	<u>(2,625)</u>
Balance at December 31, 2023	<u><u>\$ 2,586</u></u>
Balance at January 1, 2022	<u>\$ 948</u>
Depreciation	<u>875</u>
Balance at December 31, 2022	<u><u>\$ 1,823</u></u>
Carrying amount:	
Balance at December 31, 2023	<u><u>\$ 10,716</u></u>
Balance at January 1, 2022	<u><u>\$ 1,677</u></u>
Balance at December 31, 2022	<u><u>\$ 802</u></u>

(j) Other current assets

The details of other current assets were as follows:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Prepaid insurance premiums	\$ 210	26
Prepayment for purchase	36,817	60
Current incremental costs of obtaining a contract	300,168	158,012
Cost to fulfil a contract	15,544	2,004
Input tax and offset against business tax payable	27,940	6,770
Other	<u>711</u>	<u>15</u>
	<u><u>\$ 381,390</u></u>	<u><u>166,887</u></u>

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

Current assets recognized as incremental costs of obtaining a contract with customers represent recoverable commission fees paid to intermediaries for real estate transactions as expected by the Company. Capitalized commission fees are amortized when the related revenues are recognized. During 2023 and 2022, the Company recognized \$11,058 thousand and \$4,483 thousand as amortization expenses, respectively.

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2023	December 31, 2022
Unseured bank loans	\$ 91,000	-
Secured bank loans	2,229,046	1,458,295
Total	\$ 2,320,046	1,458,295
Unused short-term credit lines	\$ 4,202,254	4,552,505
Range of interest rates	2.59%~3.00%	2.43%~2.854%

For the collateral for short-term borrowings, please refer to note 8.

(l) Long-term borrowings

The details of long-term borrowings of the Company were as follows:

December 31, 2023			
	Currency	Rate	Amount
Secured bank loans	NTD	2.55%~2.59%	\$ 4,000,000
		October 26, 2026~ March 5, 2027	
Less: Current portion			-
Total			\$ 4,000,000
Unused long-term credit lines			\$ -

December 31, 2022			
	Currency	Rate	Amount
Secured bank loans	NTD	2.33~2.425%	\$ 4,000,000
		October 26, 2026~ March 5, 2027	
Less: Current portion			-
Total			\$ 4,000,000
Unused long-term credit lines			\$ 200,000

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(i) Issuance of bank loans

For the years ended December 31, 2022, the incremental amounts were \$2,000,000 thousand with the annual interest rate of 2.33% maturing on March, 2027.

(ii) Collateral for bank loans

The Company had been pledged as collateral for long-term borrowings, please refer to note 7.

(m) Lease liabilities

The carrying value of lease liabilities of the Company were as follows:

	December 31, 2023	December 31, 2022
Current	\$ <u>806,206</u>	<u>1,732</u>
Non-current	\$ <u>416,930</u>	<u>146,331</u>

For the maturity analysis, please refer to note 6(u) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	\$ <u>178</u>	<u>24</u>
Expenses relating to short-term leases	\$ <u>154</u>	<u>105</u>
COVID-19-related rent concessions (recognized as other income)	\$ <u>-</u>	<u>800</u>

The amounts recognized in the statement of cash flows for the Company were as follows:

	2023	2022
Total cash outflow for leases	\$ <u>8,657</u>	<u>4,202</u>

The Company leases vehicles, with lease terms of 3 years. For the lease of superfices, please refer to note 6(d).

(n) Employee benefit

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$390 thousand and \$310 thousand for the years ended December 31, 2023 and 2022, respectively.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(o) Income tax

(i) The components of income tax expense(benefit) were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense		
Current period	\$ -	1,354
Land value increment tax	580	14,570
Undistributed surplus earnings tax	<u>8,011</u>	<u>-</u>
	<u>8,591</u>	<u>15,924</u>
Deffered tax expense(benefit)		
Origination and reversal of temporary differences	<u>(1,401)</u>	<u>(9,193)</u>
Income tax expense	<u>\$ 7,190</u>	<u>6,731</u>
	<u>2023</u>	<u>2022</u>
Income tax recognized in other comprehensive income	<u>-</u>	<u>-</u>
Income tax recognized in equity	<u>\$ -</u>	<u>-</u>

Reconciliation of income tax expense(benefit) and profit before tax was as follows:

	<u>2023</u>	<u>2022</u>
Profit before income tax	<u>\$ (57,764)</u>	<u>380,280</u>
Income tax using the Company's domestic tax rate	(11,553)	76,056
Land value increment tax	580	3,798
Land tax exempt income	85	(81,986)
Current-year losses for which no deferred tax asset was recognized	10,649	12,927
Additional tax on undistributed earnings	8,011	1,354
Others	<u>(582)</u>	<u>(5,418)</u>
Income tax expenses	<u>\$ 7,190</u>	<u>6,731</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

For the years ended December 31, 2023 and 2022, the Company had no unrecognized deferred tax liabilities.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2023	December 31, 2022
The carryforward of unused tax losses	<u><u>\$ 122,557</u></u>	<u><u>68,714</u></u>

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

Year of loss	Unused tax loss	Expiry date
2019	\$ 4,079	2029
2022	65,229	2032
2023	<u>53,249</u>	2033
	<u><u>\$ 122,557</u></u>	

