

**Pacific Construction Co., Ltd. and
Subsidiaries**

**Consolidated financial statements and
Independent Auditors' Report**

For the Years Ended December 31, 2022 and 2021 (Revised)

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The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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Statement

For the fiscal year of 2022 (From Jan. 1, 2022 to Dec. 31, 2022), the companies which should be included in the consolidated financial statements of the Company pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those should be included pursuant to the International Financial Reporting Standards 10. The affiliates' consolidated financial statements that should already be disclosed on the supra parent company have already been disclosed in the consolidated financial statements of the Company. Therefore, the Company will not prepare separate consolidated financial statements for associates.

Hereby declare

Company Name: Pacific Construction Co., Ltd.

Chairman: Liu I-Yee

Date: March 14, 2023

Independent Auditor's Report

To the Board of Directors of Pacific Construction Co., Ltd.:

Opinion

We have audited the consolidated balance sheet of Pacific Construction Co., Ltd. (Pacific Construction Group) and its subsidiaries for the years ended December 31, 2022 and 2021 (revised). The related consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flow for the years ended December 31, 2022 and 2021 (revised), and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors (see Other Matters), the consolidated financial statements present fairly, in all material respects, the financial position of the Group for the years ended December 31, 2022 and 2021 (revised), and its financial performance and its cash flows for the years then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Financial Reporting Standards and International Accounting Standards, interpretations and notices approved and effective upon promulgation by the Financial Supervisory Commission.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to Note (4)(17) for the accounting policy of revenue recognition. Information of revenue recognition details are shown in Note (6)(21) of the Consolidated financial statements

Description of Key Audit Matters

Pacific Construction Group's main operating revenue sources are income from department stores and rental income from investment properties. The risk of material misstatement is associated with the truthfulness of revenue recognition. While operating revenue involves the management's operating performance, the management may fail to recognize revenue earlier or defer the recognition of revenue to achieve the expected net profit, resulting in a material misstatement of operating revenue. Accordingly, the revenue recognition test is one of the significant evaluations performed by us in our audit of the consolidated financial statement of Pacific Construction Group.

Auditing Procedures Performed

Our principal audit procedures of the above key audit matters include:

- Understand the process and internal controls of the Sales and Collection Cycle and assess the controls to prevent and detect errors and fraud in revenue recognition.
- Perform a cut-off test on Sale of the Properties and Lease Revenue to assess whether the former revenue is recognized in the appropriate period.
- Perform a verification test on revenue recognition by randomly reviewing relevant documents, including lease contractual terms and conditions, real estate sales contract and Real estate transfer registration. These will be verified with the general entry to assess whether the revenue recognition policy of Pacific Construction Group. complies with applicable bulletins.
- Understand and test the control mechanism of department store's self-operating, and counter collection and revenue recognition operating procedures of Pacific Construction Group.
- Randomly check and understand the contractual terms and conditions to test whether the draw rate complies with the contractual terms and conditions and whether the revenue statements transferred by the information system are correct, recorded and collected in time.
- Evaluate whether Pacific Construction Group's revenue recognition policy for department stores complies with applicable bulletins.

2. Inventory Valuation

Please refer to Note 4(8) and 5 for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in Note 6(5) of the consolidated financial statements.

Description of Key Audit Matters:

The Construction Department's inventory is an important asset of Pacific Construction Group, accounting for approximately 37% of total assets. Inventory is valued in accordance with IAS 2 as the net realizable value of Pacific Construction Group's inventory of the Construction Department is based on management's estimates of future sales prices and construction costs and is likely to be affected by political and economic situations. Where the net realizable value is not properly assessed, it may result in a misstatement in the financial statements. Accordingly, the inventory valuation test is one of the significant evaluations performed by us in our audit of the consolidated financial statement of Pacific Construction Group.

Auditing Procedures Performed:

We obtained information on the net realizable value of Pacific Construction Group's inventory and reassessed the net realizable value reassessment of homes for sales by randomly reviewing sold contracts from previously disclosed information, with reference to the most recent property price registered by the Ministry of the Interior, or obtaining quotes from nearby transactions or obtaining quotes from nearby transactions. In terms of the net realizable value of construction sites, land and buildings under construction, we acquired and randomly checked the Company's investment return analysis or appraisal report and compared the investment return analysis with market conditions to assess whether the net realizable value of inventories is fairly presented.

Other Matters

We did not audit certain subsidiary's financial statements included in the consolidated financial statements of Subsidiary's of Pacific Construction Group using the equity method; they were audited by the other auditors. Our audits, our opinion on the consolidated financial statements of Subsidiary's of Pacific Construction Group, are based solely on the other auditors' audit reports. The total assets of the above-mentioned subsidiaries as of December 31, 2022 and 2021 accounted for 12% and 0.14% of the total consolidated assets respectively, and the net operating income on December 31, 2022 and 2021 accounted for Consolidated net operating income is all 0%. In addition, some of the financial reports of Pacific Construction Group's investments using the equity method, we did not audit about it, they were audited by other accountants. Our audits, our opinion on the consolidated financial statements of Pacific Construction Group, are based solely on the other auditors' audit reports. The amount in investments in certain investees accounted for using the equity method for the years ended December 31, 2021 accounted for 7% of the total consolidated assets. The shares of subsidiaries, affiliates and joint ventures accounted for using the equity method accounted for 1% and 22% of the consolidated net income before income taxes for January 1 to December 31, 2021, respectively. The Company has prepared the individual financial reports for 2022 and 2021, and we have audited and expressed reports of unqualified opinions plus other matters, paragraphs of emphasis matters, and paragraphs of unqualified opinions plus other matters for reference.'

Emphasis

As stated in Note 6 (6) of the individual financial report, on December 12, 2022, Pacific Construction Co., Ltd., an investment subsidiary of Hong Kong Pacific Holdings Company, which adopted the equity method in its individual financial statements, held Beijing Tai Yun Building Co., Ltd., because it no longer meets the conditions for being classified as non-current assets for sale, in accordance with the provisions of International Financial Reporting Standard No. 5, it ceased to be classified as non-current assets for sale, and the financial statements for the comparative period were revised. The accountant did not amend the audit result because of this.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers International Financial Reports Standards, International Accounting Standards interpretations, and announcements of interpretations recognized and published by the Financial Supervisory Commission and maintain necessary internal control 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 consolidated financial statements, the management is responsible for assessing the ability of Pacific Construction Group's as a going concern, disclosing, as applicable, matters related to ongoing concern and using the ongoing concern basis of accounting unless the management either intends to liquidate Pacific Construction Group's or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including members of the Audit Committee) are responsible for overseeing the reporting process of Pacific Construction Group's.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with auditing standards in 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the 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 Pacific Construction Group'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 Pacific Construction Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Pacific Construction Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the Group's audit and is responsible for forming an opinion on the Group's audit.

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 consolidated financial statements of the 2022 and are therefore the key audit matters. We describe these matters in our auditor's 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.

KPMG
Taipei, Taiwan (Republic of China)

Pacific Construction Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2022 and 2021 (Revised)
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2022		December 31, 2021 (Revised)	
	Amount	%	Amount	%
Current assets:				
1100 Cash and cash equivalents (Note 6(1))	\$ 537,764	4	779,115	6
1120 Current financial assets at FVTOCI (Note 6(2) and (6))	1,699,172	12	-	-
1170 Accounts receivable, net (Note 6(3), (21) and 7)	36,814	-	44,707	-
1200 Other receivables (Note 6(4))	2,595	-	3,828	-
1210 Other receivables - related parties (Note 6(4) and 7)	2,200	-	2,150	-
1300 Inventory - merchandising business	33,679	-	32,945	-
1320 Inventory (applicable to the construction industry) (Note 6(5) and 8)	5,191,591	37	5,625,074	40
1476 Other current financial assets (Note 8 and 9)	492,496	4	392,243	3
1478 Refundable deposits for construction projects (Note 9)	16,818	-	17,419	-
1479 Other current assets, others (Note 7)	52,277	-	40,295	-
1480 Current assets recognized as incremental costs to obtain contract with customers	53,649	1	48,459	-
	<u>8,119,055</u>	<u>58</u>	<u>6,986,235</u>	<u>49</u>
Non-current assets:				
1517 Non-current financial assets at FVTOCI (Note 6(2) and 8)	2,216,220	16	2,230,969	16
1550 Investments accounted for using equity method (Note 6(6))	-	-	944,332	7
1600 Property, plant and equipment (Note 6(8) and 8)	2,049,353	15	2,102,674	15
1755 Right-to-use assets (Note 6(9) and 8)	80,771	1	101,639	1
1760 Investment property, net (Note 6(10) and 8)	1,328,175	9	1,532,406	11
1780 Intangible assets	2,304	-	2,304	-
1840 Deferred tax assets (Note 6(18))	2,012	-	2,264	-
1975 Non-current net defined benefit assets (Note 6(17))	18,167	-	12,739	-
1980 Non-current other financial assets (Note 8)	153,496	1	123,208	1
1990 Other non-current assets, others	16,456	-	17,489	-
	<u>5,866,954</u>	<u>42</u>	<u>7,070,024</u>	<u>51</u>
Total Assets	<u><u>\$ 13,986,009</u></u>	<u><u>100</u></u>	<u><u>14,056,259</u></u>	<u><u>100</u></u>

Pacific Construction Co., Ltd. and Subsidiaries
Consolidated Balance Sheet (Continued)
December 31, 2022 and 2021 (Revised)
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021 (Revised)	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term loans (Note 6(12))	\$ 1,632,895	12	1,185,755	7
2111	Short-term notes and bills payable (Note 6(11))	-	-	240,000	2
2130	Current contract liabilities (Note 6(21) and 9)	325,965	2	212,329	2
2150	Notes and accounts payable	440,881	3	446,552	3
2200	Other payables (Note 7)	926,084	7	851,679	6
2230	Current tax liabilities	15,644	-	25,347	-
2280	Current lease liabilities (Note 6(9) and (15))	10,688	-	12,452	-
2305	Other current financial liabilities	324,472	2	323,891	2
2321	Corporate bonds payable, current portion (Note 6(14))	-	-	260,000	2
2322	Long-term borrowings, current portion (Note 6(13))	130,252	1	801,249	6
2399	Other current liabilities, other	28,296	-	14,255	-
		<u>3,835,177</u>	<u>27</u>	<u>4,373,509</u>	<u>30</u>
Non-Current liabilities:					
2530	Bonds payable (Note 6(14))	480,000	3	250,000	2
2540	Long-term loans (Note 6(13))	271,359	2	629,641	4
2570	Deferred tax liabilities (Note 6(18))	262	-	1,675	-
2580	Non-current lease liabilities (Note 6(9) and (15))	71,195	1	89,947	1
2640	Non-current net defined benefit liability (Note 6(17))	5,172	-	10,373	-
2645	Deposits received	90,920	1	84,241	1
2670	Other non-current liabilities, other	17,388	-	17,845	-
		<u>936,296</u>	<u>7</u>	<u>1,083,722</u>	<u>8</u>
		<u>4,771,473</u>	<u>34</u>	<u>5,457,231</u>	<u>38</u>
Total liabilities					
Equity attributable to owners of parent (Note 6(2), (6) and (19)):					
3110	Ordinary share	3,870,000	28	3,870,000	28
3200	Capital surplus	386,998	3	381,910	3
3310	Legal reserve	1,301,036	9	1,221,329	9
3320	Special reserve	73,133	1	70,421	1
3350	Retained earnings-unappropriated	1,039,704	7	615,474	4
3410	Exchange differences resulting from translating the financial statements of foreign operations	210,499	1	175,948	1
3420	Unrealized gains (loss) from investments in financial assets measured at FVTOCI	602,345	4	609,927	4
3500	Treasury shares	(193,207)	(1)	(193,207)	(1)
	Total equity attributable to owners of parent	7,290,508	52	6,751,802	49
36xx	Non-controlling interest (Note 6(7) and (19))	<u>1,924,028</u>	<u>14</u>	<u>1,847,226</u>	<u>13</u>
	Total equity	<u>9,214,536</u>	<u>66</u>	<u>8,599,028</u>	<u>62</u>
	Total liabilities and equity	<u><u>\$ 13,986,009</u></u>	<u><u>100</u></u>	<u><u>14,056,259</u></u>	<u><u>100</u></u>

(See accompanying Notes to Consolidated Financial Statements)

Pacific Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021 (Revised)
(Expressed in Thousands of New Taiwan Dollars)

		2022		2021 (Revised)	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(21) and 7)	\$ 857,457	100	1,669,031	100
5000	Operating costs (Note 6(5), (16), (17) and (22))	1,262,378	147	1,069,558	64
5900	Gross profit (loss) from operations	(404,921)	(47)	599,473	36
Operating expenses (Note 6(3), (4), (15), (17), (23) and 7):					
6100	Selling expenses	112,406	13	147,681	9
6200	Administrative expenses	371,706	43	341,670	20
6450	Expected credit loss (Gain on reversal of impairment loss)	(5,557)	-	933	-
		478,555	56	490,284	29
6500	Net other income and expenses (Note 6(10))	932,237	109	-	-
	Net operating income	48,761	6	109,189	7
Non-operating income and expenses:					
7100	Interest revenue	3,595	-	1,478	-
7020	Other gains and losses (Note 6(2), (6), (10), (24) and 7)	857,034	100	161,140	10
7050	Finance costs (Note 6(14) and (24))	(88,565)	(10)	(109,227)	(7)
7060	Share of profit of associates and joint ventures accounted for using equity method	11,198	1	46,394	3
		783,262	91	99,785	6
	Net income before tax from continuing operating department	832,023	97	208,974	13
7950	Less: Income tax expense (Note 6(18))	120,387	14	54,848	3
	Net income	711,636	83	154,126	10
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans	11,004	1	8,742	1
8316	Unrealized gains (losses) from equity instrument investments measured at FVTOCI	(11,209)	(1)	1,739	-
8349	Less: Income tax relating to those items not to be reclassified to profit or loss	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(205)	-	10,481	1
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences resulting from translating the financial statements of foreign operations	34,551	4	18,410	-
8399	Less: Income tax relating to those items to be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	34,551	4	18,410	-
8300	Other comprehensive income	34,346	4	28,891	1
8500	Total comprehensive income	<u>\$ 745,982</u>	<u>87</u>	<u>183,017</u>	<u>11</u>
Profit attributable to:					
8710	Owners of parent	\$ 575,726	67	92,004	6
8620	Non-Controlling interest	135,910	16	62,122	4
		<u>\$ 711,636</u>	<u>83</u>	<u>154,126</u>	<u>10</u>
Total comprehensive income attributable to:					
8710	Owners of parent	\$ 611,018	71	117,609	7
8720	Non-Controlling interest	134,964	16	65,408	4
		<u>\$ 745,982</u>	<u>87</u>	<u>183,017</u>	<u>11</u>
Earnings per share (Note 6(20))					
9750	Basic earnings per share (in NT\$)	<u>\$ 1.59</u>		<u>0.25</u>	
9850	Diluted earnings per share (in NT\$)	<u>\$ 1.59</u>		<u>0.25</u>	

Pacific Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021 (Revised)
(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent					Total Other Equity Interest		Treasury Shares	Total Equity Attributable to Owners of Parent	Non-Controlling Interests	Total Equity
	Retained Earnings					Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations	Unrealized Gains (losses) from Financial Assets Measured at FVTOCI				
	Ordinary Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings						
Balance on January 1, 2021 (Revised)	<u>\$ 3,870,000</u>	<u>371,732</u>	<u>1,221,329</u>	<u>55,134</u>	<u>686,665</u>	<u>157,538</u>	<u>609,624</u>	<u>(193,207)</u>	<u>6,778,815</u>	<u>1,814,629</u>	<u>8,593,444</u>
Net income	-	-	-	-	92,004	-	-	-	92,004	62,122	154,126
Other comprehensive income	-	-	-	-	5,841	18,410	1,354	-	25,605	3,286	28,891
Total comprehensive income	-	-	-	-	97,845	18,410	1,354	-	117,609	65,408	183,017
Appropriation and distribution of retained earnings:											
Special reserve appropriated	-	-	-	15,287	(15,287)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(154,800)	-	-	-	(154,800)	-	(154,800)
Cash dividends of the Company received by its subsidiaries	-	-	-	-	-	-	-	-	-	(32,811)	(32,811)
Dividends distributed to subsidiaries to adjust capital surplus	-	10,178	-	-	-	-	-	-	10,178	-	10,178
Proceeds from disposal of equity instruments measured at FVTOCI	-	-	-	-	1,051	-	(1,051)	-	-	-	-
Balance on December 31, 2021 (Revised)	<u>3,870,000</u>	<u>381,910</u>	<u>1,221,329</u>	<u>70,421</u>	<u>615,474</u>	<u>175,948</u>	<u>609,927</u>	<u>(193,207)</u>	<u>6,751,802</u>	<u>1,847,226</u>	<u>8,599,028</u>
Net income	-	-	-	-	575,726	-	-	-	575,726	135,910	711,636
Other comprehensive income	-	-	-	-	8,323	34,551	(7,582)	-	35,292	(946)	34,346
Total comprehensive income	-	-	-	-	584,049	34,551	(7,582)	-	611,018	134,964	745,982
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	79,707	-	(79,707)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	2,712	(2,712)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(77,400)	-	-	-	(77,400)	-	(77,400)
Cash dividends of the Company received by its subsidiaries	-	-	-	-	-	-	-	-	-	(58,162)	(58,162)
Dividends distributed to subsidiaries to adjust capital surplus	-	5,088	-	-	-	-	-	-	5,088	-	5,088
Balance on December 31, 2022	<u>\$ 3,870,000</u>	<u>386,998</u>	<u>1,301,036</u>	<u>73,133</u>	<u>1,039,704</u>	<u>210,499</u>	<u>602,345</u>	<u>(193,207)</u>	<u>7,290,508</u>	<u>1,924,028</u>	<u>9,214,536</u>

