Stock No.: 2910

Tonlin Department Store Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Auditor's Report

2023 and 2022

Address: 10F-6, No. 197, Zhongxiao E. Rd. Sec. 4, Taipei City
TEL: (02)2752-2222

Table of Contents

Declaration Concerning Consolidated Financial Statements of Affiliated Enterprises

Affiliated enterprises subject to the preparation of consolidated financial statements of affiliated enterprises under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were identical to the affiliated companies subject to the preparation of consolidated financial statements under International Financial Reporting Standards No. 10 (IFRS 10) for financial year 2023 (from January 1 to December 31, 2023). All mandatory disclosures of the consolidated financial statements of affiliated enterprises have been disclosed in the consolidated financial statements, therefore no separate consolidated financial statement of affiliated enterprises was prepared.

This declaration is solemnly made by

Company name: Tonlin Department Store Co., Ltd.

Chairman: Su Chien-I

March 7, 2024

Independent Auditor's Report

To stakeholders of Tonlin Department Store Co., Ltd.

Audit opinions

We have audited the accompanying consolidated balance sheet of Tonlin Department Store Co., Ltd. and subsidiaries (collectively referred to as Tonlin Group) as at December 31, 2023 and 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement, and notes to consolidated financial statements (including summary of significant accounting policies) for the periods from January 1 to December 31, 2023 and 2022.

In our opinion, all material disclosures of the consolidated financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved by the Financial Supervisory Commission, and presented a fair view of the consolidated financial position of Tonlin Group as at December 31, 2023 and 2022, and consolidated business performance and cash flow for the periods of January 1 to December 31, 2023 and 2022.

Basis of audit opinion

We conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Entrusted Certified Public Accountants and the auditing principles. Our responsibilities as an auditor for the consolidated financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics and maintained independence from Tonlin Group when performing their duties. We believe that the evidence obtained provide an adequate and appropriate basis for our opinion.

Key audit issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2023 consolidated financial statements of Tonlin Group. These issues have already been addressed when we audited and formed our opinions on the consolidated financial statements. Therefore we do not provide opinions separately for individual issues.

Key audit issues concerning the 2023 consolidated financial statements of Tonlin Group are as follows:

<u>Impairment assessment of investment properties</u>

As at December 31, 2023, Tonlin Group had investment properties located at Xinzhuang District that were valued at NT$1,059,951 thousand, representing 19% of total consolidated assets and constituted a significant part of consolidated financial statements. The management follows IAS 36 - “Impairment of Assets” and assesses investment properties for signs of impairment at the end of each reporting period. Assets that exhibit any sign of impairment will have recoverable amount estimated in order to determine the amount of impairment. However, considering that real estate prices are affected by several factors including government policy, economic cycle, and market supply/demand, and that impairment assessment requires subjective judgments, major estimates, and assumptions from the management, we have identified impairment assessment of investment properties as a key audit issue. Accounting policy on impairment assessment of investment properties, uncertainties associated with accounting estimates and assumptions, and related disclosures can be found in Notes 4, 5, and 16 of consolidated financial statements.

The following audit procedures were taken in relation to the key audit issues identified above:

1. Understanding and testing the design and implementation of key internal control system that is relevant to impairment assessment of investment properties.
2. Obtaining the independent valuation report used by the management, and evaluating the professional capacity, competence, and objectivity of independent valuers.
3. Determining the rationality of the valuation method, parameters, and assumptions used in the valuation of investment property and comparing transaction prices of properties in the vicinity.
4. Consulting our own experts about the independent valuer's choice of valuation method as well as inputs and historical market data used in the calculation, and making appropriate comparisons to determine the rationality of the assessed price.
5. Taking count and verifying records of investment properties, and checking title deeds for the lands owned.

Correctness of retail commission income

Tonlin Group reported retail commission income of NT$152,905 thousand in 2023, representing 22% of operating revenues and was considered significant to the presentation of consolidated financial statements. The department store operates by having merchants set up individual retail departments, and Tonlin Group earns a certain percentage or amount from each transaction made by merchants. Under this arrangement, the Company first collects payment from customers then deducts merchant's share of the proceeds and recognizes the remainder as sales revenue. Due to the vast number of merchants and the different commission rates involved, calculation of retail commission income depends heavily on the use of computer system, which we consider to be a key audit issue. Disclosures relating to retail commission income and accounting policy can be found in Notes 4 and 22 of consolidated financial statements.

The following audit procedures were taken in relation to the key audit issues identified above:

1. Understanding and randomly testing the effectiveness of internal control design and execution for retail commission income.
2. Making sample checks on current year's Merchant Settlement Master Report to determine whether the commission rates configured on the computer system are consistent with contract terms; and making separate calculations using the commission rate to verify the correctness of retail commission income.

Emphasized matters

As described in Note 1 and 12 of the consolidated financial statements, Tonlin Department Store’s board of directors resolved on August 7, 2023 that the Company conducted a simplified merger with its wholly-owned subsidiaries, Guan Chan Investment Co., Ltd., Jia Fong Investment Co., Ltd., Song Yuan Investment Co., Ltd., and Shun Tai Investment Co., Ltd., in accordance with Article 19 of the Business Mergers and Acquisitions Act. The Company remained as the surviving company, and the merger reference date is August 31, 2023. We did not modify our audit opinion for this reason.

Other Matters

Tonlin Department Store Co., Ltd. has prepared standalone financial statements for 2023 and 2022, which we have audited and issued independent auditor's reports with unqualified opinions.

Responsibilities of the management and governing body to the consolidated financial statements

Responsibilities of the management were to prepare and ensure fair presentation of consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and published by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of consolidated financial statements so that the consolidated financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing consolidated financial statements also involved: assessing the ability of Tonlin Group to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate Tonlin Group or cease business operations, or is compelled to do so with no alternative solution.

The governing body of Tonlin Group (including the Audit Committee) is responsible for supervising the financial reporting process.

Responsibilities of the auditor when auditing consolidated financial statements

The purposes of our audit were to obtain reasonable assurance of whether the consolidated financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with auditing principles do not necessarily guarantee detection of all material misstatements within the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the consolidated financial statement user.

When conducting audits in accordance with auditing principles, we exercised professional judgments and raised professional doubts as deemed. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement within the consolidated financial statements, whether due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinion on the effectiveness of internal control system of Tonlin Group.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of Tonlin Group to operate as a going concern, based on the audit evidence obtained. We are bound to remind users of consolidated financial statements and make related disclosures if uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or change of circumstances may still render Tonlin Group no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the consolidated financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the consolidated financial statements.
6. Obtaining sufficient and appropriate audit evidence on financial information of equity-accounted investments held by the group, and expressing opinions on consolidated financial statements. Our responsibilities as auditor are to instruct, supervise, and execute audits and form audit opinions on the group.

We have communicated with the governing body about the scope, timing, and significant findings (including significant defects identified in the internal control) of our audit.

We have also provided the governing body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics, and communicated with the governing body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governing body regarding the 2023 consolidated financial statements of Tonlin Group. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decided not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

Deloitte & Touche
CPA Chiu, Cheng-Chun

CPA Huang Hsiu-Chun

Approval reference of the Financial Supervisory Commission
Jin-Guan-Zheng-Liu-Zhi No.0930160267

Approval reference of the Securities and Futures Bureau
Tai-Tsai-Cheng-(VI)-0920123784

March 7, 2024

Notice to Readers

For the convenience of readers and for information purposes only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English and the Chinese version or any differences in interpretation between the two versions, the original Chinese version shall prevail.
The auditors' report and the accompanying financial statements have been translated into English from the original Chinese version, and the English version is not audited by certified public accountant.

Tonlin Department Store Co., Ltd. and Subsidiaries
Consolidated balance sheet
December 31, 2023 and 2022

Unit: NTD thousand

Code	Asset	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 128,933	2	$ 160,339	3
1110	Financial assets at FVTPL (Notes 4 and 7)	659,949	12	417,085	8
1136	Financial assets carried at cost after amortization - current (Notes 4 and 9)	-	-	16,300	-
1172	Accounts receivable (Notes 4 and 10)	13,432	-	7,973	-
1175	Lease receivable (Notes 4 and 10)	3,674	-	3,984	-
1200	Other receivables (Notes 4, 10 and 24)	8,725	-	9,064	-
130X	Inventory (Notes 4, 5, 11 and 29)	240,293	4	454,798	8
1470	Prepayments and other current assets	27,272	1	42,330	1
11XX	Total current assets	1,082,278	19	1,111,873	20
	non-current assets				
1517	Financial assets at FVTOCI - non-current (Notes 4 and 8)	17,193	1	17,193	-
1550	Equity-accounted investments (Notes 4 and 13)	180,483	3	183,935	3
1600	Property, plant, and equipment (Notes 4, 5, 14 and 29)	2,132,796	38	2,196,232	39
1755	Right-of-use assets (Notes 4 and 15)	1,947	-	-	-
1760	Investment property, net (Notes 4, 5, 16 and 29)	2,139,253	38	2,148,353	38
1780	Intangible assets (Notes 4 and 5)	8,475	-	9,357	-
1840	Deferred income tax assets (Notes 4, 5, and 24)	14,783	1	14,252	-
1935	Long-term lease receivable (Notes 4 and 10)	13,338	-	16,898	-
1920	Refundable deposits	2,924	-	2,931	-
15XX	Total non-current assets	4,511,192	81	4,589,151	80
1XXX	Total assets	$ 5,593,470	100	$ 5,701,024	100
Code	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term borrowings (Notes 4, 11, 14, 16, 17 and 29)	$ 649,000	12	$ 794,000	14
2110	Short-term bills payable (Notes 4, 11, 14, 16, 17 and 29)	-	-	49,520	1
2150	Note payable	49,682	1	43,321	1
2170	Accounts payable (Note 18)	100,939	2	94,691	2
2209	Accrued expenses (Note 19)	38,687	1	35,423	1
2219	Other payables	5,650	-	5,214	-
2280	Lease liabilities - current (Notes 4 and 15)	310	-	-	-
2230	Current income tax liabilities (Notes 4, 5 and 24)	30,891	-	18,936	-
2320	Long-term borrowings expiring within a year (Notes 4, 14, 16, 17 and 29)	50,000	1	140,000	2
2399	Other current liabilities (Note 22)	7,595	-	8,052	-
21XX	Total current liabilities	932,754	17	1,189,157	21
	non-current liabilities				
2540	Long-term borrowings (Notes 4, 14, 16, 17, and 29)	1,794,000	32	1,844,000	32
2572	Deferred income tax liabilities (Notes 4, 5 and 24)	216,337	4	216,910	4
2580	Lease liabilities - non-current (Notes 4 and 15)	1,615	-	-	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 20)	6,143	-	11,224	-
2645	Guarantee deposits received (Note 22)	52,563	1	51,793	1
25XX	Total non-current liabilities	2,070,658	37	2,123,927	37
2XXX	Total liabilities	3,003,412	54	3,313,084	58
	Equity (Notes 4, 8, 20 and 21)				
3110	Common share capital	1,754,030	31	2,087,250	37
3200	Additional paid-in capital	59,689	1	540,286	9
	Retained earnings				
3310	Statutory reserves	489,459	9	487,129	9
3320	Special reserves	589,042	11	462,114	8
3350	Unappropriated earnings	(264,112)	(5)	129,258	2
3300	Total retained earnings	814,389	15	1,078,501	19
3400	Other equities	(38,050)	(1)	(34,556)	(1)
3500	Treasury stock	-	-	(1,283,541)	(22)
3XXX	Total equity	2,590,058	46	2,387,940	42
	Total liabilities and equity	$ 5,593,470	100	$ 5,701,024	100

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the audit report dated March 7, 2024 issued by Deloitte & Touche)

Chairman: Su Chien-I President: Weng Hua-Li Vice President: Chen Wen-Lung Head of Accounting: Lin Wan-Yi

Tonlin Department Store Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2023 and 2022

Unit: NTD thousands, except EPS which is in 1 NTD

Code		2023 Amount	2023 %	2022 Amount	2022 %
4000	Operating revenues (Notes 4 and 22)	$ 684,079	100	$ 711,970	100
5000	Operating costs (Notes 4, 11 and 23)	284,357	41	360,518	51
5900	Gross profit	399,722	59	351,452	49
6000	Operating expenses (Notes 4, 20, 23 and 28)	190,794	28	187,042	26
6900	Operating profit	208,928	31	164,410	23
	Non-operating income and expense				
7100	Interest income (Notes 4 and 23)	1,375	-	1,089	-
7010	Other income (Notes 4 and 23)	24,548	3	24,689	3
7020	Other gains and losses (Notes 4, 7, 14 and 23)	38,720	6	(42,802)	(6)
7050	Financial costs (Note 23)	(46,243)	(7)	(36,573)	(5)
7060	Share of gain/loss from associated companies accounted using the equity method (Notes 4 and 13)	5,082	1	4,113	1
7000	Total non-operating income and expenses	23,482	3	(49,484)	(7)
7900	Profit before tax	232,410	34	114,926	16
7950	Income tax expense (Notes 4, 5 and 24)	27,501	4	18,531	2
8200	Current net income	204,909	30	96,395	14

(Continued on next page)

(Continued)

Code		2023 Amount	2023 %	2022 Amount	2022 %
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plan (Notes 4 and 20)	$ 879	-	$ 3,700	-
8316	Unrealized profit and loss on valuation of equity instruments at FVTOCI (Notes 4, 8, 13 and 21)	(3,494)	-	(13,666)	(2)
8349	Income tax related to items not subject to reclassification (Notes 4 and 24)	(176)	-	(7,760)	(1)
8300	Other comprehensive income - current	(2,791)	-	(17,726)	(3)
8500	Total comprehensive income - current	$ 202,118	30	$ 78,669	11
	Earnings per share (Note 25)				
9710	Basic	$ 1.17		$ 0.55	
9810	Diluted	$ 1.17		$ 0.55	