3) Recognized deferred tax liabilities

Changes in the amount of deferred tax liabilities for 2023 and 2022 were as follows:

	Land value increment tax	Finance and tax difference in interest capitalization	Total
Balance on January 1, 2023	\$ 57,886	1,579	59,465
Debit (credit) profit or loss	<u>-</u>	<u>(1,401)</u>	<u>(1,401)</u>
Balance on December 31, 2023	<u><u>\$ 57,886</u></u>	<u><u>178</u></u>	<u><u>58,064</u></u>
Balance on January 1, 2022	\$ 68,658	-	68,658
Debit (credit) profit or loss	<u>(10,772)</u>	<u>1,579</u>	<u>(9,193)</u>
Balance on December 31, 2022	<u><u>\$ 57,886</u></u>	<u><u>1,579</u></u>	<u><u>59,465</u></u>

The Company's tax returns for the years through 2021 were assessed by R.O.C Tax Administration.

(p) Capital and other equity

As of December 31, 2023 and 2022, the total value of authorized ordinary shares were \$1,500,000 thousand with par value of \$10 per share. The paid-in capital were 91,206 thousand respectively. All the capital were fully paid in.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

Reconciliation of shares outstanding for 2023 and 2022 was as follows:

(in thousands of shares)	Ordinary Shares	
	2023	2022
Balance on January 1	91,206	71,206
Issued for cash	-	20,000
Balance on December 31	91,206	91,206

(i) Ordinary shares

A resolution was passed during the general meeting of shareholders held on 21 June, 2022 for the issuance of ordinary shares for cash within a year under private placement, with the number of shares issued to not exceed 20,000 thousand. Subsequently, a resolution was passed during the board meeting held on 2 December, 2022 for the issuance of 20,000 thousand ordinary shares under private placement, with per value of \$26.5 per share, amounting to \$530,000 thousand, with 12 December, 2022 as the date of capital increase. The relevant statutory registration procedures have since been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the Financial Supervisory Commission.

(ii) Capital surplus

The components of the capital surplus were premium on issuance of capital stock.

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

(iii) Retained earnings

The Company's articles of incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the remaining balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated according to the proposal presented in the annual shareholders' meeting by the Board of Directors.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

The proportion of cash dividends shall not be less than 5% of the total dividends for the year by principle. However, when the cash dividend per share is less than \$1, issuing stock dividends is allowed.

1) Legal reserve

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

2) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2022 had been approved in the shareholders' meeting on June 13, 2023. The relevant dividend distributions to shareholders were as follows:

	2022	
	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 1.00	<u><u>91,206</u></u>

On June 21, 2022, the Company's general shareholders meeting resolved not to appropriate the earnings for the year ended December 31, 2021.

On March 8, 2024, the Company's Board of Directors proposed to retain earnings instead of distribution for the year ended December 31, 2023.

(iv) Other equity (net of tax)

	Financial assets measured at fair value through other comprehensive income
Balance on January 1, 2023	\$ -
Balance on December 31, 2023	\$ -
Balance on January 1, 2022	\$ (22,000)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	22,000
Balance on December 31, 2022	\$ -

(q) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	2023	2022
Basic earnings per share :		
(Loss)/profit attributable to ordinary shareholders of the company	\$ <u>(64,954)</u>	<u>373,549</u>
Weighted average number of ordinary shares outstanding	<u>91,205,759</u>	<u>72,246,855</u>
Basic earnings per share(in dollars)	\$ <u>(0.71)</u>	<u>5.17</u>

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
Diluted earnings per share :		
(Loss)/Profit attributable to ordinary shareholders of the Company \$	<u>(64,954)</u>	<u>373,549</u>
Weighted average number of ordinary shares	91,205,759	72,246,855
Effect of employee share bonus (Note)	<u>-</u>	125,524
Weighted average number of ordinary shares outstanding (diluted)	<u>91,205,759</u>	<u>72,372,379</u>
Diluted earnings per share(in dollars)	<u>\$ (0.71)</u>	<u>5.16</u>

Note: The year ended December 31, 2023 suffered a net loss, which has anti- dilutive effect on potential ordinary share - employee stock compensation and is therefore not included in the calculation of diluted earnings per share.

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Taiwan	<u>\$ 316,107</u>	<u>595,265</u>
Major products/services lines:		
Sales of real estates	\$ 316,107	595,048
Others	<u>-</u>	217
Total	<u>\$ 316,107</u>	<u>595,265</u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Accounts receivable	\$ -	12,080	-
Less: allowance for impairment	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>12,080</u>	<u>-</u>
Contract liabilities-Sales of real estates	<u>\$ 867,492</u>	<u>498,978</u>	<u>66,902</u>

(i) For details on accounts receivable and allowance for impairment, please refer to note 6(b).

(ii) The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability at the beginning of the period were \$82,818 thousand and \$24,411 thousand, respectively.

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

(iii) The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes.

(s) Employee and directors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 1% of the profit as employee remuneration and less than 3% as directors' remuneration when there is profit for the year. Employees who entitled to receive the above-mentioned employee remuneration, in shares or cash shall be determined by a resolution at a meeting of Board of Directors, include the employees of the Company who meet certain specific requirements. The aforesaid distribution shall be submitted to the shareholders' meeting.