Pacific Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flow
For the years ended December 31, 2022 and 2021 (Revised)
(Expressed in Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021 (Revised)</u>
Cash flows from operating activities:		
Net before tax for the period	\$ 832,023	208,974
Adjustment items:		
Adjustments to reconcile profit (loss)		
Depreciation expense	132,418	135,985
Amortization expense	4,927	4,632
Expected credit loss (Gain on reversal of impairment loss)	(5,557)	933
Interest expense	88,565	109,227
Interest revenue	(3,595)	(1,478)
Dividend income	(118,122)	(108,615)
Lease modifications (gains) loss	(568)	594
Share of profit of associates and joint ventures accounted for using equity method	(11,198)	(46,394)
Loss (gains) of disposal and scrapping of property, plant and equipment	(98,017)	373
Gains on disposals of investment property	(932,237)	-
Proceeds from disposal of investments accounted for using equity method	(708,153)	-
Impairment loss of investment property	35,190	-
Other revenue	(437)	(422)
Total adjustments to reconcile profit (loss)	<u>(1,616,784)</u>	<u>94,835</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes & accounts receivable	10,190	70,388
Other receivables	4,522	19,489
Inventories	412,939	311,251
Other current assets	(11,982)	13,359
Other current financial assets	(2,956)	(13,008)
Non-current net defined benefit assets	375	352
Incremental costs to obtaining a contract	(5,190)	(8,721)
Refundable deposits for construction projects	601	(6,315)
Total changes in operating assets	<u>408,499</u>	<u>386,795</u>
Changes in operating liabilities:		
Contract liabilities	113,636	(306,159)
Notes and accounts payable	(5,671)	16,159
Other payables	74,854	(11,250)
Other financial liabilities	7,260	(10,427)
Other current liabilities	14,041	(6,337)
Non-current net defined benefit liability	-	(5,119)
Total changes in operating liabilities	<u>204,120</u>	<u>(323,133)</u>
Total changes in operating assets and liabilities	<u>612,619</u>	<u>63,662</u>
Cash inflow (outflow) generated from operations	(172,142)	367,471
Interest received	3,516	1,478
Interest paid	(90,293)	(107,922)
Income tax paid	(131,251)	(39,375)
Net cash flows from (used in) operating activities	<u>(390,170)</u>	<u>221,652</u>

Pacific Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flow (Continued)
For the years ended December 31, 2022 and 2021 (Revised)
(Expressed in Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021 (Revised)</u>
Cash flows from (used in) investing activities:		
Proceeds from capital reduction of financial assets at FVTOCI	3,540	1,813
Acquisition of property, plant and equipment	(27,502)	(14,345)
Proceeds from disposal of property, plant and equipment	131,791	9
Acquisition of investment property	-	(3,077)
Proceeds from disposal of investment property	1,050,461	-
Other financial assets	(127,585)	(191,022)
Other non-current liabilities	(20)	480
Dividends received	118,122	108,615
Other operating assets	<u>(3,894)</u>	<u>(12,483)</u>
Net cash flows from (used in) investing activities	<u>1,144,913</u>	<u>(110,010)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	447,140	483,685
Short-term notes and bills payable	(240,000)	240,000
Bonds payable	230,000	250,000
Redemption of bonds	(260,000)	(300,000)
Proceeds from long-term loans	5,427	-
Repayments of long-term loans	(1,034,706)	(786,579)
Lease principal repayment	(12,091)	(13,664)
Cash dividends paid	(72,312)	(144,622)
Changes in non-controlling interests	<u>(58,162)</u>	<u>(32,811)</u>
Net cash flows from (used in) financing activities	<u>(994,704)</u>	<u>(303,991)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,390)</u>	<u>26,213</u>
Net decrease in cash and cash equivalents	(241,351)	(166,136)
Beginning cash and cash equivalents	<u>779,115</u>	<u>945,251</u>
Closing cash and cash equivalents	<u>\$ 537,764</u>	<u>779,115</u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021 (Revised)
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company History

Pacific Construction Co., Ltd. (hereinafter referred to as “the Company”) was established on June 14, 1967. On February 2, 1980, the Company began listing and trading with approval of the Financial Supervisory Commission, Securities and Futures Bureau. The Company and its subsidiaries (hereinafter collectively referred to as the "Consolidated Company"), Its primary businesses are contracting civil construction projects, land development and housing construction, housing and building development and rental, general department stores, real estate agency and agency sales, their export business, etc.

2. Approval Date and Procedures of The Consolidated Financial Statements

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors and issued on March 14, 2023.

3. Application of New and Revised Accounting Standards and Interpretations:

- (1) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”).

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

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

The Group assesses that the adoption of the following new amendments, but have not yet to be endorsed by the FSC, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture"
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"
- Amendments to IFRS 16 "Regulations on Sale and Leaseback Transactions"

4. Summary of Significant Accounting Policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

(1) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (collectively as "Taiwan-IFRSs").

(2) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for the following items in the balance sheets:

- 1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments and contingent consideration measured at fair value);
- 2) Net defined benefit liabilities (assets) are recognized as the present value of the defined benefit obligation less the fair value of the plan assets and the effect of the asset ceiling mentioned in note 4(18).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(3) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances and resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income (loss) of a subsidiary is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, financial statements of subsidiaries are adjusted to align the accounting policies with those adopted by the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized in equity and attributed to the shareholders of the Company.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

When the Group loses control over a subsidiary, the assets (including goodwill) and liabilities of the former subsidiary and non-controlling interests are eliminated from the consolidated financial statements at the carrying amount at the date of loss of control. Any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost. The gain or loss on disposal is the difference between: (1) the aggregate of the fair value of the consideration received and the fair value of any investment retained in the former subsidiary at the date when control is lost. And (2), the aggregate carrying amount in assets (including goodwill) and liabilities of subsidiaries and non-controlling interests at the date when control is lost. All amounts previously recognized in other comprehensive income in relation to that subsidiary should be accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(ii) Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements include:

Investor	Name of Subsidiary	Business Nature	Percentage of Ownership (%)		Description
			December 31, 2022	December 31, 2021	
The Company	Pacific Holdings Limited	Investments, Trading	100.00%	100.00%	Subsidiaries in which the Company directly holds more than 50% of the ordinary shares
The Company	Pacific Construction Co., Ltd. (Note 1)	Construction Projects, or Acts as an Agency for Civil Engineering, Construction, Plumbing, Electrical and Air-Conditioning, and Decoration Projects	100.00%	100.00%	Subsidiaries in which the Company directly holds more than 50% of the ordinary shares
The Company	Taitou Xingye Co., Ltd.	General Business	100.00%	100.00%	Subsidiaries in which the Company directly holds more than 50% of the ordinary shares
The Company	Pacific Realtor Co., Ltd.	Real Estate Agency	48.50%	48.50%	Subsidiaries in which the Company directly holds less than 50% of the ordinary shares but has control over
The Company	Pacific Department Stores Co., Ltd.	Department Store	48.45%	48.45%	Subsidiaries in which the Company directly holds less than 50% of the consolidated shareholding but has control over
Taitou Xingye Co., Ltd.	Chon Tse Asset Management Co., Ltd.	Management Consulting Services, General Hotel Industry	100.00%	100.00%	Subsidiaries in which the Company directly holds more than 50% of the ordinary shares
Pacific Holdings Limited	Beijing Taikong Consulting Services Co., Ltd.	Management Consulting Services	100.00%	100.00%	Subsidiaries in which the Company directly holds more than 50% of the ordinary shares

Note 1: The Company has been approved to become an inactive company by the general meeting held in December 2016 in accordance with the Hong Kong Companies Ordinance.

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(4) Foreign currencies

1. Currencies transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (1) Fair value through other comprehensive income equity investment;
- (2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (3) Qualifying cash flow hedges to the extent that the hedge is effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates of the reporting date. Except when an economy is identified as highly inflationary, the income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation differences in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

Except for the construction segment, which usually has a business cycle longer than one year, the criteria for distinguishing between current and non-current for the other segment of the Group are as follows:

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

1. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
2. It holds the asset primarily for the purpose of trading;
3. It expects to realize the asset within twelve months after the reporting period; or

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

4. The asset is cash and 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:

1. It expects to settle the liability in its normal operating cycle;
2. It holds the liability primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the reporting period; or
4. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not impact its classification.

(6) Cash and cash equivalents

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

(7) 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 Group 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.

1. Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

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

2) Fair value through other comprehensive income (“FVOCI”)

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, the Group is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading 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 loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity 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. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group’s right to receive the dividends is established (usually the ex-dividend date).

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets).

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

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

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

initial recognition and when estimating ECL, the Group 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 Group'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 Group considers a financial asset to be in default when the financial asset is more than a year past due or the borrower is unlikely to pay its credit obligations to the Group in full.

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

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

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

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

At each reporting date, the Group 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 a year past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual accounts, the Group's policy is writing off the total carrying amount in financial assets when they are past due for more than a certain period based on the past recovery experience of similar assets. For corporate accounts, the Group 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 Group 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 Group's procedure for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets, 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 Group 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.

2. Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Classification of debt or equity

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

4) 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.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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.

financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) 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 Group 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.

(8) Inventory

The original cost of construction inventories is the expenditure necessary in bringing the inventories to a saleable or production-ready condition and location. When the cost of inventory exceeds the net realizable value, the cost must be written down to its net realizable value, and the amount in the write-down recognized as the cost of goods sold in the period in which it occurs. The net realizable value is determined as follows:

- 1) Land for construction: The net realizable value is based on estimated selling price (based on current market conditions) less estimated selling expenses.
- 2) Construction in process: The net realizable value is based on the estimated selling price (based on current market conditions) less costs to be incurred to completion and selling expenses.
- 3) Property for sale: Net realizable value is the estimated selling price (based on current market conditions) less selling expenses incurred in selling the premises.
- 4) Merchandise inventory: Net realizable value includes the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(9) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale. Immediately before the initial classification of the non-current assets (or disposal groups) as held for sale, the carrying amount of the assets (or all the assets and liabilities in the Group) is measured in accordance with the Group's applicable accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value, less, costs to sell. Any impairment loss on a disposal group will first be allocated to goodwill, and then the remaining balance of impairment loss is allocated to assets and liabilities on a pro rata basis, except for the assets within the scope of IAS 36 - Impairment of Assets, which are continue to be measured in accordance with the Group's accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on re-measurement are recognized in profit or loss; nevertheless, the reversal gains are not recognized in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment are no longer amortized or depreciated when they are classified as held for sale. Besides, the equity method of accounting is discontinued from the date when equity-method investments are classified as held for sale.

(10) Investment in associates

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

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

The parent-company-only consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Group from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the change in equity attributable to its share of the associate as capital surplus in proportion to its equity in the associate.

Unrealized gains and losses arising from transactions between the Group and its associates are recognized in the financial statements only to the extent of the unrelated investor's interests in the associates.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The consolidated company ceases to adopt the equity method from the date when its investment ceases to be an affiliated enterprise, and measures the retained equity based on the fair value. The difference between the fair value of the retained equity and the disposal price and the carrying amount of the investment on the date when the equity method ceases to be adopted is recognized in Current profit and loss. For all the amounts previously recognized in other comprehensive profit or loss related

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

to the investment, the basis of its accounting treatment is the same as that which must be followed if an affiliated enterprise directly disposes of the relevant assets or liabilities, that is, if it is previously recognized in other comprehensive profit or loss. If the profit or loss must be reclassified as profit or loss (or retained earnings) when disposing of related assets or liabilities, when the enterprise stops using the equity method, the profit or loss will be reclassified from equity to profit or loss (or retained earnings). If the merging company's ownership interests in affiliated companies decrease, but the equity method continues to be applied, the merging company will weigh the gains or losses previously recognized in other comprehensive profit or loss related to the decrease in ownership interests in accordance with the reduction ratio in the above-mentioned manner. Classification adjustments.

(11) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment. Cost includes costs directly attributable to the acquisition of investment property. The cost of self-constructed investment property includes raw materials and direct labor, any other costs directly attributable to bringing the investment property to be capable of operating, and borrowing capitalized costs.

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

The rental income of an investment property is recognized in other income on a straight-line basis over the lease term. Lease incentives granted are recognized as part of lease income over the lease term.

When the purpose of investment properties is changed and reclassified as property, plant and equipment, the reclassification is based on the carrying amount at the time of the change of purpose.

(12) Property, plant and equipment

1) Recognition and measurement

Property, plant and equipment are recognized and measured at cost, less accumulated depreciation and eventual impairment. Cost includes expenses that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes raw materials and direct labor, a directly attributable cost to bringing the asset to its intended location and use, the cost of dismantling and removal and site restoration, and the cost of borrowings to capitalize the eligible assets.

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.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2) Subsequent cost

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

3) Depreciation

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

Land is not depreciated.

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

Buildings	5～55 years
Machinery and equipment	3～10 years
Other equipment	2～10 years

Depreciation method, useful life and residual value at each reporting date are reviewed by the Group. If expectations differ from previous estimates, appropriate adjustments are made when necessary, and any change is accounted for prospectively as a change in accounting estimate.

(13) Lease

At inception of a contract, the Group 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.

1) As a lessee

The Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

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.

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 Group'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 a 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 Group 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.

For short-term leases or leases of low-value underlying assets for certain land, buildings and structures, office equipment and transportation equipment, The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions are assessed in accordance with IFRS 15 to determine whether the transfer of an asset by the seller-lessee satisfies the requirements of IFRS 15. If the asset is judged as a sale, the asset is derecognized, and the part of the right that has been transferred to the seller-lessee is recognized as profit or loss. The lessee accounting model is applied to the leaseback transaction and the right-to-use asset is measured at the original carrying amount in the leased back portion. If it is judged that the requirements for the disposal of sales are not met, it will be treated as financing.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2) As a lessor

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

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

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

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(14) Intangible assets

1) Recognition and measurement

The Group's acquisition of other intangible assets with finite useful lives and non-determined service life is measured at cost less accumulated amortization and accumulated impairment losses.

2) Subsequent expenditure

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

3) Amortization

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

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

Computer software	1 ~ 5 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(15) Impairment of non-financial assets

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

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

If the recoverable amount in an individual asset or cash-generating unit is less than its carrying amount, the Group must recognize an impairment loss.

An impairment loss is recognized immediately in profit or loss. It reduces the carrying amount in the amortized goodwill of the cash-generating unit first. It then reduces the carrying amount in each asset in proportion to the carrying amount in each other asset in the unit.

Non-financial assets other than goodwill are reversed only to the extent that the carrying amount in the asset (excluding depreciation or amortization), determined when the asset was not recognized for the prior impairment loss.

(16) Provision for Liabilities - Excise Duty

Provisions for liabilities are recognized when the Group has a present obligation as a result of a past event, and a transfer of economic benefits will probably be required to settle the obligation and the amount in the obligation can be reliably estimated. The provision for liabilities is discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liabilities. The amortization of the discount is recognized as an interest expense.

When purchasing the asset, or using the asset for purposes other than the production of inventories during a specific period, the original estimated cost of dismantling and removing the asset and restoring the site arising from the acquisition of the asset or the use of the asset for purposes other than the production of inventory during a specific period should be recognized as interest expense annually at the original discount rate. The carrying amount should be increased until the asset is removed from service at the end of its useful life. At this time, the carrying amount is accumulated to the estimated cost of removal from service.

(17) Revenue Recognition

1) Revenue from customer contracts

Revenue is measured as the consideration to which the Company expects to be entitled in exchange for the transfer of goods and services. The Group recognizes revenue when the performance obligation is satisfied by transferring control over a customer's good or service. The Group's major revenue items are described as follows:

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(1) Land development and property sale

The Group develops and sells residential real estate and often pre-sells real estate during or before construction. The Group recognizes revenue when the control of the real estate is transferred. Due to contractual restrictions, such real estate is not usually used for other purposes by the Group. However, after completion of delivery or transfer of legal title of the real estate to the customer, the Group has an enforceable right to payment for performance completed to date. Accordingly, the Group recognizes revenue at the point of completion of transferring the legal title of the property or real estate to the customer.

Revenue is measured based on the transaction price of a contractual agreement. Upon selling a completed house, in most cases, consideration may be received upon the transfer of legal title to real estate; in few cases, payment may be deferred in accordance with contractual agreements, but the deferral period should not exceed 12 months. Accordingly, the transaction price is not adjusted to reflect the impact of the significant financial components. In the case of pre-sale of real estate, payment is usually received between the signing of the contract and the transfer of the real estate to the customer in installments. Where the contract contains a significant financial component, the transaction price is adjusted during the period to reflect the effects of the time value of money according to the interest rate of the proposed project borrowing. The amounts received in advance are recognized as contract liabilities. When the effect of the time value of money adjustment is judged to be necessary, interest expense and contract liabilities are recognized. Accumulated contract liabilities are reclassified as income when a property is transferred to customers.

Some contracts contain multiple deliverables, such as the sale of residential real estate and decorating services - decorating services are deemed as a separate performance obligation, and the transaction price is apportioned on a stand-alone selling price basis. If there is no observable price, the stand-alone selling price is estimated based on the expected cost and profit. Decorating services are recognized as revenue at the point of completion of the service.

(2) Customer loyalty program

The Group uses customer loyalty programs to incentivize customers to buy goods or services. Customers buying goods or services are granted customer points, which can be redeemed for awards such as discounted goods or services. The Group considers that these points provide customers with important rights that would not have incurred if the contract had not been obtained, and therefore the commitment to provide points to customers is a performance obligation. The Group appends the product's transaction price and those points on a relative stand-alone selling price basis. Based on historical experience, management estimates the stand-alone selling price of each point based on the discount given when the point is redeemed and the possibility of redemption. The stand-alone selling price when it is sold based on the retail price of the product. The Group recognizes contract liabilities on the aforementioned basis at the sale of products and reclassified as revenue when these points are transferred or expired.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(3) Service

The Group engages in Real estate agency and Real estate agency, and recognizes relevant revenue in which financial reporting of services is performed. Fixed-price contracts are recognized as revenue based on the ratio of services actually rendered to total services as of the reporting date. This ratio is determined by the ratio of incurred costs to the estimated total cost of the transaction.

