

Lucky Cement Co. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as of and for the year ended December 31, 2022 as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies as of and for the year ended December 31, 2022. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2022.

Very truly yours,

LUCKY CEMENT CO.

By

CHEN, LIANG-CHUAN
Chairman

March 30, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Lucky Cement Co.

Opinion

We have audited the accompanying consolidated financial statements of Lucky Cement Co. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FCS) of the Republic of China.

Basis of Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 for the year ended December 31, 2022. 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.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2022 are as follows:

Occurrence of Sales Revenue from Key Customers

The Group's sales revenue mainly comes from sales of cement, stone materials and other cement products. The sales revenue from the key customers, which exceeded the performance materiality for audit purposes amounted to NT\$859,440 thousand or 21% of the total sales revenue in 2022. Therefore, we deemed the occurrence of sales as a significant risk and key audit matter.

Refer to Note 4(j) to the consolidated financial statements for accounting policies on revenue recognition and Note 24(a) for the disclosures related to the operating revenue.

Our key audit procedures performed in respect of the above area included the following:

1. We obtained an understanding of the internal control procedures over the sales revenue and assessed the design and effectiveness of the implementation of internal controls.
2. We obtained the summary of sales to the key customers for the year, tested the completeness of the summary, selected samples from the summary, and examined supporting vouchers, shipping documents, delivery receipts, invoices, etc. and verified the occurrence of sales.

Other Matter

We have also audited the parent company only financial statements of Lucky Cement Co. as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group 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 regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chao-Mei Chen and Chiang-Hsun Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 30, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

LUCKY CEMENT CO. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 269,974	3	\$ 220,238	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	53,622	1	44,932	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	123,952	1	73,319	1
Financial assets at amortized cost - current (Notes 4, 9 and 32)	119,254	1	111,953	1
Notes receivable (Notes 4, 10 and 24)	432,925	4	297,280	4
Notes receivable from related parties (Notes 4, 24 and 31)	-	-	6,571	-
Accounts receivable (Notes 4, 10 and 24)	561,838	6	418,395	5
Accounts receivable from related parties (Notes 4, 24 and 31)	11,724	-	3,250	-
Other receivables (Notes 4 and 10)	1,454	-	2,613	-
Other receivables from related parties (Notes 4 and 31)	251	-	247	-
Current tax assets (Note 26)	185	-	-	-
Inventories (Notes 4, 5, 11 and 32)	4,065,041	42	3,676,472	46
Prepayments (Note 13)	253,376	3	233,445	3
Other current assets (Note 14)	26,214	-	29,292	-
Total current assets	5,919,810	61	5,118,007	64
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	9,395	-	11,038	-
Financial assets at amortized cost - non-current (Notes 4, 9 and 32)	179,145	2	202,326	2
Property, plant and equipment (Notes 4, 15 and 32)	3,023,515	31	2,302,034	29
Right-of-use assets (Notes 4 and 16)	131,029	2	155,588	2
Deferred tax assets (Notes 4 and 26)	60,643	1	75,217	1
Refundable deposits	17,821	-	18,427	-
Other non-current assets (Notes 4, 17 and 21)	320,513	3	159,073	2
Total non-current assets	3,742,061	39	2,923,703	36
TOTAL	\$ 9,661,871	100	\$ 8,041,710	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 32)	\$ 1,478,200	15	\$ 928,359	12
Short-term bills payable (Notes 18 and 32)	409,296	4	404,424	5
Contract liabilities (Note 24)	549,189	6	190,789	2
Notes payable (Note 19)	239,715	3	214,743	3
Notes payable to related parties (Notes 19 and 31)	26,828	-	43,148	1
Accounts payable (Note 19)	221,143	2	123,370	1
Accounts payable to related parties (Notes 19 and 31)	25,017	-	2,046	-
Other payables (Note 20)	190,841	2	138,507	2
Other payables to related parties (Note 31)	99,444	1	2,511	-
Current tax liabilities (Note 26)	95,718	1	17,477	-
Lease liabilities - current (Notes 4 and 16)	50,788	1	51,476	1
Current portion of long-term borrowings (Notes 18 and 32)	100,000	1	914,000	11
Other current liabilities	2,352	-	1,537	-
Total current liabilities	3,488,531	36	3,032,387	38
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 18 and 32)	1,060,000	11	120,000	2
Deferred tax liabilities (Notes 4 and 26)	22,422	-	23,818	-
Lease liabilities - non-current (Notes 4 and 16)	81,668	1	105,376	1
Other payables to related parties (Note 31)	40,000	1	45,800	1
Net defined benefit liabilities (Notes 4 and 21)	24,421	-	34,745	-
Guarantee deposits received	39,040	-	34,010	-
Total non-current liabilities	1,267,551	13	363,749	4
Total liabilities	4,756,082	49	3,396,136	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common stock	4,047,380	42	4,047,380	50
Capital surplus	18	-	18	-
Retained earnings				
Legal reserve	238,244	3	210,524	3
Special reserve	14,908	-	14,135	-
Unappropriated earnings	696,224	7	374,225	5
Total retained earnings	949,376	10	598,884	8
Other equity	(91,055)	(1)	(773)	-
Total equity attributable to owners of the Company	4,905,719	51	4,645,509	58
NON-CONTROLLING INTERESTS (Note 23)	70	-	65	-
Total equity	4,905,789	51	4,645,574	58
TOTAL	\$ 9,661,871	100	\$ 8,041,710	100

The accompanying notes are an integral part of the consolidated financial statements.

LUCKY CEMENT CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE(Notes 4, 24 and 31)				
Sales	\$ 4,152,720	100	\$ 3,772,443	100
Less: Discounts and allowances	<u>(3,467)</u>	<u>-</u>	<u>(3,421)</u>	<u>-</u>
Total operating revenue	4,149,253	100	3,769,022	100
OPERATING COSTS (Notes 11, 25 and 31)	<u>3,158,473</u>	<u>76</u>	<u>3,208,996</u>	<u>85</u>
GROSS PROFIT	<u>990,780</u>	<u>24</u>	<u>560,026</u>	<u>15</u>
OPERATING EXPENSES (Notes 10, 25 and 31)				
Selling and marketing expenses	109,743	3	111,495	3
General and administrative expenses	166,109	4	119,664	3
Expected credit loss	<u>3,952</u>	<u>-</u>	<u>3,740</u>	<u>-</u>
Total operating expenses	<u>279,804</u>	<u>7</u>	<u>234,899</u>	<u>6</u>
OTHER OPERATING INCOME AND EXPENSES (Note 25)	<u>453</u>	<u>-</u>	<u>13,442</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>711,429</u>	<u>17</u>	<u>338,569</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Notes 15, 25 and 31)				
Interest income	2,268	-	1,943	-
Other income	53,827	2	24,594	1
Other gains and losses	(35,444)	(1)	8,283	-
Financial costs	<u>(44,058)</u>	<u>(1)</u>	<u>(32,077)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(23,407)</u>	<u>-</u>	<u>2,743</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	688,022	17	341,312	9
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(106,801)</u>	<u>(3)</u>	<u>(79,107)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>581,221</u>	<u>14</u>	<u>262,205</u>	<u>7</u>

(Continued)

LUCKY CEMENT CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 21)	\$ 9,589	-	\$ 1,492	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(87,052)	(2)	11,885	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(700)	-	(3,107)	-
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	-	-	(503)	-
Other comprehensive income, net of income tax	(78,163)	(2)	9,767	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 503,058</u>	<u>12</u>	<u>\$ 271,972</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Shareholders of the Company	\$ 581,216	14	\$ 262,205	7
Non-controlling interests	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 581,221</u>	<u>14</u>	<u>\$ 262,205</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the Company	\$ 503,053	12	\$ 271,972	7
Non-controlling interests	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 503,058</u>	<u>12</u>	<u>\$ 271,972</u>	<u>7</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 1.44</u>		<u>\$ 0.65</u>	
Diluted	<u>\$ 1.43</u>		<u>\$ 0.65</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

LUCKY CEMENT CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Cash Dividend Per Share)

	Equity Attributable to Owners of the Company						Other Equity	Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translation of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income			
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2021	\$ 4,047,380	\$ 9	\$ 170,899	\$ 14,135	\$ 419,967	\$ 7,475	\$ (3,020)	\$ 4,656,845	\$ 74	\$ 4,656,919
Appropriation of 2020 earnings										
Legal reserve	-	-	39,625	-	(39,625)	-	-	-	-	-
Cash dividend to shareholders - NT\$0.70 per share	-	-	-	-	(283,317)	-	-	(283,317)	-	(283,317)
Net profit for the year ended December 31, 2021	-	-	-	-	262,205	-	-	262,205	-	262,205
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,492	(3,107)	11,382	9,767	-	9,767
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	263,697	(3,107)	11,382	271,972	-	271,972
Difference between consideration and carrying amount of subsidiaries acquired (Note 12)	-	9	-	-	13,503	-	-	13,512	(9)	13,503
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 23)	-	-	-	-	-	-	(13,503)	(13,503)	-	(13,503)
BALANCE AT DECEMBER 31, 2021	4,047,380	18	210,524	14,135	374,225	4,368	(5,141)	4,645,509	65	4,645,574
Appropriation of 2021 earnings										
Legal reserve	-	-	27,720	-	(27,720)	-	-	-	-	-
Cash dividend to shareholders - NT\$0.60 per share	-	-	-	-	(242,843)	-	-	(242,843)	-	(242,843)
Special reserve	-	-	-	773	(773)	-	-	-	-	-
Net profit for the year ended December 31, 2022	-	-	-	-	581,216	-	-	581,216	5	581,221
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	9,589	(700)	(87,052)	(78,163)	-	(78,163)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	590,805	(700)	(87,052)	503,053	5	503,058
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 23)	-	-	-	-	2,530	-	(2,530)	-	-	-
BALANCE AT DECEMBER 31, 2022	\$ 4,047,380	\$ 18	\$ 238,244	\$ 14,908	\$ 696,224	\$ 3,668	\$ (94,723)	\$ 4,905,719	\$ 70	\$ 4,905,789

The accompanying notes are an integral part of the consolidated financial statements.