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the audit report dated March 7, 2024 issued by Deloitte & Touche)

Chairman: Su Chien-I President: Weng Hua-Li Vice President: Chen Wen-Lung Head of Accounting: Lin Wan-Yi

Tonlin Department Store Co., Ltd. and Subsidiaries
Consolidated Statements of Changes Equity
From January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Code		Share capital (Note 21)	Additional paid-in capital (Note 21)	Retained earnings (Notes 8 and 21)				Other items of equity (Notes 8 and 21)	Treasury stock (Note 21)	Total Equity
				Statutory reserves	Special reserves	Unappropriated earnings	Total	Unrealized gains/losses on financial assets at FVTOCI		
A1	Balance on January 1, 2022	$ 2,087,250	$ 523,625	$ 474,382	$ 456,282	$ 228,904	$ 1,159,568	($ 89,929)	($ 1,283,541)	$ 2,396,973
	Appropriation and distribution of 2021 earnings									
B1	Provision for statutory reserves	-	-	12,747	-	(12,747)	-	-	-	-
B3	Provision for special reserves	-	-	-	5,832	(5,832)	-	-	-	-
B5	Cash dividends on common shares	-	-	-	-	(104,363)	(104,363)	-	-	(104,363)
	Total appropriation and distribution of 2021 earnings	-	-	12,747	5,832	(122,942)	(104,363)	-	-	(104,363)
M1	Adjustment to additional paid-in capital for dividends paid to subsidiaries	-	16,661	-	-	-	-	-	-	16,661
D1	2022 net profit	-	-	-	-	96,395	96,395	-	-	96,395
D3	2022 other comprehensive income - after tax	-	-	-	-	2,960	2,960	(20,686)	-	(17,726)
D5	2022 total comprehensive income	-	-	-	-	99,355	99,355	(20,686)	-	78,669
Q1	- Disposal of equity instruments at FVTOCI	-	-	-	-	(76,059)	(76,059)	76,059	-	-
Z1	Balance as of December 31, 2022	2,087,250	540,286	487,129	462,114	129,258	1,078,501	(34,556)	(1,283,541)	2,387,940
	Appropriation and distribution of 2022 earnings									
B1	Provision for statutory reserves	-	-	2,330	-	(2,330)	-	-	-	-
B3	Provision for special reserves	-	-	-	126,928	(126,928)	-	-	-	-
	Total appropriation and distribution of 2022 earnings	-	-	2,330	126,928	(129,258)	-	-	-	-
D1	2023 net profit	-	-	-	-	204,909	204,909	-	-	204,909
D3	2023 other comprehensive income - after tax	-	-	-	-	703	703	(3,494)	-	(2,791)
D5	2023 total comprehensive income	-	-	-	-	205,612	205,612	(3,494)	-	202,118
L3	Cancellation of treasury stock	(333,220)	(480,597)	-	-	(469,724)	(469,724)	-	1,283,541	-
Z1	Balance on December 31, 2023	$ 1,754,030	$ 59,689	$ 489,459	$ 589,042	($ 264,112)	$ 814,389	($ 38,050)	$ -	$ 2,590,058

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the audit report dated March 7, 2024 issued by Deloitte & Touche)

Chairman: Su Chien-I President: Weng Hua-Li Vice President: Chen Wen-Lung Head of Accounting: Lin Wan-Yi

Tonlin Department Store Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
From January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Pre-tax profit for the current period	$ 232,410	$ 114,926
A20010	Adjustments for:		
A20100	depreciation expense	75,812	74,154
A20200	Amortization	1,287	1,187
A20400	Net loss (gain) on financial assets at FVTPL	(23,252)	36,705
A20900	Financial costs	46,243	36,573
A21200	Interest income	(1,375)	(1,089)
A21300	Dividend income	(6,868)	(6,603)
A22300	Share of gain from associated companies accounted using the equity method	(5,082)	(4,113)
A22500	Loss (gain) on disposal and disposition of property, plant and equipment	932	9,502
A23700	Provision of impairment on non-financial assets	6,900	8,000
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatory to be carried at FVTPL	(219,612)	(5,678)
A31150	Trade receivable	(5,459)	(1,369)
A31240	Lease receivable	3,870	3,839
A31180	Other receivables	(67)	(3,212)
A31200	Inventories	207,605	283,930
A31230	Prepayments and other current assets	15,058	9,147
A32130	Note payable	6,361	11,592
A32150	Accounts payable	6,248	15,020
A32220	Accrued expenses	172	(3,099)
A32180	Other payables	436	2,979
A32230	Other current liabilities	(457)	(359)
A32240	Net defined benefit liabilities	(4,202)	(6)
A33000	Cash inflow from operating activities	336,960	582,026
A33100	Interest received	1,611	951
A33300	Interest paid	(43,056)	(33,979)

(Continued on next page)

(Continued)

Code		2023	2022
A33200	Dividends received	$ 6,868	$ 6,603
A33500	Income tax paid	(16,656)	(469)
AAAA	Net cash inflow from operating activities	285,727	555,132
	Cash flows from investing activities		
B00020	Sales of Financial assets at FVTOCI	-	4,231
B00050	Disposal of financial assets measured at cost after amortization	16,300	6,304
B01800	Acquisition of equity-accounted investments	-	(49,400)
B02700	Acquisition of property, plant, and equipment	(4,568)	(20,614)
B02800	Proceeds from disposal of property, plant and equipment	410	-
B03800	Decrease in refundable deposits	7	25
B04500	Purchase of intangible assets	(405)	(551)
B05400	Acquisition of investment property	-	(548)
B07100	Decrease in equipment purchase payable	-	(6,700)
B07600	Dividends received from associated companies	5,040	3,156
BBBB	Net cash inflow (outflow) from investing activities	16,784	(64,097)
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term borrowings	(145,000)	31,550
C00600	Short-term bills payable decreased	(49,600)	(93,000)
C01600	Proceeds from long-term borrowings	3,176,000	5,648,000
C01700	Repayments of long-term borrowings	(3,316,000)	(5,934,000)
C03100	Increase in guarantee deposits received	770	34
C04020	Lease principal repayment	(87)	-
C04500	Payment of cash dividends	-	(87,702)
CCCC	Net cash outflow from financing activities	(333,917)	(435,118)
EEEE	Net increase (decrease) in cash and cash equivalents	(31,406)	55,917
E00100	Opening balance of cash and cash equivalents	160,339	104,422
E00200	Closing balance of cash and cash equivalents	$ 128,933	$ 160,339

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the audit report dated March 7, 2024 issued by Deloitte & Touche)

Chairman: Su Chien-I President: Weng Hua-Li Vice President: Chen Wen-Lung Head of Accounting: Lin Wan-Yi

Tonlin Department Store Co., Ltd. and Subsidiaries
Notes to consolidated financial statements
From January 1 to December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. Organization and operations

Tonlin Department Store Co., Ltd. (the "Company") was founded in August 1982 and commenced business operations in November 1984. Taoyuan Branch was later established in September 1995 and commenced operation in November 1995. The Company primarily operates as a retail departmental store. The Company's shares have been listed for trading on Taiwan Stock Exchange Corporation since December 1996. The Company closed down its Taipei Branch on September 20, 1999 out of concern for profit yield, and leased out buildings previously occupied by Taipei Branch for income on October 1. The Company currently has lease contracts established with multiple counterparties including World Fitness Asia Limited (H.K.) Taiwan Branch. Please refer to Note 22 for details. Furthermore, to facilitate the Company's transformation into an integrated entertainment complex, the board of directors passed a resolution to remodel Taoyuan Branch on October 24, 2016, and officially opened for business on October 3, 2018. In addition to retaining top revenue-generating merchants, Taoyuan Branch also brought in restaurant (beverages), sports, leisure, entertainment, and cinema brands to support its new transformation.

To integrate group resources and achieve operational synergy, the board of directors resolved on August 7, 2023 that the Company conducted a simplified merger with its wholly-owned subsidiaries, Guan Chan Investment Co., Ltd., Jia Fong Investment Co., Ltd., Song Yuan Investment Co., Ltd., and Shun Tai Investment Co., Ltd. The merger reference date is August 31, 2023, and the Company remained as the surviving company.

The consolidated financial statements are presented using the Company's functional currency (NTD).

II. The Date and Procedures to Approve Financial Statements

This consolidated financial statements were was passed during the board of directors meeting dated March 7, 2024.

III. Application of New and Revised International Financial Reporting Standards

(I) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS accounting standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Adopting the amended version of FSC-approved IFRS accounting standards will not result in any material change to the Group's accounting policies.

(II) FSC-approved IFRS accounting standards applicable in 2024

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"	January 1, 2024 (Note 3)

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

Note 2: The seller as lessee shall retrospectively apply the amendments to IFRS 16 to the lease after sale transactions occur after the date of the initial application of IFRS 16.

Note 3: Partial exemption from disclosure requirements upon first application of these amendments.

(III) The IFRS accounting standards issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued 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"	Undetermined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments of IFRS 17	January 1, 2023
Amendment to IFRS 17: "Initial Application of IFRS 17 and IFRS 9 — Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Convertibility"	January 1, 2025 (Note 2)

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

Note 2: Applicable from reporting periods that begin after January 1, 2025 When the amendment is applied for the first time, the effect is recognized in the retained earnings on the date of initial application. When the consolidated Company uses a non-functional currency as the presentation currency, it will affect the exchange differences of foreign operations under equity on the date of initial application.

The Group continues to evaluate how revisions of the above standards and interpretations affect its consolidated financial position and business performance as of the publication date of this financial report. Outcomes of these assessments will be disclosed upon completion.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

This consolidated financial report has been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and FSC-approved IFRS accounting standards.

(II) Basis of preparation

This consolidated financial statement has been prepared based on historical cost, except for financial instruments carried at fair value and net defined benefit liabilities calculated by deducting fair value of plan assets from present value of defined benefit obligation.

The fair value measurements, which 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, 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).
3. Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

1. Assets that are held mainly for the purpose of trading;
2. Assets that are expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (except for those that are intended to be swapped or settled against debt more than 12 months after the balance sheet date, and those with restricted uses).

Current liabilities include:

1. Liabilities that are held mainly for the purpose of trading;
2. Liabilities that are expected to be settled within 12 months after the balance sheet date; and

3. Liabilities where the repayment terms can not be extended unconditionally beyond 12 months after the balance sheet date.

Assets and liabilities that do not satisfy the above criteria are classified into non-current assets or non-current liabilities.

The Group's construction activities operate at business cycles that are longer than one year. For this reason, assets and liabilities that arise in relation to construction activities are distinguished between current and non-current portions based on normal business cycle.

(IV) Basis of consolidation

This consolidated financial statement includes the Company and entities that the Company has control over (i.e. subsidiaries). Subsidiaries have had financial statements adjusted to ensure alignment of accounting policies with those of the Group. All transactions, account balances, income, expenses, and losses between entities of the consolidated financial statement have been eliminated during consolidation.

Refer to Note 12 and Table 2 for details, shareholding percentages, and business activities of subsidiaries.

(V) Foreign currency

During preparation of financial statement, transactions denominated in currencies other than the functional currency (i.e. foreign currency transactions) are converted and recorded in the functional currency using exchange rate as at the transaction date.

Monetary foreign currency accounts are converted using closing exchange rates as at every balance sheet date. Exchange differences arising from settlement or translation of monetary accounts are recognized in profit and loss in the year occurred.

Foreign currency-denominated non-monetary items carried at fair value are converted using exchange rates as at the date of fair value assessment, with exchange differences recognized in current profit and loss. However, items that have fair value changes recognized in other comprehensive income shall also have exchange differences recognized in other comprehensive income.

Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as at the date of initial transaction. No further re-calculation shall be made.

(VI) Inventories

Proprietary inventory is valued at the lower of cost or net realizable value; the lower of cost or net realizable value is compared by retail departments, except for groups of items within the same category. Net realizable value refers to the balance of estimated selling price less any costs required to sell inventory under normal circumstances; cost is calculated using the retail inventory method.

Construction-in-progress is stated at the lower of cost or net realizable value. Down payments are paid for the purchase of construction land or properties pending sale, and borrowing interests accrued during the construction period are capitalized and recognized as cost of inventory.

Construction land is reclassified into construction-in-progress when construction activities begin. Upon completion, the amount of construction-in-progress is reclassified into operating cost and properties pending sale based on percentages of sold and unsold areas.

In joint construction arrangements where the Company contributes land in exchange for units of properties pending sale, no gain/loss is recognized at the time of exchange, and income is recognized only when properties are sold to buyers.

(VII) Investments in Associates

An associated company is an organization in which the Group has significant influence, but does not meet the criteria of a subsidiary.

The Group accounts for associated companies using the equity method.

Under the equity method, associated companies are recognized at cost at initiation; after the acquisition date, book value may be increased or decreased by the Group's share of profits/losses and other comprehensive income in associated companies. Furthermore, changes in the equity of associated companies are recognized based on the Group's shareholding percentage.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities is the premium of real estate properties; such premium is included in the book value of the concerned investment and not to be amortized.

When assessing impairments, the Group treats the entire account as a single asset and tests for impairment by comparing book value with recoverable amount. Any impairment losses recognized are presented as part of the book value of the investment without amortization. Reversal of impairment loss can be recognized up to the sum of subsequent increases in the recoverable amount of the investment.

(VIII) Property, Plant and Equipment

Property, plant, and equipment are initially recognized at cost, and subsequently presented at cost after accumulated depreciation and impairment.

No depreciation is provided on land, whereas property, plant, and equipment are depreciated using the straight line method over their useful lives. Depreciation is provided separately for each major component. The Group reviews estimated useful life, residual value, and depreciation method at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively.

Gains or losses arising from decommissioned property, plant, and equipment are calculated as the difference between disposal proceeds and the asset's book value, and are recognized through profit and loss in the year occurred.