If circumstances change, revenues, costs and completion will be revised and the changes will be reflected in gains and losses in the period of the change in which the management is informed of.

Under a fixed-price contract, customers pay a set amount according to the agreed schedule. When the amount paid exceeds, the amount paid for the services rendered, a contract asset is recognized; when the amount paid exceeds the amount paid for the services rendered, a contract liability is recognized. (4) Lease income

Lease income generated from investment property is recognized over the lease term on a straight-line basis. Lease incentives given are considered part of the total lease income and are recognized as a reduction of lease income over the lease term on a straight-line basis. Revenue from a property sublease is recognized as lease income from investment properties under operating income.

(5) Special revenue from department store counters

When the Group acts as an agent rather than a principal in a transaction, revenue is recognized on the net commission basis received.

(6) Hotel service provision

The Group provides hotel room accommodation, catering and other labor services, and recognizes related income during the financial reporting period for the provision of labor services.

Some contracts contain multiple delivery items, most of which are simple projects that do not include integrated services and can be executed by other parties, so they are regarded as a separate performance obligation, and the transaction price is shared on the basis of the stand-alone selling price. If there is no directly observable price, estimate the stand-alone selling price based on expected cost-plus profit

(7) Financial components

The Group expects that the time interval between the transfer of a good or service from all customer contracts to customers and when customers pay for the goods or services will not exceed one year. Therefore, the Group does not adjust the time value of money of the transaction price.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2. Cost of customer contracts

(1) Incremental costs of obtaining a contract

The Group 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 Group 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 Group adopts the practical expedient method of the Standard. If the incremental cost of obtaining a contract is recognized as an asset and the asset is amortized over a period of one year or less, the incremental cost is recognized as an expense when incurred.

(18) Employee Benefit

1. Defined contribution plan

The contribution obligation of the defined contribution pension plan is recognized as an expense over the period of service provided by the employees.

2. Def

The Group's net obligation for defined benefit plans is calculated by discounting the present value of future benefit amounts earned by employees for current or prior service, deduct the fair value of any plan assets.

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

3. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the 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.

(19) Income Taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, 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. 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 not recognized for the following:

- 1) Assets and liabilities that are initially recognized from non-business combination transactions, with no effect on net income or taxable gains (losses).
- 2) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group 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
- 3) taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses available for carry-forward, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits and deductible temporary differences are also re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized.

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

- 1) if the entity has the legal right to settle tax assets and liabilities on a net basis; and
- 2) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - (i) levied by the same taxing authority; or
 - (ii) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation; or where the timing of asset realization and debt liquidation is matched.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(20) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Group. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Group divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. Potential dilutive ordinary shares of the Group include stock dividends to employees.

(21) Operating segments

The operating segment, which is a component of the Group, engages in operating activities that earn revenue and incurs expenses, including revenues and expenses relating to transactions with other Consolidated Company components. The operating results of all operating segments are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. For which discrete financial information is available.

5. Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

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

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

The accounting policies involve significant judgment and have a material effect on the amounts recognized in the financial statements as follows:

(1) Judgment on whether it has a significant influence on the invested company

The merged company holds more than 20% of the shares of Beijing Tai-Yun Building Co., Ltd. (hereinafter referred to as Beijing Taiyun), but because other controlling shareholders dominate the operation of the board of directors of Beijing Taiyun, the merged company cannot effectively exercise its board of directors and actually participate in major operations. Therefore, the merged company reassessed whether it still had significant influence in the fourth quarter of 2022 and considered the opinions of external lawyers. After the resolution of the board of directors of the merged company, the merged company no longer had a significant influence on Beijing Taiyun. This merged company ceased to adopt the equity method from the resolution date of the board of directors, and adjusted the corresponding subjects according to the accounting treatment of the loss of significant influence.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(2) Rental period

The decision on the lease term is the non-cancellable period of the lease and the lessee can reasonably determine the period covered by the option to exercise the lease extension, and the lessee can reasonably determine the period covered by the option to not exercise the lease termination option. When assessing whether the lessee exercises the aforementioned options, the combined company considers all relevant facts and circumstances that will generate economic incentives for the lessee. It will be reassessed when there are subsequent major events or circumstances that are within the lessee's control and will affect whether it can reasonably determine whether to exercise or not exercise the option. When there is a change in the assessment during the lease period, the lease liability is re-evaluated and the right-of-use asset is adjusted. Please refer to Note 6 (9) for details.

(3) Judgment on Lease

The Group leases the land rights and houses. Since the contract involves the use of an identified asset, the right to obtain all economic benefits during the entire period of use; and the right to direct the use of the identified asset. Accordingly, the merging company determined that the contract was a lease, and the merging company recognized the right-to-use assets and lease liabilities on the lease start date. Please refer to Note 6 (9) for details.

(4) Judgment on whether the Group has substantial control over its subsidiaries

The Group holds less than half of the voting rights of Pacific Realtor and Pacific Department Stores Co., Ltd. However, it considers that the remaining shares of these companies are extremely fragmented, and the level of participation of other shareholders in past shareholders' meetings indicates that the Group has the practical ability to direct the relevant activities unilaterally. Also, there is no indication that there is an agreement among other shareholders to make collective decisions. Accordingly, the Group deems Pacific Realtor and Pacific Department Store Co., Ltd. as its subsidiaries. Please refer to Note 6(7).

(5) Judgment of Commission Income Principal and Agent

The Group's role in commission income (the counter net income) transactions is an agent rather than a principal as the Group assesses that it does not have control over specific commodities prior to transferring them to customers. The following judgmental factors are taken into account:

- 1) the Group is not obligated to provide the goods when the supplier is unable to transfer the goods to the customer or responsible for the goods' acceptability.
- 2) the Group does not promise to obtain goods from suppliers before customers purchase them, and nor does the Group have any responsibility for damaged goods or returned goods.
- 3) the Group shall not adjust the sales price set by the supplier by more than 1%.

The following assumptions and estimated uncertainties have a significant risk of causing significant adjustments to the book value of assets and liabilities in the next financial year, and have reflected the impact of the new crown virus epidemic. The relevant information is as follows:

1) Allowance for losses on accounts receivable

The allowance for losses on the Group's accounts receivable is estimated based on the assumption of default risk and expected loss rate. The Group considers historical experience, current market conditions and forward-looking estimates at each reporting date in determining assumptions and input selected when calculating impairments. For details associated with assumptions and inputs, please refer to Note 6(3).

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2) Valuation of Inventory

As inventories are measured at the lower of cost or net realizable value, the evaluation of the Group's net realizable value of inventories at the reporting date is based on estimates of future market sales prices and constructions costs which are prone to be affected by changes in the political and economic environment, resulting in significant changes in net realizable value. For details of the valuation of inventory, please refer to Note 6(5)

3) Determine the measure of benefit obligations

The defined benefit costs and net defined benefit liabilities (assets) that should be recognized in the defined benefit retirement plan are actuarially evaluated using the projected unit benefit method, and the actuarial assumptions used include discount rate, employee turnover rate and future salary increase rate, etc. Changes in these assumptions as a result of changes in market and economic conditions could materially affect the amounts of expenses and liabilities recognized. For details of the description of the significant actuarial assumptions and sensitivity analysis used by the actuarial please refer to Note 6 (17)

Valuation process

The Group's accounting policies and disclosures include adopting fair value measurements for its financial and non-financial assets and liabilities. The Group has established an internal control system for fair value measurement. The internal control system includes establishing a valuation team responsible for reviewing all significant fair value measurements (including Level 3 fair values). The team reports directly to the CFO. The valuation team reviews significant unobservable inputs and makes adjustments regularly. If external third-party information (such as a broker or pricing service) is used to measure fair value inputs, the valuation team will evaluate the evidence provided by the third party to support the inputs to determine whether the valuation and its fair value hierarchy classification meet the requirements of IFRS.

Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

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

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

Level 3: inputs for the assets or liabilities that are not based on observable market data.

Further information on the assumptions used to measure fair value

For details associated with the assumptions used to measure fair value, please refer to Note 6(25) – Financial Instruments.

6. Explanation of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash	\$ 31,542	26,194
Demand deposit and Check deposit	408,730	629,171
Deposit account	97,492	123,750
Cash and cash equivalents in the Consolidated Cash Flows Statements	<u><u>\$ 537,764</u></u>	<u><u>779,115</u></u>

For the disclosed information on the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group, please refer to Note 6(25).

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(2) Financial Assets at Fair Value through Other Comprehensive Income (“FVTOCI”)

	December 31, 2022	December 31, 2021
Equity instruments measured at FVTOCI:		
Current:		
Unlisted (OTC) stocks - Foreign	\$ 1,699,172	-
Non-Current:		
Listed (OTC) stocks - Domestic	\$ 124,775	128,464
Unlisted (OTC) stocks - Domestic, Foreign	2,091,445	2,102,505
	<u>2,216,220</u>	<u>2,230,969</u>
Total	<u>\$ 3,915,392</u>	<u>2,230,969</u>

- 1) The equity instrument investment held by the Group is a long-term strategic investment and not held for trading purposes, so it has been designated to be measured at FVTOCI.
- 2) The Group through the aforementioned investments in equity instruments designated as measured at FVTOCI, the Group’s recognized dividend income for 2022 and 2021 totaled NT\$118,122 thousand and NT\$108,615 thousand, respectively.
- 3) Capital reduction to return capital NT3,540 thousand of equity instrument investment held by the Group in 2022. In addition, the Group sold part of equity instruments measured at FVTPL in 2021. The fair value at the time of disposal was NT\$1,813 thousand, and the accumulated disposal benefit was NT\$1,051 thousand. Therefore, the accumulated disposal benefit has been transferred from other interests to retained earnings.
- 4) In the fourth quarter of 2022, the consolidated company reconciled the affiliated company that adopted the equity method - Beijing Taiyun Building Co., Ltd., which lost its significant influence. Since then, it stopped using the equity method and re-measured the retained equity according to the fair value. Please refer to Notes 5 (1) and 6 (6) for relevant information.
- 5) For market risk information, please refer to Note 6(25).
- 6) For details of the above financial assets pledged as collaterals for bank loans and financing guarantees pledged. Please refer to Note 8.

(3) Notes receivable and Account receivable

	December 31, 2022	December 31, 2021
Notes receivable - arising from operations	\$ 1,232	311
Accounts receivable - measured at amortized cost	92,359	104,060
Less: Allowance for losses	<u>(56,777)</u>	<u>(59,664)</u>
	<u>\$ 36,814</u>	<u>44,707</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including general economic and related industry information.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

The expected credit losses of the note receivables and trade receivables were as followed:

	December 31, 2022		
	Gross Carrying Amount	Weighted-Average Loss	Loss Allowance Provision
Current	\$ 21,774	0.06%	14
Less than 30~360 days past due	18,779	20.52%	3,854
Past due 361~720 days	33	51.52%	17
More than 720 days past due	53,005	99.79%	52,892
	<u>\$ 93,591</u>		<u>56,777</u>

	December 31, 2021		
	Gross Carrying Amount	Weighted-Average Loss	Loss Allowance Provision
Current	\$ 25,470	0.06%	15
Less than 30~360 days past due	22,036	14.73%	3,245
Past due 361~720 days	2,869	91.81%	2,634
More than 720 days past due	53,996	99.58%	53,770
	<u>\$ 104,371</u>		<u>59,664</u>

The changes of loss allowance of notes and accounts receivable of the Group is as follows:

	2022	2021
Balance at beginning of the year	\$ 59,664	81,192
Impairment losses recognized	-	1,014
Reversal of impairment loss	(2,218)	-
Amounts written off	(72)	(22,106)
Reclassification	(703)	(160)
Gains and losses from foreign currency translation	106	(276)
Balance at end of the year	<u>\$ 56,777</u>	<u>59,664</u>

The above financial assets were not pledged or guaranteed for the years ended December 31, 2022 and 2021. Other credit risk information, please refer to Note 6(25).

(4) Other receivables (Include long-term)

	December 31, 2022	December 31, 2021
Other receivables (Include long-term) - Loans of funds	\$ 920,140	829,354
Other receivables (Include long-term) - Other	1,933,566	1,937,384
Less: Allowance for losses	(2,848,911)	(2,760,760)
	<u>\$ 4,795</u>	<u>5,978</u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

The Group's other accounts receivable allowance for losses debt changes for 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of the year	\$ 2,760,760	3,000,779
Reversal of impairment loss	(3,339)	(81)
Amounts written off	-	(216,127)
Reclassification	703	160
Gains and losses from foreign currency translation	90,787	(23,971)
Balance at end of the year	<u>\$ 2,848,911</u>	<u>2,760,760</u>

Note: Evaluation of other receivables of Beijing Tai-Yun Building Co., Ltd. Please refer to Note 6(6) and 9(2).

Other credit risk information, please refer to Note 6(25).

(5) Inventory - construction

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings and land held for sale	\$ 1,203,921	1,252,736
Construction land	3,397,801	3,320,051
Construction in progress	2,257,754	2,382,790
Prepayment for land	12,725	12,169
Total	6,872,201	6,967,746
Less: Allowance to reduce inventory to market	(1,680,610)	(1,342,672)
Net	<u>\$ 5,191,591</u>	<u>5,625,074</u>
Inventory expected to be recovered in more than 12 months	<u>\$ 4,288,974</u>	<u>4,899,093</u>

- 1) December 31, 2022 and 2021, the inventories of the Group had been pledged as collateral for bank borrowings, please refer to Note 8.
- 2) Some parts of Wanli UFO Village, Wanli Section, Erchong River, Lihe Section in Xinyi District and Yongping Section in Shilin District have already entered an appointment agreement and trust deed agreement with trustees and will be transferred to The Group at an appropriate time.
- 3) Agricultural land under the trust under a trust deed is the agricultural land be developed for construction. An appointment agreement and trust deed agreement have been entered into with trustees and transferred to the Group after the land title is changed.
- 4) For the years ended December 31, 2022 and 2021, the capitalization of interest on construction in progress by the Group, please refer to Note 6(24).
- 5) For the years ended December 31, 2022 and 2021, the Group decided to convert the inventory to self-use building, and reclassify the real estate as property, plant and equipment at the cost of change of use, please refer to Note 6(8).

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

6) Allowance to reduce inventory to market

Changes in the allowance to reduce inventory to market for 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of the year	\$ 1,342,672	1,351,480
Recognized inventory falling price loss (gain from price recovery)	<u>337,938</u>	<u>(8,808)</u>
Balance at end of the year	<u>\$ 1,680,610</u>	<u>1,342,672</u>

In 2022, due to the reduction of the inventory to the net realizable value, the recognized inventory falling price loss and reported as the cost of goods sold. The Group's reversal benefits of impairment losses were due to the sale of certain inventories in 2021. Factors that caused the net realizable value to be lower than cost have disappeared, resulting in an increase in net realizable value and the recognition of a decrease in operating costs.

(6) Investments accounted for using equity method

1. Associates

Information on affiliates that are significant to the Group:

<u>Associates Name</u>	<u>Nature of Relationship with the Group</u>	<u>Principal Places of Business / Country of Registration</u>	<u>Ratio of Ownership Rights and Voting Rights</u>	
			<u>December 31, 2022</u>	<u>December 31, 2021</u>
Beijing Tai-Yun Building Co., Ltd. (Note)	Wholesale and retail commercial facilities within the planning area of development, construction, sales and leases	China	47.50%	47.50%

Summarized financial information of the Group's significant associates is as follows - the financial information has been adjusted from the amounts included in the IFRS consolidated financial statements of each associate to reflect the fair value adjustments by the Group when obtaining the associate's equity interest and adjustments for differences in accounting policies:

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

Summarized financial information of Beijing Tai-Yun Building Co., Ltd.

	December 31, 2021
Current assets	\$ 1,277,256
Non-current assets	2,219,328
Current liabilities	(1,394,685)
Non-current liabilities	(113,832)
Net assets attributable to owners of investment companies	<u>\$ 1,988,067</u>

	2022	2021
Operating revenue	<u>\$ -</u>	<u>-</u>
Other revenue (Note)	<u>\$ 191,419</u>	<u>363,881</u>
Net income of continuing business units for the period	\$ 23,574	97,673
Other comprehensive income	59,383	(14,733)
Total comprehensive income attributable to owners of investment companies	<u>\$ 82,957</u>	<u>82,940</u>

Note: For other revenue, please refer to Note 9.

	2022	2021 (Revised)
The Group's share of net assets of associate at the beginning of the period	\$ 944,332	904,936
Total comprehensive income attributable to the Group for the period	39,404	39,396
Stop using the equity method	(983,736)	-
The Group's share of net assets of associate at the end of the period	<u>\$ -</u>	<u>944,332</u>

2. Guarantee

For the years ended December 31, 2021, the Group's investments accounted for using the equity method were not pledged as collateral.

3. The Group passed a resolution of the board of directors on December 15, 2020 to sell the equity of Beijing Tai-Yun Building Co., Ltd. an affiliated company evaluated by the equity method, and classified it as non-current assets for sale in accordance with International Financial Reporting Standards 5, based on the lower of their book value and fair value minus the cost of sale, are transferred to the amount of non-current assets to be sold NT\$928,622 thousand; transfer will also be listed after assessing the recovery progress of the Group's other receivable claims The impairment loss of US\$14,654 thousand (NT\$419,670 thousand), for the relevant information, please refer to Note 9(2).