LUCKY CEMENT CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 688,022	\$ 341,312
Adjustments for:		
Depreciation expense	151,878	152,136
Amortization and depletion expense	17,175	15,807
Expected credit loss recognized on trade receivables	3,952	3,740
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	24,987	(13,374)
Interest expense	44,058	32,077
Interest income	(2,268)	(1,943)
Dividend income	(26,911)	(2,145)
Gain on disposal of property, plant and equipment	(453)	(13,442)
Gain on disposal of investments	-	(436)
Loss on impairment of financial assets	2,264	-
Inventory (including real estate under development) write-downs (reversal gain) loss	(189,447)	1,691
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(33,677)	(30,402)
Notes receivable	(135,645)	276,678
Notes receivable from related parties	6,571	(6,336)
Accounts receivable	(147,395)	70,861
Accounts receivable from related parties	(8,474)	2,514
Other receivables	549	(1,330)
Other receivables from related parties	(4)	66
Inventories	(199,122)	(132,577)
Prepayments	(19,931)	(72,787)
Other current assets	3,078	(6,558)
Other non-current assets	-	(8)
Contract liabilities	358,400	(142,306)
Notes payable	24,972	(130,584)
Notes payable to related parties	(16,320)	11,552
Accounts payable	97,773	(118,550)
Accounts payable to related parties	22,971	(17,960)
Other payables	37,000	(38,989)
Other payables to related parties	(142)	(5,778)
Other current liabilities	815	29
Net defined benefit liabilities	(735)	(587)
Cash generated from operations	703,941	172,371
Interest received	2,254	2,007
Interest paid	(45,955)	(32,256)
Income tax paid	(15,567)	(59,999)
Net cash generated from operating activities	644,673	82,123

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LUCKY CEMENT CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (165,636)	\$ (260,941)
Proceeds from sale of financial assets at fair value through other comprehensive income	24,518	242,289
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	5,700	7,387
Increase in financial assets at amortized cost	-	(48,882)
Decrease in financial assets at amortized cost	15,880	-
Payments for property, plant and equipment	(963,710)	(273,101)
Proceeds from disposal of property, plant and equipment	3,100	41,688
Increase in refundable deposits	(1,658)	-
Decrease in refundable deposits	-	2,153
Increase in other non-current assets	(14,912)	(6,030)
Other dividends received	<u>26,911</u>	<u>2,766</u>
Net cash used in investing activities	<u>(1,069,807)</u>	<u>(292,671)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	549,841	608,359
Increase in short-term bills payable	5,000	215,000
Proceeds from long-term borrowings	700,000	220,000
Repayments of long-term borrowings	(574,000)	(516,000)
Increase in guarantee deposits received	5,030	1,306
Decrease in notes payable to related parties	-	(8,000)
Increase in other payable to related parties	87,500	-
Decrease in other payable to related parties	-	(70,000)
Repayment of the principal portion of lease liabilities	(55,123)	(54,737)
Cash dividends paid	<u>(242,843)</u>	<u>(283,317)</u>
Net cash generated from financing activities	<u>475,405</u>	<u>112,611</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(535)</u>	<u>(2,360)</u>
NET INCREASE (DECREASE) IN CASH	49,736	(100,297)
CASH AT THE BEGINNING OF YEAR	<u>220,238</u>	<u>320,535</u>
CASH AT THE END OF YEAR	<u>\$ 269,974</u>	<u>\$ 220,238</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

LUCKY CEMENT CO. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Lucky Cement Co. (the “Company”) was established in 1974; its main business is production and sale of Portland cement. The Company listed its shares on the Taiwan Stock Exchange in June 1990.

The consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) are presented in Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 16, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities (assets) which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are 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); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

The Group is also engaged in construction and development of properties; its operating cycle is longer than 1 year. Its assets and liabilities related to the construction business are not classified as current or non-current under normal operating cycle but presented according to the order of their perceived liquidity to non-liquidity.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Refer Note 12 and Note 36 Table 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in foreign currencies are not retranslated.

For the purpose of presenting consolidated financial statements, the financial statements of the Company's foreign operations that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies and spare parts, finished goods, work-in-process, merchandise and real estate under development and real estate to be developed and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date. The construction cost of property inventories is calculated according to the proportion of an area to the total area of a building floor; the principle is to match construction cost with property sales revenue; operating costs are recognized at the end of the reporting period.

Land for development is classified as real estate to be developed while being prepared for construction, and classified as real estate under development when it is actively being developed and has obtained a construction permit.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Impairment of property, plant and equipment and right-of-use asset

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial asset at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash, financial assets at amortized cost and trade receivables are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial asset that is not credit-impaired on purchase or origination but has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit-impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 181 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

j. Revenue recognition

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods

Revenue from sale of goods comes from sales of cement, stone materials and other cement products. Sales of cement, stone materials and other cement products are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

k. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

l. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current tax and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Key Sources of Estimation Uncertainty

Write-down of inventories (including real estate under development)

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH

	December 31	
	2022	2021
Cash on hand and revolving funds	\$ 1,359	\$ 1,334
Checking accounts and demand deposits	265,216	205,848
Foreign currency demand deposits	<u>3,399</u>	<u>13,056</u>
	<u>\$ 269,974</u>	<u>\$ 220,238</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Current</u>		
Financial assets mandatorily classified as at FVTPL - mutual funds	<u>\$ 53,622</u>	<u>\$ 44,932</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity instruments at FVTOCI

	December 31	
	2022	2021
<u>Current</u>		
Domestic investments - ordinary shares	<u>\$ 123,952</u>	<u>\$ 73,319</u>
<u>Non-current</u>		
Domestic investments - ordinary shares	<u>\$ 9,395</u>	<u>\$ 11,038</u>

For information of the above investments, refer to Note 36 Table 3 “Marketable Securities Held”.

For other relevant information on financial assets measured at FVTOCI, refer to Notes 23(e) and 30.

These investments in equity instruments are held for strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes.

The Group disposed its shares that had a fair value of \$23,894 thousand and \$230,097 thousand in 2022 and 2021, respectively. The shares related unrealized valuation gain of \$2,530 thousand and \$13,503 thousand were transferred from other equity to retained earnings in 2022 and 2021, respectively.

Dividends of \$26,911 thousand and \$2,145 thousand were recognized in 2022 and 2021, respectively.

The Group received return of capital of \$5,700 thousand and \$7,387 thousand when the invested company reduced capital in 2022 and 2021, respectively.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 26,434	\$ 7,273
Restricted assets (b)	<u>92,820</u>	<u>104,680</u>
	<u>\$ 119,254</u>	<u>\$ 111,953</u>
<u>Non-current</u>		
Restricted assets (c)	<u>\$ 179,145</u>	<u>\$ 202,326</u>

- a. The interest rates of time deposits with original maturities of more than 3 months were approximately 1.44% and 1.68% and 2.30% per annum as of December 31, 2022 and 2021, respectively.
- b. The restricted assets - current are savings deposits and certificate of deposit that are provided as guarantees for bank loan and construction contract; market interest rate ranges were approximately 0.20%-1.44% and 0.01%-0.56% per annum as of December 31, 2022 and 2021, respectively.
- c. The restricted assets - non-current are certificate of deposit in the bank that is pledged as the security of mining right, which has market interest rate range of approximately 0.50%-1.44% and 0.10%-0.82% per annum as of December 31, 2022 and 2021, respectively.
- d. Refer to Note 32 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES, OTHER RECEIVABLES AND OVERDUE RECEIVABLES

	December 31	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	<u>\$ 432,925</u>	<u>\$ 297,280</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 583,777	\$ 437,338
Less: Allowance for impairment loss	<u>(21,939)</u>	<u>(18,943)</u>
	<u>\$ 561,838</u>	<u>\$ 418,395</u>
<u>Other receivables</u>		
Sale of securities	\$ -	\$ 624
Other	<u>1,454</u>	<u>1,989</u>
	<u>\$ 1,454</u>	<u>\$ 2,613</u>
<u>Overdue receivables</u>		
Overdue receivables	\$ 29,699	\$ 28,743
Less: Allowance for impairment loss	<u>(29,699)</u>	<u>(28,743)</u>
	<u>\$ -</u>	<u>\$ -</u>

a. Notes receivable

The average credit period of sales of goods was 60-150 days. No interest is charged on notes receivable. In order to minimize credit risk, the management of the Group has delegated a team for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts.

The Group assesses that no allowance for loss on notes receivable is required as of December 31, 2022 and 2021.

b. Trade receivables

The average credit period of sales of goods is 60-150 days. No interest is charged on trade receivables. In order to minimize credit risk, the management of the Group has delegated a team for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts.

The Group measure the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, as well as the GDP forecasts and industry outlook. The Group's provision matrixes are prepared by reference to if the customer were in severe financial difficulty. The Group recorded a 100% of loss allowance when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; If the customer were not in severe financial difficulty, as the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2022

	Not Past Due	Past Due within 30 Days	Past Due 31 to 60 Days	Past Due 61 to 180 Days	Past Due Over 181 Days	Assessed Individually	Total
Expected credit loss rate	0%-0.29%	6.75%	12.18%	22.81%-88.62%	100%	100%	
Gross carrying amount	\$ 521,255	\$ 25,548	\$ 11,422	\$ 16,299	\$ 2,299	\$ 36,653	\$ 613,476
Loss allowance (Lifetime ECLs)	<u>(1,137)</u>	<u>(1,725)</u>	<u>(1,391)</u>	<u>(8,433)</u>	<u>(2,299)</u>	<u>(36,653)</u>	<u>(51,638)</u>
Amortized cost	<u>\$ 520,118</u>	<u>\$ 23,823</u>	<u>\$ 10,031</u>	<u>\$ 7,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561,838</u>

December 31, 2021

	Not Past Due	Past Due within 30 Days	Past Due 31 to 60 Days	Past Due 61 to 180 Days	Past Due Over 181 Days	Assessed Individually	Total
Expected credit loss rate	0%-0.69%	8.90%	15.60%	22.03%-71.86%	100%	100%	
Gross carrying amount	\$ 406,784	\$ 6,172	\$ 7,909	\$ 2,896	\$ 6,621	\$ 35,699	\$ 466,081
Loss allowance (Lifetime ECLs)	<u>(2,009)</u>	<u>(548)</u>	<u>(1,234)</u>	<u>(1,575)</u>	<u>(6,621)</u>	<u>(35,699)</u>	<u>(47,686)</u>
Amortized cost	<u>\$ 404,775</u>	<u>\$ 5,624</u>	<u>\$ 6,675</u>	<u>\$ 1,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,395</u>

The movements of the loss allowance of trade receivables and overdue receivables were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 47,686	\$ 43,946
Add: Net remeasurement of loss allowance	<u>3,952</u>	<u>3,740</u>
Balance at December 31	<u>\$ 51,638</u>	<u>\$ 47,686</u>

c. Other receivables

Other receivables mainly include proceeds from equipment and interest. The Group adopted a policy of only dealing with high credit rating entities and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from its own historical trading records to rate its customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group considers the current financial condition of debtors to determine the expected credit losses for debt instrument investments. As December 31, 2022 and 2021, the expected credit loss rate of other receivables were both 0%.

11. INVENTORIES

	December 31	
	2022	2021
Real estate under development and real estate to be developed	\$ 3,429,158	\$ 3,184,345
Raw materials	319,842	271,725
Finished goods	115,900	98,289
Work in progress	94,460	44,096
Supplies and spare parts	99,255	71,399
Merchandise	<u>6,426</u>	<u>6,618</u>
	<u>\$ 4,065,041</u>	<u>\$ 3,676,472</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	\$ 3,347,920	\$ 3,207,305
Inventory (including real estate under development) write-downs (reversal gain) loss	<u>(189,447)</u>	<u>1,691</u>
	<u>\$ 3,158,473</u>	<u>\$ 3,208,996</u>

The inventories pledged as collateral for bank borrowings are set out in Note 32.

12. SUBSIDIARIES

The entities included in these consolidated financial statements are as follows:

Investor Company	Subsidiary	Nature of Business	Percentage of Equity Held		Explanation
			2022	2021	
Lucky Cement Co.	Dasheng Enterprise Co., Ltd. ("Dasheng Enterprise")	Sale and lease of national residences, commercial buildings, parking lots and industrial areas	99.99	99.99	a.
	Luckicon Ready-mixed Concrete Factory Co., Ltd. ("Luckicon Ready-mixed Co.")	Production and sales of concrete	100.00	100.00	
	Lucky Cement Corp., Japan ("Lucky Cement Japan")	Buy and sell of cement	100.00	100.00	
	Luckyship Marine Co., Ltd ("Luckyship Co.")	Shipping agent	100.00	100.00	b.
Luckicon Ready-mixed Co.	Fuyu Development Co., Ltd.	Earth and stone	100.00	100.00	

Notes:

- a. Dasheng Enterprise implemented a capital reduction to cover losses of \$200,000 thousand on August 19, 2021, and increased its capital by \$200,000 thousand on August 20, 2021. After the capital increase, the Company's shareholding in Dasheng Enterprise increased. Dasheng Enterprise recognized the difference between the consideration and the adjusted carrying amount of non-controlling interests of \$9 thousand under capital surplus.
- b. Luckyship Co. implemented a capital reduction to cover losses of \$65,000 thousand on November 30, 2021. Due to the surrender of shares by non-controlling interests, the Company's shareholding in Luckyship Co. increased from 99.99% to 100%.