(IX) Investment property

Investment properties are real estate properties held for rental income or capital gain, or both. Investment properties include land held on hand that the Company has yet to determine their future uses.

Investment properties are initially recognized at cost (including transaction cost) and subsequently presented at cost after accumulated depreciation and impairment.

Investment properties are depreciated on a straight-line basis.

Difference between the disposal proceed and book value of decommissioned investment property is recognized in profit and loss.

(X) Intangible asset

1. Acquisition by separate purchase

   Intangible assets that are acquired through separate purchase with limited useful life are recognized at cost at initiation, and subsequently presented at cost less accumulated amortization and impairment. Intangible assets are amortized on a straight-line basis over their useful lives. The estimated useful life, residual value, and amortization method are reviewed at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively.

2. Decommissioning

   Difference between the net disposal proceed and book value of intangible assets removed is recognized in current profit and loss.

(XI) Impairment of property, plant, equipment, investment properties, and intangible assets

The Group evaluates all property, plant, equipment, investment properties, and intangible assets for signs of impairment every balance sheet date. Assets that exhibit any sign of impairment will have recoverable amount estimated. If the recoverable amount can not be estimated on an individual basis, the Group will instead estimate recoverable amount for the entire cash-generating unit.

Recoverable amount is the higher between "fair value less selling costs" and the "utilization value." If recoverable amount of an asset or cash-generating unit falls below its book value, the book value of that particular asset/cash-generating unit shall be reduced to the recoverable amount with impairment losses recognized through profit and loss.

When impairment losses are reversed on a later date, the book value of corresponding assets/cash-generating units shall be adjusted upwards to the recoverable amount. However, the increased book value shall not exceed the book value (less amortization or depreciation) of the asset/cash-generating unit before impairment losses were recognized in the first place. Reversal of impairment loss is recognized through profit and loss.

(XII) Financial instruments

Financial assets and financial liabilities are recognized on consolidated balance sheet when the Group becomes a party of the contract.

When recognizing financial assets and liabilities at initiation, those that are not designated to be carried at fair value through profit and loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities. Transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities carried at fair value through profit and loss are recognized immediately through profit and loss.

1. Financial asset

Routine transactions of financial asset are recognized on or removed from balance sheet based on principles of trade date accounting.

(1) Measurement category

Financial assets held by the Group are distinguished into the following categories: financial assets at FVTPL, financial assets carried at cost after amortization, and equity instruments at FVTOCI.

A. Financial assets at FVTPL

Financial assets at FVTPL mainly comprise financial assets that are mandatory to be measured at fair value with fair value changes recognized through profit and loss. Financial assets that are mandatory to be measured at fair value with fair value changes recognized through profit and loss include: equity instruments that are not specified to be carried at FVTOCI, and debt instruments that do not satisfy the criteria to be carried at cost after amortization or at FVTOCI.

Financial assets at FVTPL are measured at fair value, with dividends and interests recognized as other income. Gains and losses from remeasurement are recognized as other gains and losses. See Note 27 for details regarding the fair value method.

B. Financial assets carried at cost after amortization

Financial asset investments that satisfy both the following conditions are carried at cost after amortization:

a. The financial asset is held for a specific business model, and the purpose of which is to hold the financial asset and collect contractual cash flow; and
b. The contractual terms give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

For financial assets carried at cost after amortization (including cash and cash equivalents, accounts receivable and other receivables carried at cost after amortization etc), the effective interest method is used to determine the book value at initiation. They are subsequently presented net of impairments and amortization. Any gain/loss from currency exchange incurred on these financial assets is recognized through profit and loss.

Except for the two circumstances explained below, interest income is calculated by multiplying the book value of financial asset with effective interest rate:

a. Acquisition or creation of credit-impaired financial assets; in which case interest income is calculated by multiplying the cost of financial assets after amortization with credit-adjusted effective interest rate.
b. Financial assets that were not credit-impaired at the time of acquisition or origination, but become credit-impaired on a later date; in which case interest income is calculated by multiplying the cost of financial assets after amortization with the effective interest rate starting from the reporting period after credit impairment.

Financial assets are considered credit-impaired if the issuer or debtor exhibits major financial distress, default, likely bankruptcy, financial restructuring, or any financial difficulty that may render the financial asset no longer available on the active market.

Cash equivalents include time deposits with less than 3 months until maturity that are highly liquid, readily convertible into defined amounts of cash, and less prone to the risk of fair value changes. Cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Equity instruments at FVTOCI

For equity instruments that are neither held for trading nor recognized/received as a consideration for business acquisition, the Group is entitled to an irrevocable option to account them at FVTOCI at initial recognition.

Equity instruments at FVTOCI are measured at fair value; subsequent fair value changes are recognized through other comprehensive income and accumulated under other equity. At the time of disposal, cumulative gains/losses are transferred directly into retained earnings and not reclassified into profit and loss.

Dividends from equity instruments at FVTOCI are recognized in profit and loss when the entitlement to receive is confirmed, unless the dividends clearly represent a partial recovery of the investment cost.

(2) Impairment of financial assets

On each balance sheet date, the Group assesses impairment losses on financial assets carried at cost after amortization (including accounts receivable) and operating lease receivable based on expected credit losses.

Accounts receivable and operating lease receivable have loss provisions recognized based on expected credit losses over their duration. For other financial assets, the Company first evaluates whether there is significant increase in credit risk since initial recognition. If there is no significant increase in credit risk, loss provisions are recognized based on 12-month expected credit loss; if there is significant increase in credit risk, loss provisions are recognized based on expected credit loss over the remaining duration.

Expected credit losses are determined as average credit loss weighed against the risk of default. 12-month expected credit losses represent the amount of credit losses that the financial instrument is likely to incur due to default event in the next 12 months, whereas expected credit losses for the remaining duration represent the amount of credit losses that the financial instrument is likely to incur due to all possible default events for the remaining duration.

All impairment losses on financial assets are recognized using allowance accounts, which reduce book value of the corresponding financial asset.

(3) Removal of financial assets

Financial assets can be removed from balance sheet only if all contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all risks and returns assumed by another party.

Difference between the book value of financial asset carried at cost after amortization and the amount of consideration received for the asset's removal is recognized through profit and loss. When an equity instruments at FVTOCI is removed from balance sheet, the amount of cumulative gain/loss is transferred directly into retained earnings and is not reclassified to profit and loss.

2. Equity instrument

Debt and equity instruments issued by the Group are classified into financial liabilities or equity depending on the terms of the underlying contract and the definitions of financial liability and equity used.

Equity instruments issued by the Group are recognized at the amount of proceeds received net of direct issuing costs.

Buyback of the Company's own equity instruments is recognized and deducted under equity. Acquisition, sale, issuance, or retirement of the Company's own equity instruments is not recognized through profit and loss.

3. Financial liability

(1) Subsequent measurement

All financial liabilities are carried at cost after amortization using the effective interest method.

(2) Removal of financial liabilities

When a financial liability is removed, the difference between book value and the consideration paid (including any non-cash assets transferred or any additional liabilities borne) is recognized through profit and loss.

(XIII) Revenue recognition

The Group first identifies performance obligations in a contract it signs with customer, then divides and allocates the transaction sum to various obligations, and recognizes revenue when each obligation is fulfilled.

Revenue from sale of merchandise

Revenue from sale of merchandise is generated from retail sale of goods in the departmental store, and is recognized as income at the time of customer's purchase. Proceeds collected in advance from the issuance of departmental store vouchers are recognized as contractual liabilities until the vouchers are redeemed by customers.

Customer loyalty program represents reward points granted to customers for merchandises sold that customers can spend to purchase merchandise in the future, and are a form of customers' entitlement. At the time of transaction, a percentage of the sales proceeds received or receivable is treated as reward point and recognized as contractual liability; this liability is reclassified into income when reward points are redeemed or voided on a later date.

Sales proceeds of real estate properties sold under normal terms of business are collected in instalments. Contractual liabilities are recognized at the time the proceeds are collected, which are later recognized as income upon completion and delivery of each property to the respective buyer.

(XIV) Leases

The Group evaluates whether a contract meets the criteria of (or includes arrangements characterized as) lease on the day of contract establishment.

Where the Company is the lessor

The Group does not have any lease arrangement that involves a transfer of virtually all risks and returns associated with ownership of the underlying asset to the lessee. All leases are classified as operating lease.

In an operating lease arrangement, the amount of proceeds received net of incentives are recognized as income on a straight-line basis over the lease tenor. Lease negotiation with a lessee is accounted as a new lease from the effective date of lease amendment.

When a lease includes both land and building elements, the Group assesses the classification of each element as the finance or operation lease based on whether substantially all of the risks and rewards incidental to ownership of each element have been transferred to the lessee. The leasing payment is shared between the land and building, based on the relative proportions between the fair values of the land and building’s leasing rights on the date the contract executed. If the leasing payment may be reliably shared between the two elements, each element is treated with the applicable lease classification. If the lease payment cannot be reliably distributed to the two elements, the lease as a whole is the classified as the financing lease; provided that if both elements are obviously qualified for the operation lease criteria, the overall lease is classified as an operation lease.

Where the Company is the lessee

For leases of low-value assets and short-term leases to which recognition exemptions apply, lease payments are recognized as expenses on a straight-line basis over the lease terms. For all other leases, right-of-use assets and lease liabilities are recognized at the commencement date of the leases.

Right-of-use assets are initially measured at cost (comprising the initial measurement of lease liabilities, lease payments made at or before the commencement date, less any lease incentives received, initial direct costs, and the estimated costs of restoring the underlying assets). 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 sheet.

Right-of-use assets are depreciated on a straight-line basis from the lease start date to the end of the service life or the expiration of the lease term, whichever is earlier. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects the exercise of a purchase option, depreciation is provided from the commencement date of the lease over the estimated useful life of the underlying asset.

Lease liabilities are initially measured at the present value of the lease payments. If the lease implied interest rate can be easily determined, the lease payment is discounted at the said interest rate. If such interest rate cannot be easily determined, the lessee's incremental borrowing interest rate shall apply.

Subsequently, the lease liability is measured at the amortized cost using the effective interest method, and the interest expense is amortized over the lease term. If there is a change in the lease term or a change in the index or rate used to determine lease payments, the Company remeasures the lease liability and makes a corresponding adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset 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 sheet.

(XV) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of qualified assets are treated as part of an asset's cost until virtually all activities needed to bring the asset to its designated usable or salable state have been completed.

For specific-purpose loans undertaken for qualified capital spending, any investment income earned on short-term investment of the proceeds before incurring the capital spending is deducted from capitalized borrowing costs.

Except for the above, all other borrowing costs are recognized through profit and loss in the year occurred.

(XVI) Governmental subsidies

Governmental subsidies are only recognized when it is reasonably assured that the Group will comply with the conditions attached to the governmental subsidies and receive such subsidies.

The governmental subsidies related to incomes are recognized under other incomes on the systematic basis during the period when the related costs to which the subsidies intend to compensate are recognized as expenses.

If the governmental subsidies are used to compensate the incurred expenses or losses, or the purpose is providing an immediate financial support to the Group without future related cost, such subsidies are recognized under profit/loss during the period to receive such.

(XVII) Employee benefits

1. Short-term employee benefits

   Liabilities associated with short-term employee benefits are measured at non-discounted amount of cash that the Company expects to pay in exchange for employees' service.

2. Post-employment benefits

   For defined contribution plans, the amount of contributions that has to be made to pension funds over the duration of employees' service is recognized as expense.

For defined benefit plans, the cost of benefit (including service cost, net interest, and effect of remeasurement) is estimated using the Projected Unit Credit Method. Service costs (including current and previous service costs) and net interests on net defined benefit liabilities (assets) are recognized as employee welfare expense at the time incurred or whenever the plan is amended or curtailed. Effects of remeasurement (including actuarial gains/losses, change in plan asset limits, and return on plan assets net of interest) are recognized under other comprehensive income and added to retained earnings at the time of occurrence. This amount is not reclassified into profit and loss in subsequent periods.

Net defined benefit liabilities (plan assets) represent the shortfall (surplus) of contributions made to the defined benefit plan. Net defined benefit plan assets may not exceed the amount of contributions refundable or the present value of reducible contributions in the future.

(XVIII) Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

1. Tax currently payable

The Group reports current period income (loss) and calculates income tax payable (refundable) according to tax laws stipulated by the local tax jurisdiction.

Pursuant to the Income Tax Act of the Republic of China, undistributed earnings are subject to additional income tax, which is recognized in the year shareholders resolve to retain the earning.

Adjustments to income taxes reported in previous years are recognized as income tax expenses in the period the adjustment is made.

2. Deferred tax

Deferred income taxes are tax effects of temporary differences, given rise by the different book value of assets and liabilities presented in the financial statement and those reported for tax filing.

Tax impacts arising from taxable temporary differences are recognized as deferred income tax liabilities; deferred income tax assets are recognized under the condition that the Company is very likely to generate taxable income in the future to offset deductible temporary differences or losses carried forward.

Temporary differences that were not initially recognized as deferred income tax assets are also subject to re-assessment on every balance sheet date. These differences may be recognized to increase the book value of deferred income tax asset if the Company considers it highly likely to generate taxable income for full or partial recovery of such asset in the future. Temporary differences that were not initially recognized as deferred income tax assets are also subject to re-assessment on every balance sheet date. These differences may be recognized to increase the book value of deferred income tax asset if the Company considers it highly likely to generate taxable income for full or partial recovery of such asset in the future.

Deferred income tax assets and liabilities are estimated using expected tax rate applicable at the time the liability/asset is expected to be settled/realized. This expected tax rate is determined based on the tax rate and tax laws prevailing as at the balance sheet date. Deferred income tax liabilities and assets represent tax impacts of the method by which the Group expects to recover/settle the book value of its assets and liabilities as at the balance sheet date.