Later, due to changes in the economic environment and the impact of the Covid-19 epidemic, the above-mentioned assets could not be sold within the expected period. The merged company reassessed the recognition requirements for non-current assets to be sold in the fourth quarter of 2022, because it was beyond the control of the company. Due to the situation, the commitment to the asset sales plan cannot be maintained, so the merged company stopped classifying it as non-current assets to be sold, and therefore revised the financial statements of the comparative period. The impact is explained as follows:

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

Consolidated Balance Sheet on January 1, 2021

	Before Revision Amount	Effect	Revised Amount
Non-current assets held for sale	\$ 928,622	(928,622)	-
Investments accounted for using equity method	-	904,936	904,936
Retained earnings-unappropriated	689,476	(2,811)	686,665
Exchange differences resulting from translating the financial statements of foreign operations	178,413	(20,875)	157,538

Consolidated Balance Sheet on December 31, 2021

	Before Revision Amount	Effect	Revised Amount
Non-current assets held for sale	\$ 928,622	(928,622)	-
Investments accounted for using equity method	-	944,332	944,332
Retained earnings-unappropriated	571,891	43,583	615,474
Exchange differences resulting from translating the financial statements of foreign operations	203,821	(27,873)	175,948

Consolidated Statements of Comprehensive Income on 2021

	Before Revision Amount	Effect	Revised Amount
Share of profit of associates and joint ventures accounted for using equity method	\$ -	46,394	46,394
Other comprehensive income	25,408	(6,998)	18,410

4. The merged company has lost its significant influence on Beijing Taiyun Building Co., Ltd. after reassessment by the board of directors of the merged company in the fourth quarter of 2022. Therefore, from the date of resolution of the board of directors, the equity method for Beijing Taiyun Building Co., Ltd. will be stopped. And re-measure the retained equity according to the fair value. The difference between the fair value of the retained equity and the carrying amount of the investment on the day when the equity method is stopped is recognized in the current profit and loss. The total disposal interest is NT\$708,153,000. Please refer to Notes 5 (1), 6 (2) and (24) for details in the financial assets measured at fair value through other comprehensive profit and loss in the balance sheet and other gains and losses in the consolidated comprehensive profit and loss statement.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(7) Subsidiaries with material non-controlling interests

Subsidiaries with material non-controlling interests to the Group are as follows:

Name of Subsidiary	Principal Places of Business / Country of Registration	Percentage of Ownership Interest and Voting Right of Non-Controlling Interests	
		December 31, 2022	December 31, 2021
Pacific Department Stores Co., Ltd.	R.O.C.	51.55%	51.55%

The following combined financial information, prepared in conformity with the Regulations and IFRSs approved by the FSC, reflects any adjustments to the fair value at the acquisition date and adjustments to accounting policy differences. The amount of inter-company transactions before elimination are as follows:

Combined financial information on Pacific Department Stores Co., Ltd.:

	December 31, 2022	December 31, 2021
Current assets	\$ 212,905	136,388
Non-current assets	3,741,985	3,903,153
Current liabilities	(194,484)	(250,963)
Non-current liabilities	(7,861)	(57,552)
Net assets	<u>\$ 3,752,545</u>	<u>3,731,026</u>
Carrying amount of ending non-controlling interests	<u>\$ 1,832,031</u>	<u>1,813,216</u>
	2022	2021
Operating revenue	<u>\$ 339,537</u>	<u>339,274</u>
Net income	\$ 145,546	111,909
Other comprehensive income	(21,685)	(1,790)
Total comprehensive income	<u>\$ 123,861</u>	<u>110,119</u>
Attributable to non-controlling interests, net profit for the period	<u>\$ 75,024</u>	<u>57,686</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 71,569</u>	<u>59,299</u>
	2022	2021
Cash flows from operating activities	\$ 36,741	50,137
Cash flows from investing activities	227,923	114,102
Cash flows from financing activities	(191,716)	(160,048)
Net increase in cash and cash equivalents	<u>\$ 72,948</u>	<u>4,191</u>
Dividends paid to non-controlling interests	<u>\$ (52,754)</u>	<u>(31,653)</u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(8) Property, plant and equipment

1. In 2022 and 2021, details of changes in cost, depreciation, and impairment loss of property, plant, and equipment of the Group are as follows:

	Land	Buildings and Construction	Machinery Equipment	Other Equipment	Construction in Progress	Total
Cost or Deemed Cost:						
Balance on January 1, 2022	\$ 1,250,353	1,701,955	120,244	306,768	400	3,379,720
Addition	-	-	1,227	19,853	6,422	27,502
Disposal and Scrap	(30,610)	(7,395)	(10,650)	(2,200)	-	(50,855)
Reclassification from Inventory	-	-	-	21,089	-	21,089
Reclassification from Right-of-use Asset	-	-	392	-	-	392
Balance on December 31, 2022	<u>\$ 1,219,743</u>	<u>1,694,560</u>	<u>111,213</u>	<u>345,510</u>	<u>6,822</u>	<u>3,377,848</u>
Balance on January 1, 2021	\$ 1,115,958	1,251,056	115,380	295,953	-	2,778,347
Addition	-	679	1,794	11,872	-	14,345
Reclassification from Inventory	-	15,139	-	116	400	15,655
Reclassification from Prepaid for the Construction	-	-	-	512	-	512
Reclassification from Investment Property	134,395	435,081	3,078	-	-	572,554
Disposal and Scrap	-	-	(8)	(1,685)	-	(1,693)
Balance on December 31, 2021	<u>\$ 1,250,353</u>	<u>1,701,955</u>	<u>120,244</u>	<u>306,768</u>	<u>400</u>	<u>3,379,720</u>
Depreciation and Impairment Losses:						
Balance on January 1, 2022	\$ 4,722	937,679	104,606	230,039	-	1,277,046
Depreciation	-	34,499	4,628	29,011	-	68,138
Disposal and Scrap	-	(5,869)	(9,097)	(2,115)	-	(17,081)
Reclassification from Right-of-use Asset	-	-	392	-	-	392
Balance on December 31, 2022	<u>\$ 4,722</u>	<u>966,309</u>	<u>100,529</u>	<u>256,935</u>	<u>-</u>	<u>1,328,495</u>
Balance on January 1, 2021	\$ 4,722	703,786	96,557	203,834	-	1,008,899
Depreciation	-	32,408	7,870	27,515	-	67,793
Reclassification from Investment Property	-	201,485	180	-	-	201,665
Disposal and Scrap	-	-	(1)	(1,310)	-	(1,311)
Balance on December 31, 2021	<u>\$ 4,722</u>	<u>937,679</u>	<u>104,606</u>	<u>230,039</u>	<u>-</u>	<u>1,277,046</u>
Carrying Amount:						
December 31, 2022	<u>\$ 1,215,021</u>	<u>728,251</u>	<u>10,684</u>	<u>88,575</u>	<u>6,822</u>	<u>2,049,353</u>
January 1, 2021	<u>\$ 1,111,236</u>	<u>547,270</u>	<u>18,823</u>	<u>92,119</u>	<u>-</u>	<u>1,769,448</u>
December 31, 2021	<u>\$ 1,245,631</u>	<u>764,276</u>	<u>15,638</u>	<u>76,729</u>	<u>400</u>	<u>2,102,674</u>

2. For the years ended December 31, 2022 and 2021, details of bank loans and financing guarantees pledged, please refer to Note 8.
3. For the years ended December 31, 2022 and 2021, the Group decided to convert the inventory and investment real estate into a building for self-use, and has reclassified the cost of such property as a property, plant and equipment at the cost of the change of use, please refer to Note 6(5) and (10).

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(9) Right-of-use assets

Details of changes in cost and depreciation of land surface rights, buildings and construction and transport equipment of the Group are as follows:

	<u>Land Surface Rights</u>	<u>Buildings and Construction</u>	<u>Transportation Equipment</u>	<u>Total</u>
Cost of Right-of-use Assets:				
Balance on January 1, 2022	\$ 95,774	40,922	3,183	139,879
Additions	-	1,789	-	1,789
Early Termination	-	(962)	-	(962)
Changes in Future Lease Payment	(8,899)	-	(75)	(8,974)
Reclassification to Property, Plant and Equipment	-	-	(392)	(392)
Balance on December 31, 2022	<u><u>\$ 86,875</u></u>	<u><u>41,749</u></u>	<u><u>2,716</u></u>	<u><u>131,340</u></u>
Balance on January 1, 2021	\$ 86,467	36,714	3,184	126,365
Changes in Future Lease Payment	9,306	-	-	9,306
Additions	-	5,803	-	5,803
Early Termination	-	(717)	-	(717)
Deductions	-	(878)	-	(878)
Balance on December 31, 2021	<u><u>\$ 95,773</u></u>	<u><u>40,922</u></u>	<u><u>3,184</u></u>	<u><u>139,879</u></u>
Depreciation for Right-of-use Assets:				
Balance on January 1, 2022	\$ 13,160	23,126	1,954	38,240
Depreciation	4,003	8,848	612	13,463
Early Termination	-	(742)	-	(742)
Reclassification to Property, Plant and Equipment	-	-	(392)	(392)
Balance on December 31, 2022	<u><u>\$ 17,163</u></u>	<u><u>31,232</u></u>	<u><u>2,174</u></u>	<u><u>50,569</u></u>
Balance on January 1, 2021	\$ 9,157	15,321	1,260	25,738
Depreciated	4,003	8,130	694	12,827
Early Termination	-	(325)	-	(325)
Balance on December 31, 2021	<u><u>\$ 13,160</u></u>	<u><u>23,126</u></u>	<u><u>1,954</u></u>	<u><u>38,240</u></u>
Carrying Amount:				
December 31, 2022	<u><u>\$ 69,712</u></u>	<u><u>10,517</u></u>	<u><u>542</u></u>	<u><u>80,771</u></u>
January 1, 2021	<u><u>\$ 77,310</u></u>	<u><u>21,393</u></u>	<u><u>1,924</u></u>	<u><u>100,627</u></u>
December 31, 2021	<u><u>\$ 82,613</u></u>	<u><u>17,796</u></u>	<u><u>1,230</u></u>	<u><u>101,639</u></u>

For the years ended December 31, 2022 and 2021, details of bank loans and financing guarantees pledged, please refer to Note 8.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(10) Investment property

Investment properties include the Group's self-held assets and office buildings leased to third parties as operating leases. The initial non-cancellable period of the leased investment properties is two months to twenty-one years, while some lessees have the option to extend the period at the end of the lease. Details of changes in the Group's investment properties:

	Self-Owned Assets		
	Land and Improvement	Buildings and Construction	Total
Cost or Deemed Cost:			
Balance on January 1, 2022	\$ 307,311	2,712,015	3,019,326
Disposal	(63,763)	(142,901)	(206,664)
Balance on December 31, 2022	<u>\$ 243,548</u>	<u>2,569,114</u>	<u>2,812,662</u>
Balance on January 1, 2021	\$ 441,707	3,147,096	3,588,803
Addition	-	3,077	3,077
Reclassification to Property, Plant and Equipment	(134,396)	(438,158)	(572,554)
Balance on December 31, 2021	<u>\$ 307,311</u>	<u>2,712,015</u>	<u>3,019,326</u>
Depreciation and Impairment Losses:			
Balance on January 1, 2022	\$ -	1,486,920	1,486,920
Depreciation	-	50,817	50,817
Impairments	-	35,190	35,190
Disposal	-	(88,440)	(88,440)
Balance on December 31, 2022	<u>\$ -</u>	<u>1,484,487</u>	<u>1,484,487</u>
Balance on January 1, 2021	\$ -	1,633,220	1,633,220
Depreciation	-	55,365	55,365
Reclassification to Property, Plant and Equipment	-	(201,665)	(201,665)
Balance on December 31, 2021	<u>\$ -</u>	<u>1,486,920</u>	<u>1,486,920</u>
Carrying Amount:			
December 31, 2022	<u>\$ 243,548</u>	<u>1,084,627</u>	<u>1,328,175</u>
January 1, 2021	<u>\$ 441,707</u>	<u>1,513,876</u>	<u>1,955,583</u>
December 31, 2021	<u>\$ 307,311</u>	<u>1,225,095</u>	<u>1,532,406</u>
Fair Value:			
December 31, 2022			<u>\$ 2,724,320</u>
December 31, 2021			<u>\$ 2,914,457</u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

1. In 2022, due to the change of the use purpose of some assets and the impact of the local environment, the Group assessed that the recoverable amount of some investment property was lower than the book value, and recognized the impairment loss of NT\$35,190 thousand, which was recorded as other gains and losses items.
2. The fair value of investment properties is determined on the basis of a valuation of an independent appraiser (with relevant professional qualification and should have recent experience in the location and category of the investment property evaluated). The valuation is mostly performed based on the weighted average of the income method and the comparative method.
3. Investment properties include a number of commercial properties leased to others. Each lease contract includes an initial non-cancellable term of two months to twenty-one years. The subsequent lease renewals can be negotiated with the lessee. In addition, the Group decided to change the leased building to self-use, so it transferred from Investment Property to real estate, plant and equipment, please refer to Note 6(8).
4. For the years ended December 31, 2022 and 2021, The Group entered into a trust contract with its employees due to participating in the land development project. The Group designated them as the nominees of the land and building ownership registration. In order to ensure the preservation of the Group's assets, the Group has registered the property right with notice and all titles are kept by the Group.
5. The Group sold the investment property of the Pacific Commercial Building on April 26, 2022, and completed the housing transfer procedure in June 2022. Gains on disposals of investment property NT\$880,767 thousand (recorded as net other income (expenses) items).
6. For the years ended December 31, 2022 and 2021, details of bank loans and financing guarantees pledged, please refer to Note 8.

(11) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Commercial paper payable	<u>\$ -</u>	<u>240,000</u>

1. The repayment amount in 2022 is NT\$240,000 thousand; the new amount in 2021 is NT\$240,000 thousand, and the interest rate is 2.45%.

2. Collateral for bank loans.

For the Group's pledged assets as Secured for bank loans, please refer to Note 8.

(12) Short-term loans

The Group's Short-term borrowings details were as follows:

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ 40,450	-
Secured bank loans	1,592,445	1,185,755
Total	<u>\$ 1,632,895</u>	<u>1,185,755</u>
Unused credit lines	<u>\$ 1,270,736</u>	<u>1,361,972</u>
Range of interest rates	<u>1.25%~4.32%</u>	<u>1.25%~3.41%</u>

For the Group's pledged assets as Secured for bank loans, please refer to Note 8.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(13) Long-term loans

The Group's Long-term loans details, conditions, and provisions were as follows:

December 31, 2022				
	Currency	Range of Interest Rates	Maturity	Amount
Secured bank loans	NTD	1.30%~3.095%	2023~2042	\$ 316,033
"	RM	4.25%~4.57%	2023~2034	85,578
				401,611
Less: current portion				(130,252)
Total				\$ 271,359
Unused credit lines				\$ -

December 31, 2021				
	Currency	Range of Interest Rates	Maturity	Amount
Secured bank loans	NTD	1.30%~2.75%	2022~2036	\$ 1,295,806
"	RM	2.15%~3.57%	2022~2034	135,084
				1,430,890
Less: current portion				(801,249)
Total				\$ 629,641
Unused credit lines				\$ -

For the Group's pledged assets as Secured for bank loans, please refer to Note 8.

(14) Corporate bonds payable

The details of the Group bonds payable were as follows:

	December 31, 2022	December 31, 2021
Amount in the issuance of domestic ordinary corporate bonds	\$ 480,000	510,000
Less: Due within one year or one operating cycle	-	(260,000)
Ending balance: Bonds payable	\$ 480,000	250,000

The Group on 2022 will issue the first secured ordinary corporate bonds in 2022 of NT\$230,000 thousand, coupon rate 0.85%, interest payment once a year, issuance period of five years; repayment of the secured ordinary corporate bond issued in April 2017 of NT\$260,000 thousand. In addition, in 2021 will issue the first secured ordinary corporate bonds in 2021 of NT\$250,000 thousand, coupon rate 0.63%, interest payment once a year, issuance period of five years; repayment of the secured ordinary corporate bond issued in June 2016 of NT\$300,000 thousand. The relevant details are as follows:

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

Item	The first secured ordinary corporate bonds in 2016
Total Issuance	NT\$300,000 thousand
Date of Issue	June 8, 2016
Coupon Rate	1.15%
Issuance Period	June 8, 2016~June 8, 2021
Guarantee Agency	Taiwan Cooperative Bank
Trustee	Jih Sun International Bank, Ltd.
Repayment Method	The Group may repay the principal of the corporate bonds in one lump sum at the expiration of five years from the date of issuance.

Item	The first secured ordinary corporate bonds in 2017
Total Issuance	NT\$260,000 thousand
Date of Issue	April 7, 2017
Coupon Rate	1.15%
Issuance Period	April 7, 2017~April 7, 2022
Guarantee Agency	Taiwan Cooperative Bank
Trustee	Jih Sun International Bank, Ltd.
Repayment Method	The Group may repay the principal of the corporate bonds in one lump sum at the expiration of five years from the date of issuance.

Item	The first secured ordinary corporate bonds in 2021
Total Issuance	NT\$250,000 thousand
Date of Issue	June 4, 2021
Coupon Rate	0.63%
Issuance Period	June 4, 2021~June 4, 2026
Guarantee Agency	Taiwan Cooperative Bank
Trustee	Jih Sun International Bank, Ltd.
Repayment Method	The Group may repay the principal of the corporate bonds in one lump sum at the expiration of five years from the date of issuance.

Item	The first secured ordinary corporate bonds in 2022
Total Issuance	NT\$230,000 thousand
Date of Issue	April 7, 2022
Coupon Rate	0.85%
Issuance Period	April 7, 2022~April 1, 2027
Guarantee Agency	Taiwan Cooperative Bank
Trustee	Jih Sun International Bank, Ltd.
Repayment Method	The Group may repay the principal of the corporate bonds in 15% at the expiration of third years, 15% at the expiration of fourth years and 70% at the expiration of fifth years from the date of issuance.