The details of employee and directors' remuneration were as follows:

	<u>2023</u>	<u>2022</u>
Employee remuneration	\$ -	<u>3,885</u>
Directors' remuneration	\$ -	<u>3,885</u>

Employees and director remunerations estimated for the Company were as follows:

The recognized amounts mentioned above are calculated based on pre-tax profit before excluding employee and director remunerations of each period, multiplied by the percentages of remunerations of employees, directors and supervisors as specified in the Company's Articles of Incorporation. These remunerations were expensed under operating expenses for each period. If the board of directors decided to pay employee compensation in the format of shares, the number of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day prior to the Board of Directors meeting. For further relevant information, please refer to Market Observation Post System. The above mentioned compensation regarding remuneration to employees and directors, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2023 and 2022.

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 4,690	569
Interest income from security deposits	56	9
	<u>\$ 4,746</u>	<u>578</u>

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(ii) Other gains and losses

The details of other income were as follows:

	<u>2023</u>	<u>2022</u>
Net gain on advertisement of joint arrangement	\$ 4,290	15,123
Reversal of impairment loss	-	4,835
Gain on rent concessions	-	800
Gain on disposal of Property, plant and equipment	1,064	950
Others	449	118
	<u>\$ 5,803</u>	<u>21,826</u>

(iii) Financial cost

The details of financial cost were as follows:

	<u>2023</u>	<u>2022</u>
Interest expense		
Bank loans	\$ (146,266)	(111,732)
Lease liabilities	(3,834)	(3,055)
Less: Capitalized interest	57,013	56,040
	<u>\$ (93,087)</u>	<u>(58,747)</u>

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Credit risk of other-financial assets

Please refer to note 6(b) for credit risk information on accounts receivable.

Other financial assets at amortized cost includes other receivables and other financial assets.

All of these other financial assets at amortized cost are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12-month expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f). No impairment losses allowance were recognized or reversed for the years ended December 31, 2023 and 2022.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2023							
Non derivative financial liabilities							
Short-term borrowings (floating rate)	\$ 2,320,046	(2,528,311)	(32,706)	(32,333)	(488,685)	(1,974,587)	-
Notes receivable (no-interest)	80,105	(80,105)	(80,105)	-	-	-	-
Accounts payable (no-interest)	123,479	(123,479)	(123,479)	-	-	-	-
Other payables (no-interest)	159,117	(159,117)	(159,117)	-	-	-	-
Long-term borrowings (floating rate)	4,000,000	(4,304,650)	(51,733)	(51,142)	(300,381)	(3,901,394)	-
Lease liabilities (including due within one year) (fixed interest)	<u>1,223,136</u>	<u>(1,703,889)</u>	<u>(808,371)</u>	<u>(8,755)</u>	<u>(17,511)</u>	<u>(40,275)</u>	<u>(828,977)</u>
	<u>\$ 7,905,883</u>	<u>(8,899,551)</u>	<u>(1,255,511)</u>	<u>(92,230)</u>	<u>(806,577)</u>	<u>(5,916,256)</u>	<u>(828,977)</u>
December 31, 2022							
Non derivative financial liabilities							
Floating-interest-rate instruments	\$ 1,458,295	(1,535,205)	(607,222)	(10,810)	(21,744)	(895,429)	-
Trade payables	2,151	(2,151)	(2,151)	-	-	-	-
Notes receivable (no-interest)	27,077	(27,077)	(27,077)	-	-	-	-
Accounts payable (no-interest)	53,502	(53,502)	(53,502)	-	-	-	-
Other payables (no-interest)	4,000,000	(4,369,706)	(47,905)	(47,311)	(95,169)	(4,179,321)	-
Long-term borrowings (floating rate)	<u>148,063</u>	<u>(275,497)</u>	<u>(2,450)</u>	<u>(2,300)</u>	<u>(3,999)</u>	<u>(11,998)</u>	<u>(254,750)</u>
	<u>\$ 5,689,088</u>	<u>(6,263,138)</u>	<u>(740,307)</u>	<u>(60,421)</u>	<u>(120,912)</u>	<u>(5,086,748)</u>	<u>(254,750)</u>

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

(iii) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1% with all other variable factors remaining constant. The Company's net income would have increased or decreased by \$50,560 thousand for the and \$43,666 thousand for the years ended December 31, 2023 and 2022, respectively. This is mainly due to the Company's borrowing at variable rates.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(iv) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

		December 31, 2023				
		Book	Fair Value			
		Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	55,386	-	-	-	-
Other financial assets		664,035	-	-	-	-
Other receivable		94,380	-	-	-	-
Other receivable from related parties		69,431	-	-	-	-
Refundable deposits		4,035,630	-	-	-	-
Total	\$	4,918,862				
Financial liabilities at amortized cost						
Short-term borrowings	\$	2,320,046	-	-	-	-
Notes payable		80,105	-	-	-	-
Account payables		123,479	-	-	-	-
Other payables		159,117	-	-	-	-
Long-term borrowings		4,000,000	-	-	-	-
Lease liabilities		1,223,136	-	-	-	-
Total	\$	7,905,883				

		December 31, 2022				
		Book	Fair Value			
		Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	408,059	-	-	-	-
Account receivable		12,080	-	-	-	-
Other financial assets		437,465	-	-	-	-
Other receivable		30,419	-	-	-	-
Other receivable from related parties		28,757	-	-	-	-
Refundable desposits		4,015,945	-	-	-	-
Total	\$	4,932,725				
Financial liabilities at amortized cost						
Short-term borrowings	\$	1,458,295	-	-	-	-
Nets payable		2,151	-	-	-	-
Account payable		27,077	-	-	-	-
Other payables		53,502	-	-	-	-
Long-tern borrowings		4,000,000	-	-	-	-
Lease liabilities		148,063	-	-	-	-
Total	\$	5,689,088				

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

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

Level 1: quoted prices (unadjusted) in the active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchange and quoted prices of government bonds are the basis for measuring the fair value of stocks listed on an exchange, stocks listed on the OTC, and debt instruments with quoted prices in an active market.