13. PREPAYMENTS

	December 31	
	2022	2021
Prepayments for land purchases	\$ 119,595	\$ 69,350
Prepaid expenses	72,009	89,857
Office supplies	32,264	72,853
Prepayments for purchases of materials	28,845	1,032
Other	<u>663</u>	<u>353</u>
	<u>\$ 253,376</u>	<u>\$ 233,445</u>

On November 29, 2021, Dasheng Enterprise acquired land from the unrelated party for the total contract price of \$128,092 thousand. As of December 31, 2022, Dasheng Enterprise paid \$119,595 thousand, which had been recognized in prepayment for the land.

14. OTHER CURRENT ASSETS

	December 31	
	2022	2021
Offset against business tax payable	\$ 26,212	\$ 29,291
Other	<u>2</u>	<u>1</u>
	<u>\$ 26,214</u>	<u>\$ 29,292</u>

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Electrical Equipment	Transportation Equipment	Other Equipment	Total
<i>Cost</i>							
Balance at January 1, 2022	\$ 1,652,873	\$ 2,211,887	\$ 5,591,122	\$ 1,106,961	\$ 862,793	\$ 362,750	\$ 11,788,386
Additions	681,581	432	7,994	-	124,616	6,262	820,885
Disposals	-	-	(193)	-	(52,314)	(6,893)	(59,400)
Net exchange difference	<u>-</u>	<u>(2,552)</u>	<u>(326)</u>	<u>-</u>	<u>(9)</u>	<u>(13)</u>	<u>(2,900)</u>
Balance at December 31, 2022	<u>\$ 2,334,454</u>	<u>\$ 2,209,767</u>	<u>\$ 5,598,597</u>	<u>\$ 1,106,961</u>	<u>\$ 935,086</u>	<u>\$ 362,106</u>	<u>\$ 12,546,971</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Electrical Equipment	Transportation Equipment	Other Equipment	Total
Accumulated depreciation and impairment							
Balance at January 1, 2022	\$ -	\$ 1,929,507	\$ 5,498,399	\$ 1,098,091	\$ 617,946	\$ 342,409	\$ 9,486,352
Depreciation expense	-	40,878	17,434	3,345	25,437	9,498	96,592
Disposals	-	-	(193)	-	(49,667)	(6,893)	(56,753)
Net exchange difference	-	(2,437)	(276)	-	(9)	(13)	(2,735)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 1,967,948</u>	<u>\$ 5,515,364</u>	<u>\$ 1,101,436</u>	<u>\$ 593,707</u>	<u>\$ 345,001</u>	<u>\$ 9,523,456</u>
Carrying amount at December 31, 2022	<u>\$ 2,334,454</u>	<u>\$ 241,819</u>	<u>\$ 83,233</u>	<u>\$ 5,525</u>	<u>\$ 341,379</u>	<u>\$ 17,105</u>	<u>\$ 3,023,515</u>
Cost							
Balance at January 1, 2021	\$ 1,650,349	\$ 2,290,846	\$ 6,097,312	\$ 1,196,322	\$ 877,182	\$ 517,173	\$ 12,629,184
Additions	2,524	-	16,022	178	177,209	6,724	202,657
Disposals	-	(67,679)	(520,755)	(89,539)	(191,559)	(161,090)	(1,030,622)
Net exchange difference	-	(11,280)	(1,457)	-	(39)	(57)	(12,833)
Balance at December 31, 2021	<u>\$ 1,652,873</u>	<u>\$ 2,211,887</u>	<u>\$ 5,591,122</u>	<u>\$ 1,106,961</u>	<u>\$ 862,793</u>	<u>\$ 362,750</u>	<u>\$ 11,788,386</u>
Accumulated depreciation and impairment							
Balance at January 1, 2021	\$ -	\$ 1,965,873	\$ 6,004,617	\$ 1,183,518	\$ 756,261	\$ 495,028	\$ 10,405,297
Depreciation expense	-	42,082	15,760	4,112	26,337	8,526	96,817
Disposals	-	(67,679)	(520,755)	(89,539)	(164,613)	(161,090)	(1,003,676)
Net exchange difference	-	(10,769)	(1,223)	-	(39)	(55)	(12,086)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,929,507</u>	<u>\$ 5,498,399</u>	<u>\$ 1,098,091</u>	<u>\$ 617,946</u>	<u>\$ 342,409</u>	<u>\$ 9,486,352</u>
Carrying amount at December 31, 2021	<u>\$ 1,652,873</u>	<u>\$ 282,380</u>	<u>\$ 92,723</u>	<u>\$ 8,870</u>	<u>\$ 244,847</u>	<u>\$ 20,341</u>	<u>\$ 2,302,034</u>

(Concluded)

- On April 14, 2022, Luckicon Ready-mixed Co.'s board of directors approved the purchase of land from unrelated parties for the proposed construction of a plant.
- A part of the Group's land use rights reserved for use by the aborigines and for agriculture is temporarily registered in the name of a third person. The trustee had issued an affidavit and mortgaged the land to the Group.
- The Group's property, plant and equipment are depreciated on a straight-line method over their estimated useful lives as follows:

Buildings	
Main building of plant	35-55 years
Electrical power equipment	10-15 years
Engineering system	3-5 years
Machinery and equipment	2-10 years
Electrical equipment	5-15 years
Transportation equipment	3-15 years
Office equipment	3-10 years
- No impairment assessment was performed for the year ended December 31, 2022 and 2021 as there was no indication of impairment.
- Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 32.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 27,898	\$ 12,480
Buildings	103,083	142,491
Transportation equipment	<u>48</u>	<u>617</u>
	<u>\$ 131,029</u>	<u>\$ 155,588</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 30,727</u>	<u>\$ 131,347</u>
Depreciation charge for right-of-use assets		
Land	\$ 11,142	\$ 11,061
Buildings	43,575	43,579
Transportation equipment	<u>569</u>	<u>679</u>
	<u>\$ 55,286</u>	<u>\$ 55,319</u>

Except for the aforementioned recognized addition and depreciation, the Group did not have any significant subleases or impairment of right-of-use assets during the year ended December 31, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 50,788</u>	<u>\$ 51,476</u>
Non-current	<u>\$ 81,668</u>	<u>\$ 105,376</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.50%-1.85%	1.55%-1.68%
Buildings	1.50%-1.76%	1.50%-1.60%
Transportation equipment	1.60%	1.55%-1.60%

c. Material lease-in activities and terms

The Group leases land and buildings for the use of offices and operation with lease terms of 3 to 6 years.

The Group leases transportation equipment for the use of operation with lease terms of 2 years.

The Group does not have bargain purchase options to acquire the above lease subjects at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 4,717	\$ 3,473
Expenses relating to low-value asset leases	669	681
Interest on lease liabilities	2,080	2,200
Principal of lease liabilities	<u>55,123</u>	<u>54,737</u>
Total cash outflow for leases	<u>\$ 62,589</u>	<u>\$ 61,091</u>

The Group's leases of certain buildings qualify as short-term leases and leases of certain equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. OTHER NON-CURRENT ASSETS

	December 31	
	2022	2021
Prepayments for business facilities	\$ 237,735	\$ 74,032
Long-term prepaid expenses	44,692	46,953
Net limestone mining rights	18,766	18,768
Prepayments for investment property	18,874	18,874
Net defined benefit assets (Note 21)	<u>446</u>	<u>446</u>
	<u>\$ 320,513</u>	<u>\$ 159,073</u>

In May 2021, the Group purchased fund beneficiary certificates which were classified as non-current financial assets at fair value through profit or loss. The Group decided to settle and distribute its real estate to investors. Because the transfer procedures of the real estate allocated by the Group have not been completed, it was recorded in other non-current assets - prepayments for investment property.

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
<u>Secured borrowings (Note 32)</u>		
Bank loans	\$ 1,093,200	\$ 583,100
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>385,000</u>	<u>345,259</u>
	<u>\$ 1,478,200</u>	<u>\$ 928,359</u>

The interest rates of the bank loans were as follows:

	December 31	
	2022	2021
Secured borrowings	1.75%-2.60%	1.20%-1.59%
Unsecured borrowings	1.85%-2.17%	0.69%-1.35%

b. Short-term bills payable

	December 31	
	2022	2021
Commercial paper	\$ 410,000	\$ 405,000
Less: Unamortized discounts on bills payable	<u>(704)</u>	<u>(576)</u>
	<u>\$ 409,296</u>	<u>\$ 404,424</u>

Outstanding short-term bills payable were as follows:

December 31, 2022

Guarantee/Promissory Institution	Par Value	Discount Amount	Carrying Amount	Interest Rate
<u>Commercial paper</u>				
Ta Ching Bills Finance Corporation	\$ 130,000	\$ 301	\$ 129,699	1.98%-2.01%
Mega Bills Finance Corporation	80,000	8	79,992	1.86%
Dah Chung Bills Finance Corporation	100,000	124	99,876	1.76%-2.03%
China Bills Finance Corporation	<u>100,000</u>	<u>271</u>	<u>99,729</u>	1.92%-1.97%
	<u>\$ 410,000</u>	<u>\$ 704</u>	<u>\$ 409,296</u>	

December 31, 2021

Guarantee/Promissory Institution	Par Value	Discount Amount	Carrying Amount	Interest Rate
<u>Commercial paper</u>				
Ta Ching Bills Finance Corporation	\$ 95,000	\$ 170	\$ 94,830	1.05%-1.65%
Grand Bills Finance Corporation	160,000	74	159,926	1.04%-1.65%
Dah Chung Bills Finance Corporation	50,000	126	49,874	1.04%
China Bills Finance Corporation	<u>100,000</u>	<u>206</u>	<u>99,794</u>	1.08%-1.13%
	<u>\$ 405,000</u>	<u>\$ 576</u>	<u>\$ 404,424</u>	

Short-term bills payable are commercial promissory notes guaranteed by bank, and the duration of each note does not exceed 180 days.

c. Long-term borrowings

	December 31	
	2022	2021
<u>Secured borrowings (Note 32)</u>		
Bank loans	\$ 1,060,000	\$ 734,000
<u>Unsecured borrowings</u>		
Loans from bank	100,000	300,000
Less: Current portion	<u>(100,000)</u>	<u>(914,000)</u>
Long-term borrowings	<u>\$ 1,060,000</u>	<u>\$ 120,000</u>