(15) Lease Liabilities

The carrying amount in the Group's lease liabilities:

	December 31, 2022	December 31, 2021
Current	<u>\$ 10,688</u>	<u>12,452</u>
Non-Current	<u>\$ 71,195</u>	<u>89,947</u>

For maturity analysis, please refer to Note 6(25) - Financial Instruments.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

Amounts recognized in profit or loss are as follows:

	<u>2022</u>	<u>2021</u>
Interest expense on lease liabilities	<u>\$ 2,000</u>	<u>2,655</u>
Gains on subleasing right-to-use assets	<u>\$ 30,221</u>	<u>18,760</u>
Expenses of short-term leased	<u>\$ 2,250</u>	<u>2,878</u>
Expenses to low-value leases assets (Low-value leases that do not include short-term leases)	<u>\$ 1,404</u>	<u>1,436</u>

Amounts recognized in the cash flow statements are as follows:

	<u>2022</u>	<u>2021</u>
Total cash outflow from leases	<u>\$ 17,745</u>	<u>20,633</u>

The Group leases land surface rights for a period of fifty years. The Group leases buildings and structures for department store operations for a period of five years. Lease payments for certain contracts are calculated based on changes in local price indices.

The period for some of the Group's leased land, offices, employee dormitories, office equipment and transportation equipment are generally one to three years. These leases are short-term or low-value subject leases. The Group elects to apply for the recognition exemption and does not recognize its related right-of-use assets and lease liabilities.

(16) Operating Leases

Lessor leases

The Group leases its investment properties and subsidiary machinery and equipment. These are classified as operating leases as nearly all the risks and rewards of ownership of the underlying assets have not been transferred. Please refer to Note 6(10) Investment Property.

An analysis of matured lease payments based on the total undiscounted lease payments to be received after the reporting date:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Under 1 year	\$ 120,535	108,713
One to two years	83,741	67,701
Two to three years	47,986	42,433
Three to four years	47,175	28,202
Four to five years	44,840	19,103
More than five years	<u>171,240</u>	<u>70,273</u>
Total undiscounted lease payments	<u>\$ 515,517</u>	<u>336,425</u>

For lease income generated from investment property for 2022 and 2021, please refer to Note 6(21); expenses generated from maintenance and leasing totaled NT\$160,124 thousand and NT\$157,791 thousand, respectively.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(17) Employee benefits

1. Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value were as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 101,456	107,328
Fair value of plan assets	<u>(114,451)</u>	<u>(109,694)</u>
Net defined benefit assets, net	<u>\$ (12,995)</u>	<u>(2,366)</u>
Net defined benefit assets	<u>\$ 18,167</u>	<u>12,739</u>
Net defined benefit liability	<u>\$ 5,172</u>	<u>10,373</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The balance of the Group labor pension reserve account in the Bank of Taiwan amounted to NT\$114,451 thousands as of reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2) Movements in the present value of the defined benefit obligations

The Group's movements in the present value of defined benefit obligations for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations on January 1	\$ (107,328)	(116,053)
Current service cost and interest	(1,295)	(1,008)
Net defined benefit liability (asset) remeasurement		
- Actuarial gains and losses from experience adjustments	(2,396)	3,859
- Actuarial gains and losses from changes in demographic assumptions	-	(124)
- Actuarial gains and losses from changes in financial assumptions	5,028	3,403
Benefits (loss) from upfront service costs	-	(381)
Benefit paid by the plan	4,535	2,976
Defined benefit obligations on December 31	<u><u>\$ (101,456)</u></u>	<u><u>(107,328)</u></u>

3) Movements of the fair value of defined benefit plan assets

The Group's movements in the fair value of the defined benefit plan assets for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets on January 1	\$ 109,694	104,910
Interest revenue	717	328
Net defined benefit liability (asset) remeasurement		
- Return on plan assets (excluding current interest)	8,372	1,604
Contributions paid by the employer	203	5,828
Benefits planned to be paid	(4,535)	(2,976)
Fair value of plan assets on December 31	<u><u>\$ 114,451</u></u>	<u><u>109,694</u></u>

4) Expenses recognized in profit or loss

The Group's expenses recognized in profit or loss for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Service costs for the period	\$ 590	637
Net interest of net liabilities (asset) for defined benefit obligations	(12)	43
Early service cost and liquidation profit and loss	-	381
	<u><u>\$ 578</u></u>	<u><u>1,061</u></u>
Administrative expenses	<u><u>\$ 578</u></u>	<u><u>1,061</u></u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

5) Actuarial assumptions

The Group determines the present value of defined benefit obligations at the end of the financial reporting date. The material actuarial assumptions are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.20%~1.30%	0.65%~0.70%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is NT\$481 thousands.

The weighted-average lifetime of the defined benefit plan is 6-10 years.

6) Sensitivity analysis

If the main actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Defined Benefit Obligation	
	Increased by 0.25%	Decreased by 0.25%
December 31, 2022		
Discount rate	(2,066)	2,130
Future salary increase rate	2,108	(2,056)
December 31, 2021		
Discount rate	(2,358)	2,436
Future salary increase rate	2,398	(2,333)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

The method and assumption used in the sensitivity analysis is consistent with prior period.

2. Defined contribution plan

The Group 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 Group allocates the labor pension at a specific percentage to the Bureau of the Labor Insurance without additional legal or constructive obligations.

According to the regulations of the Employees' Social Security Act for the defined contribution plan for the Group's Malaysian branch, a rate of 13% of the employees' monthly wage is a contribution to the personal account of SOCSO. Under such a plan, after the Group contributes a fixed amount to the Bureau of Labor Insurance, there is no legal or constructive obligation for the Group to pay additional amounts.

For 2022 and 2021, the Group contributed NT\$7,760 thousand and NT\$7,150 thousand, respectively, to the Bureau of Labor Insurance under the Defined Contribution Pension expense.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(18) Income Tax

1. Income tax expense

Details of the Group's income tax expenses for 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current income tax expense		
Incurred during the period	\$ 32,421	21,232
Additional surtax on earnings-unappropriated	196	1,793
Adjustment for prior periods	(1,975)	11,145
Land value increment tax	<u>90,906</u>	<u>20,352</u>
	<u>121,548</u>	<u>54,522</u>
Deferred income tax expense		
Occurrence and reversal of temporal differences	<u>(1,161)</u>	<u>326</u>
	<u>\$ 120,387</u>	<u>54,848</u>

2. A reconciliation of the Group's income tax expenses and net income before tax for 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021 (Revised)</u>
Net income before tax	\$ 832,023	208,974
Income tax calculated using the domestic tax rate where the Group operates	166,405	41,795
Effects on tax rate difference in foreign jurisdictions	(6,869)	8,649
Non-deductible expenses	20,146	12,557
Tax-free income	(218,654)	(12,025)
Current tax losses on unrecognized deferred income tax assets	14,239	2,180
Changes in unrecognized temporary differences	68,356	(21,640)
Early (high) underestimation	(1,975)	11,145
Additional surtax on earnings-unappropriated	196	1,793
Land value increment tax	90,906	20,352
Recognition of unrecognized tax losses in previous periods	(9,033)	-
Other	<u>(3,330)</u>	<u>(9,958)</u>
Total	<u>\$ 120,387</u>	<u>54,848</u>

3. Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

For the years ended December 31, 2022 and 2021, no-deferred tax liabilities were recognized for temporary differences associated with investments in subsidiaries as the Group could control the timing of the reversal of the temporary differences and is fairly confident that the temporary differences will not reverse in the foreseeable future. Its relevant amounts are as follows:

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

	December 31, 2022	December 31, 2021
Foreign investment gains or losses recognized under the equity method	\$ 160,231	139,693

2) Unrecognized deferred tax assets

The Group unrecognized deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deferred credit	\$ 21,836	27,011
Bad debt disallowance	360,340	377,730
Unrealized impairment loss on assets	24,655	17,617
Unrealized inventory falling price loss	336,122	268,534
Unused tax losses carryforwards	97,033	139,173
Other	36,345	20,017
	\$ 876,331	850,082

Under the ROC tax laws, approved tax losses can be carried forward for 10 years to offset future taxable profits. These assets are not recognized as deferred income tax assets. It is not probable for the Group to have sufficient taxable income in the future to allow for these temporary differences.

As of December 31, 2022, the expiration period for abovementioned unrecognized deferred tax assets of unused tax losses carryforwards were as follows:

Year of Assessment	Unrecognized Deferred Tax Assets	Expiration in Year
2013	\$ 177,913	2023
2014	49,583	2024
2017	72,707	2027
2018	52,859	2028
2019	81,332	2029
2020	1,775	2030
2021	12,194	2031
2022	36,800	2032
	\$ 485,163	

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

3) Recognized deferred tax assets / liabilities

Changes in deferred tax assets (liabilities) for 2022 and 2021:

	Deferred Tax Assets			Deferred Tax Liabilities		
	Defined Benefit Plans	Other	Total	Defined Benefit Plans	Other	Total
January 1, 2022	\$	2,264	2,264	(670)	(1,005)	(1,675)
Debit (credit) on income statement	-	(252)	(252)	670	743	1,413
December 31, 2022	<u>\$ -</u>	<u>2,012</u>	<u>2,012</u>		<u>(262)</u>	<u>(262)</u>
January 1, 2021	\$	354	2,736		(1,821)	(1,821)
Debit (credit) on income statement	(354)	(118)	(472)	(670)	816	146
December 31, 2021	<u>\$ -</u>	<u>2,264</u>	<u>2,264</u>	<u>(670)</u>	<u>(1,005)</u>	<u>(1,675)</u>

4. Income tax verification

- 1) The Group's income tax returns up to 2020 have been verified by the tax authorities.
- 2) The income tax returns of the Group's subsidiaries up to 2020 in Taiwan have been verified by the tax authorities.

(19) Capital and Other equity interests

As of December 31, 2022 and 2021, the Company's authorized common stock consisting of 1,600,000 thousand shares with a par value of 10 New Taiwan dollar per share amounted to NT\$16,000,000 thousand of which 387,000 thousand shares were issued. Among these, 86,500 thousand shares ordinary shares for each year were privately placed. All issued shares were paid up upon issuance.

1. Capital surplus

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

	December 31, 2022	December 31, 2021
Conversion premium for bonds payable	\$ 350,720	350,720
Treasury shares transactions	34,284	29,196
Difference arising from subsidiary's equity	199	199
Other	1,795	1,795
	<u><u>\$ 386,998</u></u>	<u><u>381,910</u></u>

As required by the Company Act, the capital surplus must first be used to make up for losses before new shares or cash can be issued to shareholders in proportion to the realized capital surplus. The realized capital surplus referred to in the preceding paragraph includes the proceeds from the share issuance in excess of the par value of the proceeds from donations. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be allocated from capital. The total allocation amount each year may not exceed 10% of the paid-in capital.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2. Retention of surplus

In accordance with the Company's Articles of Incorporation, if there are any earnings in the final accounts, income taxes must be paid as required by the law. After previous losses have been made up, 10% of the legal reserve shall be set aside, and according to applicable regulations and competent authorities, distributable earnings are accumulated from the special reserve appropriated or reversed, and the accumulated distributable earnings of the previous year with the distributable earnings of the year.

The company stipulating that the distribution of surplus or loss allowance shall be made after the end of each half year. If there is any surplus in the semi-annual final accounts, it shall be distributed in accordance with the above procedures.

The above-mentioned cumulative distributable surplus shall be distributed by the board of directors. When new shares are issued, it shall be submitted to the shareholders meeting for distribution after a resolution. When cash is issued, it shall be in accordance with Article 240, Item 5 of the Company Law. Authorize the board of directors to distribute with more than two-thirds of the directors and the resolutions approved by more than half of the directors, and report to the shareholders meeting.

The distribution of cash and stock dividends shall be limited to 30% to 100%. However, the Company must also take into account the future business and major capital expenditure plans and shall reserve the necessary funds as a priority before the distribution of dividends.

Give the Company is in a mature and stable stage of its corporate life cycle. However, it is in a volatile industrial environment and able to cope with the economy and market changes. The Company adopts a residual dividend policy to distribute cash and stock dividends by taking into account its business plans, profitability and investment capital needs. The cash dividend ratio is limited to no less than 20% of the total cash and dividends distributed in the year. However, when the earnings distributed to shareholders for the year does not exceed NT\$1 per share, when the debt ratio exceeds 50%, the earnings may be distributed entirely by stock dividends.

1) Statutory surplus

Where there is no loss in the Company, the shareholders' meeting may resolve to distribute new shares or cash from the legal reserve. However, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

2) Special reserve

In accordance with FSC. Certificate. Issue. Tzi No. 1010012865 Letter issued on April 6, 2012, when the Company allocates distributable earnings, the difference between the net decrease in other stockholders' equity and the balance of the special reserve is added to the special reserve from profit or loss for the period and prior period's undistributed retained earnings. The decrease in other shareholders' equity accumulated in prior periods is not distributable from the special reserve from undistributed retained earnings of prior periods. If there is a reversal of the decrease in the amount in other shareholders' equity later, earnings may be distributed accordingly.

In accordance with FSC. Certificate. Issue. Tzi No. 1010047490 Letter issued on November 21, 2012, the difference between the market value of a subsidiary's shares and the carrying amount in the parent's shares at the end of the period shall not be distributed as a special reserve based on the ratio of the shares being held. If the market price recovers later, the amount may be transferred to a special reserve in proportion to the number of shares being held.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

The annual general meetings held on June 14, 2022 and July 6, 2021 resolved to special reserve appropriated of NT\$2,712 thousand and NT\$15,287 thousand, respectively, for the motion of earnings distribution for 2021 and offset losses for 2020.

3) Earnings distribution

The Board of Directors held on August 9, 2022, March 10, and March 25, 2021 respectively, resolved the amount of cash dividends for the first half of 2022, and 2021 and 2020. The amounts of dividends distributed to owners are as follows:

	First Half of 2022	
	Amount Per Share (in NT\$)	Amount
Cash	\$ 0.10	<u><u>38,700</u></u>

	2021		2020	
	Amount Per Share (in NT\$)	Amount	Amount Per Share (in NT\$)	Amount
Cash	\$ 0.10	<u><u>38,700</u></u>	0.40	<u><u>154,800</u></u>

3. Treasury shares

Subsidiaries holding the Company's treasury stock:

	December 31, 2022	December 31, 2021
Number of the Company shares the subsidiaries hold	<u><u>25,444</u></u>	<u><u>25,444</u></u>
Carrying Amount	<u><u>\$ 193,207</u></u>	<u><u>193,207</u></u>
Stock market price	<u><u>\$ 230,777</u></u>	<u><u>247,825</u></u>

4. Other equity interests

	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized gains (loss) from investments in financial assets measured at FVTOCI	Total
Balance on January 1, 2022 (Revised)	\$ 175,948	609,927	785,875
Exchange differences on foreign operations	34,551	-	34,551
Unrealized gains (losses) from investments in financial assets measured at FVTOCI	-	(7,582)	(7,582)
Balance on December 31, 2022	<u><u>\$ 210,499</u></u>	<u><u>602,345</u></u>	<u><u>812,844</u></u>
Balance on January 1, 2021 (Revised)	\$ 157,538	609,624	767,162
Exchange differences on foreign operations	18,410	-	18,410
Unrealized gains (losses) from investments in financial assets measured at FVTOCI	-	1,354	1,354
Proceeds from disposal of equity instruments measured at FVTOCI	-	(1,051)	(1,051)
Balance on December 31, 2021 (Revised)	<u><u>\$ 175,948</u></u>	<u><u>609,927</u></u>	<u><u>785,875</u></u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

5. Non-controlling interest

	<u>2022</u>	<u>2021</u>
Balance at beginning of the year	\$ 1,847,226	1,814,629
Net profit from non-controlling interests	135,910	62,122
Remeasurement of defined benefit plans	2,681	2,901
Unrealized gains (loss) from investments in financial assets measured at FVTOCI	(3,627)	385
Subsidiary issues cash dividends to non-controlling interests	(58,162)	(32,811)
Balance at end of the year	<u><u>\$ 1,924,028</u></u>	<u><u>1,847,226</u></u>

(20) Earnings per share

1. Basic earnings per share

The Group's basic earnings per share for 2022 and 2021 was calculated using the net profit attributable to equity holders of the Company's ordinary shares and the weighted-average number of common shares outstanding. The related calculations are as follows:

	<u>2022</u>	<u>2021 (Revised)</u>
Net profit attributable to equity holders of ordinary shares of the Company	<u><u>\$ 575,726</u></u>	<u><u>92,004</u></u>
Weighted-average number of outstanding ordinary shares	<u><u>361,556</u></u>	<u><u>361,556</u></u>
	<u><u>\$ 1.59</u></u>	<u><u>0.25</u></u>

2. Diluted loss per share

The diluted earnings per share were calculated based on the net profit attributable to equity holders of the Company's ordinary shares and the weighted-average number of ordinary shares outstanding after adjusting the dilutive effect of all potential ordinary shares for 2022 and 2021. The related calculations are as follows:

	<u>2022</u>	<u>2021 (Revised)</u>
Net (losses) attributable to equity holders of the Company's ordinary shares	<u><u>\$ 575,726</u></u>	<u><u>92,004</u></u>
Weighted-average number of outstanding ordinary shares	361,556	361,556
Dilutive effects on potential ordinary shares Employee compensation	1,192	129
	<u><u>362,748</u></u>	<u><u>361,685</u></u>
	<u><u>\$ 1.59</u></u>	<u><u>0.25</u></u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(21) Revenue from contracts with customers

1. Disaggregation of revenue

		2022			
		Construction Segment	Leasing Segment	Department Store Segment	Property Management Others
					Total
Primary geographical markets:					
Taiwan	\$	198,606	59,017	339,412	54,611
Malaysia		-	-	-	205,811
	\$	<u>198,606</u>	<u>59,017</u>	<u>339,412</u>	<u>260,422</u>
					<u>857,457</u>
Major products/Services lines:					
Sales of real estate	\$	76,921	-	-	159
Lease revenue		-	59,017	19,111	206,175
Department store income		-	-	320,301	-
Service revenue		121,598	-	-	-
Other revenue		87	-	-	54,088
	\$	<u>198,606</u>	<u>59,017</u>	<u>339,412</u>	<u>260,422</u>
					<u>857,457</u>
		2021			
		Construction Segment	Leasing Segment	Department Store Segment	Property Management Others
					Total
Primary geographical markets:					
Taiwan	\$	1,032,092	61,355	339,025	80,500
Malaysia		-	-	-	156,059
	\$	<u>1,032,092</u>	<u>61,355</u>	<u>339,025</u>	<u>236,559</u>
					<u>1,669,031</u>
Major products/Services lines:					
Sales of real estate	\$	933,104	-	-	50,348
Lease revenue		-	61,355	18,753	156,151
Department store income		-	-	320,271	-
Service revenue		98,930	-	-	-
Other revenue		57	-	-	30,062
	\$	<u>1,032,091</u>	<u>61,355</u>	<u>339,024</u>	<u>236,561</u>
					<u>1,669,031</u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 1,232	311	15,233
Accounts receivable	92,359	104,060	181,987
Less: Allowance for losses	(56,777)	(59,664)	(81,192)
Total	<u>\$ 36,814</u>	<u>44,707</u>	<u>116,028</u>
Contract liabilities—Sales of real estate	\$ 302,452	188,400	497,222
Contract liabilities—Voucher	12,232	13,362	13,984
Contract liabilities—Other	11,281	10,567	7,282
Total	<u>\$ 325,965</u>	<u>212,329</u>	<u>518,488</u>

The Group has launched a customer loyalty program to stimulate sales of department store products. When customers spend NT\$100 or for a single purchase, the Group will award 1 point, and these points can be redeemed for gifts or commodity voucher.