(v) Financial risk management

(i) Overview

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

- 1) credit risk
- 2) liquidity risk
- 3) market risk

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

(ii) Structure of risk management

The Company's primary objectives of financial risk management are to manage market risk, credit risk and liquidity risk associated with operating activities. The Company identifies, measures and manages the aforementioned risks in accordance with the Company's policies and risk appetite.

The Company has established proper policies, procedures and internal control according to relevant regulations. Important financial activities shall be reviewed by the Board of Directors in accordance with related regulations and internal control system. During the execution period of financial management activities, the Company shall ensure compliance with relevant regulations governing financial risk management. The Internal Audit Department is also responsible for independent review of risk management and control procedures.

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

(iii) Credit risk

The Company's bank deposits and time deposits for other financial assets are deposited in the accounts with credit-worthy financial institutions which are highly unlikely to default. Besides, the Company transacts with various financial institutions to diversify risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Bank loans are an important source of liquidity. The Company's management monitors banking facilities and ensures compliance with the terms of loan agreements.

(v) Market risk

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

The Company adopts a policy to ensure the exposure to changes in interest rates on borrowings is evaluated based on the trend in market interest rates. The Company can manage its interest rate risk through maintaining an appropriate portfolio of floating interest rates and fixed interest rates.

(w) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to ensure the complete credit rating and the ratio of capital.

As of December 31, 2023, the Company's capital management strategy is consistent with the prior year as 2022, and the gearing ratio is maintained to ensure credit rating and ensure financing at reasonable cost. The Company's Debt ratio is as follows:

	December 31, 2023	December 31, 2022
Total Liabilities	\$ 9,010,616	6,261,372
Total Capital and equity	10,868,390	8,275,306
Debt ratio	82.91%	75.66 %

The Debt ratio was increased on 31 December, 2023, due to the capital increased by cash.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

- (x) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1,2023	Cash flow	Non-cash changes Change in acquisition right- of-use assets	December 31, 2023
Short-term borrowings	\$ 1,458,295	861,751	-	2,320,046
Long-term borrowings	4,000,000	-	-	4,000,000
Lease-liabilities	148,063	(4,722)	1,079,795	1,223,136
Total liabilities from financing activities	<u>\$ 5,606,358</u>	<u>857,029</u>	<u>1,079,795</u>	<u>7,543,182</u>

	January 1,2022	Cash flow	Non-cash changes Change in acquisition right- of-use assets	December 31,2022
Short-term borrowings	\$ 1,710,600	(252,305)	-	1,458,295
Short-term notes and bills payable	33,951	(33,951)	-	-
Long-term borrowings	2,000,000	2,000,000	-	4,000,000
Lease-liabilities	129,245	(1,045)	19,863	148,063
Total liabilities from financing activities	<u>\$ 3,873,796</u>	<u>1,712,699</u>	<u>19,863</u>	<u>5,606,358</u>

(7) Related-party transactions:

- (a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Chung, Chia-Tsun	The first immediate family of the chairman of the Company
San Chia Construction Development Co., Ltd.	Same president as the Company
Kaohsiung Transportation Co., Ltd.	The entity's president is the first immediate family of the president of the Company
Dongli Investment Consulting Co., Ltd.	Same president as the Company
San Di Constrution Co., Ltd.	Same president as the Company
Zhuang, Jun-Yu (Note)	Key management personnel
Wang, Nai-Yu	The person is the first immediate family of the key management personnel

Note: Newly key management personnel of the company from June 1, 2023.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales by the Company to related parties were as follows:

	Revenue		Advance Construction	
	2023	2022	December 31, 2023	December 31, 2022
Key management personnel-Zhuang, Jun-yu	-	-	1,270	-
Other related-parties-Wang, Nai-yu	-	-	1,130	680
Other related-parties-Dongli	-	12	-	-
	<u>-</u>	<u>12</u>	<u>2,400</u>	<u>680</u>

The total contract price of the above house sold to the related parties was \$23,930 thousand and \$11,290 thousand (tax inclusive) as of December 31, 2023 and 2022, respectively. The contract prices were set in accordance with the Company's employee purchase policy and the payment collection terms of the related party were not materially different from those of the non-related party.