	Details	December 31	
		2022	2021
<u>Secured borrowings</u>			
Taiwan Cooperative Bank	The borrowing period at the end of 2021 is from September 14, 2018 to April 12, 2023, and the principal is repayable by installments starting from January 2024. In addition, the Group signed a new contract in 2021 to repay the old contract. The loan period is from October 5, 2022 to January 12, 2027. Repayment schedule for the principal is \$50 million in January 2024 and the balance payable in quarters (ending January, April, July, October).	\$ 600,000	\$ 120,000
Bank of Taiwan	The loan period is from November 12, 2019 to November 12, 2022. Repayment schedule for the principal is \$40 million in February 2021 and the balance payable in 7 quarters (ending February, May, August, November) with \$32 million each quarter. In addition, \$25 million was repaid early in June 2022 and the remaining \$25 million was repaid in August 2022.	-	114,000
O-Bank	The loan period is from December 28, 2022 to December 28, 2027; the principal will be repaid one time on maturity date.	460,000	-

(Continued)

		December 31	
		2022	2021
	Details		
O-Bank	The loan period is from November 21, 2017 to November 21, 2022; the principal will be repaid one time on maturity date.	\$ -	\$ 250,000
O-Bank	The loan period is from December 28, 2017 to December 28, 2022; the principal will be repaid one time on maturity date.	-	250,000
<u>Unsecured borrowings</u>			
The Export-Import Bank of the Republic of China	The loan period is from August 5, 2022 to September 5, 2023; the principal will be repaid one time on maturity date.	100,000	-
The Export-Import Bank of the Republic of China	The loan period is from December 7, 2020 to January 7, 2022; the principal will be repaid one time on maturity date.	-	50,000
The Export-Import Bank of the Republic of China	The loan period is from December 14, 2020 to January 7, 2022; the principal will be repaid one time on maturity date.	-	50,000
O-Bank	The loan period is from March 23, 2020 to March 23, 2022; the principal will be repaid one time on maturity date.	-	80,000
O-Bank	The loan period is from September 13, 2021 to March 23, 2022; the principal will be repaid one time on maturity date.	-	20,000
KGI Bank	Revolving loan; credit period is from September 7, 2020 to September 7, 2022.	-	<u>100,000</u>
		1,160,000	1,034,000
Less: Current portion		<u>(100,000)</u>	<u>(914,000)</u>
Long-term borrowings		<u>\$ 1,060,000</u>	<u>\$ 120,000</u> (Concluded)

The annual interest rates of long-term borrowings were 2.00%-2.92% and 1.24%-1.72% as of December 31, 2022 and 2021, respectively.

Dasheng Enterprise signed a medium-term loan commitment with O-Bank to guarantee that the mortgaged land should start construction before June 28, 2024 or at the latest within 18 months after the date of loan transfer. If the construction is not started as scheduled, the loan amount will be lower and the interest rate will be increased by 0.25% each year. The progress of the project will be regularly reviewed. Another agreement fulfillment tracking items are as follows

- 1) The following financial ratios shall be maintained in the Group's annual consolidated financial statements, which shall be reviewed annually during the term of the credit facility
 - a) Current ratio (current assets/current liabilities): Should be at least 100% (inclusive);

- b) Debt ratio [(total liabilities/(net worth - intangible assets))]: Not higher than 120%;
 - c) Net tangible value (net worth - intangible assets): Should be maintained at least NT\$4 billion (inclusive).
- 2) Collateral must be revalued once a year by an external appraiser approved by O-Bank. LTV Ratio (Loan-to-value ratio) must be no more than 50%. If it is higher than 50%, Dasheng Enterprise is required to provide the pledged deposit to O-Bank for the difference within 10 business days from the appraisal report date or settle the credit balance in advance. If it is less than 50%, the original deposit slip can be canceled for the original.

19. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2022	2021
<u>Notes payable</u>		
From operating activities		
Non-related parties	\$ 239,715	\$ 214,743
Related parties	\$ 26,828	\$ 43,148
<u>Trade payables</u>		
From operating activities		
Non-related parties	\$ 221,143	\$ 123,370
Related parties	\$ 25,017	\$ 2,046

The Group's notes payable and trade payables (including related parties) arise from operating activities. The average credit period for purchases is 3 months. The Group's financial risk management policies ensure that all payables are repaid within the pre-agreed credit period.

20. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries and bonuses	\$ 117,225	\$ 75,008
Payables for equipment	14,348	-
Payables for freight expense	12,733	7,657
Payables for utilities expense	11,293	19,120
Payables for taxes	9,153	12,695
Others	26,089	24,027
	<u>\$ 190,841</u>	<u>\$ 138,507</u>

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, Dasheng Enterprise, Luckicon Ready-mixed Co., Luckyship Co, and Fuyu Development Co., Ltd. adopted the pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the entities make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group in Japan are members of the retirement benefits program operated by the government of Japan. The subsidiary must allocate a specific percentage of salary costs to the retirement benefit plan to provide funding for the plan. The Group's obligation for this government-operated retirement benefit plan is only to allocate a specific amount.

b. Defined benefit plans

The defined benefit plans adopted by the Company, Dasheng Enterprise, and Luckicon Ready-mixed Co. in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company, Dasheng Enterprise, and Luckicon Ready-mixed Co. contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

Since August 2021, Dasheng Enterprise, had no employees under labor pension system of the Labor Standards Act.

The amount of the Group's defined benefit plan is included in the balance sheets as follows:

	December 31	
	2022	2021
Present value of funded defined benefit obligation	\$ 184,403	\$ 198,626
Fair value of plan assets	<u>(160,428)</u>	<u>(164,327)</u>
Net defined benefit liabilities	<u>\$ 23,975</u>	<u>\$ 34,299</u>

The above net defined benefit liabilities are the net amount of defined benefit assets (reported as other non-current assets) of \$446 thousand and \$446 thousand and defined benefit liabilities of \$24,421 thousand and \$34,745 thousand as of December 31, 2022 and 2021, respectively.

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	<u>\$ 234,543</u>	<u>\$ (198,158)</u>	<u>\$ 36,385</u>
Service costs			
Current service costs	1,210	-	1,210
Net interest expense (income)	<u>880</u>	<u>(747)</u>	<u>133</u>
Recognized in profit or loss	<u>2,090</u>	<u>(747)</u>	<u>1,343</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,867)	(2,867)
Actuarial loss (gain)			
Changes in demographic assumptions	5,418	-	5,418
Changes in financial assumptions	(655)	-	(655)
Experience adjustments	<u>(3,388)</u>	<u>-</u>	<u>(3,388)</u>
Recognized in other comprehensive income	<u>1,375</u>	<u>(2,867)</u>	<u>(1,492)</u>
Contributions from the employer	<u>-</u>	<u>(1,937)</u>	<u>(1,937)</u>
Benefit paid	<u>(39,382)</u>	<u>39,382</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 198,626</u>	<u>\$ (164,327)</u>	<u>\$ 34,299</u>
Balance at January 1, 2022	<u>\$ 198,626</u>	<u>\$ (164,327)</u>	<u>\$ 34,299</u>
Service costs			
Current service costs	571	-	571
Net interest expense (income)	<u>1,232</u>	<u>(1,019)</u>	<u>213</u>
Recognized in profit or loss	<u>1,803</u>	<u>(1,019)</u>	<u>784</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(14,297)	(14,297)
Actuarial loss (gain)			
Changes in financial assumptions	(3,277)	-	(3,277)
Experience adjustments	<u>7,985</u>	<u>-</u>	<u>7,985</u>
Recognized in other comprehensive income	<u>4,708</u>	<u>(14,297)</u>	<u>(9,589)</u>
Contributions from the employer	<u>-</u>	<u>(1,519)</u>	<u>(1,519)</u>
Benefit paid	<u>(20,734)</u>	<u>20,734</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 184,403</u>	<u>\$ (160,428)</u>	<u>\$ 23,975</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plan is as follows:

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 484	\$ 984
Selling and marketing expenses	104	153
General and administrative expenses	<u>196</u>	<u>206</u>
	<u>\$ 784</u>	<u>\$ 1,343</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2022	2021
Discount rate	1.125%	0.625%
Expected rate of salary increase	1.250%-1.500%	1.250%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (2,928)</u>	<u>\$ (3,366)</u>
0.25% decrease	<u>\$ 3,001</u>	<u>\$ 3,455</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 2,939</u>	<u>\$ 3,374</u>
0.25% decrease	<u>\$ (2,882)</u>	<u>\$ (3,304)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 1,379</u>	<u>\$ 1,465</u>
Average duration of the defined benefit obligation	6.2-6.5 years	6.6-7 years

22. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The current/non-current classification of the Group's assets and liabilities relating to the construction and development business was based on its operating cycle. The amounts expected to be recovered or settled within 1 year after the reporting period and more than 1 year after the reporting period for related assets and liabilities were as follows:

	Within 1 Year	More Than 1 Year	Total
<u>December 31, 2022</u>			
Assets			
Financial assets at amortized cost	\$ 31,820	\$ -	\$ 31,820
Inventories	-	3,429,158	3,429,158
Prepayment for land purchases	<u>119,595</u>	<u>-</u>	<u>119,595</u>
	<u>\$ 151,415</u>	<u>\$ 3,429,158</u>	<u>\$ 3,580,573</u>
Liabilities			
Contracts liabilities	<u>\$ -</u>	<u>\$ 262,042</u>	<u>\$ 262,042</u>
<u>December 31, 2021</u>			
Assets			
Financial assets at amortized cost	\$ 25,680	\$ -	\$ 25,680
Inventories	-	3,184,345	3,184,345
Prepayment for land purchases	<u>-</u>	<u>69,350</u>	<u>69,350</u>
	<u>\$ 25,680</u>	<u>\$ 3,253,695</u>	<u>\$ 3,279,375</u>

23. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	2022	2021
Number of shares authorized (in thousands)	<u>498,646</u>	<u>498,646</u>
Shares authorized	<u>\$ 4,986,460</u>	<u>\$ 4,986,460</u>
Number of shares issued and fully paid (in thousands)	<u>404,738</u>	<u>404,738</u>
Shares issued	<u>\$ 4,047,380</u>	<u>\$ 4,047,380</u>

A holder of issued ordinary share with a par value of \$10 is entitled to exercise shareholders' voting rights and to receive distributed dividends.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, pay cash dividends or increase capital*		
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual acquisition (Note 12)	\$ 10	\$ 10
<u>May be used only to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries	8	8
	<u>\$ 18</u>	<u>\$ 18</u>

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

The Company passed an amendment to its articles of incorporation ("Articles") on June 12, 2019, which stipulates that the Company shall consider distribution of earnings or appropriation of earnings to a reserve at the end of the first half of the fiscal year or at the end of the fiscal year. The business report and financial statements should be submitted to the audit committee for review, and to the board of directors for resolution.

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. However, these stipulations shall not apply when the legal reserve amount has reached the authorized capital. The Company should also follow Article 240 of the Company Act in the case of distribution of earnings in the form of shares; in the case of distribution of earnings in cash, the board of directors is authorized to resolve the distribution of cash dividends; the resolution should be adopted by a majority vote in the meeting of the board of directors attended by two-thirds of all the directors, and then reported to the shareholders' meeting.

According to the Articles, the Company should distribute earnings or appropriate earnings to a reserve based on the financial statements audited or reviewed by an independent accountant.

The Company's Articles stipulate that in the allocation of annual earnings, the Group shall first appropriate 10% of earnings to legal reserve and then appropriate to special reserve amount to cover deduction items in the equity, payment of business tax and to make up for past annual loss. From the remaining amount after the above allocation plus 40%-80% of unappropriated earnings in the previous year, no distribution will be made if the amount is less than NT\$0.1 per share but will be retained in the unappropriated earnings. The board of directors shall propose distribution of dividends and the shareholders in their meeting shall approve the proposal. Refer to Note 25 (8) "employee benefits" for the revised policy on the remuneration of employees and directors.