3. Current and deferred income tax

Current and deferred income taxes are recognized through profit and loss, except for source accounts that are recognized under other comprehensive income or directly as other equity item, where current and deferred income taxes are also recognized under other comprehensive income or directly as equity.

V. Sources of uncertainty to significant accounting judgments, estimates, and assumptions

When applying accounting policies, the management is required to make judgments, estimates, and assumptions based on historical experience or other relevant factors in situations where information cannot be easily obtained from available sources. The actual outcome may differ from initial estimates.

When developing significant accounting estimates, the management will continue to review the estimates and basic assumptions. If a revision of accounting estimate affects only the current period, the effect shall be recognized only for the current period. If a revision of accounting estimate affects current and future periods, the effect shall also be recognized for current and future periods.

Sources of uncertainty to estimates and assumptions

(I) Income tax

As at December 31, 2023 and 2022, the book value of deferred income tax assets was NT$14,783 thousand and NT$14,252 thousand, respectively. Due to unpredictability of future profitability, the Group had NT$249,315 thousand and NT$221,604 thousand of tax losses as at December 31, 2023 and 2022, respectively, that were not recognized as deferred income tax asset. Realization of deferred income tax asset depends largely on whether the Company is able to generate sufficient profits or taxable temporary differences in the future. If actual profits are more than previously expected, there may be significant deferred income tax assets recognized additionally during the period of occurrence.

(II) Impairment of inventory

Net realizable value of inventory is the estimated selling price less all estimated costs needed to completion and sale under normal circumstances. These estimates are made based on current market condition and previous experiences selling goods of similar nature. A change of market condition may significantly affect the outcome of such estimate.

(III) Impairment of property, plant, equipment, investment properties, and intangible assets

When assessing asset impairment, the Group relies on the use of subjective judgment and determines the level of independent cash flow, useful life, and future income/expenses/losses for specific asset groups after taking into consideration the method in which assets are used and industry characteristics. Any change of economic circumstances and any change in estimate caused by the Company's strategies may result in significant impairment in the future.

VI. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Petty cash and cash on hand	$ 240	$ 254
Check and demand (current) deposit	128,693	108,443
Cash equivalents (with original maturity of less than three months) bank time deposits	-	51,642
	$ 128,933	$ 160,339

Range of market interest rates applicable to bank deposits as at the balance sheet date is shown below:

	December 31, 2023	December 31, 2022
Demand deposits	0.005%~2.00%	0.005%~1.70%

VII. Financial instruments at FVTPL

	December 31, 2023	December 31, 2022
Financial assets - current		
Financial assets designated as at FVTPL		
Non-derivative financial assets		
- TWSE, TPEX, and Emerging Stock Market shares	$ 124,857	$ 154,215
- Fund beneficiary certificates	440,522	201,812
- Foreign shares	13,980	4,374
- Corporate bonds	75,614	52,160
- Bonds	4,976	4,524
	$ 659,949	$ 417,085

Please refer to Note 23 for gains/losses on financial assets at FVTPL.

VIII. Financial assets at FVTOCI

	December 31, 2023	December 31, 2022
Non-current		
Domestic investments		
Emerging Stock Market shares	$ 4,563	$ 4,563
Foreign investments		
Unlisted shares	12,630	12,630
	$ 17,193	$ 17,193

The Group invests in the above instruments by adopting a medium-long term strategy, and expects to profit over the long term. Management of the Group is of the opinion that recognizing short-term fair value changes through profit and loss on such investments does not conform with the long-term investment plans described above, and therefore has chosen to account such investments at FVTOCI.

The investees, WK Technology Fund VII, WK Technology Fund VIII, WK Technology Fund, and WK Technology Fund V, completed their liquidation process in May 2022 and returned the liquidation proceeds totaling NT$4,231 thousand. The related unrealized valuation losses of NT$79,378 thousand on other equity - financial assets at fair value through other comprehensive income were transferred to retained earnings.

IX. Financial assets carried at cost after amortization - current

	December 31, 2023	December 31, 2022
Domestic investments		
Time deposit with initial maturity of more than 3 months	$ -	$ 16,300

As at December 31, 2022, time deposits with initial maturity of 3 months or longer accrued interests at 1.440% (December 31, 2023: none).

X. Accounts receivable and other receivables

	December 31, 2023	December 31, 2022
Arising from business activities		
Trade receivable	$ 13,432	$ 7,973
Operating lease receivable		
- Current	3,674	3,984
- Non-current	13,338	16,898
Subtotal	17,012	20,882
Other receivables		
Amount receivable from sale of securities	3,806	1,557
Utility and management fees receivable	1,493	1,096
Rent receivable	130	126
Tax refund receivable	8	170
Others	3,288	6,115
Subtotal	8,725	9,064
Total	$ 39,169	$ 37,919

(I) Trade receivable

Accounts receivable primarily represent retail sales collectible from consumers on transactions paid with credit cards and third-party payment tools. The majority of accounts receivable are credit card balances to be collected from financial institutions. Credit term on sale of merchandise is generally 30 days, and most proceeds are collected within this duration.

The Group recognizes loss provisions on accounts receivable based on expected credit losses over the duration of the receivable account. Expected credit loss over the remaining duration takes into account customers' past payment records. Since previous credit loss records showed no significant difference in loss pattern across customer groups, the Group simply set the expected credit loss rate based on number of days overdue.

If there is evidence to suggest that the counterparty is undergoing severe financial crisis and the recoverable amount can not be reasonably estimated, the Group will directly offset loss provisions against accounts receivable. In which case, the Group will continue collection efforts on the receivables, and any amounts recovered will be recognized through profit and loss.

Age of account receivables is analyzed as below:

	December 31, 2023	December 31, 2022
Not overdue	$ 13,432	$ 7,973

The Group found no sign of impairment in accounts and notes receivable as at December 31, 2023 and 2022.

(II) Operating lease receivable

Operating lease receivable represents lease incentives granted on operating leases. The total cost of incentives is amortized on a straight-line basis and allocated over the remaining lease tenor as deductions to rental income.

For concentration of credit risks in lease receivables, please refer to Note 27.

XI. Inventories

	December 31, 2023	December 31, 2022
Proprietary inventory		
Women's underwear	$ 2,580	$ 2,329
Properties pending sale		
Huagang Section, Shilin District, Taipei City	165,324	383,523
Jiaoxi Gongyuan Section, Yilan	72,389	68,946
	$ 240,293	$ 454,798

Amount of cost of goods sold recognized from inventory totaled NT$225,493 thousand in 2023 and NT$298,639 thousand in 2022. Amount of cost of goods sold recognized from inventory totaled NT$6,900 thousand in 2023 and NT$8,000 thousand in 2022.

The Group's property pending sale at Jiaoxi Gongyuan Section, Yilan County, forms part of the joint construction agreement entered into by subsidiary - De Hong Development and a non-related party in January 2014. Under this agreement, the landlord contributed land located in Jiaoxi while De Hong Development contributed capital and technology to complete and share units of the construction project. A construction service contract was later signed with related and non-related parties in March 2015. This contract involved a joint development and joint construction of project in Jiaoxi, for which a 5% construction management fee was charged on the construction cost. The joint construction project was completed in October 2017 and all ownership transfer has been completed to date.

The Group's property pending sale at Huagang Section, Shilin District, Taipei City, had net realizable value determined by an independent valuer using the comparative method and income method (direct capitalization method) as at the balance sheet date. Average income capitalization rate was one of the significant unobservable inputs used during valuation, and the rate was determined at 1.17% for 2023 and 1.03% for 2022.

The Group's property pending sale at Jiaoxi Gongyuan Section, Yilan County, did not have net realizable value determined by an independent valuer; instead, valuation was performed by the management using valuation model that was commonly accepted among market participants. This valuation had proceeded using market evidence similar to real estate transaction prices.

For disclosure on the amount of inventory pledged as loan collaterals, please refer to Note 29.

XII. Subsidiaries

Subsidiaries included in the consolidated financial statements

This consolidated financial statement encompasses the following:

			% of Ownership		
Investor	Investee	Main Business	December 31, 2023	December 31, 2022	Explanation
The Company	GUAN CHAN INVESTMENT CO., LTD.	General investment	-	100.0%	(1)
The Company	JIA FONG INVESTMENT CO., LTD.	General investment	-	100.0%	(1)
The Company	SONG YUAN INVESTMENT CO., LTD.	General investment	-	100.0%	(1)
The Company	SHUN TAI INVESTMENT CO., LTD.	General investment	-	100.0%	(1)
The Company	De Hong Development Co., Ltd.	Housing and Building Development and Rental	100.0%	100.0%	(2)

(1) To integrate group resources and achieve operational synergy, the board of directors resolved on August 7, 2023 that the Company conducted a simplified merger with its wholly-owned subsidiaries, Guan Chan Investment Co., Ltd., Jia Fong Investment Co., Ltd., Song Yuan Investment Co., Ltd., and Shun Tai Investment Co., Ltd., in accordance with Article 19 of the Business Mergers and Acquisitions Act. The reference date of the merger was August 31, 2023. The Company was the surviving company. Before the merger, a total of 33,322 thousand shares of the surviving company held by the eliminated Company should be cancelled on the reference date of the merger.

(2) The Company's subsidiary, De Hong Development Co., Ltd., resolved by its board of directors on November 6, 2023, conducted a capital decrease to offset the deficit of NT$67,000 thousand plus cash capital decrease of NT$83,000 thousand, with 15,000,000 issued shares cancelled. After the capital decrease, the paid-in capital is NT$300,000 thousand, divided into 30,000,000 shares.

XIII. Equity-accounted investments

Investments in Associates

	December 31, 2023	December 31, 2022
Associated companies with significant influence		
Chung Hsiao Enterprise Co., Ltd.	$ 180,483	$ 183,935

	Percentage of share ownership/voting rights	
	December 31, 2023	December 31, 2022
Chung Hsiao Enterprise Co., Ltd.	26.89%	26.89%

On November 4, 2022, the Company purchased 1,300,000 shares of Chung Hsiao Enterprise Co. Ltd. with NT$49,400 thousand from New Leader Asia Enterprise Ltd. upon the Board' resolution, and 6.89% of stake was acquired. The delivery was completed on November 7, 2022.

Nature of business activities, main places of business, and countries of registration for the above associated companies are disclosed in Table 2 - "Information of Investees."

Summary financial information of associated companies under the consolidated entity is presented below:

	December 31, 2023	December 31, 2022
Current asset	$ 188,282	$ 202,928
non-current assets	221,601	222,008
Current liabilities	(18,583)	(20,794)
non-current liabilities	(60,234)	(60,234)
Equity	$ 331,066	$ 343,908
Shareholding percentage of the Group	26.89%	26.89%
Group's share of equity	$ 89,025	$ 92,477
Adjustment to fair value of non-current assets due to acquisition of shares	91,458	91,458
Book value of investment	$ 180,483	$ 183,935

	2023	2022
Current operating revenues	$ 26,840	$ 25,630
Current net income	$ 18,898	$ 20,822
Other comprehensive income - current	($ 12,993)	($ 58,924)
Share of current net income	$ 5,082	$ 4,113
Share of other comprehensive income - current	($ 3,494)	($ 12,889)
Dividends received from Chung Hsiao Enterprise Co., Ltd.	$ 5,040	$ 3,156

Share of profit/loss and other comprehensive income from equity-accounted associated companies in 2023 and 2022 were recognized based on audited financial statements of the respective associated companies for the corresponding periods.

XIV. Property, Plant and Equipment

	December 31, 2023	December 31, 2022
Book value for each category		
Land	$ 859,925	$ 859,925
Buildings, net	1,256,870	1,322,276
Computer and communication equipment, net	9,605	9,379
Transport equipment, net	2,963	817
Other equipment, net	3,433	3,835
	$ 2,132,796	$ 2,196,232

2023

	Opening balance	Increase in current year	Disposal in current year	Other adjustments	Closing balance
Cost					
Land	$ 859,925	$ -	$ -	$ -	$ 859,925
Buildings	1,897,541	-	(1,450)	-	1,896,091
Computer and communication equipment	17,428	1,978	(977)	-	18,429
Transport Equipment	4,906	2,590	(1,890)	-	5,606
Other Equipment	10,962	-	(69)	-	10,893
	2,790,762	$ 4,568	($ 4,386)	$ -	2,790,944
accumulated depreciation					
Buildings	575,265	$ 64,554	($ 598)	$ -	639,221
Computer and communication equipment	8,049	1,590	(815)	-	8,824
Transport Equipment	4,089	129	(1,575)	-	2,643
Other Equipment	7,127	389	(56)	-	7,460
	594,530	$ 66,662	($ 3,044)	$ -	658,148
Total	$ 2,196,232				$ 2,132,796

2022

	Opening balance	Increase in current year	Disposal in current year	Other adjustments	Closing balance
Cost					
Land	$ 858,029	$ 175	$ -	$ 1,721	$ 859,925
Buildings	1,904,695	4,072	(28,147)	16,921	1,897,541
Computer and communication equipment	17,844	22	(438)	-	17,428
Transport Equipment	4,906	-	-	-	4,906
Other Equipment	11,223	-	(261)	-	10,962
Construction in progress	1,320	16,345	-	(17,665)	-
	2,798,017	$ 20,614	($ 28,846)	$ 977	2,790,762
accumulated depreciation					
Buildings	531,465	$ 62,204	($ 18,765)	$ 361	575,265
Computer and communication equipment	7,110	1,319	(367)	(13)	8,049
Transport Equipment	3,951	138	-	-	4,089
Other Equipment	6,010	1,316	(212)	13	7,127
	548,536	$ 64,977	($ 19,344)	$ 361	594,530
Total	$ 2,249,481				$ 2,196,232

As per assessment, the Group's property, plant, and equipment showed no sign of impairment as at December 31, 2023 and 2022.