(ii) Other

- 1) Please refer to note 9 for joint construction projects with related parties.
- 2) In September 2021, the Company contracted with Chung, Chia-Tsun, a related party, for a joint construction with separate sale. As of December 31, 2022, the performance bond paid to Chung, Chia-Tsun, the landowner, amounted to \$2,000,000 thousand, which was recognized in the line item of guarantee deposits paid. Additionally, Chung, Chia-Tsun, a related party, pledged the land at Kanjiaobei Sec., Rende Dist., Tainan City to secure long-term loans from financial institutions.
- 3) In November 2021, the Company contracted with Kaohsiung Transportation Co., Ltd. a related party, for a joint construction project with separate sale. As of December 31, 2022, the performance bond paid to Kaohsiung Transportation Co., Ltd., the landowner, amounted to \$2,000,000 thousand, which was recognized in the line item of guarantee deposits paid. In addition, the related party, Kaohsiung Transportation Co., Ltd. pledged the land at Sankuaicuo Sec., Sanmin Dist., Kaohsiung City to secure long-term loans from financial institutions.
- 4) The Company has entered into joint construction sale agreement with related party, Chung, Chia Tsun in August 2023. As of December 31, 2023, the Company has paid a promissory of \$14,700 thousand to the landowners as guarantee for joint construction, which were recognized as refundable deposits.
- 5) The Company entered into a joint construction sale agreement with the related party, Kaohsiung Transportation Co., Ltd. in November 2021. As of December 31, 2023 and 2022, the advertising planning fee and sales commission receivables paid on behalf of Kaohsiung Transportation Co., Ltd. were \$69,431 thousand and \$28,757 thousand, respectively and were not received, which were recognized as other receivables.

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

- 6) The Company has entered into construction project management appointment contracts with related party, San Chia Construction Development Co., Ltd. since March 2023. The related party, San Chia Construction Development Co., Ltd. will provide professional management, engineering planning and commissioned construction services; The total contract price as of December 31, 2023 was \$351,750 thousand, which was comparable to the trading conditions of the regular customer in general market transactions. As of December 31, 2023, a total amount of \$54,900 thousand has been paid for and is recognized under inventories.
- 7) The Company entered into a contract for the transfer of rights of construction in progress (including construction license) in the Haiqian Sec., Aninan Dist., Tainan City in August 2023 with the related party, San Di Construction Co., Ltd. for a total price of \$32,579 thousand, the price of the goods received by the related party is based on the original cost of acquisition or valuation report by the related party. All payments were made as of December 31, 2023.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2023	2022
Short-term employee benefits	\$ 10,086	13,227
Post-employment benefits	251	178
	\$ 10,337	13,405

In addition, the Company leased a transportation equipment for key management personnel to use and is classified as a right-to-use asset. The depreciation amounts for the years ended December 31, 2023 and 2022 were \$2,586 thousand and \$0, respectively and were included under operating expenses-management expenses.

(8) Assets pledged as security:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Inventories	Short-term loans	\$ 2,536,773	2,129,842
Other current financial assets	Pre-sale real estate value trust	641,827	419,526
Other current financial assets	Short-term borrowings	7,651	7,612
		\$ 3,186,251	2,556,980

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(9) Commitments and contingencies:

- (a) The Company's project contracts under which the obligations have not been performed and the prices of contracts entered into with customers were as follows:

	December 31, 2023	December 31, 2022
Total price of sales contracts signed (before tax)	\$ <u>7,914,155</u>	<u>4,496,558</u>
Amount received according to contracts (before tax)	\$ <u>867,492</u>	<u>498,978</u>

- (b) Other unrecognized contractual commitments are as follows:

Item	December 31, 2023	December 31, 2022
Land development and design	\$ <u>25,792</u>	<u>39,353</u>
Outsourcing engineering	\$ <u>2,517,162</u>	<u>183,854</u>

- (c) The Company's unrecognized contractual commitments are as follows:

Project Name	Landowner	Land Lot No.	Nature of Joint Construction	Expect Completion Year
Tzuli Project	Kaohsiung Transportation Co., Ltd.	Sankuaicuo Sec., Sanmin Dist., Kaohsiung City	Joint construction and separate sale	To be determined
Rende Project	Chung, Chia-Tsun	Kanjiaobei Sec., Rende Dist., Tainan City	Joint construction and separate sale	To be determined
Rende Project	Kingtown & Construction Co., Ltd.	Kanjiaobei Sec., Rende Dist., Tainan City	Joint development	To be determined
Haiqian Project	Chung, Chia-Tsun	Haiqian Sec., Aninan Dist., Tainan City	Joint construction and separate sale	To be determined

- (d) The Company and Kingtown & Construction Co., Ltd. entered into a joint venture development project for the northern section of Kanjiaobei Sec., Rende Dist., Tainan City. The Company and Kingtown & Construction Co., Ltd. are joint constructor and acted as guarantor for financing facility for each other. The Company's endorsements guarantees to secure loans were as follows:

Name of guarantor	Counter-party of guarantee and endorsement	December 31, 2023	December 31, 2022	Guarantor purpose
The Company	Kingtown & Construction Co., Ltd.	\$ <u>-</u>	<u>-</u>	Loan Commitments Guarantor

(10) Losses Due to Major Disasters:None

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

(11) Subsequent Events:

- (a) Due to its business needs, the Company signed a contract for the transfer of rights on construction in progress in the Houdong Section of Renwu District, Kaohsiung City through a resolution of the Board of Directors on March 8, 2024 with the related party, NORTH-STAR INTERNATIONAL CO.,LTD. After obtaining the above-mentioned construction in progress, the Company signed a joint construction sales agreement with related party, NORTH-STAR INTERNATIONAL CO.,LTD, the landlord (related party) to jointly develop and construct the project.
- (b) In view of its long-term development and business expansion, the Company intends to establish Jiaxian Development Construction Co., Ltd. jointly with investors to carry out the joint development of superficies on state-owned land. Upon the establishment of the aforesaid new company, the Company intends to enter into a contract with the new company for the transfer of superficies of the state-owned land of Pingshi land No. 32 and conducted a disposal on the inventory of the right-use assets.
- (c) After the resolution of the Board of directors to conduct cash capital increase, The Company issued a total of \$920,000 thousand at max and the total number of shares issued was capped at 25,000 thousand on March 8, 2024.