The appropriation and distribution of earnings and capital surplus as cash dividend or stock dividend shall be subject to the real profit and fund situation in the current year, with consideration of fund for investment and possible dilution of earnings per share. The allocation for stock dividend shall be limited to 20% of the issued stock. In case there is deduction item in equity, the deduction item shall be first offset with earnings or capital surplus before making the appropriation and allocation. When equity deduction item is reversed, the reversed amount shall be allocated to capital surplus. The allocation of capital surplus shall be accounted in the current year and passed in the general meeting of shareholders in the next year.

The Company shall appropriate to or reverse from special reserve pursuant to the provisions set forth in the Letter No. Jin-Kuang-Fa-Tzi No. 1090150022 and “Following the adoption of International Financial Reporting Standards, questions and answers on special reserve”. When a deduction item in equity is reversed, the reversed amount may be allocated to capital surplus.

Legal reserve shall be appropriated until its balance reaches the gross amount of paid-in capital of the Company. Legal reserve shall be used to offset loss. If there is no loss, legal reserve in excess of 25% of the total paid-in capital may be transferred to capital or distributed in cash.

On November 10, 2022 and November 12, 2021, the Company’s board of directors adopted the results of operations for the first half of 2022 and 2021 and decided not to distribute dividends.

The appropriations of earnings for 2021 and 2020 were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ 27,720	\$ 39,625
Special reserve	\$ 773	\$ -
Cash dividends	\$ 242,843	\$ 283,317
Cash dividends per share (NT\$)	\$ 0.60	\$ 0.70

The above 2021 and 2020 appropriations for cash dividends had been resolved by the Company’s board of directors on March 30, 2022 and March 26, 2021, respectively; the other proposed appropriations had been resolved by the shareholders in their meetings on June 30, 2022 and August 4, 2021, respectively.

The appropriation of earnings and dividend per share for 2022 that were approved in the board of directors’ meeting on March 16, 2023 were as follows:

	For the Year Ended December 31, 2022
Legal reserve	\$ 59,333
Special reserve	\$ 76,147
Cash dividends	\$ 323,790
Cash dividends per share (NT\$)	\$ 0.80

The above appropriation for cash dividends had been resolved by the Company’s board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 30, 2023.

d. Special reserve

	For the Year Ended December 31	
	2022	2021
Beginning at January 1v	\$ 14,135	\$ 14,135
Appropriation in respect of:		
Reversal of the debits to other equity items	<u>773</u>	<u>-</u>
Balance at December 31	<u>\$ 14,908</u>	<u>\$ 14,135</u>

Upon initial application of IFRSs, the conversion adjustments of NT\$14,135 thousand were transferred to retained earnings, and the same amount was appropriated to special reserve.

e. Other equity items

1) Exchange differences on the translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 4,368	\$ 7,475
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	<u>(700)</u>	<u>(3,107)</u>
Balance at December 31	<u>\$ 3,668</u>	<u>\$ 4,368</u>

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (5,141)	\$ (3,020)
Recognized for the year		
Unrealized gain (loss) - debt instruments	-	(67)
Unrealized gain (loss) - equity instruments	(87,052)	11,885
Reclassification adjustments		
Disposal of debt instruments	<u>-</u>	<u>(436)</u>
Other comprehensive income recognized for the year	<u>(87,052)</u>	<u>11,382</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>(2,530)</u>	<u>(13,503)</u>
Balance at December 31	<u>\$ (94,723)</u>	<u>\$ (5,141)</u>

f. Non-controlling interest

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 65	\$ 74
Net profit for the year	5	-
Changes in ownership interest in subsidiaries	<u>-</u>	<u>(9)</u>
Balance at December 31	<u>\$ 70</u>	<u>\$ 65</u>

24. REVENUE

a. Segmentation of customer contract revenue

	For the Year Ended December 31	
	2022	2021
Cement	\$ 1,837,427	\$ 1,849,038
Cement products	1,378,529	1,248,735
Stone materials	498,717	299,897
Others	<u>434,580</u>	<u>371,352</u>
	<u>\$ 4,149,253</u>	<u>\$ 3,769,022</u>

b. Balance of assets and liabilities related to the sales contracts

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable (Note 10)	<u>\$ 432,925</u>	<u>\$ 297,280</u>	<u>\$ 573,958</u>
Notes receivable from related parties	<u>\$ -</u>	<u>\$ 6,571</u>	<u>\$ 235</u>
Trade receivables (Note 10)	<u>\$ 561,838</u>	<u>\$ 418,395</u>	<u>\$ 492,996</u>
Trade receivables from related parties	<u>\$ 11,724</u>	<u>\$ 3,250</u>	<u>\$ 5,764</u>
Contract liability			
Cement sales	\$ 283,936	\$ 189,789	\$ 331,854
Sales of real estate under development	262,042	-	-
Others	<u>3,211</u>	<u>1,000</u>	<u>1,241</u>
	<u>\$ 549,189</u>	<u>\$ 190,789</u>	<u>\$ 333,095</u>

The changes in contract liabilities primarily resulted from the timing difference between the satisfaction of performance obligation and the customer's payment.

The amount of contract liability at the beginning of the year with performance obligation satisfied and revenue recognized in the current year was as follows:

	For the Year Ended December 31	
	2022	2021
Contract liability at the beginning of the year		
Cement sales	\$ 189,789	\$ 331,854
Others	<u>1,000</u>	<u>1,241</u>
	<u>\$ 190,789</u>	<u>\$ 333,095</u>

25. NET PROFIT

a. Other operating income and expenses

	For the Year Ended December 31	
	2022	2021
Gains on disposals of property, plant and equipment	<u>\$ 453</u>	<u>\$ 13,442</u>

b. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ 2,268	\$ 1,694
Investments in debt instruments at FVTOCI	<u>-</u>	<u>249</u>
	<u>\$ 2,268</u>	<u>\$ 1,943</u>

c. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	\$ 8,635	\$ 8,564
Revenue from dividends	26,911	2,145
Others	<u>18,281</u>	<u>13,885</u>
	<u>\$ 53,827</u>	<u>\$ 24,594</u>

d. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain on disposal of investments	\$ -	\$ 436
Net foreign currency exchange (loss) or gain	(608)	2,179
Net (loss) gain on fair value changes of financial assets at fair value through profit or loss	(24,987)	13,374
Loss on impairment of financial assets	(2,264)	-
Depreciation of rental assets	(1,866)	(3,356)
Others	<u>(5,719)</u>	<u>(4,350)</u>
	<u>\$ (35,444)</u>	<u>\$ 8,283</u>

e. Interest expense

	For the Year Ended December 31	
	2022	2021
Bank loan	\$ 41,423	\$ 29,507
Related party loans	555	370
Interest on lease liabilities	<u>2,080</u>	<u>2,200</u>
	<u>\$ 44,058</u>	<u>\$ 32,077</u>

Information about interest capitalization is as follows:

	For the Year Ended December 31	
	2022	2021
Amount of interest capitalized	<u>\$ 2,859</u>	<u>\$ -</u>
Interest capitalized rate	1.549%-2.024%	-

f. Depreciation, amortization and depletion

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 96,592	\$ 96,817
Right-of-use assets	55,286	55,319
Long-term prepaid expenses	17,173	15,801
Limestone mining rights	<u>2</u>	<u>6</u>
	<u>\$ 169,053</u>	<u>\$ 167,943</u>
Depreciation by function		
Operating costs	\$ 106,643	\$ 105,260
Operating expenses	43,369	43,520
Non-operating expenses	<u>1,866</u>	<u>3,356</u>
	<u>\$ 151,878</u>	<u>\$ 152,136</u>
Amortization by function		
Operating costs	\$ 14,876	\$ 10,807
Operating expenses	<u>2,297</u>	<u>4,994</u>
	<u>\$ 17,173</u>	<u>\$ 15,801</u>
Depletion by function		
Operating costs	<u>\$ 2</u>	<u>\$ 6</u>

g. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plan	\$ 12,891	\$ 12,693
Defined benefit plan (Note 21)	<u>784</u>	<u>1,343</u>
	13,675	14,036
Other employee benefits	<u>410,588</u>	<u>366,626</u>
Total employee benefits expense	<u>\$ 424,263</u>	<u>\$ 380,662</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 257,835	\$ 258,742
Operating expenses	<u>166,428</u>	<u>121,920</u>
	<u>\$ 424,263</u>	<u>\$ 380,662</u>

h. Compensation of employees and remuneration of directors

The Company shall appropriate 3% and not less than 5% of the profit before tax and before deduction of compensation of employees and remuneration of directors in the current year. The compensation of employees and the remuneration of directors for the years ended December 31, 2022 and 2021 are estimated as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	2022	2021
Compensation of employees	3%	3%
Remuneration of directors	5%	5%

Amount

	<u>For the Year Ended December 31</u>	
	2022	2021
	Cash	Cash
Compensation of employees	\$ 21,524	\$ 9,972
Remuneration of directors	35,874	16,620

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on compensation of employees and remuneration of directors resolved by the Group's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

i. Gains or losses on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	2022	2021
Foreign exchange gains	\$ 5,249	\$ 2,551
Foreign exchange losses	<u>(5,857)</u>	<u>(372)</u>
	<u>\$ (608)</u>	<u>\$ 2,179</u>

26. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 95,986	\$ 24,780
Income tax on unappropriated earnings	-	4,605
Adjustments for prior year	<u>(2,363)</u>	<u>1,628</u>
	93,623	31,013
Deferred tax		
In respect of the current year	<u>13,178</u>	<u>48,094</u>
Income tax expense recognized in profit or loss	<u>\$ 106,801</u>	<u>\$ 79,107</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Profit before tax	<u>\$ 688,022</u>	<u>\$ 341,312</u>
Income tax expense calculated at the statutory rate	\$ 137,604	\$ 68,262
Nondeductible expenses (nontaxable income) in determining taxable income	(44,820)	(14,582)
Adjustments for unrecognized deductible temporary differences and loss carryforwards	22,329	21,360
Tax-exempt income	(5,949)	(4,622)
Income tax on unappropriated earnings	-	4,605
Basic tax payable difference	-	2,456
Adjustments for prior years' tax	<u>(2,363)</u>	<u>1,628</u>
Income tax expense recognized in profit or loss	<u>\$ 106,801</u>	<u>\$ 79,107</u>

b. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	<u>\$ 185</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 95,718</u>	<u>\$ 17,477</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Pension limit exceeded	\$ 18,133	\$ (147)	\$ 17,986
Investment loss under equity method	10,731	(7,017)	3,714
Unrealized inventory valuation loss	13,754	3,806	17,560
Unrealized foreign exchange loss	12	(12)	-
Allowance for impairment loss	7,310	496	7,806
Impairment loss on financial assets at FVTOCI	4,700	-	4,700
Gross profit from advance receipts with issued bill of lading	3,325	257	3,582
Others	-	453	453
	<u>57,965</u>	<u>(2,164)</u>	<u>55,801</u>
Tax loss	<u>17,252</u>	<u>(12,410)</u>	<u>4,842</u>
	<u>\$ 75,217</u>	<u>\$ (14,574)</u>	<u>\$ 60,643</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Accelerated depreciation of fixed assets	\$ 23,211	\$ (1,273)	\$ 21,938
Unrealized foreign exchange gain	128	(123)	5
Others	<u>479</u>	<u>-</u>	<u>479</u>
	<u>\$ 23,818</u>	<u>\$ (1,396)</u>	<u>\$ 22,422</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Pension limit exceeded	\$ 18,250	\$ (117)	\$ 18,133
Investment loss under equity method	61,823	(51,092)	10,731
Unrealized inventory valuation loss	13,772	(18)	13,754
Unrealized foreign exchange loss	83	(71)	12
Allowance for impairment loss	6,274	1,036	7,310
Impairment loss on financial assets at FVTOCI	4,700	-	4,700
Gross profit from advance receipts with issued bill of lading	<u>2,607</u>	<u>718</u>	<u>3,325</u>
	107,509	(49,544)	57,965
Tax loss	<u>12,647</u>	<u>4,605</u>	<u>17,252</u>
	<u>\$ 120,156</u>	<u>\$ (44,939)</u>	<u>\$ 75,217</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Accelerated depreciation of fixed assets	\$ 20,630	\$ 2,581	\$ 23,211
Unrealized foreign exchange gain	33	95	128
Others	<u>-</u>	<u>479</u>	<u>479</u>
	<u>\$ 20,663</u>	<u>\$ 3,155</u>	<u>\$ 23,818</u>

d. Income tax assessments

The income tax returns through 2020 of the Company and its subsidiaries, Luckicon Ready-mixed Co., Dasheng Enterprise, Fuyu Development Co. and Luckyship Marine Co., have been assessed by the tax authorities and there is no significant difference between the reported amounts and the assessed amounts.