Property, plant, and equipment of the Group were depreciated on a straight-line basis over the number of useful years shown below:

Buildings	4 to 55 years
Computer and communication equipment	5 to 19 years
Transport Equipment	5 years
Other Equipment	4 to 19 years

For disclosure on the amount of property, plant and equipment pledged as collaterals, please refer to Note 29.

XV. Lease agreement (December 31, 2022: None)

(I) Right-of-use assets

	December 31, 2023
Book value of right-of-use assets	
Other Equipment	$ 1,947

	2023
Addition of right-of-use assets	$ 1,997
Depreciation expense of right-of-use assets	
Other Equipment	$ 50

(II) Lease liabilities

	December 31, 2023
Book value of lease liabilities	
Current	$ 310
Non-current	$ 1,615

Range of discount rate for lease liabilities:

	December 31, 2023
Other Equipment	3.084%

(III) Important lease-in activities and terms and conditions

The Consolidated company leases parking lot equipment for business use. The lease term is 6 years. As agreed in the lease contract, the Consolidated company acquires the ownership of the leased equipment at the end of the lease term.

XVI. Investment Property

	December 31, 2023	December 31, 2022
Investment Property		
Xinzhuang District, New Taipei City	$ 1,059,951	$ 1,059,951
Da'an District, Taipei City	1,079,302	1,088,402
	$ 2,139,253	$ 2,148,353

	2023				
	Opening balance	Increase in current year	Decrease in current year	Other adjustments	Closing balance
Cost					
Land	$ 2,009,897	$ -	$ -	$ -	$ 2,009,897
Buildings	329,225	-	-	-	329,225
	2,339,122	$ -	$ -	$ -	2,339,122
accumulated depreciation					
Buildings	190,769	$ 9,100	$ -	$ -	199,869
Total	$ 2,148,353				$ 2,139,253

	2022				
	Opening balance	Increase in current year	Decrease in current year	Other adjustments	Closing balance
Cost					
Land	$ 2,011,617	$ -	$ -	($ 1,720)	$ 2,009,897
Buildings	329,254	548	-	(577)	329,225
	2,340,871	$ 548	$ -	($ 2,297)	2,339,122
accumulated depreciation					
Buildings	181,953	$ 9,177	$ -	($ 361)	190,769
Total	$ 2,158,918				$ 2,148,353

Investment properties - buildings are depreciated on a straight-line basis over the number of useful years shown below:

Buildings	10 to 55 years

The Group owned several investment properties located at Qiongtai Section, Fuying Section, and Jianguo Section, Xinzhuang District, New Taipei City. The fair values were determined by independent valuers using the comparative approach and the land development analysis approach as at the respective balance sheet dates. Discount rate was one of the significant unobservable inputs used during valuation, and the rate was determined at 2.575% and 2.450% as at December 31, 2023 and 2022, respectively.

The Group also owned several investment properties located at Renai Section, Da'an District, Taipei City, with fair values determined at NT$7,372,075 thousand and NT$7,504,079 thousand as at December 31, 2023 and 2022, respectively. These fair values were not established by an independent valuer; instead, valuation was performed by the management using valuation model that was commonly accepted among market participants. This valuation had proceeded using market evidence similar to real estate transaction prices.

On March 7, 2024, the consolidated company's Board of Directors approved a resolution to sell and acquire land in Xinzhuang area to comply with the land distribution principles of the Xinzhuang urban renewal project. The selling price and the acquisition price were both NT$496,353 thousand. The consolidated company evaluated that the aforementioned transaction was an exchange of assets lacking commercial substance; therefore, no gain or loss was recognized.

All of the Group's investment properties are proprietary owned. For disclosure on the amount of investment property pledged as collaterals, please refer to Note 29.

XVII. Borrowings

(I) Short-term borrowings

	December 31, 2023	December 31, 2022
Secured borrowings		
Bank borrowings	$ 649,000	$ 794,000

Working capital bank borrowings bore interest rates of 1.695%~2.095% and 1.395%~2.838% as at December 31, 2023 and 2022, respectively.

(II) Short-term bills payable

	December 31, 2023	December 31, 2022
Commercial paper	$ -	$ 49,600
Less: Unamortized discounts on bills payable	-	80
	$ -	$ 49,520

Commercial papers bore interest rates of 1.00%~1.67% as at December 31, 2022 (December 31, 2023: None).

For disclosure on the amount of inventory, property, plant, equipment, and investment property pledged as collaterals for short-term borrowings and short-term bills payable, please refer to Note 29.

(III) Long-term borrowings

	December 31, 2023	December 31, 2022
Secured borrowings		
Bank SinoPac		
Credit line: NT$1,400,000 thousand. Contract tenor: November 10, 2022 to November 30, 2024. A new contract starting November 29, 2023 and ending November 30, 2025 was signed on November 10, 2023.	$ 1,120,000	$ 1,000,000
Bank of Taiwan		
Credit line: NT$600,000 thousand. Contract tenor: June 24, 2020 to June 24, 2023. A new contract starting from July 19, 2022 and ending on July 19, 2025 was signed on July 19, 2022.	324,000	444,000
Hua Nan Bank		
The borrowing amount is NT$493,000 thousand, which can be shared with short-term secured borrowings, and the contract period is from September 23, 2022 to September 23, 2023. The extension was extended from September 8, 2023 to September 8, 2024. Within the borrowing limit, term of each drawdown is three years.	50,000	190,000

(Continued on next page)

(Continued)

	December 31, 2023	December 31, 2022
First Commercial Bank		
Credit line: NT$350,000 thousand. Contract tenor: October 3, 2022 to October 3, 2024. A new contract starting from December 7, 2023 and ending on December 7, 2025 was signed on December 7, 2023.	$ 350,000	$ 350,000
	1,844,000	1,984,000
Less: parts that listed as due within in a year	50,000	140,000
Long-term borrowings	$ 1,794,000	$ 1,844,000

Effective interest rate range for long-term borrowings:

	December 31, 2023	December 31, 2022
Effective interest rate:		
Floating interest rate borrowing	1.700%~1.800%	1.580%~1.630%
Fixed interest rate borrowing	1.715%~1.850%	1.400%~1.750%

For disclosure on the amount of property, plant, equipment, and investment property placed as collateral for long-term borrowings, please refer to Note 29.

XVIII. Accounts payable

	December 31, 2023	December 31, 2022
Accounts payable		
Arising from business activities	$ 100,939	$ 94,691

The average credit term for trade purchases is 30 days.

XIX. Accrued expenses

	December 31, 2023	December 31, 2022
Salary and bonus payable	$ 16,154	$ 11,742
Tax payable	8,360	8,924
Utility expenses payable	5,138	4,526
Others	9,035	10,231
	$ 38,687	$ 35,423

XX. Post-employment benefit plans

(I) Defined contribution plans

The pension scheme introduced under the "Labor Pension Act" that the Company and certain subsidiaries of the Group are subjected to is a government-managed defined contribution plan, for which each participating entity is required to contribute an amount equal to 6% of employees' monthly salary into their individual pension accounts held with the Bureau of Labor Insurance.

(II) defined benefit plan

The Company is also subject to the pension scheme introduced under the "Labor Standards Act," which is a government-managed defined benefit plan. Under this plan, employees' pension benefits are calculated based on their years of service and gross salary for the month of retirement (excluding allowances and festive bonuses). The Company makes monthly pension contributions equivalent to 2% of employees' monthly salaries into an account held under Bank of Taiwan in the Labor Pension Supervisory Committee's name. In the event that the account is estimated to be short of balance to pay workers who are expected to meet their retirement criteria in the following year, the Company will reimburse the shortfall in one contribution by no later than the end of March next year. The account is managed by Bureau of Labor Funds, Ministry of Labor. The Company has no influence whatsoever over the investment strategy.

The following amounts relating to the defined benefit plan have been recognized on the consolidated balance sheet:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	$ 30,493	$ 37,822
Fair value of plan assets	(24,350)	(26,598)
Net defined benefit liabilities	$ 6,143	$ 11,224

Changes in net defined benefit liability:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
January 1, 2023	$ 37,822	($ 26,598)	$ 11,224
servicing costs			
Service costs for the current period	324	-	324
Interest expense (income)	473	(335)	138
Recognized in profit or loss	797	(335)	462
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(233)	(233)
Actuarial (gains) loss			
- Experience adjustment	(646)	-	(646)
Recognized in other comprehensive income	(646)	(233)	(879)
Employer's contribution	$ -	($ 298)	($ 298)
Plan asset payments	(3,114)	3,114	-
Payments on the Company's account	(4,366)	-	(4,366)
December 31, 2023	$ 30,493	($ 24,350)	$ 6,143

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
January 1, 2022	$ 40,883	($ 25,953)	$ 14,930
servicing costs			
Service costs for the current period	394	-	394
Interest expense (income)	255	(163)	92
Recognized in profit or loss	649	(163)	486
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(2,068)	(2,068)
Actuarial (gains) loss			
- Change in financial assumption	(1,622)	-	(1,622)
- Experience adjustment	(10)	-	(10)
Recognized in other comprehensive income	(1,632)	(2,068)	(3,700)
Employer's contribution	-	(492)	(492)
Plan asset payments	(2,078)	2,078	-
December 31, 2022	$ 37,822	($ 26,598)	$ 11,224

Amounts of defined benefit plan recognized through profit and loss, by function:

	2023	2022
Administrative expenses	$ 462	$ 486

The Group is exposed to the following risks due to adoption of pension scheme introduced under the "Labor Standards Act":

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor, manages the labor pension fund either on its own or through mandate. The labor pension fund is being allocated into equity securities, debt securities, and bank deposits local and abroad; however, the consolidated entity estimates return on plan assets at a rate no less than the 2-year time deposit rate offered by local banks.
2. Interest rate risk: A decrease in government bond yield would increase the present value of defined benefit obligations while at the same time increase return of plan assets invested in debt instruments. The overall effect on net defined benefit obligation is partially offset.
3. Salary risk: The present value of defined benefit obligations is calculated by taking into consideration the participants' future salary levels. An increase in salary level would raise the present value of defined benefit obligations.

The present value of defined benefit obligations is determined based on actuarial estimates made by certified actuaries. Below are the main assumptions used on the date of measurement:

	December 31, 2023	December 31, 2022
Discount rate	1.250%	1.250%
Expected salary increase	2.000%	2.000%

A reasonable change in the main actuarial assumption would increase (decrease) the present value of defined benefit obligations by the following amounts, provided that all other assumptions remain unchanged:

	December 31, 2023	December 31, 2022
Discount rate		
0.25% increase	($ 474)	($ 620)
0.25% decrease	$ 486	$ 636
Expected salary increase		
0.25% increase	$ 474	$ 621
0.25% decrease	($ 465)	($ 608)

Actuarial assumptions tend to be intercorrelated. It is unlikely to see only one assumption changing at one time, therefore the above sensitivity analysis may not truly reflect changes in the present value of defined benefit obligation.

	December 31, 2023	December 31, 2022
Expected contributions in the next year	$ 287	$ 309
Average maturity of defined benefit obligations	6.3 years	6.6 years

XXI. Equity

(I) Common share capital

	December 31, 2023	December 31, 2022
Authorized shares (in thousands)	300,000	300,000
Authorized share capital	$ 3,000,000	$ 3,000,000
Issued and paid shares (in thousands)	175,403	208,725
Paid-in capital	$ 1,754,030	$ 2,087,250

All issued common shares have a face value of NT$10 per share. Each share is entitled to one voting right and the right to receive dividends.

The change in the Company's issued share capital is due to the cancellation of the Company's shares held by the pre-consolidation subsidiary due to the consolidation. Please refer to Note 12.

(II) Additional paid-in capital

	December 31, 2023	December 31, 2022
Shares premium from issuance	$ 59,689	$ 71,028
Treasury stock transaction	-	469,258
	$ 59,689	$ 540,286

This additional paid-in capital can be offset against losses, or distributed in cash or capitalized into share capital when the Company has no cumulative losses outstanding. However, capitalization of this additional paid-in capital is capped at a certain percentage of the Company's paid-in share capital each year.

(III) Retained earnings and dividends policy

According to the earnings appropriation policy stipulated in the Articles of Incorporation, annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for statutory reserves and provision or reversal of special reserves as the laws may require. Any surpluses remaining will be added to unappropriated earnings accumulated from previous years, for which the board of directors will propose an earnings appropriation plan and seek resolution in a shareholder meeting before distribution. Refer to Note 23-(8) - Employee and director remuneration for the Company's employee and director remuneration policy outlined in the Articles of Incorporation.

Any cash distribution of dividend, profit, statutory reserve, or capital reserve, whether in whole or in part, must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholder meeting.

As a conventional department store, the Company experiences no major change in sales volume but foresees moderate growth. After taken into consideration its long-term development plans and goals of maximizing shareholders' interest, the Company has adopted a dividend policy that makes consistent payouts primarily in cash. The shareholders’ dividends are not lower than 10% of the distributable earnings of the year; of which, cash dividends shall not account for less than 50% of the sum of cash dividends plus stock dividends. However, the Company may forgo dividend payment if distributable earnings amount to NT$0.2 or less in a given year.

The Company is bound by laws to make provision for special earnings reserve from unappropriated earnings carried from previous years for any net contra-equity balances accumulated under other contra-equity items in previous years before distributing earnings. If the Company is unable to make adequate provision from unappropriated earnings carried from previous years, the Company shall treat current net income and non-net income items as unappropriated earnings and make provisions accordingly.

Appropriation of earnings to legal reserve shall be made until the reserve equals the Company’s paid-in capital. Legal reserves may be used to offset the deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.

The distribution of earnings for 2022 and 2021 are described as following:

	2022	2021
Provision for statutory reserves	$ 2,330	$ 12,747
Provision for special reserves	$ 126,928	$ 5,832
Cash dividends		$ 104,363
Cash dividends per share (NT$)		$ 0.5

The cash dividends were resolved for distribution at the Board of Directors' meetings held on March 6, 2023, and March 14, 2022, respectively. The remaining surplus distribution items were also resolved at the annual shareholders' meetings held on June 19, 2023, and June 14, 2022, respectively.