For the years ended December 31, 2022 and 2021, the Group's deferred revenues were NT\$1,612 thousand and NT\$1,638 thousand, respectively, (recorded as current contract liabilities). The amounts represent the fair value of the consideration received or receivable from the original sale of products attributable to points given but not yet converted.

The Group's role in commission income transactions of department stores' counters is an agent rather than a principal. Management considers the following judgment factors:

- 1) The Group does not acquire ownership of products and is not responsible for the sale of products.
- 2) The Group does not hold the right to adjust the sales prices of suppliers.
- 3) The Group only receives a fixed percentage of commission on the products sold from department stores' counters.

For the disclosure of notes and accounts receivable and impairment losses, please refer to Note 6(3).

Changes in contract liabilities are mainly due to the difference between the time when the Group transfers goods or services to customers to meet performance obligations (that is, when contract liabilities are recognized as revenue) and when customers pay. There were no other significant changes for the years ended December 31, 2022 and 2021.

(22) Costs

Details of the Group costs for 2022 and 2021 are as follows:

	2022	2021
Department stores costs	\$ 128,198	135,417
Lease costs	151,100	157,791
Construction costs	51,389	701,115
Commission costs	73,432	61,334
Other operating costs	520,321	22,709
Inventory falling price loss (gain from price recovery)	337,938	(8,808)
	<u>\$ 1,262,378</u>	<u>1,069,558</u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(23) Remuneration to Employees, Directors

As stipulated in the Company's Articles of Incorporation, 1% to 2% of the annual profit shall be allocated as remuneration to employees. The distribution of remuneration in shares or cash is resolved by the board of directors' meeting, and these employees must be employees of the controlling or subordinate companies who meet certain requirements. No more than 2% of the annual profit shall be allocated in cash as remuneration to directors by resolving the Board of Directors. The motion of distribution of remuneration to employees and directors shall be proposed to the shareholders' meeting. However, where there are accumulated losses, the Company shall first retain a certain amount before allocating remuneration to Employees and Directors as referred to in the preceding paragraph.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to NT\$10,579 thousands and NT\$1,255 and directors' remuneration amounting to NT\$10,579 thousands and NT\$1,255, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses for the period. If there is a difference with the actual distribution amount in the next year, it will be treated according to the change in accounting estimates, and the difference will be recognized as the profit or loss of the next year.

There is no difference between the company's 2021 and 2020 employees and directors compensation amount and the actual distribution situation. Relevant information can be found on MOPS.

(24) Non-operating income and expenses

1. Other gains and losses

Details of the Group's other gains and losses are as follows:

	<u>2022</u>	<u>2021</u>
Foreign currency exchange (loss) gains	\$ (51,952)	17,590
Gains (loss) of disposal of property, plant and equipment	98,017	(373)
Gain on disposal of investments	708,153	-
Impairment loss of investment property	(35,190)	-
Royalty revenue	9,524	11,524
Dividend income	118,122	108,615
Other gains and losses	10,360	23,784
	<u><u>\$ 857,034</u></u>	<u><u>161,140</u></u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2. Finance costs

Details of the Group's financial costs are as follows:

	<u>2022</u>	<u>2021</u>
Interest expense	\$ 87,844	107,019
Lease liabilities interest	2,000	2,655
Less: Capitalization of interests	<u>(1,279)</u>	<u>(447)</u>
	<u>\$ 88,565</u>	<u>109,227</u>
Capitalization rate	<u>1.90%~3.20%</u>	<u>1.85%~2.75%</u>

(25) Financial Instruments

1. Credit risk

1) Exposure of credit risk

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

2) Concentration of credit risk

Given the Group has a large customer group and does not have a significant concentration of transactions with a single customer. It has scattered sales regions, there is no concern of the credit risk of accounts receivable being significantly concentrated. In an effort to reduce the credit risk, the Group also assesses the financial situation of its customers regularly. The Group does not usually require customers to provide collaterals.

3) Credit risk of accounts receivable

For the credit risk exposure information on notes receivable and accounts receivable, please refer to Note 6(3). For other financial assets measured at amortized cost, including other receivables, please refer to the allowance for losses for the 2022 and 2021 at Note 6(4).

Financial assets above are with low credit risk, therefore, allowances for losses are measured based on the expected credit loss amount for 12 months.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2. Liquidity risk

The following is a table showing expiration dates of contracts, including estimated interests but excluding the effects on netting agreements.

	<u>Carrying Amounts</u>	<u>Contract Cash Flow</u>	<u>Within 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More Than 5 Years</u>
December 31, 2022						
Non-derivative finance liabilities						
Floating rate instruments	\$ 2,034,506	2,185,826	610,059	1,051,894	400,986	122,887
Fixed rate instruments	480,000	524,466	12,000	57,850	454,616	-
No interest-bearing liability	1,782,357	1,782,357	1,703,339	68,442	10,566	10
Lease liabilities	81,883	95,299	12,274	11,495	9,795	61,735
	<u>\$ 4,378,746</u>	<u>4,587,948</u>	<u>2,337,672</u>	<u>1,189,681</u>	<u>875,963</u>	<u>184,632</u>
December 31, 2021						
Floating rate instruments	\$ 2,616,645	2,757,745	1,033,047	993,620	349,313	381,765
Fixed rate instruments	750,000	767,484	505,926	6,750	254,808	-
No interest-bearing liability	1,706,363	1,706,363	1,706,363	-	-	-
Lease liabilities	102,399	120,742	14,591	19,591	11,765	74,795
	<u>\$ 5,175,407</u>	<u>5,352,334</u>	<u>3,259,927</u>	<u>1,019,961</u>	<u>615,886</u>	<u>456,560</u>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

3. Marketing risk

1) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2022				December 31, 2021		
	Foreign Currency	Exchange Rate	NTD		Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>							
<u>Monetary Items</u>							
USD	\$	1,236	30.71	37,958	4,237	27.68	117,280
JPY		12,431	0.232	2,884	12,431	0.241	2,996
RMB		2,871	4.408	12,661	3,469	4.340	15,055
<u>Non-Monetary Items</u>							
USD		5,730	30.71	175,968	5,730	27.68	158,606
<u>Financial Liabilities</u>							
<u>Monetary Items</u>							
RMB		218	4.408	961	-	-	-
HKD		169,414	3.938	667,152	168,667	3.549	598,599

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2) Sensitivity analysis

The Group exchange rate risk is mainly due to foreign-currency-denominated cash and cash equivalents, accounts receivable, other receivables, bank borrowings and other payables, etc., which foreign exchange gains and losses arise upon translation. When NTD decreased or increased by 5% against the USD, HKD, JPY and CNY, for the years ended December 31, 2022 and 2021 with all other factors held constant, the net income would have increased or decreased by NT\$30,731 thousand and NT\$23,163 thousand, respectively. The same basis was used for the analysis for both periods.

- 3) As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2022 and 2021, the foreign exchange profit and losses, including both realized and unrealized, amounted to NT\$(51,952) thousand and NT\$17,590 thousand, respectively.

4. Interest rate risk

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.5%, when reporting to management internally, which also represents the assessment of the Group's management for the reasonably possible interval of interest rate change.

Assuming all other variable factors remaining constant, if the interest rate had increased or decreased by 0.5%, the impact to the Net profit would be as follows for the years ended December 31, 2022 and 2021 would have increased or decreased by NT\$8,138 thousand and NT\$10,467 thousand, mainly due to The Group floating-rate loans.

5. Other price risk

If there are changes in the prices of equity securities (The same basis was used for the analysis for both periods and other variable factors held constant was assumed), the effect on the comprehensive income items would have been as follows:

	2022		2021	
	Other Comprehensive Income (Loss) (Net of Tax)	Net Income (Loss) (Net of Tax)	Other Comprehensive Income (Loss) (Net of Tax)	Net Income (Loss) (Net of Tax)
Prices of Securities at the Reporting Date				
Increase 1%	\$ 39,154	-	22,310	-
Decrease 1%	\$ (39,154)	-	(22,310)	-

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

6. Fair value information

- 1) The Group's financial assets measured at FVTOCI are measured at fair value on a recurring basis. The carrying amounts and fair values (including fair value hierarchy information, but information on reasonable approximation of fair value on the carrying amount in financial assets not carried at fair values and lease liabilities are not required to be disclosed by regulations) of all types of financial assets and financial liabilities are listed as follows:

		December 31, 2022				
		Fair Value				
	Carrying Amount	Level 1	Level 2	Level 3	Total	
Financial assets at FVTOCI	<u>\$3,915,392</u>	<u>124,775</u>	<u>-</u>	<u>3,790,617</u>	<u>3,915,392</u>	
		December 31, 2021				
		Fair Value				
	Carrying Amount	Level 1	Level 2	Level 3	Total	
Financial assets at FVTOCI	<u>\$2,230,969</u>	<u>128,464</u>	<u>-</u>	<u>2,102,505</u>	<u>2,230,969</u>	

- 2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

- 2.1) Financial assets and liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

- 3) Valuation techniques for financial instruments measured at fair value

- 3.1) Non-derivative financial instruments

If a quoted price is in an active market for a financial instrument, the quoted price is used as the fair value in an active market. Market prices announced by major exchanges and popular bonds judged by the TPEX are the basis for the fair value of listed equity instruments and debt instruments with active market quotations.

If quotations of financial instruments are regularly obtained from an exchange, broker, underwriter, industry association, pricing service or competent authority in a timely manner, and the prices represent actual and frequent fair market transactions. Such financial instruments have an active market for quotations. If the above criteria are not met, the market is deemed inactive. Generally, a large bid-ask spread, a significant increase in the bid-ask spread, or a low trading volume are all indicators of an inactive market.

If the financial instrument held by the Group has an active market (TWSE or TPEX listed companies whose financial assets have standard terms and conditions that are traded in an active market), its fair value is determined by taking reference from quoted market prices.

Except for the aforementioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained using valuation techniques or by taking reference from quoted prices of counter-parties. A fair value obtained through a valuation

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

technique may be calculated by taking reference from the current fair value of other financial instruments with substantially similar conditions and characteristics, discounted cash flow method or other valuation techniques, including model calculations based on market information available at the reporting date (e. g. TEPx's yield curves and Reuters' average quotations for the rate of promissory notes).

If the financial instrument held by the Group has no active markets, their types and characteristics are listed as follows:

- Equity instruments without quoted prices: The fair value is estimated using a discounted cash flow model. The main assumption is measured by discounting the expected future cash flows of the investee at a return rate to reflect the time value of money and investment risk.
- Equity instruments without quoted prices: It uses the net asset value method to estimate the fair value, and its fair value has adjusted the impact of liquidity discount and minority equity discount.

4) Any transfers between Level 1 and Level 2: None.

5) Details of changes in Level 3

	Measured at FVTOCI
	Equity instruments
	without public quotes
January 1, 2022	\$ 2,102,505
Recognized in other comprehensive income	(7,520)
Capital reduction to return capital	(3,540)
Transfer	1,699,172
December 31, 2022	<u>\$ 3,790,617</u>
January 1, 2021	\$ 2,091,563
Recognized in other comprehensive income	10,942
December 31, 2021	<u>\$ 2,102,505</u>

The above stated total gains or losses are reported in "Unrealized valuation gains (losses) on financial assets at FVTOCI. "Among these, assets still being held in 2022 and 2021 by:

	2022	2021
Total profit (losses) recognized		
Recognized in other comprehensive income (reported in "Unrealized gain (loss) on valuation of financial assets measured at FVTOCI")	<u>\$ (7,520)</u>	<u>10,942</u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

6) Quantitative information on fair value measurements using significant unobservable inputs (Level 3)

The fair value measurements of the Group are classified as Level 3. It mainly includes financial assets measured at FVTOCI - equity securities investment.

Most of the Group's fair values are classified as Level 3 with one significant unobservable input. Only investments in equity instruments without an active market have more than one significant unobservable inputs. Significant unobservable inputs to investments in equity instruments without an active market are not correlated with each other as they are independent of each other.

The quantified information for significant unobservable inputs was as follows:

Item	Valuation Technique	Significant Unobservable Inputs	Inter-Relationships Between Significant Unobservable Inputs and Fair Value
Financial Assets at FVTOCI—Equity Investment Without an Active Market	Discounted Cash Flow Method	• Long-term revenue growth rate (at 1.0% and 0.5% for the years ended December 31, 2022 and 2021, respectively) • Weighted average cost of funds rate (at 7.77% and 6.90% for the years ended December 31, 2022 and 2021, respectively) • Lack-of-Marketability discount rate (both at 7% for the years ended December 31, 2022 and 2021)	• The higher the weighted average cost of capital and lack of marketability discounts, the lower the fair value. • The higher the long-term revenue growth rate, the higher the fair value.
Financial Assets at FVTOCI—Equity Investment Without an Active Market	Net Assets Value Method	• Net Assets value • Lack-of-Marketability discount rate (15.80% for the years ended December 31, 2022) • Control discount (15.20% for the years ended December 31, 2022)	• The higher the Net Assets value, the higher the Fair value • The higher the lack of marketability discounts and control discount, the lower the fair value.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

7) Sensitivity analysis for fair value of financial instruments using level 3 inputs

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impact on other comprehensive income or loss are as follows:

			Changes of fair value in other comprehensive income	
	Inputs	Changes Up or Down	Favorable Change	Unfavorabl e Change
December 31, 2022				
Financial assets at FVTOCI				
Equity investment without an active market	Liquidity discount	1%	65,058	(65,058)
December 31, 2021				
Financial assets at FVTOCI				
Equity investment without an active market	Liquidity discount	1%	22,739	(22,739)

The favorable and unfavorable changes reflect the movement of the fair value, in which the fair value is calculated by using the different unobservable inputs in the valuation technique. The table above shows the effects of one unobservable input, without considering the inter-relationships with another unobservable input for financial instrument, if there are one or more unobservable inputs.

(26) Financial risk management

1. Overview

The Group is exposed to the following risks arising from financial instruments:

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

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management of the Group. For detailed information, please refer to the related notes of each risk.

2. Risk management structure

The board of directors takes full responsibility in setting up and supervising the Group's risk management structure. The board of directors has given full authority to the management to develop and control the Group's risk management policy. The management regularly reports its operations to the board of directors.

The Group's risk management policy's establishment is to identify and analyze the risks faced by the Group and to further set appropriate risk limits and controls while monitoring compliance with risks and risk limits. The risk management policy and system are reviewed regularly to reflect changes in market conditions and Consolidated Company's operations. Through training, management guidelines and operating procedures, the Group has developed a disciplined and constructive control environment so that all employees understand their roles and obligations.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

The Group's audit committee monitors how management monitors compliance with the Group's risk management policy and procedures while also reviewing the appropriateness of related risk management structure for the Group's risks. Internal auditors assist the Group's audit committee in playing the monitoring role. These internal auditors perform regular and unscheduled reviews on risk management controls and procedures which also report the results to the board of directors and the audit committee.

3. Credit risk

Credit risk arises if a customer or other counterparty to a financial instrument fails to meet its contractual obligations. It arises mainly from accounts receivable from customers from the Group's operating activities and bank deposits and other financial instruments arising from investment activities. Operational credit risk and financial credit risk are managed separately.

1) Accounts receivable and other receivables

The Group's internal control system has established a credit policy. According to the policy, the Group must analyze each new customer's credit rating individually before granting the standard payment and delivery terms and conditions. The Group's review and control mechanism include historic customer transactions, external rating bank's notes. A procurement limit is established on a customer-by-customer basis, representing the maximum uncollected amounts not subject to management approval. This limit is reviewed regularly.

Given the Group has a large customer group and does not have a significant concentration of transactions with a single customer. It has scattered sales regions, there is no concern of the credit risk of accounts receivable being significantly concentrated. Also, the Group is engaged in the development and sale of properties to general individuals, and payments are primarily made by remittances, notes and bank financing, so the related credit risk is considerably low.

Additionally, the Group's construction projects are carried out based on the operating measures of company construction projects. Construction counter-parties the Group constructs out to have a sound reputation with their construction capacities meeting the regulations; therefore, the Group is able to fully grasp the quality and progress of the construction project. Other receivables are mainly landlords and related parties and are assessed to be repayable by the debtors; therefore, the Group has no significant credit risk in other receivables.