27. EARNINGS PER SHARE

The net profit and the weighted-average number of ordinary shares used to calculate the earnings per share were as follows:

Net Profit

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Net profit for the year	<u>\$ 581,221</u>	<u>\$ 262,205</u>

Earnings Per Share

(In Thousands of Shares)

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	404,738	404,738
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>2,205</u>	<u>1,083</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>406,943</u>	<u>405,821</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. CASH FLOW INFORMATION

The following are the Group's non-cash investing activities which were not reflected in the consolidated statements of cash flows for the years ended December 31, 2022 and 2021:

	For the Year Ended December 31	
	2022	2021
Partial cash generated from disposal of financial assets at FVTOCI		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ 23,894	\$ 230,097
Changes in receivable from sale of securities (reported as other receivables)	<u>624</u>	<u>12,192</u>
Cash received	<u>\$ 24,518</u>	<u>\$ 242,289</u>
Partial cash payments for purchase of PP&E		
Acquisition of property, plant and equipment	\$ 820,885	\$ 202,657
Net changes in prepayments for business facilities	160,844	39,566
Other payables - related parties net change	(3,671)	-
Net changes in payable for purchase of land	<u>(14,348)</u>	<u>30,878</u>
Cash paid	<u>\$ 963,710</u>	<u>\$ 273,101</u>
Partial cash generated from disposal of PP&E		
Proceeds from disposal of property, plant and equipment	\$ 3,100	\$ 40,388
Changes in receivable from sale of property, plant and equipment (reported as other receivables)	<u>-</u>	<u>1,300</u>
Cash received	<u>\$ 3,100</u>	<u>\$ 41,688</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Partial cash generated from dividends income		
Dividend income	\$ 26,911	\$ 2,145
Decrease in dividends receivable (reported as other receivables)	<u>-</u>	<u>621</u>
Cash received	<u>\$ 26,911</u>	<u>\$ 2,766</u>
		(Concluded)

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2022

	January 1, 2022	Cash Flows	Non-cash Changes			Balance at December 31, 2021
			New Lease	Discount Amortization	Others	
Short-term borrowings	\$ 928,359	\$ 549,841	\$ -	\$ -	\$ -	\$ 1,478,200
Short-term bills payable	404,424	5,000	-	(128)	-	409,296
Long-term borrowings	1,034,000	126,000	-	-	-	1,160,000
Other payables to related parties	48,311	87,500	-	-	3,633	139,444
Guarantee deposits received	34,010	5,030	-	-	-	39,040
Lease liabilities	<u>156,852</u>	<u>(55,123)</u>	<u>30,727</u>	<u>-</u>	<u>-</u>	<u>132,456</u>
	<u>\$ 2,605,956</u>	<u>\$ 718,248</u>	<u>\$ 30,727</u>	<u>\$ (128)</u>	<u>\$ 3,633</u>	<u>\$ 3,358,436</u>

For the year ended December 31, 2021

	January 1, 2021	Cash Flows	Non-cash Changes			Balance at December 31, 2022
			New Lease	Lease Decrease	Discount Amortization	Others
Short-term borrowings	\$ 320,000	\$ 608,359	\$ -	\$ -	\$ -	\$ 928,359
Short-term bills payable	189,588	215,000	-	-	(164)	404,424
Long-term borrowings	1,330,000	(296,000)	-	-	-	1,034,000
Notes payable to related parties	39,596	(8,000)	-	-	-	43,148
Other payables to related parties	124,138	(70,000)	-	-	-	48,311
Guarantee deposits received	32,704	1,306	-	-	-	34,010
Lease liabilities	<u>80,242</u>	<u>(54,737)</u>	<u>131,347</u>	<u>-</u>	<u>-</u>	<u>156,852</u>
	<u>\$ 2,116,268</u>	<u>\$ 395,928</u>	<u>\$ 131,347</u>	<u>\$ -</u>	<u>\$ (164)</u>	<u>\$ 2,649,104</u>

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The overall strategy of the Group remains consistent.

The capital structure of the Group consists of net debt (borrowings offset by cash) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity).

Except for the commitment to maintain the contractual terms of the long-term loans signed between the subsidiary Dasheng Enterprise and the bank, the Group is not subject to other external capital requirements.

Key management personnel of the Group review the capital structure on regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of public finance-debt or existing debt redeemed.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

There is no significant difference between the carrying amount and fair value of the financial assets and financial liabilities which are not measured at fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 53,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,622</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	\$ 123,952	\$ -	\$ -	\$ 123,952
Unlisted shares	<u>-</u>	<u>-</u>	<u>9,395</u>	<u>9,395</u>
	<u>\$ 123,952</u>	<u>\$ -</u>	<u>\$ 9,395</u>	<u>\$ 133,347</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 44,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	\$ 73,319	\$ -	\$ -	\$ 73,319
Unlisted shares	<u>-</u>	<u>-</u>	<u>11,038</u>	<u>11,038</u>
	<u>\$ 73,319</u>	<u>\$ -</u>	<u>\$ 11,038</u>	<u>\$ 84,357</u>

There were no transfers between Levels 1 and 2 in the current and prior year.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2020	\$ 11,038
Recognized in other comprehensive income (included in unrealized valuation loss on financial assets at FVTOCI)	<u>(1,643)</u>
Balance at December 31, 2020	<u>\$ 9,395</u>

For the year ended December 31, 2021

	Financial Assets at FVTPL - Mutual Funds	Financial Assets at FVTOCI - Equity Instruments	Total
Balance at January 1, 2021	\$ 8,734	\$ 14,994	\$ 23,728
Return of shares after capital reduction	-	(7,387)	(7,387)
Sale/settlements (Note 17)	(18,874)	(624)	(19,498)
Recognized in profit or loss (included in loss on financial assets at FVTPL)	10,140	-	10,140
Recognized in other comprehensive income (included in unrealized valuation loss on financial assets at FVTOCI)	<u>-</u>	<u>4,055</u>	<u>4,055</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 11,038</u>	<u>\$ 11,038</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The comparable listed companies approach was used to calculate the fair values of investments in domestic unlisted equity instruments.

The comparable listed companies approach takes into account the transaction prices of shares of listed companies in an active market, the value multiplier implicit in the price, and the liquidity discount when evaluating the fair value of the target company.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 53,622	\$ 44,932
Financial assets at amortized cost (1)	1,594,386	1,281,300
Financial assets at FVTOCI		
Equity instruments	133,347	84,357

Financial liabilities

FVTPL		
Amortized cost (2)	3,803,146	2,883,215

- 1) The balances include financial assets at amortized cost, which comprise cash, financial assets at amortized cost, notes receivable, trade receivables, other receivables and refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables (excluding salaries, bonuses and taxes), long-term borrowings and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

The exposure to market risk of the financial instruments of the Group and the management and measurement of the exposure have not changed.

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets (including those eliminated on consolidation) at the end of the year are set out in Note 35.

Sensitivity analysis

The Group is mainly exposed to the USD and RMB.

The following table shows the sensitivity analysis of the Group when the exchange rate of the New Taiwan dollar to the relevant foreign currency increases and decreases by 5%. The 5% sensitivity rate is used for reporting currency risk to key management personnel of the Group; the management believes it is the reasonably acceptable range of fluctuation of foreign currency rate. The positive (negative) amounts on the table below indicate an increase (decrease) in pre-tax income and equity amount when the New Taiwan dollar weakens (strengthens) by 5% relative to the relevant currency.

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Profit or loss	\$ (48)	\$ 8,519	\$ (375)	\$ (364)

The above analysis included cash in banks, financial assets at FVTPL, financial assets at amortized cost, financial assets at FVTOCI and bank loans denominated in USD and RMB which are outstanding at the end of the reporting period.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2022	2021
Cash flow interest rate risk		
Financial assets	\$ 528,200	\$ 479,040
Financial liabilities	3,140,796	2,366,783

Sensitivity analysis

The following sensitivity analysis shows the effect of 25 basis points change in interest rates of non-derivative instruments at the balance sheet date. A 25-basis-point sensitivity is used in internal reports to key management personnel; it represents the reasonably possible change in interest rates acceptable to the management.

Had interest rates increased/decreased by 25 basis points, the profit before tax in 2022 and 2021 would have decreased/increased by \$6,531 thousand and \$4,719 thousand, respectively, with all other variables held constant; the non-derivative instruments include floating rate loan, demand deposit and restricted asset.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total assets shown on the balance sheets.