Details of the 2023 earnings appropriation plan proposed by the board of directors in meeting dated March 7, 2024 are as follows:

	Appropriation of profit and loss
Reversal of special reserves	($ 178,808)
Compensation for Losses from Legal Reserve	($ 85,304)
Cash dividends	$ 59,689
Cash dividends per share (NT$)	$ 0.34

On March 7, 2024, the Company's Board of Directors proposed to make up for the loss and distribute cash dividends with the additional paid-in capital of NT$59,689 thousand. The cash dividend per share was NT$0.34. Distribution of 2023 earnings is still pending for shareholders' resolution in the annual general meeting scheduled on June 24, 2024.

(IV) Special reserves

The Company reclassified NT$372,185 thousand of unrealized gain on revaluation into retained earnings when adopting IFRS accounting standards for the first time, and made provisions for special reserves of the same amount in accordance with the authority's instruction No. Jin-Guan-Zheng-Fa-1010012865 in 2013. This special reserve may be reversed when the underlying property is disposed or reclassified on a later date.

When appropriating 2022 earnings, the Company made provision for special reserves totaling NT$126,928 thousand, for differences in the market price and book value of parent company shares held by subsidiaries, after taking into consideration the prevailing shareholding percentage.

(V) Other items of equity

Unrealized gain/(loss) on financial assets at FVTOCI

	2023	2022
Opening balance	($ 34,556)	($ 89,929)
Incurred in the current year		
Unrealized loss - equity instrument	-	(7,797)
Share of equity-accounted associated companies	(3,494)	(12,889)
Transfer of cumulative gains/losses to retained earnings following disposal of equity instrument	-	76,059
Closing balance	($ 38,050)	($ 34,556)

(VI) Treasury stock

Unit: Thousand Shares

	Shareholding at the beginning of year	Increase in current year	Decrease in current year	Shareholding at the end of year
2023				
The shares of the Company held by subsidiaries were cancelled in accordance with the law due to a simplified merger with the parent company	33,322	-	33,322	-
2022				
Shares of the Company held by subsidiaries				
Transferred from investment to treasury stock	33,322	-	-	33,322

Information relating to subsidiaries' holding of the Company's shares as at balance sheet date: (December 31, 2023: None)

Investee	No. of shares held (thousand shares)	Acquisition cost	Market price and book value
December 31, 2022			
GUAN CHAN INVESTMENT CO., LTD.	8,750	$ 337,066	$ 264,688
JIA FONG INVESTMENT CO., LTD.	8,767	337,787	265,202
SONG YUAN INVESTMENT CO., LTD.	7,366	283,545	222,821
SHUN TAI INVESTMENT CO., LTD.	8,439	325,143	255,280
		$ 1,283,541	$ 1,007,991

Subsidiaries' holding of the Company's shares are treated as treasury stocks; subsidiaries are not entitled to participate in cash issue or vote, but are otherwise entitled to the same rights as ordinary shareholders.

XXII. Revenues

(I) Breakdown of operating revenues

	2023	2022
Net sales revenues	$ 158,015	$ 118,589
Lease incomes	270,196	269,477
Construction incomes	211,736	286,871
Other operating revenues	44,132	37,033
	$ 684,079	$ 711,970

(II) Explanation and breakdown of income from customers' contracts

	2023	2022
Net sales revenues		
Revenues from sale of merchandise	$ 5,110	$ 4,889
Retail commission income	152,905	113,700
	$ 158,015	$ 118,589
Construction incomes		
Income from sale of property	$ 211,736	$ 286,871
Other operating revenues		
Incomes from merchants' subsidy for department renovation	$ 2,697	$ 2,941
Management fee income	33,813	29,511
Others	7,622	4,581
	$ 44,132	$ 37,033

Analysis of retail commission income:

	2023	2022
Total department sales	$ 1,356,754	$ 1,008,254
Retail commission income	$ 152,905	$ 113,700

(III) Contract balance

	December 31, 2023	December 31, 2022
contract liability	$ 5,997	$ 6,243

The change in contractual liabilities was mainly attributed to the discrepancy between the time obligation was fulfilled and the time payment was made to customers.

(IV) Lease incomes

	2023	2022
Lease incomes		
Investment Property	$ 229,647	$ 230,070
Share of mall rental income	40,549	39,407
	$ 270,196	$ 269,477

Operating lease arrangements involve leasing of investment properties and retail malls (presented as property, plant, and equipment) owned by the Group, for tenors of 1-15 years and 1-12 years, respectively. The lessees are not entitled to any privileges to purchase the leased properties at the end of the lease tenor.

As at December 31, 2023 and 2022, the Group had collected deposits totaling NT$52,563 thousand and NT$51,793, respectively, in relation to the operating lease agreements.

Some of the Group's real estate leasing agreements contain contingent rent clauses that require the lessee to pay contingent rent at a certain percentage of monthly sales revenues.

XXIII. Profit before tax

Pre-tax profit includes the following items:

(I) Breakdown of operating costs

	2023	2022
Cost of sales	$ 4,171	$ 3,975
Cost of leasing	39,275	38,290
Construction cost	221,322	294,664
Other operating costs	19,589	23,589
	$ 284,357	$ 360,518

(II) Interest income

	2023	2022
Cash in banks	$ 1,375	$ 1,089

(III) Other income

	2023	2022
Carpark income	$ 10,941	$ 9,962
Dividend income	6,868	6,603
Incomes from governmental subsidies	177	-
Others	6,562	8,124
	$ 24,548	$ 24,689

(IV) Other gains or losses

	2023	2022
Loss from disposal of property, plant and equipment	($ 932)	($ 9,502)
Net gain (loss) on currency exchange	(617)	2,850
Gain (loss) on financial assets mandatory to be carried at FVTPL	40,657	(35,102)
Sundry expenses	(388)	(1,048)
	$ 38,720	($ 42,802)

Net gain/loss on financial assets mandatory to be carried at FVTPL includes: (A) Gain/loss on fair value changes totaling NT$23,252 thousand of gain in 2023 and NT$36,705 thousand of loss in 2022; and (B) Gain on disposal totaling NT$17,405 thousand in 2023 and NT$1,603 thousand in 2022.

(V) Financial costs

	2023	2022
Interest on bank loans	$ 46,228	$ 36,573
Interest on lease liabilities	15	-
	$ 46,243	$ 36,573

There was no capitalization of interest in 2023 and 2022.

(VI) Depreciation and amortization

	2023	2022
Property, Plant and Equipment	$ 66,662	$ 64,977
Investment Property	9,100	9,177
Right-of-use assets	50	-
Intangible asset	1,287	1,187
Total	$ 77,099	$ 75,341
An analysis of depreciation by function		
Operating costs	$ 19,303	$ 18,749
Operating expenses	56,509	55,405
	$ 75,812	$ 74,154
An analysis of amortization by function		
Operating costs	$ 149	$ 149
Operating expenses	1,138	1,038
	$ 1,287	$ 1,187

(VII) Employee benefits expense

	2023	2022
Retirement benefits (Note 20)		
Defined contribution plans	$ 1,813	$ 1,831
defined benefit plan	462	486
Subtotal	2,275	2,317
Other employee benefits	64,780	60,320
Total	$ 67,055	$ 62,637
An analysis by function		
Operating expenses	$ 67,055	$ 62,637

(VIII) Employee and director remuneration

The Company provides for employee remuneration at 0.1%-4%, and director remuneration at no more than 4%, of current year's pre-tax profit (before employee and director remuneration). 2023 and 2022 employee/director remuneration were resolved in board of directors meetings dated March 7, 2024 and March 6, 2023, respectively. Details are as follows:

Ratio

	2023	2022
Remuneration to employees	0.10%	0.13%
Remuneration to directors	-	-

Amount

	2023		2022	
	Cash	Stocks	Cash	Stocks
Remuneration to employees	$ 240	$ -	$ 154	$ -
Remuneration to directors	-	-	-	-

If the amount changes after annual consolidated financial statements are approved and announced to the public, the difference will be treated as a change in accounting estimate and recognized as a gain or loss in the following year.

The actual amounts of 2022 employee remuneration and director remuneration paid were indifferent from the amounts recognized in the 2022 financial statements.

The amount actually paid of the employee’ and directors’ remunerations resolved by the board of directors on March 14, 2022 are different form the recognized amount in the annual consolidated financial statements. The difference is adjusted as the profit/loss in 2022.

	2021	
	Remuneration to employees	Remuneration to directors
The distribution amount resolved by the board of directors	$ 150	$ -
The amount recognized in the annual consolidated financial statements	1,000	1,000

Please visit "Market Observation Post System" for more information regarding employee/director remuneration resolved during the Company's board of director meetings.

(IX) Gains (losses) on foreign currency exchange

	2023	2022
Foreign exchange gains	$ 4,050	$ 14,416
Total loss on currency exchange	(4,667)	(11,566)
Net profit (loss)	($ 617)	$ 2,850

XXIV. Income tax

(I) Income tax recognized in profit or loss

Major components of tax expense were as follows:

	2023	2022
Tax currently payable		
Incurred in the current year	$ 31,207	$ 18,937
Levied on unappropriated earnings	-	270
Prior years adjustment	(2,426)	(991)
	28,781	18,216
Deferred tax		
Incurred in the current year	(1,280)	315
Income tax expense recognized in profit or loss	$ 27,501	$ 18,531

Reconciliation of accounting income and income tax expense:

	2023	2022
Profit before tax	$ 232,410	$ 114,926
Income tax derived by applying the statutory tax rate to pre-tax net profit	$ 40,725	$ 19,405
Loss (gain) on valuation of financial assets	(4,650)	7,341
Levied on unappropriated earnings	-	270
Non-deductible expenses and losses for tax purposes	3,622	-

	2023	2022
Tax-exempt income	$ -	($ 13,854)
Unrecognized losses carried forward	8,285	11,245
Unrecognized deductible temporary differences	(18,055)	(4,885)
Difference to paid for the basic tax amount	-	-
Previous income taxes adjusted in the current year	(2,426)	(991)
Income tax expense recognized in profit or loss	$ 27,501	$ 18,531

(II) Income tax recognized in other comprehensive income

	2023	2022
Deferred tax		
Incurred in the current year		
- Remeasurement of defined benefit plan	($ 176)	($ 740)
- Equity instruments at FVTOCI	-	(7,020)
	($ 176)	($ 7,760)

(III) Current income tax assets and liabilities

	December 31, 2023	December 31, 2022
Current income tax asset		
Tax refunds receivable (presented as other receivables)	$ 8	$ 170
Current tax liabilities		
Income tax payable	$ 30,891	$ 18,936

(IV) Deferred income tax assets and liabilities

Below are changes in deferred income tax assets and liabilities:

2023

Deferred tax assets	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
Temporary difference				
Impairment loss of financial assets at FVTOCI	$ 6,014	$ -	$ -	$ 6,014
Defined benefit plan	8,263	-	(176)	8,087
Others	(25)	707	-	682
	$ 14,252	$ 707	($ 176)	$ 14,783
Deferred tax liabilities				
Temporary difference				
Provision for land increment value tax	$ 213,961	$ -	$ -	$ 213,961
Adjustment for rent-free period	2,949	(573)	-	2,376
	$ 216,910	($ 573)	$ -	$ 216,337

2022

Deferred tax assets	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
Temporary difference				
Impairment loss of financial assets at FVTOCI	$ 13,034	$ -	($ 7,020)	$ 6,014
Defined benefit plan	9,003	-	(740)	8,263
Others	181	(206)	-	(25)
	$ 22,218	($ 206)	($ 7,760)	$ 14,252

Deferred tax liabilities	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
Temporary difference				
Provision for land increment value tax	$ 213,961	$ -	$ -	$ 213,961
Adjustment for rent-free period	2,840	109	-	2,949
	$ 216,801	$ 109	$ -	$ 216,910

(V) Unused losses carried forward not recognized as deferred income tax asset in the consolidated balance sheet

	December 31, 2023	December 31, 2022
Loss carried forward		
Expiring 2024	$ 11,678	$ 11,678
Expiring 2025	16,425	16,425
Expiring 2026	13,382	13,382
Expiring 2027	11,965	11,965
Expiring 2029	57,509	57,509
Expiring 2030	19,285	19,285
Expiring 2031	26,883	30,815
Expiring 2032	46,748	60,545
Expiring 2033	45,440	-
	$ 249,315	$ 221,604

(VI) Income tax assessments

The Company and the subsidiary De Hong's profit-seeking business income tax filings have been certified by the tax authority up until 2021.

XXV. EPS

Unit: share/NT$

	2023	2022
Basic earnings per share	$ 1.17	$ 0.55
Diluted earnings per share	$ 1.17	$ 0.55

The net income and weighted average number of ordinary shares outstanding in calculating earnings per share were as follows:

Current net income

	2023	2022
Current net income	$ 204,909	$ 96,395

Number of shares — Unit: Thousand Shares

	2023	2022
Weighted average number of ordinary shares in computation of basic earnings per share	175,403	175,403
Effect of potentially dilutive ordinary shares:		
Remuneration to employees	9	6
Weighted average number of ordinary shares used in the computation of diluted earnings per share	175,412	175,409

If the Group has the option to distribute employee remuneration either in cash or in shares, then the calculation of diluted earnings per share shall be made by assuming full share-based payment. In which case, the number of potential common shares is added to the calculation of weighted-average outstanding shares as soon as they become dilutive, and this is the basis used for calculating diluted earnings per share. Such a dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXVI. Capital risk 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 shareholders through the optimization of the debt and equity balance. The Group has maintained its overall strategies unchanged in past years.