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	9,553	9,553	-	10,657	10,657
Labor and health insurance		-	625	625	-	500	500
Pension		-	390	390	-	310	310
Remuneration of directors		-	1,183	1,183	-	5,173	5,173
Others		-	445	445	-	594	594
Depreciation		-	3,491	3,491	-	1,221	1,221
Amortization		-	-	-	-	-	-

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

The additional information of number of employees and employee benefits for 2023 and 2022 were as follows:

	2023	2022
Number of employees	<u>17</u>	<u>15</u>
Number of non-employee directors	<u>7</u>	<u>6</u>
Average employee benefits	<u>\$ 1,101</u>	<u>1,340</u>
Average employee salaries	<u>\$ 955</u>	<u>1,184</u>
Adjusted average employee salaries	<u>(19.34)%</u>	<u>-</u>
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

Information on the Company's salary and remuneration policy (including directors, managers and employees) is as follows:

- (b) Director's salaries including:
 - (i) In accordance with the articles of incorporation the Company should contribute less than 3% as directors' and supervisors' remuneration when there is profit for the year.
 - (ii) Allocated based on the degree of participation to the Company's operation and contribution of directors and supervisors.
- (c) The General Manager, Deputy General Manager, Managers and employees' salaries including wages, bonus and compensation:
 - (i) Salaries for the general manager, deputy general manager, managers of the Company is based on the guidance, which was approved by the compensation committee and the board of directors, and contribution to the Company.
 - (ii) In accordance with the articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation when there is profit for the year.
 - (iii) Bonus is paid on the basis of personal performance and contribution to the Company.
- (d) Others

In the 2023, because of business demand, the company temporary joint operating investment funds a total amount of \$171,346 thousands. As of December 31, 2023, is recognized under other current liabilities.

(Continued)

SANDI PROPERTIES CO., LTD.

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the Regulations for the Company for the year ended December 31, 2023:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Kingtown & Construction Co., Ltd.	5	7,431,096	2,000,000	2,000,000	-	-	107.66 %	7,431,096	N	N	N

Note 1: The numbering is as follows:

- 1) "0" represents the parent company.
- 2) Subsidiaries are numbered starting from "1" .

Note 2: The relationship between the guarantee and the guarantor has seven categories between the endorser/guarantor:

- 1) Having business relationship.
- 2) The endorser / guarantor parent company directly and indirectly holds more than 50% of voting shares of the endorsed / guaranteed subsidiary.
- 3) The endorser / guarantor subsidiary which directly and indirectly be held more than 50% voting shares by the endorsed / guaranteed parent company.
- 4) The endorser / guarantor company and the endorsed / guaranteed party both be held more than 90% by the parent company.
- 5) Company that is mutually protected under contractual requirements based on the needs of the contractor.
- 6) Company that is endorsed by its shareholders in accordance with its shareholding ratio because of the joint investment relationship.
- 7) Performance guarantees in between the vendor in the same industry for pre-sale house contracts under the Consumer Protection Act.

Note 3: Up to 400% of the net value of the Company.

- (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Hedi section, Sanmin District in Kaohsiung City	2023.3.31	404,469	404,469	Li Shuhui, Hong Ruihua, Hong Xinhua, Hong Dongte, Hong Dongquan and Hong Dongzhang	Non-related party	-	-	-	-	Appraisal report	Land held for construction site	-
The Company	State-owned land land title No. 32, Pingshi Section, Eastern District, Tainan City	The date when the tender is won 2023.10.30 Date when the contract is entered 2023.11.10	1,142,308	342,692	South region branch, National Property Administration, Ministry of Finance	Non-related party	-	-	-	-	Appraisal report	Land held for construction site	70 years (Note 1)

Note 1: Transaction amount is the amount of superficies premium. The annual rent payable is calculated as a fixed rent at 2.5% of the current declared land value for the contract period and 1% of the declared land value for the current period and adjusted accordingly from the date of the declared land value adjustment.

(Continued)

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None.
- (b) Information on investees: None
- (c) Information on investment in mainland China: None
- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
San Chia Construction Development Co., Ltd.		20,000,000	21.92 %
San Di Construction company		15,546,907	17.04 %
Lu Ying Investment Co., Ltd.		6,312,333	6.92 %
Chung, Chia-Tsun		5,908,001	6.47 %

Note: (i) The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

- (ii) If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, refer to Market Observation Post System.