2) Financial credit risk

The credit risk of bank deposits, fixed-income investments and other financial instruments are measured and supervised by the Group's Finance Department. There are no major performance concerns as the counter-parties and the performing parties of the Group are banks and financial institutions, corporative organizations and government agencies with investment grade or above, so there are no major credit risks.

3) Guarantee

The Group's policy stipulates that it can only provide financial guarantees to subsidiaries with at least 50% ownership with a certain amount set out. As of the years ended December 31, 2022 and 2021, the Group provided no endorsements/guarantees.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

4. Liquidity risk

The Group's liquidity risk is that it is unable to deliver cash or other financial assets to settle financial liabilities and unable to perform related obligations. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The remaining contractual maturity analysis of the Group's financial liabilities during the agreed repayment period is prepared based on the earliest possible date on which the Group could be required to repay its financial liabilities and the undiscounted cash flows of the equivalent interest.

The Group's liquidity risk management does not consider the repayment of financial liabilities using investments in equity instruments. The number of floating-rate instruments for the above financial assets and liabilities may change due to the floating rate and the reporting period's end. In addition, the Group's unused borrowings for the years ended December 31, 2022 and 2021 were NT\$1,270,736 thousand and NT\$1,361,972 thousand, respectively.

5. Market risk

Market risk affects the Group's earnings or the value of financial instruments due to changes in market prices, such as changes in exchange rates, interest rates, and prices of equity instruments. The objective of market risk management is to manage market risk to a tolerable level and to optimize investment returns.

1) Exchange rate risk

The Group is exposed to exchange rate risk arising from bank deposits that are not denominated in the functional currency of the Group. However, based on conservative and prudent principles, the Group does not use hedging instruments to hedge exchange rate risk.

The cash inflows and outflows of subsidiaries have a natural hedging effect.

For the sensitivity analysis of foreign currency exchange rate risks, please refer to Note 6(25).

2) Interest rate risk

The Group's policy is to review and control the optimal interest rate portfolios of financial liabilities by management to control the risk of interest rate fluctuations of the Company's finances.

The Group's interest rate risk mainly comes from its floating-rate loans. The Group assesses that the interest rate level in the environment where it operates has been stable in recent years and should not cause significant interest rate risks.

For the sensitivity analysis of interest rate risk, please refer to Note 6(25).

3) Other market price risk

The Group holds equity securities investments that generate equity price risk. The equity investment is not held for trading but is a strategic investment. The Group is not actively trading these investments, so they should not lead to a significant market rise.

For the sensitivity analysis of the price of equity instruments, please refer to Note 6(25).

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Notes to Consolidated Financial Statements (Continued)

(27) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-capital ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

The Company's capital management strategy for 2022 and 2021 was consistent. By being consistent, it means maintaining a certain debt-to-capital ratio, ensuring that financing was available at a reasonable cost. The debt-to-capital ratios for the years ended December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 4,771,473	5,457,231
Less: Cash and cash equivalents	<u>(537,764)</u>	<u>(779,115)</u>
Net liabilities	4,233,709	4,678,116
Total equity	<u>9,214,536</u>	<u>8,599,028</u>
Capital after adjustment	<u>\$ 13,448,245</u>	<u>13,277,144</u>
Debt-to-equity ratio	<u>31%</u>	<u>35%</u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

7. Related-Party Transactions

(1) Names and relationship with related parties

The following are entities that have had transactions with the Group's subsidiaries and related-party during the periods covered in the parent company consolidated financial statements.

<u>Name of the Related-Party</u>	<u>Relationship with the Group</u>
Xinnong Investment Co., Ltd.	The company's directors are the same as the Company's directors (Note 1)
Living Spring International Development Co., Ltd.	Representative Director of the company's Associates of the Group
Pacific 88 Co., Ltd.	Other Related-Party (Note 2)
Beijing Tai-Yun Building Co., Ltd.	Other Related-Party
Rakuya International Info. Co. Ltd.	Other Related-Party
Pacific Venture Investment Limited.	Other Related-Party
(Shanghai) Pacific Realtor Service Limited.	Other Related-Party
Pacific SOGO Department Store Co., Ltd.	Other Related-Party
Guo Shu Ling	Spouse of the Group's directors
Pacific Urban Management Consulting Co., Ltd.	Substantial Related-Party of the Group
Zhong-Yi Construction Unlimited Company.	Substantial Related-Party of the Group
Pacific Geotechnical Engineering Co., Ltd.	Substantial Related-Party of the Group
Fu-Lai Asset Management Co., Ltd.	Substantial Related-Party of the Group
Rongmei Biomedical Co., Ltd.	Substantial Related-Party of the Group
Isabell Co., Ltd.	Substantial Related-Party of the Group

Note 1: Formerly known as Xinglong Investment Co., Ltd.

Note 2: The original group's associates, Beijing Taiyun Building Co., Ltd., has lose its significant influence in the fourth quarter of 2022.

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Notes to Consolidated Financial Statements (Continued)

(2) Significant transactions with related parties

1. Operating revenue

The Group's significant sales to related parties and their outstanding balances are as follows:

<u>Name of the Related-Party</u>	<u>Sales (Lease revenue)</u>	
	<u>2022</u>	<u>2021</u>
Other Related-Party	<u>\$ 744</u>	<u>255</u>

<u>Name of the Related-Party</u>	<u>Accounts receivable</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Pacific 88 Co., Ltd.	\$ 49,460	49,460
Pacific SOGO Department Store Co., Ltd.	2	3
Less: Allowance for losses	(49,460)	(49,460)
Total	<u>\$ 2</u>	<u>3</u>

Transaction prices are set based on the agreement of both parties; the collection terms are based on the contractual agreements, same as general transactions.

2. Debt situation

Details of the accounts receivable and accounts payable of the Group's related parties are as follows:

<u>Name of the Related-Party</u>	<u>Other receivables</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
(Shanghai) Pacific Realtor Service Limited.	\$ 2,000	2,000
Other Related-Party—Payment on behalf	200	150
	<u>\$ 2,200</u>	<u>2,150</u>

<u>Name of the Related-Party</u>	<u>Prepaid expenses</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Rakuya International Info. Co. Ltd.	\$ -	40

<u>Name of the Related-Party</u>	<u>Other payables</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Pacific Venture Investment Limited.	<u>\$ 663,786</u>	<u>598,216</u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

3. Loaning to related parties

Actual expenditures of the Group's loans to related parties are as follows:

	Long-term receivables	
	December 31, 2022	December 31, 2021
Beijing Tai-Yun Building Co., Ltd. (Note)	\$ 920,140	829,354
Less: Allowance for losses	(920,140)	(829,354)
Net	<u>\$ -</u>	<u>-</u>

Note: As of December 31, 2022 and 2021, the company's subsidiaries' receivables from associates are all US\$29,964 thousand, which are in the nature of long-term investment advances. After the Group evaluates the recoverability of the receivables, it is listed as allowance for losses are all US\$29,962 thousand.

4. Other

- 1) The Group signed a one-year special director appointment contract with other related-parties in 2022 and 2021, respectively. The total price of the one-year contract is NT\$960 thousand, and the operating expenses in 2022 and 2021 are both NT\$960 thousand.
- 2) The service fee and advertising fee paid by the merged company for entrusting other related-parties to publish advertisements in 2022 and 2021 are NT\$212 thousand and NT\$142 thousand, respectively.

(3) Key management personnel transactions

Remuneration to key management personnel includes:

	2022	2021
Short-term employee benefits	\$ 34,398	31,845
Post-employment benefits	193	182
	<u>\$ 34,591</u>	<u>32,027</u>

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Notes to Consolidated Financial Statements (Continued)

8. Pledged Assets

The carrying amount in the assets pledged as collateral by the Group is as follows

Asset Name	Pledge Subject	December 31, 2022	December 31, 2021
Buildings and land held for sale	Long-term, Short-term loans	\$ 689,932	761,025
Construction land	Short-term notes and bills payable, Long-term, Short-term loans and construction performance guarantee	1,030,710	971,141
Construction in progress	Long-term, Short-term loans	1,553,889	1,839,917
Other financial assets - current and non-current	Long-term, Short-term loans, Pre-sale price trust, Bonds payable and voucher escrow	407,853	393,309
Non-current financial assets at FVTOCI	Short-term loans	52,702	52,986
Property, plant and equipment	Long-term, Short-term loans	1,968,730	1,998,061
Right-to-use assets	Long-term loans	69,712	82,613
Investment property, net	Short-term notes and bills payable, Long-term, Short-term loans	1,177,469	1,479,743
Total		<u>\$ 6,950,997</u>	<u>7,578,795</u>

9. Material Contingent Liabilities and Unrecognized Contractual Commitments

(1) Material unrecognized contractual commitments:

- On December 31, 2022 and 2021, the total price of the purchase and sale contract signed by the Group for the pre-sale construction project, the remaining housing and construction land and the customer and the price received in accordance with the agreement are as follows:

	December 31, 2022	December 31, 2021
Total contract price	<u>\$ 1,449,850</u>	<u>1,336,100</u>
Amounts received	<u>\$ 302,452</u>	<u>182,156</u>

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Notes to Consolidated Financial Statements (Continued)

2. For the years ended December 31, 2022 and 2021, the amounts of land purchase contracts entered into by the Group and the amounts paid in accordance with the contracts are as follows:

	December 31, 2022	December 31, 2021
Total purchase contract price	<u><u>\$ 3,705,556</u></u>	<u><u>3,680,518</u></u>
Price paid	<u><u>\$ 690,139</u></u>	<u><u>689,583</u></u>
Allowance for losses	<u><u>\$ 677,414</u></u>	<u><u>677,414</u></u>

The above allowance for loss failed due to the delay in completing the transfer process of the land purchase transactions. The Group has resorted to legal proceedings and urged the counterparty of the contract to negotiate the follow-up performance of the contracts as soon as possible.

3. The details of the service contract signed by the merged company and the computer information company for the use of the online real estate management platform network system are as follows:

	December 31, 2022	December 31, 2021
Total contract price	<u><u>\$ 5,813</u></u>	<u><u>5,813</u></u>
Accumulated payment	<u><u>\$ 4,188</u></u>	<u><u>1,938</u></u>

4. Details of the Group's issuance of guarantee deposit notes are as follows:

	December 31, 2022	December 31, 2021
Borrowings and issuance of commercial promissory notes	\$ 1,476,913	1,455,162
Performance bond	381,780	381,780
Contracting project	69,000	69,000
Other	806,750	806,750
Total	<u><u>\$ 2,734,443</u></u>	<u><u>2,712,692</u></u>

5. The Company paid the joint construction deposit to the construction entity as the Group entered into the joint construction:

	December 31, 2022	December 31, 2021
Joint construction deposit	<u><u>\$ 16,818</u></u>	<u><u>17,419</u></u>

6. According to the "Items to be recorded and not to be recorded in the contract for the finalization of gift certificates for goods (services) in the retail industry" promulgated by the Ministry of Economic Affairs, the Group entered into a new gift certificate trust agreement with Yuanta Commercial Bank on December 24, 2013 to guarantee performance on all newly issued and printed certificates. For the years ended December 31, 2022 and 2021, the trust amounts of printed gift certificates totaled NT\$9,275 thousand and NT\$6,319 thousand, respectively (recorded as other financial assets - current).
7. The Group signed a trademark authorization contract with Dadi Xingye Co., Ltd. The period of trademark use was from September 2017 to the end of September 2027, a total of ten years, and an annual premium was NT\$10,000 thousand (tax included). The premium income recognized in both 2022 and 2021 was NTS 9,524 thousand (recorded as other income).

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

8. In February 2021, the Group company acquired part of the premises (3 households and 3 parking space) from Shanlin Construction Co., Ltd. for the construction of the Datong Section in Zhonghe District, New Taipei City, for a total price of NT\$ 50,660 thousand (tax included). For the years ended December 31, 2022 and 2021, NT\$300 thousand has been prepaid for both, and NT\$50,360 thousand has not been paid for both.
- (2) Matters concerning the principal, interest calculation method, repayment plan of Beijing Tai-Yun Building Co., Ltd. and the resolution of equity-related disputes:
1. During the process of the construction and development in Beijing Tai-Yun Building Co., Ltd. by Pacific Holdings each entity provided an advance of appropriately of USD30 million to Beijing Tai-Yun Building Co., Ltd., including another shareholder, “National Foreign Trade Transportation Group,” which shared the same shareholder rights and obligations as Pacific Holdings.
 2. “National Foreign Trade Transportation Group” sold its equity in Beijing Tai-Yun Building Co., Ltd. to a third party. The advance of approximately USD30 million provided by the Group also settled at the same time. The board of directors of Pacific Holdings resolved that interest of 5.5% (based on the Hong Kong loaning rate) on the aforementioned shareholder advances provided by Pacific Holdings shall be paid. A letter was sent out to notify Beijing Tai-Yun Building Co., Ltd. to comply with such a matter.
 3. A board of directors’ meeting was held on June 3, 2016, with an interest payment plan proposed. However, as the proposed plan differed greatly from the above resolution, Pacific Holdings replied to Beijing Tai-Yun Building Co., Ltd. on June 17, 2016, stating that it could not accept the interest payment plan proposed by Beijing Tai-Yun Building Co., Ltd. At present, in addition to requesting Beijing Tai-Yun Building Co., Ltd. to repay the principal and interest as proposed by Pacific Holdings, or assigning its staff to continue to negotiate, an attorney has also been appointed to take necessary legal procedures for above matters and equity-related disputes to ensure the rights and interests of the Group. The balance of Pacific Holdings account receivable from Beijing Tai-Yun Building Co., Ltd. is USD29,962 thousand. As of December 31, 2022 and 2021, it has self-assessed and provided an allowance for losses of USD29,962 thousand.
 4. On the June 2015, Directors that were formally assigned to the Hong Kong subsidiary - Pacific Holdings by the Group was suspected of failing to fulfill their loyalty obligation and duty of care, which resulted in borrowing and equity disputes between shareholders of the subsidiary and the investment company - Beijing Tai-Yun Building Co., Ltd. These directors were also suspected of receiving disproportionate director’s remuneration from other associates. As a result, the Group resolved to file a criminal complaint against the above directors and related personnel by the board of directors’ meeting held on October 13, 2018.

The criminal case is currently under investigation by the Taipei District Attorney’s Office and has been referred to the Bureau of Investigation of the Ministry of Justice. Based on the principle of non-disclosure of the investigation, the attorney thinks it is difficult to predict the litigation outcome at this time. However, as the case is not a pecuniary damage case, and if the Group receives an unfavorable judgment or chooses not to prosecute the case, there should not be any pecuniary loss yet.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

5. The Group filed an enforcement objection lawsuit with the Beijing No. 2 Intermediate People's Court regarding the right to know of shareholders of Pacific Holdings and Beijing Tai-Yun Building Co., Ltd., and the Beijing No. 2 Intermediate People's Court made a final ruling on October 14, 2020. The litigation request of Pacific Holdings was rejected, and the combined company is continuously evaluating the impact on the financial report.
6. The Group filed an invalid lawsuit against the board of directors of Beijing Tai-Yun Building Co., Ltd. held on January 22, 2020. After the second-instance judgment on June 30, 2021, the board of directors has effectively determined. Although the court held that the meeting date of the board of directors of Beijing Tai-Yun Building Co., Ltd. was approaching the Chinese New Year holiday period, there was a subjective malice that prevented Grand Pacific Holdings Limited from appointing directors to attend the meeting. Although the Group requested to postpone the meeting date, the Beijing Tai-Yun Building Co., Ltd. has performed the convening procedure in accordance with the "Articles of Incorporation". The director appointed by the Group did not attend the meeting in person nor entrust an agent to attend without justifiable reasons, so it was judged that the resolution of the board of directors was valid.
7. In January, 2019, the Group Company filed a lawsuit against Zhang Qizheng, the former Chief Representative of the Shanghai Representative Office, in the case of returning the official seal of the Representative Office. In August 2020, the verdict was the relevant account books should be returned, but the defendant refused to accept the judgment and file for retrial. In May 2021, after the two parties agreed to settle, Zhang Qizheng withdrew the retrial. The above-mentioned two cases are not pecuniary damages cases, and there should be no positive pecuniary losses to the Group Company.
8. In March 2022, Beijing Tai-Kong Consulting Services Co., Ltd. had appointed lawyers to file a lawsuit against the advanced shareholders payment of Beijing Tai-Yun Building Co., Ltd. The case had been completed, and implemented preservation measures for the property under the name of Beijing Tai-Yun Building Co., Ltd. The lawsuit is currently awaiting judgment by the court.
9. Minutes of the board meeting of Beijing Taiyun Company on May 7, 2021 were not released until the board meeting was held on December 28, 2022. Because the meeting of the board of directors on May 7, 2021 was important, the resolution procedure of the proposal was not handled in accordance with the "Articles of Association". The merged company filed a lawsuit on February 23, 2023 to invalidate the resolution of the board of directors.
10. On August 18, 2018, the board of directors of Beijing Tai-Yun Building Co., Ltd. resolved to continue the lease of Tai-Yun Building to Beijing Jun-Tai Department Store. However, according to the Articles of Incorporation of Beijing Tai-Yun Building Co., Ltd., operating policies, business plans and development plans must be approved by two-thirds of the directors present at the board meeting before implementation. Additionally, the attorney thinks that as Beijing Tai-Yun Building is the main asset of Beijing Tai-Yun Building Co., Ltd., the lease income generated from the building is the main source of revenue of Beijing Tai-Yun Building Co., Ltd. Matters regarding the lease or renewal of the building's lease should be part of the company's annual operating policy, business plan and development plan. Without prior legal resolution passed by the board of directors of Beijing Tai-Yun Building Co., Ltd., the company entered into a new lease agreement. The lease relationship with Jun-Tai Department Store no longer existed. However, the dispute over the lease relationship was

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

pending a decision from the District Court ruling in China. During the period, if Beijing Jun-Tai Department Store paid related fees to Beijing Tai-Yun Building Co., Ltd., the amount may be in the nature of unjust enrichment or damages. Therefore, the Group disclose the above amount as other income for 2022 and 2021. Please refer to Note 6(6).