The consolidated entity's capital structure comprises net debt (i.e. borrowings less cash and cash equivalents) and equity (i.e. sum of share capital, additional paid-in capital, retained earnings, and other equity items).

The Group is not subject to any externally imposed capital requirements.

The management reviews the consolidated entity's capital structure on a regular basis to address the costs and risks associated with various types of capital. Depending on the recommendations of its management, the Group may balance its capital structure by paying dividends, raising new debts, or by repaying existing debts.

XXVII. Financial instruments

(I) Fair value information - financial instruments that are not measured at fair value

In the management's opinion, all financial assets and liabilities that are not measured at fair value have been presented on the consolidated balance sheet at book values that resemble their fair values.

(II) Fair value information - financial instruments with fair value measured on a recurring basis

1. Degree of fair value measurements

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares				
- Equity investments	$ 124,857	$ -	$ -	$ 124,857

(Continued on next page)

(Continued)

	Level 1	Level 2	Level 3	Total
Foreign public-listed (OTC-traded) securities				
- Equity investments	$ 13,980	$ -	$ -	$ 13,980
- Bond investments	80,590	-	-	80,590
Fund beneficiary certificates	440,522	-	-	440,522
Total	$ 659,949	$ -	$ -	$ 659,949
Financial assets at FVTOCI				
Investment in equity instruments				
- Emerging Stock Market shares	$ -	$ -	$ 4,563	$ 4,563
- Foreign unlisted shares	-	-	12,630	12,630
Total	$ -	$ -	$ 17,193	$ 17,193

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares				
- Equity investments	$ 154,215	$ -	$ -	$ 154,215
Foreign public-listed (OTC-traded) securities				
- Equity investments	4,374	-	-	4,374
- Bond investments	56,684	-	-	56,684
Fund beneficiary certificates	201,812	-	-	201,812
Total	$ 417,085	$ -	$ -	$ 417,085
Financial assets at FVTOCI				
Investment in equity instruments				
- Emerging Stock Market shares	$ -	$ -	$ 4,563	$ 4,563
- Foreign unlisted shares	-	-	12,630	12,630
Total	$ -	$ -	$ 17,193	$ 17,193

There was no change of fair value input between level 1 and level 2 in 2023 and 2022.

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

Financial assets that involve the use of level 3 fair value inputs were equity instruments at FVTOCI. Reconciliation of 2023 and 2022 balances is explained below:

	2023	2022
Opening balance	$ 17,193	$ 22,201
Recognized as other comprehensive income (unrealized loss on valuation of financial assets at FVTOCI)	-	(777)
Disposal	-	(4,231)
Closing balance	$ 17,193	$ 17,193

3. Level 3 fair value measurement technique and assumption

Fair value of domestic and foreign unlisted shares is determined based on investees' latest net worth after taking liquidity into consideration. Liquidity discount is used as a significant unobservable input; a lower liquidity discount would increase fair value of such investment.

(III) Categories of financial instruments

	December 31, 2023	December 31, 2022
Financial asset		
At FVTPL		
Financial assets designated as at FVTPL	$ 659,949	$ 417,085
Financial assets at amortized cost (Note 1)	154,006	196,437
Financial assets at FVTOCI - Investment in equity instruments	17,193	17,193
Financial liability		
Financial liabilities carried at amortized cost (Note 2)	2,716,007	3,037,296

Note 1: The balance includes cash, cash equivalents, accounts receivable, other receivables (excluding tax refunds receivable), time deposits with initial maturity of more than 3 months, and refundable deposits, and other financial assets carried at cost after amortization.

Note 2: The balance includes short-term borrowing, short-term bills payable, notes payable, accounts payable, accrued expenses (excluding tax payable and salary & bonus payable), equipment purchase payable, other payables, long-term liabilities due within one year, refundable deposits, long-term borrowings, and other financial liabilities carried at cost after amortization.

(IV) Financial risk management objective and policies

Main financial instruments used by the Group include equity and debt instrument investments, fund beneficiary certificates, accounts receivable, accounts payable, and loans. The Group's Financial Management Department is responsible for supporting business units, making coordinated use of capital, and performing treasury transactions in local and international financial markets. It monitors and manages financial risks within the Group by preparing internal reports, which analyze the scope and severity of risk exposures. These risks include market risk (including currency risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

1. Market risk

(1) Exchange rate risk

See Note 30 for information on financial assets denominated in non-functional currencies as at the balance sheet date. No sensitivity analysis was provided as the effect of exchange rate variation was insignificant.

(2) Interest rate risk

The Group is exposed to interest rate risks due to capital borrowed at both fixed and floating rates by various entities within the group.

The book value of financial assets and financial liabilities susceptible to interest rate risks as at the balance sheet date is presented below:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
-Financial assets	$ -	$ 51,642
-Financial liabilities	1,679,925	2,287,520
Cash flow interest rate risk		
-Financial assets	127,946	124,111
-Financial liabilities	815,000	540,000

Bank deposits and loans that the Group has placed/borrowed at fixed rate are susceptible to interest rate risk in the form of fair value change. However, the management considers the impact of interest rate variation to be insignificant given the short borrowing tenor and low borrowing rate.

Time deposits, demand deposits, and loans that the Group has placed/borrowed at floating rate are susceptible to interest rate risk in the form of cash flow changes.

Sensitivity analysis

The following sensitivity analysis has been prepared to explain interest rate risk exposure of floating-rate financial assets and bank loans as at the balance sheet date. Calculations were made on financial assets and liabilities that were susceptible to interest rate risk in the form of cash flow changes as at the balance sheet date. Interest rate sensitivity analyses are reported to the management by applying a variance of 0.25% above and below. This variance conforms with the management's expectation about the possible and reasonable range of interest rate variation.

A 0.25% increase/decrease in interest rate would have reduced/increased the Group's 2023and 2022 pre-tax profit by NT$1,718 thousand and NT$1,040 thousand, respectively, if all other variables remained unchanged. This variation is largely attributed to exposure of bank loans undertaken at floating rate.

There was no significant change in the Group's interest rate sensitivity from the previous year.

(3) Other price risk

The Group is exposed to the risk of equity price variation due to investment in domestic and foreign listed equity securities. The Group does not engage in active trading of such investment. Equity price risk of the Group is mainly concentrated in equity instruments issued within the Greater China Region.

Sensitivity analysis

The following sensitivity analysis was conducted based on equity price risks as at the balance sheet date.

If equity prices increased/decreased by 10%, pre-tax profit for 2023 and 2022 would have increased/decreased by NT$13,884 thousand and NT$15,859 thousand, respectively, due to a rise/fall in the fair value of financial assets at FVTPL. Meanwhile, pre-tax other comprehensive income for 2023 and 2022 would have increased/decreased by NT$1,719 thousand and NT$1,719 thousand, respectively, due to a rise/fall in the fair value of financial assets at FVTOCI.

There was no significant change in the Group's equity price sensitivity from the previous year.

2. Credit risk

Credit risk refers to the risk of financial loss due to counterparties' failure in fulfilling contractual obligations. As at the balance sheet date, the Group's maximum exposure to the risk of loss due to counterparties' default on contractual obligations is represented by the book value of financial assets shown on the consolidated balance sheet.

Lease proceeds receivable by the Group were concentrated in three main customers, which accounted for 95% and 93% of the balance as at December 31, 2023 and 2022, respectively. However, the Group expects no significant credit risk as it has collected appropriate amounts of deposit.

Furthermore, due to the fact that the consolidated entity places liquid capital with banks of high credit rating issued by reputable international rating agencies, there should be limited level of credit risk exposure.

3. Liquidity risk

The Group maintains adequate position of cash and cash equivalents as well as bank credit lines to support corporate operations and to mitigate effects of cash flow variation. The management constantly monitors use of bank limits and makes sure that borrowing terms are duly complied.

Maturity analysis for contracted non-derivative financial liabilities was prepared based on the earliest possible repayment dates, using undiscounted cash flows (including principal and estimated interest). Cash flows include interest and principal payments.

The following table shows the earliest times that the Group may be demanded to make immediate repayment of bank loans, without considering the likelihood of such demands. Maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment date.

Undiscounted amounts of floating interest cash flow are estimated using yield curve as at the balance sheet date.

December 31, 2023

	Repayable upon demand or within 1 month	1 ~ 3 months	3 months ~ 1 year	1 ~ 5 years	More than 5 years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 194,958	$ -	$ -	$ -	$ -
Lease liabilities	30	61	274	1,461	278
Floating rate instruments	-	-	465,000	350,000	-
Fixed rate instruments	-	234,000	-	1,444,000	-
	$ 194,988	$ 234,061	$ 465,274	$ 1,795,461	$ 278

December 31, 2022

	Repayable upon demand or within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 178,648	$ -	$ -	$ -
Floating rate instruments	-	-	140,000	400,000
Fixed rate instruments	293,995	549,525	-	1,444,000
	$ 472,643	$ 549,525	$ 140,000	$ 1,844,000

Bank borrowing constitutes a main source of liquidity for the Group. As at December 31, 2023 and 2022, the Group had undrawn bank limits of NT$1,698,000 thousand and NT$1,728,500 thousand, respectively.

XXVIII. Related party transaction

All income, expenses, and losses of the Company and subsidiaries (being the Company's related parties) have been eliminated during consolidation, and therefore were not disclosed in the footnote.

The Group had paid the following compensations to its directors and the executive management:

	2023	2022
Short-term employee benefits	$ 13,382	$ 13,812
Post-employment benefits	179	169
	$ 13,561	$ 13,981

Compensation to directors and members of the executive management is determined by the Remuneration Committee based on individual performance and market trends.

XXIX. Pledged Assets

The Group has placed part of its inventory, property, plant, equipment, and investment property as collaterals to secure bank borrowings. Below is a summary of assets pledged as collaterals:

	December 31, 2023	December 31, 2022
Inventories		
- Properties pending sale	$ 229,189	$ 443,946
Property, Plant and Equipment		
- Land	841,989	841,989
- Buildings	711,021	739,801
Investment Property	1,015,835	1,021,923
	$ 2,798,034	$ 3,047,659

XXX. Foreign currency-denominated financial assets of material impact

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. Foreign currency assets of material effect:

December 31, 2023

Financial asset	Foreign currency	Exchange rate	Carrying amount
Monetary items			
USD	$ 429	30.705	$ 13,170
JPY	80,000	0.2172	17,376
ZAR	46	1.657	77
			$ 30,623
Non-monetary items			
USD	3,961	30.705	$ 121,631
RMB	755	4.327	3,267
AUD	399	20.980	8,379
ZAR	1,388	1.657	2,299
			$ 135,576

December 31, 2022

Financial asset	Foreign currency	Exchange rate	Carrying amount
Monetary items			
USD	$ 1,911	30.710	$ 58,681
RMB	258	4.408	1,136
ZAR	124	1.811	224
			$ 60,041
Non-monetary items			
USD	2,902	30.710	$ 89,135
RMB	718	4.408	3,166
ZAR	1,321	1.811	2,392
			$ 94,693

The Group reported net gain/loss (realized and unrealized) on exchange totaling net loss of NT$617 thousand in 2023 and net gain of NT$2,850 thousand in 2022. Due to the broad diversity of foreign currencies used for transactions, the Group was unable to disclose exchange gains/losses separately for each significant foreign currency.

XXXI. Additional Disclosures

(I) Information related to significant transactions:

1. Loans to external parties. (None)
2. Endorsements/guarantees to external parties. (None)
3. Marketable securities held (Table 1)
4. Cumulative purchase or sale of a single security totaling more than NT$ 300 million or 20% of paid-in capital. (None)
5. Acquisition of real estate properties amounting to more than NT$ 300 million or 20% of paid-in capital. (None)
6. Disposal of real estate properties amounting to more than NT$ 300 million or 20% of paid-in capital. (None)
7. Sales and purchases to/from related parties amounting to more than NT$ 100 million or 20% of paid-in capital. (None)
8. Related party receivables amounting to more than NT$ 100 million or 20% of paid-in capital. (None)
9. Trading of derivatives. (None)
10. Others: Major business dealings between the parent company and subsidiaries, and transactions between subsidiaries. (None)

(II) Information about investees (Table 2)

(III) Information on investments in mainland China (None)

(IV) Major shareholders: Names of shareholders with more than 5% ownership interest, and the number and percentage of shares held. (Table 3)

XXXII. Segments Information

Information provided to the decision maker for resource allocation and performance evaluation; provide explanation by the types of product or service delivered. Reporting segments for the Group are as follows:

Department store segment - Taoyuan Branch
- Taipei Branch

Investment Segment

Construction Segment

Income and business performance of the Company and subsidiaries, reported by segments, are as follows:

Segment revenues and results

The following was an analysis of the Group's revenue and results by the reporting department.

	Segment Revenue		segment profit or loss	
	2023	2022	2023	2022
Department store segment - Taoyuan Branch	$ 242,696	$ 195,028	$ 75,684	$ 28,234
- Taipei Branch	224,869	223,679	157,261	159,294
Investment Segment	4,778	6,392	2,968	3,734
Construction Segment	211,736	286,871	(26,985)	(26,852)
Total from continuing operations	$ 684,079	$ 711,970	208,928	164,410
Other income and interest income			25,923	25,778
Other gains and losses			38,720	(42,802)
Financial costs			(46,243)	(36,573)
Share of profit/loss from equity-accounted associated companies			5,082	4,113
Profit before tax			$ 232,410	$ 114,926

The investment, construction, and food & beverage segments each paid the department store segment a rent of NT$120 thousand and NT$406 thousand in 2023 and 2022, respectively; these amounts have been eliminated upon consolidation. All income of the above reporting segments were generated from transactions with external customers.

Segment gain refers to profits made by each segment. It excludes other income and interest income, other gains and losses, financial cost, share of profit/loss from equity-accounted associated companies, and income tax expense. These amounts are reported to the decision maker for allocating segment resources and evaluating segment performance.