SANDI PROPERTIES CO., LTD.
Notes to the Financial Statements

(14) Segment information:

(a) General information

Information provided to chief operating decision makers to allocate resources and measure department performance focuses on the type of products delivered or services rendered. The Company mainly engages in the construction of commercial and industrial buildings, rental and sale of housing, trading of real estate, and distribution of miscellaneous merchandise. The Company's chief unit for making operating decisions measures the results of its operations as a whole, so as to determine policies on resource utilization and evaluate the overall performance. Therefore, the Company has not segmented itself by industry, hence no need to disclose financial information of operating segments.

(b) Product and service information

Revenue from external customers of the Company were as follows:

<u>Product and service</u>	<u>2023</u>	<u>2022</u>
Land and building sale revenue	\$ 316,107	595,048
Others	-	217
Total	<u>\$ 316,107</u>	<u>595,265</u>

(c) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2023</u>	<u>2022</u>
Revenue from external customers:		
Taiwan	<u>\$ 316,107</u>	<u>595,265</u>
Non-current assets:	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
Taiwan	<u>\$ 11,034</u>	<u>18,355</u>

Non-current assets including property, plant, equipment, right-of-use asset and other non-current assets.

(d) Major customers

The sales to individual customers that constituted 10% or more of the Company net sales were as follows:

<u>Customer name</u>	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>% of net sales</u>	<u>Amount</u>	<u>% of net sales</u>
E	<u>\$ -</u>	<u>-</u>	<u>455,694</u>	<u>76.55</u>

SANDI PROPERTIES CO., LTD.**Statement of cash and cash equivalents****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Cash	Petty cash-TWD	\$ 70
	Cash on hand-TWD	1
Cash in banks	Demand deposit-TWD	55,309
	Check deposit-TWD	<u>6</u>
Total		<u><u>\$ 55,386</u></u>

SANDI PROPERTIES CO., LTD.**Statement of other receivables****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Non-related parties		
	Sales commission receivables from joint operations	\$ 94,320
	Bank interest receivables	<u>60</u>
		<u><u>\$ 94,380</u></u>

Statement of other receivable-related parties

Item	Description	Amount
Kaohsiung Transportation Co.,Ltd.	Sales commissions receivable from landowners of joint-construction-and-separate-sale projects	<u><u>\$ 69,431</u></u>

SANDI PROPERTIES CO., LTD.

Statement of inventories

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>	<u>Mortgage or guarantee provided</u>
Land held for development:		
Shuangling Sec., and Shangling Sec., Zhongli Dist., and Zhongguan Sec., Guanyin Dist., Taoyuan City	\$ 141,179	Mortgage to financial institutions
Huasing Sec., and Dingan Sec., North Dist., Tainan City	72,401	None
Heti Sec., Sanmin Dist., Kaohsiung City	<u>406,931</u>	Mortgage to financial institutions
	<u>620,511</u>	
Construction in Progress:		
Mingyi Sec., Xiaogang Dist., Kaohsiung City	362,856	Mortgage to financial institutions
Sankuaicuo Sec., Sanmin Dist., Kaohsiung City	233,559	None
Guoan Sec., Anan Dist., Tainan City	793,642	Mortgage to financial institutions
Wusheng Sec., West Central Dist., Tainan City	1,186,862	Mortgage to financial institutions
Kanjiaobei Sec., Rende Dist., Tainan City	40,113	None
Haiqian Sec., Aninan Dist., Tainan City	<u>34,033</u>	None
	<u>2,651,065</u>	
Right-of-use Assets:		
Pingshi Sec 23, East Dist., Tainan City	874,950	Mortgage to financial institutions
Pingshi Sec 32., East Dist., Tainan City	<u>1,410,578</u>	None
	<u>2,285,528</u>	
Total	<u><u>\$ 5,557,104</u></u>	

SANDI PROPERTIES CO., LTD.**Statement of other current financial assets****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(e).

Statement of other current assets

Please refer to note 6(j).

SANDI PROPERTIES CO., LTD.**Statement of changes in property, plant and equipment
and accumulated depreciation****For the year ended December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(h).

**Statement of changes in right-of-use assets and
accumulated depreciation**

Please refer to note 6(i).

SANDI PROPERTIES CO., LTD.**Statement of refundable deposits****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Refundable deposits	Using phone deposit	\$ 12
	Rental of vehicle deposit	5,379
	Rental of office deposit	24
	Joint construction deposit	4,014,700
	Disaster management deposit	14,585
	Others	930
Total		<u><u>\$ 4,035,630</u></u>

SANDI PROPERTIES CO., LTD.

Statement of short-term borrowings

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Range of interest rate</u>	<u>Bank Credit Line</u>	<u>Collateral</u>	<u>Note</u>
Secured bank loans	Financial institutions	\$ 2,229,046	2.59%~2.92%	(note)	Land held for development, construction in progress, right- of-use assets and restricted bank deposits	-
Unseared bank loans	Financial institutions	<u>91,000</u>	3.00%	(note)	None	-
		<u><u>2,320,046</u></u>				

Note: The credit lines of short-term borrowings amounted to \$6,522,300 thousand.