10. Losses Due to Major Disasters: None.

11. Significant Subsequent Events: None.

12. Other

Summary of employee benefits, depreciation, depletion and amortization expenses is as follows:

Function Nature	2022			2021		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit expense						
Salary expense	56,257	175,536	231,793	39,902	154,510	194,412
Labor and health expense	4,502	13,410	17,912	3,491	13,170	16,661
Pension expense	2,058	6,280	8,338	1,622	6,589	8,211
Other Employee benefit expense	4,306	10,100	14,406	2,408	10,836	13,244
Depreciation expense	85,188	47,230	132,418	94,669	41,316	135,985
Amortization expense	1,500	3,427	4,927	1,954	2,678	4,632

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

13. Note to Disclosures

A. Information on Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, information associated with significant transactions shall be disclosed by the Group for the years ended 2022:

1. Loaning of fund to other parties:

(In Thousands of New Taiwan Dollars)

No.	Companies That Lend Funds	Lending Object	Accounting Title	Whether or not a Related-Party	Highest Amount for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate Range	Nature for Financing	Business Transaction Amount	Reasons for Short-Term Financing	Allowance for Losses Amount	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Name	Value		
0	Pacific Construction Co., Ltd.	Pacific Holdings Limited	Other receivables	Yes	30,000	30,000	18,577	- %	2	-	Operational turnaround	-	None	-	729,051	2,916,203
2	Pacific Holdings Limited	Beijing Tai-Yun Building Co., Ltd.	Long-Term Receivables	Yes	965,233	920,140	920,140	5.50%	2	-	Operational turnaround	920,140	None	-	99,764	399,057

Note 1: Ceiling of loans are as follows:

- (1) The aggregate amount in loans lent by a subsidiary shall not exceed 40% of the Company's equity attributable to the parent.
- (2) The restriction shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of a fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. The aggregate amount in such loans to a single borrower shall not exceed 10% of the Company's most recent net worth of the financial statements or NT\$30 million.

Note 2: The Company's net worth mentioned above is based on the most recent review report audited by CPAs.

Note 3: Description of the nature of loaning of funds

- (1) Fill in "1" for a company with which it does business.
- (2) Fill in "2" for those in need of short-term financing.

Note 4: The receivables were generated from operating activities and not from the loaning of funds. However, in accordance with ARDF's letter No. 167 issued on July 9, 2004, the receivables from related parties were reclassified as other receivables - related parties for credit period exceeding the credit period of the accounts of non-relate parties.

Note 5: Improvement plans to address loaning parties not meeting criteria or the balance exceeding the limit due changes have been set out and approved by the board of directors and shall be handled in accordance with the regulations of the competent authorities.

Note 6: Due to the change in the repayment plan proposed by Beijing Tai-Yun to Pacific Holdings, in order to protect the interests of the company, the interest calculation and term agreement with Beijing Tai-Yun are still under negotiation. However, based on conservative and prudent principles, the amount may be recognized as interest income upon actual collection.

Note 7: The parent and subsidiary companies have been written off when preparing the consolidated financial report.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2. Providing endorsements/guarantees to other parties: None.
3. Marketable securities (excluding equity investments in subsidiaries, associates, and joint ventures) held at the reporting date:

(In Thousands of New Taiwan Dollars)

Held By	Types and Names of Securities	Relationship with the Securities Issuer	Account Titles in Book	End of the Period				Current Highest Shareholding Ratio	Remark
				Shares (Thousand Shares)	Carrying Amount	Shareholding Ratio	Fair Value (Note 1)		
Pacific Construction Co., Ltd.	Taiwan High Speed Rail Corporation.	Investment businesses valued by fair values	Non-current financial assets at FVTOCI	2,340	67,275	0.04 %	67,275	0.04%	
"	Xin-Ye-Yong Development Co., Ltd.	"	"	2	-	18.17 %	-	18.17%	
"	Pacific Resources Corporation.	"	"	657	7,080	4.39 %	7,080	4.39%	
"	Pacific SOGO Department Store Co., Ltd.	"	"	9,519	211,804	1.15 %	211,804	1.15%	Pledge of 2,369,000 shares
Pacific Department Stores Co., Ltd.	stock - Pacific Construction Co., Ltd.	The Company's parent	Non-current financial assets at FVTOCI	24,836	202,816	6.42 %	202,816	6.42%	Note 2
"	stock - Taiwan High Speed Rail Corporation.	Investment businesses valued by fair values	"	2,000	57,500	0.04 %	57,500	0.04%	
"	stock - Pacific SOGO Department Store Co., Ltd.	"	"	85,031	1,891,947	10.27 %	1,891,947	10.27%	
"	stock - SOGO Department Stores Co., Ltd.	"	"	2,542	-	12.08 %	-	12.08%	
"	stock - Pacific Life Development Co., Ltd.	"	"	505	-	3.30 %	-	3.30%	
"	VCOOL Inc.	"	"	27	991	0.27 %	991	0.27%	
Pacific Realtor Co., Ltd.	stock - Pacific Construction Co., Ltd.	The Company's parent	"	608	5,513	0.15 %	5,513	0.15%	Note 2
"	stock - Hong Kong Xian-Hui Company.	Investment businesses valued by fair values	"	5,700	-	10.00 %	-	10%	
"	stock - Mi-Jia-Le Construction Co., Ltd.	"	"	2,000	-	8.58 %	-	8.58%	
"	stock - Rakuya International Info. Co. Ltd.	"	"	782	13,127	6.82 %	13,127	6.82%	
Pacific Holdings Limited	Beijing Tai-Yun Building Co., Ltd.	"	Current financial assets at FVTOCI	-	1,699,172	47.50 %	1,699,172	47.50%	
Taitou Xingye Co., Ltd.	stock - GOOD TV Broadcasting Corp.	"	Non-current financial assets at FVTOCI	1,500	16,219	17.65 %	16,219	- %	
"	stock - Mi-Jia-Le Construction Co., Ltd.	"	"	1,213	-	5.21 %	-		

Note 1: Financial assets at FVTOCI are disclosed at the closing price of the open market, the most recent audited net financial statements or appraisal report.

Note 2 : When preparing the consolidated financial report, it has been written off.

4. Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT\$ 300 million or 20% of the paid-in capital: None.
5. Acquisition of real estate at costs exceeding NT\$ 300 million or 20% of the paid-in capital: None.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

6. Disposal of real estate at prices exceeding NT\$ 300 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Disposing Company	Asset Title	Date of Event	Date of Acquisition	Carrying Amount	Transaction Amount	Receivable Collection	Gain/loss on Disposal	Transaction Counterparty	Relationship	Purpose of Disposal	Reference for Price Determination	Other Stipulations of the Transaction
Pacific Construction	There are 22 parking spaces on the sixth, eighth, and twelfth floors of the Pacific Commercial Building and the first and second basement floors	2022.04	1983.02.02	93,013	973,780	Full payment has been received.	880,767	Wagon Shipping Corporation, Cargo Dragon International Logistics Co., Ltd. and Trans Wagon International Co., Ltd.	Non-related person	Make a profit and get working capital	Appraisal	-

7. Receivables from related parties with amounts exceeding NTD 100 million or 20% of the paid-in capital: None.

8. Receivables from related parties with amounts exceeding NT\$ 100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Companies with Accounts Receivable	Counterparty Name	Relationship	Balance of Receivables from Related-Parties	Turnover Rate	Amounts Due from Related Parties		Receivables Amount Collected from Related-Parties Subsequently	Provision Allowance for Loss
					Amount	Processing Method		
Pacific Holdings Limited	Beijing Tai-Yun Building Co., Ltd.	The company is the company's financial assets at FVTOCI.	920,140	-%	920,140	A letter was sent to Tai-Yun to provide a new repayment plan to be discussed.	-	(920,140)

9. Engaging in the trading in derivative instruments: None.

10. Business relationships and significant transactions between parent and subsidiaries:

No.	Name of Trader	Counterparty	Relationship with Trader Relationship	Transactions			
				Title	Amount	Terms and Conditions	The Ratio of Consolidated Total Income or Assets
0	Pacific Construction Co., Ltd.	Pacific Holdings Limited	1	Other receivables	52,322	Debt	0.37%
1	Pacific Holdings Limited	Pacific Construction Co., Ltd.	2	Accounts payable	52,322	Debt	0.37%

Note 1: How to fill in:

1. Fill in "0" for parent company.
2. Subsidiaries are numbered sequentially by the company category, starting with "1."

Note 2: The relationship with the traders is classified as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

B. Information on Investees (excluding investments in China)

Information on the Company's investees for 2022 is as follows:

(In Thousands of New Taiwan Dollars)

Name of Investor	Name of Investee	Location	Principal Business	Sum of Initial Investment		Held at the End of Period			Current Highest Shareholding Ratio	Net Income (Loss) of Investee	Share of Profits (Loss) of Investee	Remark
				End of the Period	End of the Previous Year	Shares	Ratio	Carrying Amounts				
Pacific Construction Co., Ltd.	Pacific Realtor Co., Ltd.	Taiwan	Introduction of housing leases and sales, etc.	46,506	46,506	7,275	48.50%	71,495	48.50%	67,849	64,815	
"	Pacific Department Stores Co., Ltd.	"	Building lease and sales, supermarket operation, department store import and export, etc.	1,007,361	1,007,361	99,176	48.45%	1,625,470	48.45%	145,546	65,554	Note 1
"	Pacific Holdings Limited	HK	Investments, Trading	162,470	162,470	343,858	100.00%	997,642	100.00%	649,710	649,710	
"	Pacific Construction Co., Ltd.	"	Construction projects, or acts as an agency for civil engineering, construction, plumbing, electrical and air-conditioning, and decoration projects, etc.	34,016	34,016	8,163	100.00%	-	100.00%	(2)	(2)	
"	Taitou Xingye Co., Ltd.	Taiwan	Investment	210,000	210,000	22,600	100.00%	219,673	100.00%	(3,853)	(4,372)	
Taitou Xingye Co., Ltd.	Chon Tse Asset Management Co., Ltd.	"	Management Consulting Services - General Hotel Industry	180,000	180,000	18,000	100.00%	180,242	100.00%	(748)	(748)	
Pacific Department Stores Co., Ltd.	Pacific 88 Co., Ltd.	"	Wholesale, Retail and trading of restaurant business, Daily essential and department stores	8,459	8,459	846	48.98%	-	48.98%	-	-	Investees accounted for using equity method

Note 1: Among these, 36,628 thousand shares were pledged as collateral for bank loans.

Note 2: Except for investees invested using the equity method, the above investees have been written off in the preparation of the consolidated financial statements.

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

C. Information on Investments in Mainland China:

1. Information on investments in Mainland China:

Unit: NT\$ thousand / USD thousand

Name of the Investment in China	Principal Item	Paid-In Shares Capital	Investment Method	Opening Cumulative Balance of Investment Capital Invested from Taiwan	Investment Capital Transferred or Recovered During the Current Period		Closing Cumulative Balance of Investment Capital Invested from Taiwan	Net Income (Loss) of Investee	The Company's Directly or Indirectly Invested Shareholding	Mid-term highest Shareholding ratio	Share of Profits (Losses) of Investee	Carrying Value of Investments at the End of the Period	Investment Income Remitted as of the End of the Year
					Outward Remittance	Recovered							
Beijing Tai-Yun Building Co., Ltd.	Wholesale and retail commercial facilities within the planning area of development, construction, sales and leases	368,520 (USD12,000) (Note 2)	Note 1	175,047 (USD5,700) (Note 2)	-	-	175,047 (USD5,700) (Note 2)	-	47.50%	47.50%	11,198 (Note 4)	- (Note 4)	-
Beijing Taikong Consulting Services Co., Ltd.	Business management consulting	415 (USD15) (Note 2)	Note 1	415 (USD15) (Note 2)	-	-	415 (USD15) (Note 2)	146	100.00%	100.00%	146	238 (Note 5)	-

Note 1: Invested in China through a company in a third region.

Note 2: The actual amount in the original currency of investment multiplied by the closing exchange rate.

Note 3: The investment income recognized this for the period was based on the financial statements audited by CPAs of an international accounting firm with a cooperative relationship with the Taiwanese accounting firm.

Note 4: The Q4 of 2022 is transferred to financial assets at FVTOCI.

Note 5: When preparing the consolidated financial report, it has been written off.

2. Limit for investing in China

Cumulative Investment Outflow from Taiwan as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
USD 6,966	USD 6,966	5,528,722

Note 6: Limit calculation: Net equity for the Group in the period $\times 60\%$ = NTD9,214,536 thousand $\times 60\%$ = NTD5,528,722 thousand.

Note 7: Shanghai Pacific Construction Co., Ltd. was liquidated on June 21, 2009. The liquidation balance was remitted to Pacific Construction Co., Ltd. and not yet remitted to Taiwan. As a result, the investment amount was not approved by the MOEAIC, less the capital of USD1,251 thousand.

3. Information on Significant Transactions: None.

D. Information of Main Shareholders:

Name of Main Shareholders	Shares Holding of Shares	Shares Ratio
Chuang Mei Investment Co., Ltd.	35,522,000	9.17%
Pacific Department Stores Co., Ltd.	24,836,139	6.41%
Fong Fu International Development Co., Ltd.	20,999,771	5.42%

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

14. Segment Information

- (1) Information on reportable segment's profit or loss, assets, liabilities and their measurement basis and reconciliation

The Group uses the income (excluding extraordinary gains or losses and exchange gains or losses) before tax of each segment of the internal management report as the basis for allocating management resources as well as evaluating performance. As income tax, extraordinary gains or losses and exchange gains or losses are managed on a group basis. The Group does not allocate income tax expenses (gains), extraordinary gains or losses and exchange gains or losses to reportable segments. In addition, not all reportable segments have material non-cash items other than depreciation and amortization in profit or loss the amounts reported are consistent with the reports used by the operating decision maker.

Except for pension expenses of each operating segment that is recognized and measured based on cash paid to the pension plan, the accounting policy of the operating segment is the same as the "Summary of Important Accounting Policy" stated in Note 4.

Intersegment sales and transfers are deemed as third-party transactions. Measured at current market prices.

Information and reconciliation of the Group's operating segment:

	2022					
	Construction Segment	Leasing Segment	Department Store Segment	Property Management Others	Adjustments and Elimination	Total
Revenue:						
Revenues from external customers	\$ 198,606	59,017	339,412	260,422	-	857,457
Inter-segment income	19,082	11,077	125	3,496	(33,780)	-
Interest revenue	2,793	-	368	434	-	3,595
Total revenue	<u>\$ 220,481</u>	<u>70,094</u>	<u>339,905</u>	<u>264,352</u>	<u>(33,780)</u>	<u>861,052</u>
Interest expense	\$ 79,192	-	949	8,478	(54)	88,565
Depreciation and Amortization	23,836	38,965	35,864	42,431	(3,751)	137,345
Reportable segment profit/losses before tax	<u>\$ (70,977)</u>	<u>(23,443)</u>	<u>155,117</u>	<u>718,879</u>	<u>52,447</u>	<u>832,023</u>
Assets:						
Reportable segment Assets	<u>\$ 7,218,751</u>	<u>43,720</u>	<u>3,954,888</u>	<u>3,138,679</u>	<u>(370,029)</u>	<u>13,986,009</u>
Reportable segment Liabilities	<u>\$ 3,634,352</u>	<u>78,463</u>	<u>202,347</u>	<u>912,168</u>	<u>(55,857)</u>	<u>4,771,473</u>

Pacific Construction Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

	2021 (Revised)					
	Construction Segment	Leasing Segment	Department Store Segment	Property Management Others	Adjustments and Elimination	Total
Revenue:						
Revenues from external customers	\$ 1,032,092	61,355	339,025	236,559	-	1,669,031
Inter-segment income	27,593	12,545	250	52	(40,440)	-
Interest revenue	1,165	-	148	165	-	1,478
Total revenue	<u>\$ 1,060,850</u>	<u>73,900</u>	<u>339,423</u>	<u>236,776</u>	<u>(40,440)</u>	<u>1,670,509</u>
Interest expense	\$ 96,632	-	2,320	10,275	-	109,227
Depreciation and Amortization	19,086	40,762	36,032	44,737	-	140,617
Reportable segment profit/losses before tax	<u>\$ 30,006</u>	<u>22,312</u>	<u>131,137</u>	<u>97,692</u>	<u>(72,173)</u>	<u>208,974</u>
Assets:						
Reportable segment Assets	<u>\$ 8,030,699</u>	<u>32,853</u>	<u>4,039,541</u>	<u>2,406,729</u>	<u>(453,563)</u>	<u>14,056,259</u>
Reportable segment Liabilities	<u>\$ 4,188,970</u>	<u>95,843</u>	<u>308,515</u>	<u>935,939</u>	<u>(72,036)</u>	<u>5,457,231</u>

(2) Regional information

The Group's regional information is as follows. Income is categorized based on the geographical location of customers, while non-current assets are categorized based on the geographical location of assets.

Region	2022	2021
Revenues from external customers:		
Taiwan	\$ 651,646	1,512,972
Sabah	205,811	156,059
	<u>\$ 857,457</u>	<u>1,669,031</u>
Non-current assets:		
Taiwan	\$ 2,378,390	2,618,745
Sabah	1,098,669	1,137,767
Total	<u>\$ 3,477,059</u>	<u>3,756,512</u>

Other non-current assets include property, plant and equipment, investment property, intangible assets and other assets. However, financial instruments, deferred tax assets and net defined benefit assets are not excluded.

(3) Key Customer Information

As the Group has a large customer base, there is no significant concentration of transactions with major customers.