Tonlin Department Store Co., Ltd. and Subsidiaries
Marketable securities held
December 31, 2023

Table 1 Unit: NTD thousand

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
Tonlin Department Store Co., Ltd.	Common share							
	Harbinger Venture Capital Corp.	-	Equity instrument at FVTOCI - Non-current	3,367	$ -	1.70	$ -	
	Wholesome Biopharm Pty Ltd.	-	Equity instrument at FVTOCI - Non-current	10,000,000	12,630	12.16	12,630	
	KDH Design CO., Ltd.	-	Equity instrument at FVTOCI - Non-current	40,000	-	2.03	-	
	Budworth Investment Limited	-	Equity instrument at FVTOCI - Non-current	15,186	-	1.67	-	
	Julien's International Entertainment Group Co., Ltd.	-	Equity instrument at FVTOCI - Non-current	373,501	4,563	1.30	4,563	
	Preferred share							
	Phyto Ceutica Inc.	-	Equity instrument at FVTOCI - Non-current	20,000	-	-	-	
	Beneficiary certificate							
	Yuanta 20+ Year AAA to A Grade USD Corporate Bond ETF Securities Investment Trust Fund	-	Financial assets at FVTPL - Current	124,000	4,381	-	4,381	
	President Bloomberg U.S. 20+ Years Treasury Bond ETF	-	Financial assets at FVTPL - Current	80,000	1,217	-	1,217	
	CTBC Asia Pacific Real Income Fund	-	Financial assets at FVTPL - Current	200,000.00	2,084	-	2,084	
	Taishin 1699 Money Market	-	Financial assets at FVTPL - Current	9,762,520.59	136,114	-	136,114	
	SinoPac Money Market Fund	-	Financial assets at FVTPL - Current	8,422,399.00	120,449	-	120,449	
	SinoPac Jih Sun Money Market Fund	-	Financial assets at FVTPL - Current	2,950,864.84	45,014	-	45,014	
	Capital Money Market Fund	-	Financial assets at FVTPL - Current	3,027,229.20	50,212	-	50,212	
	Allianz Taiwan Money Market Fund	-	Financial assets at FVTPL - Current	1,163,909.49	15,002	-	15,002	
	Hua Nan Phoenix Money Market Fund	-	Financial assets at FVTPL - Current	1,497,374.40	25,043	-	25,043	

(Continued on next page)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
	Fuh Hwa South Africa Short-Term Income ZAR Fund B	-	Financial assets at FVTPL - Current	60,260.90	$ 916	-	$ 916	
	Pictet-Russian Equities R	-	Financial assets at FVTPL - Current	176.27	287	-	287	
	LionGlobal Vietnam Fund	-	Financial assets at FVTPL - Current	50,741.34	1,011	-	1,011	
	BNP Paribas Funds Energy Transition	-	Financial assets at FVTPL - Current	400	912	-	912	
	JPMorgan Funds - US Technology Fund A	-	Financial assets at FVTPL - Current	273.84	764	-	764	
	AB - American Income Portfolio AT Inc	-	Financial assets at FVTPL - Current	1,771.84	1,660	-	1,660	
	Allianz Income and Growth Fund (BM)	-	Financial assets at FVTPL - Current	18,315.02	4,993	-	4,993	
	Allianz Income and Growth Fund (AM)	-	Financial assets at FVTPL - Current	2,550.33	641	-	641	
	Goldman Sachs Investment Grade Corporate Bond Fund X Shares	-	Financial assets at FVTPL - Current	1,815.98	5,469	-	5,469	
	Allianz Income and Growth Fund (AM) - Rand	-	Financial assets at FVTPL - Current	7,962.74	1,384	-	1,384	
	Franklin Templeton SinoAm New World Fund - CNY	-	Financial assets at FVTPL - Current	9,434	863	-	863	
	Nomura Global Infrastructure Megatrend Fund - CNY	-	Financial assets at FVTPL - Current	60,000	2,404	-	2,404	
	UBS (Luxembourg) AUD Fund	-	Financial assets at FVTPL - Current	162.01	8,379	-	8,379	
	ASIAN TIGER BOND A2 USD	-	Financial assets at FVTPL - Current	2,308.94	2,721	-	2,721	
	GLOBAL REAL ASSET SECURITIES	-	Financial assets at FVTPL - Current	696.28	2,554	-	2,554	
	AHL TREND ALTERNATIVE	-	Financial assets at FVTPL - Current	1,247.76	6,048	-	6,048	
	- Bonds							
	Brazilian Government Bonds (VII)	-	Financial assets at FVTPL - Current	2,000	4,976	-	4,976	
	- Corporate bonds							
	Petroleos Mexicanos corporate bonds (VII)	-	Financial assets at FVTPL - Current	2,500	4,967	-	4,967	

(Continued on next page)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
	Apple Inc. Corporate Bonds (VII)	-	Financial assets at FVTPL - Current	1,700	$ 4,370	-	$ 4,370	
	Altria Group Corporate Bond	-	Financial assets at FVTPL - Current	200	6,218	-	6,218	
	Pertamina corporate bonds (III)	-	Financial assets at FVTPL - Current	2,000	5,730	-	5,730	
	Verizon Communications corporate bonds	-	Financial assets at FVTPL - Current	62	1,865	-	1,865	
	UnitedHealth Group Corporate Bond	-	Financial assets at FVTPL - Current	127	3,662	-	3,662	
	Corporate bonds of BMW US Capital LLC	-	Financial assets at FVTPL - Current	1,600	4,662	-	4,662	
	Corporate bonds of AT&T	-	Financial assets at FVTPL - Current	215	6,567	-	6,567	
	Petroleos Mexicanos corporate bonds (PEMEX)	-	Financial assets at FVTPL - Current	16	418	-	418	
	AT&T Semi-Annual Dividend Payout Corporate Bond	-	Financial assets at FVTPL - Current	90	2,609	-	2,609	
	Johnson & Johnson Corporate Bond	-	Financial assets at FVTPL - Current	155	4,372	-	4,372	
	Macquarie Group Corporate Bond	-	Financial assets at FVTPL - Current	130	3,985	-	3,985	
	Bank of America Corporate Bond	-	Financial assets at FVTPL - Current	200	6,201	-	6,201	
	Verizon Communications Corporate Bond 13 (BS2)	-	Financial assets at FVTPL - Current	2,000	5,675	-	5,675	
	Intel USD-denominated Corporate Bond	-	Financial assets at FVTPL - Current	120	3,181	-	3,181	
	Pfizer Corporate Bond 6 (BT9)	-	Financial assets at FVTPL - Current	2,000	5,383	-	5,383	
	4.305% STANDARD CHARTERED PLC SR UNSECURED	-	Financial assets at FVTPL - Current	200,000	5,749	-	5,749	
	Common shares of domestic companies							
	Taiwan Cement Corp.	-	Financial assets at FVTPL - Current	149,000	5,193	-	5,193	
	Ta Chen Stainless Pipe Co., Ltd.	-	Financial assets at FVTPL - Current	75,000	2,970	-	2,970	

(Continued on next page)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
	United Microelectronics Corporation	-	Financial assets at FVTPL - Current	94,000	$ 4,944	-	$ 4,944	
	Delta Electronics, Inc.	-	Financial assets at FVTPL - Current	15,000	4,703	-	4,703	
	Winbond Electronics Corp.	-	Financial assets at FVTPL - Current	100,427	3,058	-	3,058	
	GIGA-BYTE TECHNOLOGY CO., LTD.Taiwan uav CO., LTD.	-	Financial assets at FVTPL - Current	11,000	2,926	-	2,926	
	E-LEAD ELECTRONIC CO.,LTD.	-	Financial assets at FVTPL - Current	81,000	5,265	-	5,265	
	Shin Kong Financial Holding Co., Ltd.	-	Financial assets at FVTPL - Current	705,000	6,239	-	6,239	
	CTBC Financial Holding Co., Ltd.	-	Financial assets at FVTPL - Current	440,000	12,474	-	12,474	
	Taiwan Tea Corporation	-	Financial assets at FVTPL - Current	122,000	2,654	-	2,654	
	Asia Optical Co. Inc.	-	Financial assets at FVTPL - Current	71,000	4,984	-	4,984	
	Unimicron Technology Corp.	-	Financial assets at FVTPL - Current	44,000	7,744	-	7,744	
	SUNFLEX TECH. CO., Ltd.	-	Financial assets at FVTPL - Current	36,000	1,058	-	1,058	
	AEWIN Technologies Co., Ltd.	-	Financial assets at FVTPL - Current	34,000	1,761	-	1,761	
	Raydium Semiconductor Corporation	-	Financial assets at FVTPL - Current	32,000	12,816	-	12,816	
	PharmaEssentia Corp.	-	Financial assets at FVTPL - Current	2,000	692	-	692	
	Polaris Group	-	Financial assets at FVTPL - Current	32,000	2,419	-	2,419	
	FuSheng Precision Co., Ltd.	-	Financial assets at FVTPL - Current	145,000	29,943	-	29,943	
	BioGend Therapeutics Co., Ltd.	-	Financial assets at FVTPL - Current	140,000	5,355	-	5,355	
	ALLIED CIRCUIT CO., LTD	-	Financial assets at FVTPL - Current	9,000	1,395	-	1,395	

(Continued on next page)

(Continued)

Companies held	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
	Taiwan High Speed Rail Corporation	-	Financial assets at FVTPL - Current	50,000	$ 1,535	-	$ 1,535	
	Century Wind Power Co., Ltd.	-	Financial assets at FVTPL - Current	9,000	2,255	-	2,255	
	JET OPTOELECTRONICS CO., LTD.	-	Financial assets at FVTPL - Current	25,000	1,327	-	1,327	
	Caliway Biopharmaceuticals Co., Ltd.	-	Financial assets at FVTPL - Current	3,000	1,147	-	1,147	
	- Foreign shares							
	BANK OF AMERICA CORP	-	Financial assets at FVTPL - Current	5,800	5,996	-	5,996	
	TSM-SP ADR	-	Financial assets at FVTPL - Current	2,500	7,984	-	7,984	

Tonlin Department Store Co., Ltd. and Subsidiaries
Information of Investees
2023

Table 2

Unit: NTD thousand

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2023			Current period profit (loss) of the investee	Investment gains (losses) recognized in the current period	Remarks
				December 31, 2023	December 31, 2022	Shares	Percentage (%)	Carrying amount			
Tonlin Department Store Co., Ltd.	De Hong Development Co., Ltd.	Taipei City	General construction	$ 517,000	$ 600,000	30,000,000	100.00	$ 271,121	($ 28,778)	($ 28,778)	Subsidiary (Notes 1, 3, and 5)
	Chung Hsiao Enterprise Co., Ltd.	Taipei City	General leasing	151,352	151,352	5,076,000	26.89	180,483	18,898	5,082	Equity-accounted investee
	SONG YUAN INVESTMENT CO., LTD.	Taipei City	General investment	-	350,000	-	-	-	5,975	5,975	Subsidiary (Notes 2, 3, and 4)
	SHUN TAI INVESTMENT CO., LTD.	Taipei City	General investment	-	350,000	-	-	-	492	492	Subsidiary (Notes 2, 3, and 4)
	GUAN CHAN INVESTMENT CO., LTD.	Taipei City	General investment	-	350,000	-	-	-	8	8	Subsidiary (Notes 2, 3, and 4)
	JIA FONG INVESTMENT CO., LTD.	Taipei City	General investment	-	350,000	-	-	-	334	334	Subsidiary (Notes 2, 3, and 4)

Note 1: Calculated based on the entity's audited financial statements as at December 31, 2023.
Note 2: Calculated based on the entity's audited financial statements as at August 30, 2023.
Note 3: Fully eliminated when preparing consolidated financial statements.
Note 4: To integrate group resources and achieve operational synergy, the board of directors resolved on August 7, 2023 that the Company conducted a simplified merger with its wholly-owned subsidiaries, Guan Chan Investment Co., Ltd., Jia Fong Investment Co., Ltd., Song Yuan Investment Co., Ltd., and Shun Tai Investment Co., Ltd., in accordance with Article 19 of the Business Mergers and Acquisition Act. The reference date of the merger was August 31, 2023. The Company was the surviving company. Before the merger, a total of 33,322 thousand shares of the surviving company held by the eliminated Company should be cancelled on the reference date of the merger.
Note 5: De Hong Development Co., Ltd., resolved by its board of directors on November 6, 2023, conducted a capital decrease to offset the deficit of NT$67,000 thousand plus cash capital decrease of NT$83,000 thousand, with 15,000,000 issued shares cancelled. After the capital decrease, the paid-in capital is NT$300,000 thousand, divided into 30,000,000 shares.

Tonlin Department Store Co., Ltd. and Subsidiaries
Information on main investors
December 31, 2023

Table 3

Name of major shareholder	Shares	
	No. of shares held	Shareholding percentage (%)
SHUEN SHYANG CO., LTD.	35,913,664	20.47%
JIN DUO LIH ENTERPRISES PTY. LTD.	22,936,442	13.07%
Weng Chun-Chih	20,487,920	11.68%
FlySun Development Co., Ltd.	12,579,333	7.17%

Note 1: Information on major shareholders, as presented in this chart, was taken from records of Taiwan Depository & Clearing Corporation as at the final business day of the reported quarter, and included parties holding book-entry common and preferred shares (including treasury stock) for an aggregate ownership of 5% and above. Share capital reported in the Company's consolidated financial statements may differ from the number of shares delivered via book entry due to different basis of preparation/calculation.

Note 2: The aforementioned information will be disclosed by the trustors' personal accounts settled by the trustees If the shareholders put the shares into a trust. As for the insider declaration of the ownership percentage over 10%, including the shares on hand and those being put in the trust and may be able to decide the usage of the trust assets, please refer to the declaration information on Market Observation Post System (MOPS).