The policy of the Group is to only trade with counterparties with high reputation, and to require sufficient guarantee to reduce the financial loss from default. The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. The Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk table

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group is required to pay.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing liabilities	\$ 200,887	\$ 256,927	\$ 145,765	\$ 3,571	\$ 55,200
Lease liabilities	9,089	5,239	38,072	83,324	-
Variable interest rate liabilities	<u>179,949</u>	<u>886,347</u>	<u>1,014,500</u>	<u>1,060,000</u>	<u>-</u>
	<u>\$ 389,925</u>	<u>\$ 1,148,513</u>	<u>\$ 1,198,337</u>	<u>\$ 1,146,895</u>	<u>\$ 55,200</u>

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing liabilities	\$ 185,218	\$ 197,908	\$ 67,468	\$ 3,638	\$ 62,200
Lease liabilities	9,758	5,393	40,179	104,718	6,059
Variable interest rate liabilities	<u>440,885</u>	<u>529,259</u>	<u>1,276,639</u>	<u>120,000</u>	<u>-</u>
	<u>\$ 635,861</u>	<u>\$ 732,560</u>	<u>\$ 1,384,286</u>	<u>\$ 228,356</u>	<u>\$ 68,259</u>

b) Financing facilities

	December 31	
	2022	2021
Unsecured facilities		
Amount used	\$ 915,452	\$ 864,213
Amount unused	<u>448,268</u>	<u>463,812</u>
	<u>\$ 1,363,720</u>	<u>\$ 1,328,025</u>

(Continued)

	December 31	
	2022	2021
Secured facilities		
Amount used	\$ 2,153,200	\$ 1,522,100
Amount unused	<u>666,800</u>	<u>878,796</u>
	<u>\$ 2,820,000</u>	<u>\$ 2,400,896</u>
		(Concluded)

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

a. Related parties

Related Party Name	Related Party Category
Other related party	
Yung-Sheng Development Enterprise Co., Ltd. ("Yung-Sheng Development")	The chairman is also the chairman of the Company
Liang-Chuan Cultural and Educational Foundation ("Liang-Chuan Foundation")	The chairman is also the chairman of the Company
Fudong Freight Co., Ltd. ("Fudong Freight")	The chairman is first-degree relative of the chairman of the Company
East Life Biotech Co., Ltd. ("East Life Biotech")	The chairman is also the chairman of the Company
Jia Fu Entertainment Co., Ltd. ("Jia Fu Entertainment")	The chairman is first-degree relative of the chairman of the Company
Wantong Product Insurance Brokerage Co., Ltd. ("Wantong Product Insurance")	The chairman is first-degree relative of the chairman of the Company
Lucky Construction Co., Ltd. ("Lucky Construction")	The chairman is first-degree relative of the chairman of the Company
Kuochuan Development Co., Ltd. ("Kuochuan Development")	The chairman is first-degree relative of the chairman of the Company
Ri Kon Construction Co., Ltd. (Ri Kon Construction)	The chairman is first-degree relative of the chairman of the Company
Changheng Investment Co. ("Changheng Investment")	The company is major shareholder of the Company
Jinli Investment Co., Ltd. ("Jinli Investment")	The company is major shareholder of the Company
Cheng Haibin	The person is third-degree relative of the chairman of the Company
Fuan Mining Co., Ltd. ("Fuan Mining")	A manager in the company is spouse of a first-degree relative of the chairman of the Company

b. Business transaction

Line Item	Related Party Name	For the Year Ended December 31	
		2022	2021
Sale of goods	Other related parties	\$ <u>84,013</u>	\$ <u>61,223</u>
Purchases of goods	Fuan Mining	\$ 135,515	\$ 173,133
	Other related parties	<u>36,323</u>	<u>37,058</u>
		\$ <u>171,838</u>	\$ <u>210,191</u>
Operating costs - transportation expenses	Other related parties	\$ <u>9,572</u>	\$ <u>17,834</u>
Operating costs - manufacturing expenses	Other related parties	\$ <u>181</u>	\$ <u>360</u>
Operating expenses	Other related parties	\$ <u>4,658</u>	\$ <u>4,715</u>
Other income	Other related parties	\$ <u>-</u>	\$ <u>24</u>

The prices of purchases and sales between the Group and related parties are negotiated separately, and the period of receipt and payment is comparable to that of non-related parties.

c. Receivables from related parties

Line Item	Related Party Name	December 31	
		2022	2021
Note receivables	Fuan Mining	\$ <u>-</u>	\$ <u>6,571</u>
Trade receivables	Fuan Mining	\$ 11,143	\$ 3,246
	Yung-Sheng Development	<u>581</u>	<u>4</u>
		\$ <u>11,724</u>	\$ <u>3,250</u>
Other receivables	Other related parties	\$ <u>251</u>	\$ <u>247</u>

The outstanding trade receivables from related parties are unsecured. As of December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from related parties.

d. Payables to related parties

Line Item	Related Party Name	December 31	
		2022	2021
Notes payable (excluding loan from related parties)	Fuan Mining	\$ 21,605	\$ 39,683
	Fudong Freight	5,202	3,465
	Other related parties	<u>21</u>	<u>-</u>
		<u>\$ 26,828</u>	<u>\$ 43,148</u>
Trade payables	Fuan Mining	\$ 18,147	\$ -
	Fudong Freight	<u>6,870</u>	<u>2,046</u>
		<u>\$ 25,017</u>	<u>\$ 2,046</u>
Other payables - current (excluding loan from related parties)	Fudong Freight	\$ 525	\$ 1,353
	Ri Kon Construction	3,671	-
	Other related parties	<u>1,844</u>	<u>1,158</u>
		<u>\$ 6,040</u>	<u>\$ 2,511</u>

The outstanding trade payables to related parties are unsecured.

e. Loan from related parties

Line Item	Related Party Name	December 31	
		2022	2021
Other payables - current	Fuan Mining	<u>\$ 93,404</u>	<u>\$ -</u>
Other payables - non-current	Cheng Haibin	<u>\$ 40,000</u>	<u>\$ 45,800</u>
Interest expense	Other related parties	<u>\$ 555</u>	<u>\$ 370</u>

The interest rate of the other payables - current has no difference to the market interest rate. The other payables to related parties - non-current are interest-free loans from shareholders. The loans from the related parties are unsecured.

f. Lease arrangements

Lease arrangements - the Group is lessor under operating leases

Future lease payments receivable are as follows:

Related Party Category/Name	December 31	
	2022	2021
Fudong Freight	\$ 3,164	\$ 3,788
Other related parties	<u>144</u>	<u>288</u>
	<u>\$ 3,308</u>	<u>\$ 4,076</u>

Lease income was as follows:

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Fudong Freight	\$ 1,344	\$ 1,396
Other related parties	<u>144</u>	<u>142</u>
	<u>\$ 1,488</u>	<u>\$ 1,538</u>

The rental amounts and collection methods are negotiated.

g. Remuneration of key management personnel

Type of Remuneration	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 61,623	\$ 39,012
Post-employment benefits	<u>505</u>	<u>529</u>
	<u>\$ 62,128</u>	<u>\$ 39,541</u>

The remuneration of directors and key executives is determined by the remuneration committee based on the performance of individuals and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Group are pledged as collateral for long-term and short-term bank loans, short-term bills payable, and other credit accommodation:

	December 31	
	2022	2021
Property under development (reported as inventories)	\$ 3,369,256	\$ 3,124,443
Property, plant and equipment	894,079	899,667
Restricted assets (reported as financial assets at amortized cost)	<u>271,965</u>	<u>307,006</u>
	<u>\$ 4,535,300</u>	<u>\$ 4,331,116</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Significant unrecognized commitments

- As of December 31, 2022 and 2021, the Group has signed a contract for purchase of property, plant and equipment; the unpaid amount is \$210,639 thousand and \$253,770 thousand, respectively.
- As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials amounted to approximately \$20,452 thousand and \$18,954 thousand, respectively.

- c. On March 9, 2022, the board of directors of Dasheng Enterprise resolved to sell thirteen pieces of lands, including Daitianfu Section, Anle District and Keelung City, to non-related parties for \$1,746,951 thousand; the installment payments were collected according to the terms of contract. As of December 31, 2022, the Group has received \$262,042 thousand and Dasheng Enterprise has recorded contract liabilities, please refer to Note 36, Table 5 attached.

34. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: NONE.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currency of the Group and the related exchange rates between foreign currencies and functional currency were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currencies)

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 31	30.71 (USD:NTD)	\$ 963
RMB	1,709	4.3920 (RMB:NTD)	7,507

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 313	27.68 (USD:NTD)	\$ 8,678
RMB	1,674	4.328 (RMB:NTD)	7,273

Financial liabilities

Monetary item			
USD	6,469	27.68 (USD:NTD)	179,057

Foreign exchange (losses) gains (realized and unrealized) of the Group in 2022 and 2021 were \$(608) thousand and \$2,179 thousand, respectively. Because of the variety of foreign currency transactions, it is not practical to disclose exchange gains and losses by foreign currency.

36. ADDITIONAL DISCLOSURES

- a. Information about significant transactions:

1) Financing provided to others: Please see Table 1 attached;

- 2) Endorsements/guarantees provided: Please see Table 2 attached;
 - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Please see Table 3 attached;
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached;
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: Please see Table 5 attached;
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
 - 9) Trading in derivative instruments: None;
 - 10) Intercompany relationships and significant intercompany transactions: Please see Table 9 attached.
- b. Information on investees: Please see Table 8 attached.
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: None;
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: None.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Please see Table 10 attached.

37. SEGMENT INFORMATION

The Group defined its reportable segments as follows:

Cement segment: Producing and selling business for products related to cement.

Other segment: Other operations of non-cement business.

a. Revenue of segments and operating results

The Group's revenues and operating results analyzed by the operating segments were as follows:

	Income of Segments		Profit/Loss of Segments	
	2022	2021	2022	2021
Cement segment	\$ 4,149,139	\$ 3,742,860	\$ 501,391	\$ 330,700
Other segment	<u>114</u>	<u>26,162</u>	<u>210,038</u>	<u>7,869</u>
Total amount of business unit	<u>\$ 4,149,253</u>	<u>\$ 3,769,022</u>	711,429	338,569
Interest income			2,268	1,943
Other income			53,827	24,594
Other gains and losses			(35,444)	8,283
Interest expense			<u>(44,058)</u>	<u>(32,077)</u>
Profit before tax			<u>\$ 688,022</u>	<u>\$ 341,312</u>

The revenue of segments reported above is generated from external client exchange. There is no selling between segments in 2022 and 2021.

The revenue of segments means the profits earned by each segment, excluding interest income which shall be apportioned, other income, other gains and losses and financial costs.

b. Total assets and liabilities of segments

	December 31	
	2022	2021
<u>Segment assets</u>		
Operating segment		
Cement segment	\$ 6,027,362	\$ 4,707,090
Other segment	<u>3,634,509</u>	<u>3,334,620</u>
Total assets	<u>\$ 9,661,871</u>	<u>\$ 8,041,710</u>
<u>Segment liabilities</u>		
Operating segment		
Cement segment	\$ 3,894,036	\$ 2,738,059
Other segment	<u>862,046</u>	<u>658,077</u>
Total liabilities	<u>\$ 4,756,082</u>	<u>\$ 3,396,136</u>

c. Geographic information

The Group's main operating area is in the Republic of China.

d. Main customer's information

The sales revenue amounted to \$4,149,253 thousand and \$3,769,022 thousand in 2022 and 2021. In 2022 and 2021, there was no revenue from a single customer that exceeded 10% of the Group's total revenue.

TABLE 1**LUCKY CEMENT CO. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

No.	Financing Company	Counterparty	Financial Statement Account	Maximum Balance in Current Period	Related Party	Ending Balance (Note 4)	Amount Actually Drawn (Note 5)	Interest Rate	Nature for Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 3)
													Name	Value		
0	Lucky Cement Co.	Dasheng Enterprise	Other receivables from related parties	\$ 200,000	Yes	\$ 200,000	\$ 76,000	1.8368	b.	\$ -	Operating turnover	\$ -	-	-	\$ 490,572	\$ 1,962,288
		Luckyship Co.	Other receivables from related parties	20,000	Yes	-	-	1.8368	b.	-	Operating turnover	-	-	-	490,572	1,962,288
		Luckicon Ready-mixed Co.	Other receivables from related parties	300,000	Yes	<u>300,000</u>	258,000	1.8368	b	-	Operating turnover	-	-	-	490,572	1,962,288
						<u>\$ 500,000</u>										

Note 1: The nature of financing is as follows:

- a. Party with business.
- b. Party with short-term financing need.

Note 2: Financing of Lucky Cement Co. to a more than 50% owned subsidiary should not be more than 10% of the net value of Lucky Cement Co. at end of year; For a subsidiary that is 20% to 50% owned, loan should not be more than 5% of the net value of Lucky Cement Co. at end of year; for less than 20% owned subsidiary, loan should not be more than 2% of the net value of Lucky Cement Co. at end of year.