SANDI PROPERTIES CO., LTD.**Statement of contract liabilities****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Advance real estate receipts	Mingyi (Land lot No. 35)	\$ 126,015
	Guoan	190,684
	Sankuaicuo	376,072
	Pingshi (Land lot No. 23)	174,721
		<u>\$ 867,492</u>

Statement of notes payable

Item	Description	Amount
Non related-party:		
China Steel Structure Co., Ltd.	Operating	\$ 33,044
Joyful Ocean Internation Co., Ltd.	Sales commission	9,068
Wei Yang Construction Co., Ltd.	Operating	8,815
Rg Concrete Industrial Co., Ltd.	Operating	7,694
Ya Tung Ready Mixed Concrete Co., Ltd.	Operating	5,205
San Tai Steel Co., Ltd.	Operating	5,112
Others (note)	Operating 、 Sales commission	11,167
		<u>\$ 80,105</u>

Note: The amount of individual item in others does not exceed 5% of the account balance.

SANDI PROPERTIES CO., LTD.**Statement of accounts payable****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Non-Related Parties		
Shangfa Construction Co., Ltd.	Operating	\$ 35,754
China Steel Structure Co., Ltd.	Operating	27,648
Wei Yang Construction Co., Ltd.	Operating	15,883
San Tai Steel Co., Ltd.	Operating	11,186
Hoei Sheng Industrial Co., Ltd.	Operating	7,632
Others (note)	Operating	<u>25,376</u>
Total		<u><u>\$ 123,479</u></u>

Note: The amount of individual item in others does not exceed 5% of the account balance.

Statement of other payables

Item	Description	Amount
Non-Related Parties:		
Salary	Salary payable of December, 2023	\$ 791
Bonus	Year-end bonus payable of 2023	731
Professional fees	Professional service fees payable of 2023	468
Interest	Interest payable	7,473
Joint arrangement	Management fee, salary and bonus, etc.	149,377
Others	Pension, labor and health insurance and agency fee, etc.	<u>277</u>
Total		<u><u>\$ 159,117</u></u>

SANDI PROPERTIES CO., LTD.**Statement of other current liabilities****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Receipts under custody	Withholding income tax and labor and health insurance	\$ 64
Temporary credits	Temporary investment credits of the joint arrangement and down payment	171,547
Total		<u><u>\$ 171,611</u></u>

SANDI PROPERTIES CO., LTD.

Statement of long-term borrowings

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Amount			Term of contract	Rate	Collateral or Pledge	Note
		Within 1 year	Exceed 1 year	Total				
Taiwan Life Insurance Co., Ltd.	Secured bank loans	\$ -	2,000,000	2,000,000	Please refer to note 6(1)	2.550 %	Please refer to note 7	-
Syndication from Bank SinoPac and 4 other banks	Secured bank loans	-	2,000,000	2,000,000	Please refer to note 6(1)	2.590 %	Please refer to note 7	-
Total		<u>\$ -</u>	<u>4,000,000</u>	<u>4,000,000</u>				

SANDI PROPERTIES CO., LTD.

Statement of lease liabilities

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Creditor	Amount			Term of contract	Rate
	Within 1 year	Exceed 1 year	Total		
He Yun Car Rental Co., Ltd.	\$ 4,387	6,022	10,409	From May 2023, the principal shall be repaid in 36 monthly installments of \$383 thousand.	0.21% (monthly)
Southern Region Branch National Property Administration (Pinshi (Land lot No.23))	1,009	145,322	146,331	From September 2021, the principal shall be repaid in 840 monthly installments, of which \$230 thousand shall be repaid per month until December 2021. During the remaining period, principal shall be repaid in monthly installments of \$333 thousand.	0.17% (monthly)
Southern Region Branch National Property Administration (Pinishi (Land lot No.32))	<u>800,810</u>	<u>265,586</u>	<u>1,066,396</u>	From November 2023, the principal shall be repaid in 840 monthly of \$743 thousand.	0.24% (monthly)
	\$ <u>806,206</u>	<u>416,930</u>	<u>1,223,136</u>		

Statement of deferred tax liabilities

Please refer to note 6(o).

SANDI PROPERTIES CO., LTD.**Statement of operating revenues****For the year ended December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Land	Building	Amount
Sales of real estate	Song Hua Yuan II	\$ 146,170	170,105	316,275
Sales return and allowance		-	(168)	(168)
Net sale of real estate		<u>\$ 146,170</u>	<u>169,937</u>	<u>\$ 316,107</u>

Statement of operating costs

Item	Description	Amount
Cost of real estate	Song Hua Yuan II	<u>\$ 255,835</u>

SANDI PROPERTIES CO., LTD.

Statement of selling expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Commission expense	Commission expense of sale real estate	\$ 11,687
Salaries expense	Salary and bonus, etc.	842
Other expense(note)	Professional fees and miscellaneous expense ,etc.	64
Total		\$ 12,593

Note: The amount of individual item in others does not exceed 5% of the account balance.

Statement of administrative expenses

Item	Description	Amount
Salary	Salary and bonus, etc.	\$ 8,711
Professional fees	Professional service fees of accountants and appraiser	1,613
Traffic allowance	Traffic allowance	1,183
Depreciation	Depreciation of property,plant and equipment and right-of-use assets	3,491
Handling fees	Charge	2,000
Others(note)	Insurance expense,tax and miscellaneous expense, etc.	5,907
Total		\$ 22,905

Note: The amount of individual item in others does not exceed 5% of the account balance.

SANDI PROPERTIES CO., LTD.**Statement of interest income****For the year ended December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(t).

Statement of other gain or loss

Please refer to note 6(t).

Statement of finance costs

Please refer to note 6(t).