Note 3: The limit is 40% of net value of the financing company at end of the year.

Note 4: The amount is approved by the board of directors.

Note 5: All intra-group transactions, balances, income and expenses are eliminated upon consolidation.

TABLE 2**LUCKY CEMENT CO. AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Lucky Cement Co.	Dasheng Enterprise	Subsidiary	\$ 1,962,288	\$ 620,000	\$ 580,000	\$ 460,000	\$ -	11.82%	\$ 2,452,860	Y	-	-	
		Luckicon	Subsidiary	1,962,288	1,020,000	750,000	480,000	-	15.29%	2,452,860	Y	-	-	
		Ready-mixed Co Lucky Cement Japan	Subsidiary	1,962,288	12,035	10,910 <u>\$ 1,340,910</u>	-	-	0.22%	2,452,860	Y	-	-	

Note 1: The upper limit that Lucky Cement Co. endorses for single company shall not exceed 10% of the net value of Lucky Cement Co. and shall not exceed 40% of the net value of subsidiary.

Note 2: The endorsement approved in the meeting of shareholders shall not exceed 50% of the net value of Lucky Cement Co.

TABLE 3**LUCKY CEMENT CO. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units	Carrying Value	(%)	Fair Value (Notes 1 and 2)	
Lucky Cement Co.	<u>Mutual fund</u>							
	FSITC Global Video Gaming & eSports Fund	-	Financial assets at FVTPL - current	500,000	\$ 4,460	-	\$ 4,460	
	O-Bank No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	100,000	832	-	832	
	Cathay Global Autonomous and Electric Vehicles ETF	-	Financial assets at FVTPL - current	4,500,000	48,330	-	48,330	
	<u>Non-listed ordinary shares</u>							
	Jonfeng Mining Co., Ltd.	-	Financial assets at FVTOCI - non-current	1,283,068	9,097	10.58	9,097	
	<u>Listed ordinary shares</u>							
	Yang Ming Marine Transport Corp.	-	Financial assets at FVTOCI - current	400,000	26,200	0.01	26,200	
	Evergreen Marine Corp. (Taiwan) Ltd.	-	Financial assets at FVTOCI - current	380,000	61,940	0.02	61,940	
	Asia Cement Corporation	-	Financial assets at FVTOCI - current	165,000	6,765	-	6,765	
	Far Eastern New Century Corporation	-	Financial assets at FVTOCI - current	200,000	6,380	-	6,380	
	Taiwan Cement Corp	-	Financial assets at FVTOCI - current	335,640	11,294	-	11,294	
	U-Ming Marine Transport Corporation	-	Financial assets at FVTOCI - current	78,000	3,791	0.01	3,791	
	United Microelectronics Corporation	-	Financial assets at FVTOCI - current	72,351	2,945	-	2,945	
	Winbond Electronics Corp.	-	Financial assets at FVTOCI - current	130,181	2,552	-	2,552	
	Medigen Biotechnology Corporation	-	Financial assets at FVTOCI - current	28,628	962	0.02	962	
	Sanitar Co., Ltd.	-	Financial assets at FVTOCI - current	24,000	908	0.03	908	
	China Development Financial	-	Financial assets at FVTOCI - current	13,496	170	-	170	
	First Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - current	944	25	-	25	
	Capital Securities Corp.	-	Financial assets at FVTOCI - current	875	9	-	9	
	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at FVTOCI - current	472	11	-	11	
Luckyship Co.	<u>Non-listed ordinary shares</u>							
	Jonfeng Mining Co., Ltd.	-	Financial assets at FVTOCI - non-current	42,068	298	0.35	298	

Note 1: Financial assets at FVTPL: Fair value is based on the net asset value of funds on December 30, 2022.

Note 2: Financial assets at FVTOCI: Fair value of listed shares is based on their closing price on December 30, 2022. Fair value of non-listed shares is estimated by the fair value method.

Note 3: Please refer to Table 8 for information regarding subsidiaries.

TABLE 4

LUCKY CEMENT CO. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Luckicon Ready-mixed Co.	4 lots of land with land serial No. 222, etc. located in Fuhai Lujhu District of Taoyuan City	April 14, 2022 (Note 1)	\$ 678,328 (Note 2)	Has been fully paid	Natural person who is not a related party of the Group	N/A	-	-	-	\$ -	Negotiated based on the appraisal report and later resolved in the board of directors' meeting.	Factory use	N/A

Note 1: The date of the resolution of the board of directors of Luckicon Ready-mixed Co.

Note 2: Please refer to Note 15.

TABLE 5

LUCKY CEMENT CO. AND SUBSIDIARIES

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Disposer	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collect Status	Profit or loss on Disposal	Counterparty	Relationship	Purpose of Disposal	Pricing Reference	Other Terms
Dasheng Enterprise	13 lots of land with land Die Tian Fu Section, An Le District, Keelung City	2022.03.09 (Note 1)	1992.10	\$ 754,060	\$ 1,746,951	As of December 31, 2022, the Company had collected \$262,042 thousand in installments according to the contract.	Note 2	Aishan Forest Construction Development Co., Ltd., Qian Fu Construction Co. and Jiaji Construction Co.	NA	Asset activation	The amount of the appraisal and the future value of the market by reference to the professional appraisal firm shall be agreed upon by both parties.	NA

Note 1: The date of the resolution of the board of directors of Dasheng Enterprise.

Note 2: According to the sales contract, the land shall be transferred within 4 years after signing the contract at the latest.

TABLE 6

LUCKY CEMENT CO. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable			Note
			Purchases/ Sales	Amount	% to Total (Note 1)	Payment Terms	Unit Price	Credit Period	Ending Balance		% to Total (Note 1)	
Lucky Cement Co.	Luckicon Ready-mixed Co.	Subsidiary	Sale	\$ (446,278)	(14.33)	About 90 days	Similar to general transactions	Similar to general transactions	Accounts receivable	\$ 55,020	9.32	Note 2
								Notes receivable	35,384	5.99		
	Fuan Mining Co., Ltd.	Other related parties	Purchase	135,515	9.62	About 90 days	Agreed	Similar to general transactions	Trade payables	(18,147)	5.49	
								Notes payable	(39,683)	(6.54)		

Note 1: The rate is calculated in accordance with individual financial statements of each company.

Note 2: All intra-group transactions, balances, income and expenses are eliminated upon consolidation.

TABLE 7

LUCKY CEMENT CO. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance (Note 3)	Turnover Rate (Note 1)	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Lucky Cement Co.	Luckicon Ready-mixed Co.	Subsidiary	Notes receivable and accounts \$ 90,404 Other receivable (Note 2) 258,539	5.21 -	\$ - -	- -	\$ 90,404 403	\$ - -

Note 1: Calculated based on each company’s financial information.

Note 2: Of this amount, \$258,403 thousand is the financing of its funds and \$136 thousand is the receivable payment.

Note 3: All intra-group transactions, balances, income and expenses are eliminated upon consolidation.

TABLE 8

LUCKY CEMENT CO. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Address	Main Businesses and Products	Original Investment Amount (Note 2)		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Investment Income (Loss) Recognized (Note 1)	Note
				December 31, 2022	December 31, 2021	Number of Shares	Percentage of Ownership	Carrying Value			
Lucky Cement Co.	Dasheng Enterprise	14F., No. 237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Sale and lease of real estate	\$ 2,367,473	\$ 2,367,473	157,295,883	99.99	\$ 2,673,588	\$ 191,051	\$ 191,046	
	Luckicon Ready-mixed Co.	No. 191, Sec. 1, Meishi Rd., Yangmei Dist., Taoyuan City 326, Taiwan (R.O.C.)	Manufacturing and trading of ready-mixed concrete	350,000	350,000	47,000,000	100.00	745,950	109,131	109,208 (Note 3)	
	Lucky Cement Corp., Japan	Aichi, Japan hekinan Yu Jin-Pu-cho 12 gu	Cement trading	82,300	82,300	6,800	100.00	17,598	(1,507)	(1,507)	
	Luckyship Marine Co.	13F., No. 237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Shipping agent	88,615	88,615	2,000,000	100.00	22,740	(2,831)	(2,831)	
Luckicon Ready-mixed Co.	Fuyu Development Company	13F., No. 237, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	On land clay and stone quarrying	12,571	12,571	1,000,000	100.00	5,373	(2,379)	(2,379)	

- Note 1: The amounts were based on audited financial statements.
- Note 2: The original investment amount shown is the amount prior to capital reduction to make up for the losses.
- Note 3: The difference is upstream transactions realized gain of \$79 thousand.
- Note 4: All intra-group transactions, balances, income and expenses are eliminated upon consolidation.

TABLE 9**LUCKY CEMENT CO. AND SUBSIDIARIES**
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

No	Company Name	Counterparty	Nature of Relationship (Note)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	% of Consolidated Net Revenue or Total Assets
0	Lucky Cement Co.	Luckicon Ready-mixed Co.	a	Notes receivable	\$ 35,384	About 90 days	0.37
		Luckicon Ready-mixed Co.	a	Accounts receivable	55,020	About 90 days	0.57
		Luckicon Ready-mixed Co.	a	Other receivables	538	About 90 days	0.01
		Luckicon Ready-mixed Co.	a	Other receivables - financing	258,000	Financing, the repayment period is one year	2.67
		Luckicon Ready-mixed Co.	a	Contract liabilities	15,049	About 90 days	0.16
		Luckicon Ready-mixed Co.	a	Sales	446,278	About 90 days	10.76
		Luckicon Ready-mixed Co.	a	Cost of sales	21	About 90 days	-
		Luckicon Ready-mixed Co.	a	Rental income	1,525	30 days	0.04
		Luckicon Ready-mixed Co.	a	Interest income	2,187	30 days	0.05
		Fuyu Development Company	a	Other receivables	161	About 90 days	-
		Fuyu Development Company	a	Notes payable	453	About 90 days	-
		Fuyu Development Company	a	Other payables	655	About 90 days	0.01
		Fuyu Development Company	a	Cost of sales	2,156	About 90 days	0.05
		Fuyu Development Company	a	Rental income	8,212	30 days	0.20
		Fuyu Development Company	a	Other income	1,200	30 days	0.03
		Luckyship Marine Co.	a	Other receivables	3	About 90 days	-
		Luckyship Marine Co.	a	Rental income	276	30 days	0.01
		Dasheng Enterprise	a	Other receivables - financing	76,000	Financing, the repayment period is one year	0.79
		Dasheng Enterprise	a	Other receivables	63	About 90 days	-
		Dasheng Enterprise	a	Rental income	90	30 days	-
		Dasheng Enterprise	a	Interest income	311	30 days	0.01
1	Luckicon Ready-mixed Co.	Dasheng Enterprise	c	Sales	9,915	About 90 days	0.24
		Dasheng Enterprise	c	Accounts receivable	1,729	About 90 days	0.02

Note 1: The flow of transactions is as follows:

- From the parent to the subsidiary.
- From the subsidiary to the parent.
- From the subsidiary to the subsidiary.

Note 2: All intra-group transactions, balances, income and expenses are eliminated upon consolidation.

TABLE 10**LUCKY CEMENT CO.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Changheng Investment Co.	52,631,034	13.00
East Life Biotech Co.	30,378,008	7.50
Jinli Investment Co.	25,230,451	6.23
RI KON Construction Co.	22,658,066	5.59
Yung-Sheng Development Enterprise Co.	22,514,509	5.56
Lucky Construction Co.	22,091,152	5.45

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.